



Financial Statements  
June 30, 2022

Independent School District No. 206  
Alexandria Public Schools

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Independent School District No. 206  
Alexandria Public Schools  
School Board and Administration  
June 30, 2022

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Name	Position	Term Expires
<b>School Board</b>		
Angie Krebs	Chairperson	2024
Dave Anderson	Vice Chairperson	2024
Dean Anderson	Clerk	2022
Pam Carlson	Treasurer	2024
Maureen Eigan	Director	2022
Sandy Susag	Director	2022
Alan Zeithamer	Director	2022
<b>Administration</b>		
Rick Sansted	Superintendent	
Trevor Peterson	Director of Business Services	



## Independent Auditor's Report

The School Board of  
Independent School District No. 206  
Alexandria Public Schools  
Alexandria, Minnesota

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alexandria Public Schools ("the District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

#### *Basis for Opinions*

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

#### *Adoption of New Accounting Standard*

As discussed in Notes 1 and 13 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities right to use assets and lease liabilities as of July 1, 2021. Our opinions are not modified with respect to this matter.

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

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

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

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

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

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

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

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in supplemental benefits liability, schedule of supplemental benefits liability, schedule of changes in the District's net OPEB liability and related ratios, schedule of District OPEB contributions, schedule of employer's share of net pension liability, and schedule of employer's contributions 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 District's basic financial statements. The schedule of changes in UFARS fund balances; nonmajor funds combining balance sheet; nonmajor funds combining schedule of revenues, expenditures, and changes in fund balances; the uniform financial accounting and reporting standards compliance table, 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*, 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 schedule of changes in UFARS fund balances; nonmajor funds combining balance sheet; nonmajor funds combining schedule of revenues, expenditures, and changes in fund balances; the uniform financial accounting and reporting standards compliance table; and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

#### **Report on Other Legal and Regulatory Requirements**

In accordance with Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated November 1, 2022, on our consideration of the District's compliance with aspects of the provisions of the Minnesota Legal Compliance Audit Guide for School Districts. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with Office of the State Auditor's Minnesota Legal Compliance Audit Guide for School Districts in considering the District's compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.



Fargo, North Dakota  
November 1, 2022



This section of Alexandria Public Schools – Independent School District No. 206's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### Financial Highlights

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

- *General Fund 01* – The overall revenues were \$55,855,654 while the overall expenditures were \$57,488,374. These, along with net other financing sources of \$69,145, decreased the fund balance by \$1,563,575.
- *Food Service Fund 02* – The overall revenues were \$3,993,359 while the overall expenditures were \$3,606,378. These increased the fund balance by \$386,981.
- *Community Service Fund 04* – The overall revenues were \$3,099,515 while the overall expenditures were \$3,319,799. These decreased the fund balance by \$220,284.
- *Capital Projects Fund 06* – The overall revenues were \$1,098 while the overall expenditures were \$6,918,021. These, along with net other financing sources of \$11,153,686, increased the fund balance by \$4,236,763.
- *Debt Service Fund 07* – The overall revenues were \$6,531,238 while the overall expenditures were \$6,292,386. These increased the fund balance by \$238,852.
- *OPEB Debt Service Fund 47* – The overall revenues were \$740,144 while the overall expenditures were \$704,878. These increased the fund balance by \$35,266.

### Overview of the Financial Statements

#### Government-Wide Statements

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

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

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

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

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

### **Fund Financial Statements**

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

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

The District has one kind of fund:

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

**Financial Analysis of the District as a Whole**

**Net Position**

The District's combined net deficit was \$20,189,761 on June 30, 2022.

Statement of Net Position  
 June 30, 2022 and 2021

	2022	2021
Assets		
Current assets	\$ 37,611,377	\$ 34,391,526
Capital assets	116,049,375	110,977,630
Total assets	153,660,752	145,369,156
Deferred Outflows of Resources	15,907,338	16,272,318
Liabilities		
Other liabilities	9,249,331	8,825,222
Long-term liabilities	128,223,728	135,487,546
Total liabilities	137,473,059	144,312,768
Deferred Inflows of Resources	52,284,792	40,678,679
Net Deficit		
Net investment in capital assets	35,037,599	91,937,112
Restricted for specific purposes	6,641,958	1,370,277
Unrestricted	(61,869,318)	(116,657,362)
Total net deficit	\$ (20,189,761)	\$ (23,349,973)

Independent School District No. 206

Alexandria Public Schools

Management's Discussion and Analysis

Year Ended June 30, 2022

*Changes in Net Deficit* – The District's total revenues were approximately \$70.6 million for the year ended June 30, 2022. Property taxes and state formula aid accounted for 74.9% of total revenue for the year. Another 23.6% came from program revenues.

The total cost of all programs and services was approximately \$67.5 million. The District's expenses are predominantly related to educating and caring for students. The purely administrative activities of the District accounted for just 2.6% of total costs.

The total revenues exceeded expenses, decreasing the net deficit by approximately \$3.2 million for fiscal year 2022.

Statement of Activities  
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenues		
Program revenues		
Charges for service	\$ 3,474,679	\$ 3,896,015
Operating grants and contributions	13,187,107	13,363,412
General		
Property taxes	16,097,448	16,130,522
Aids and payments from state and other	36,786,557	36,503,290
Miscellaneous revenues	1,100,577	635,661
Total revenues	<u>70,646,368</u>	<u>70,528,900</u>
Expenses		
Administration	1,734,719	2,561,451
District support services	2,707,531	1,837,437
Regular instruction	22,492,790	28,706,107
Vocational instruction	984,811	932,207
Special education instruction	12,994,957	12,725,994
Community education and services	3,291,150	2,754,589
Instructional support services	4,526,245	4,060,708
Pupil support services	7,383,783	6,567,548
Sites and buildings	8,264,266	6,432,501
Fiscal and other fixed-cost programs	3,105,904	3,478,251
Total expenses	<u>67,486,156</u>	<u>70,056,793</u>
Change in Net Deficit	3,160,212	472,107
Net Deficit - Beginning	<u>(23,349,973)</u>	<u>(23,822,080)</u>
Net Deficit - Ending	<u>\$ (20,189,761)</u>	<u>\$ (23,349,973)</u>

Independent School District No. 206  
 Alexandria Public Schools  
 Management's Discussion and Analysis  
 Year Ended June 30, 2022

**General Fund**

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

The following schedule presents a summary of General Fund Revenues.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2022	2021		
Local Property Taxes	\$ 8,489,982	\$ 8,126,553	\$ 363,429	4.5%
Other Local Sources	1,895,919	1,600,458	295,461	18.5%
State Sources	41,519,490	42,614,605	(1,095,115)	-2.6%
Federal Sources	3,950,263	3,379,163	571,100	16.9%
<b>Total general fund revenues</b>	<b>\$ 55,855,654</b>	<b>\$ 55,720,779</b>	<b>\$ 134,875</b>	<b>0.2%</b>

Total General Fund revenue increased by \$134,875 or 0.2% from the previous year. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on revenue. Other local sources increased as a result of activities that were unable to occur in the prior year due to the COVID-19 pandemic that resumed in the current year. Federal sources increased as a result of the new Emergency Connectivity Funding program in the current year offset by a reduction in state aid primarily driven by student counts.

The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2022	2021		
Salaries And Benefits	\$ 43,958,520	\$ 41,559,449	\$ 2,399,071	5.8%
Purchased Services	6,959,072	6,132,190	826,882	13.5%
Supplies And Materials	4,985,519	3,572,009	1,413,510	39.6%
Capital Expenditures	803,238	3,022,922	(2,219,684)	-73.4%
Other Expenditures	782,025	533,772	248,253	46.5%
<b>Total general fund expenditures</b>	<b>\$ 57,488,374</b>	<b>\$ 54,820,342</b>	<b>\$ 2,668,032</b>	<b>4.9%</b>

Total General Fund expenditures increased by \$2,668,032 or 4.9% from the previous year. The majority of the increase in expenditures for 2022 was for salaries and benefits of district staff. In addition, supplies and materials increased due to the purchase of instructional technology devices.

**General Fund Budgetary Highlights**

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

- Actual revenues were \$920,863 less than budget, mainly because of less than anticipated general education and special education aid from the state.
- Actual expenditures were \$147,911 less than budget.

**Other Non-Major Funds**

The Food Service Fund incurred a current year surplus of \$386,981. The Community Service Fund incurred a current year deficit of \$220,284. From the standpoint of maintaining current operating expenditures within the range of annual revenue, the Community Service Fund and Food Service Fund continue to operate on a sound financial basis.

**Capital Assets**

By the end of fiscal year 2022, the District had invested approximately \$171.7 million in a broad range of capital assets, including school buildings, athletic facilities, computer and audit-visual equipment, and school vehicles. Total depreciation expense for the year was \$3,936,265. Note 5 presents the detail of the District's capital assets.

Capital Assets Governmental Activities  
 June 30, 2022 and 2021

	2022	2021
Land	\$ 6,031,424	\$ 6,031,424
Construction In Progress	7,224,624	546,633
Buildings	132,662,435	132,189,322
Improvements	9,341,230	9,274,787
Equipment	15,400,951	14,820,692
Right-To-Use Leased Assets	1,043,465	-
Accumulated Depreciation/Amortization	(55,654,754)	(51,885,228)
Total capital assets	\$ 116,049,375	\$ 110,977,630

### **Long-Term Liabilities**

At year end the District had \$95,161,874 of long term debt, excluding pension, OPEB, and supplemental benefits liabilities. This consisted of bonded indebtedness of \$77,580,000, unamortized bond premiums of \$5,887,177, direct borrowing payable of \$195,490, leases payable of \$827,669, and vacation and sick leave payable of \$346,538. Note 7 presents the detail of the District's long-term debt. Note 6 presents the details of the District's leases. The District has \$918,895 in supplemental benefit liability. See Note 8 for further information on supplemental benefits. The District has \$8,678,371 in liabilities for other postemployment benefits. See Note 9 for further information on OPEB obligations. The District has \$23,464,588 in net pension liability at June 30, 2022. See Note 10 for further information on pensions.

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

With the exception of voter-approved excess operating referendum, the District is dependent on the State of Minnesota for its revenue authority. The state did allocate additional resources to school districts for fiscal years 2022 & 2023. However, with the continuing uncertainty of funding sustainability and a substantial change across the district regarding alternative educational opportunities, the District will continue to monitor its spending to remain fiscally responsible.

With the ongoing COVID-19 Pandemic, the effects on budgeted revenues and expenditures are unknown. The District anticipates revenue shortfalls from regular activities, however additional federal money was received through the CARES Act during 2022. The District continues to provide educational services to its pupils and is making plans for the upcoming school year, including distance learning and hybrid models if needed. The District has maintained strong reserve balances which will help bridge financial gaps. This global pandemic has created unprecedented challenges for Federal, State and Local Government operations, creating uncertainty in the outcome of the 2023 budget.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or would like additional information, contact the Business Office, Independent School District No. 206, Alexandria, Minnesota.

Independent School District No. 206  
 Alexandria Public Schools  
 Statement of Net Position  
 June 30, 2022

<b>Assets</b>	
Cash and cash equivalents	\$ 24,208,614
Receivables	
Current property taxes	7,771,723
Delinquent property taxes	65,836
Accounts	899,963
Due from other governmental units	4,613,768
Inventories	51,473
	<u>37,611,377</u>
Capital assets	
Capital assets not being depreciated	
Land	6,031,424
Construction in progress	7,224,624
Capital assets, net of accumulated depreciation/amortization	
Buildings and improvements	95,186,730
Land improvements	3,509,443
Equipment	3,281,511
Right-to-use leased assets	815,643
Total capital assets	<u>116,049,375</u>
Total assets	<u>153,660,752</u>
Deferred Outflows of Resources	
Other postemployment benefits	437,451
Supplemental benefits	350,529
Pension plans	15,119,358
Total deferred inflows of resources	<u>15,907,338</u>
<b>Liabilities</b>	
Accounts payable	728,593
Due to other governmental units	816,259
Salaries payable	5,724,506
Construction contracts payable	299,523
Accrued interest payable	1,474,499
Unearned revenue	197,399
Claims incurred but not reported	8,552
Long-term liabilities	
Due within one year - other than pensions, OPEB, and supplemental benefits	5,473,857
Due in more than one year - other than pensions, OPEB, and supplemental benefits	89,688,017
Due in more than one year - supplemental benefits	918,895
Due in more than one year - other postemployment benefits	8,678,371
Due in more than one year - net pension liability	23,464,588
Total liabilities	<u>137,473,059</u>
Deferred Inflows of Resources	
Property taxes levied for subsequent year	15,659,641
Other postemployment benefits	581,587
Supplemental benefits	74,313
Pension plans	35,969,251
Total deferred inflows of resources	<u>52,284,792</u>
<b>Net Deficit</b>	
Net investment in capital assets	35,037,599
Restricted for specific purposes	6,641,958
Unrestricted	<u>(61,869,318)</u>
Total net deficit	<u>\$ (20,189,761)</u>



Independent School District No. 206  
 Alexandria Public Schools  
 Statement of Activities  
 Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities</b>					
Administration	\$ 1,734,719	\$ -	\$ -	\$ -	\$ (1,734,719)
District support services	2,707,531	9,250	-	-	(2,698,281)
Regular instruction	22,492,790	1,009,652	432,610	-	(21,050,528)
Vocational instruction	984,811	-	3,168	-	(981,643)
Special education instruction	12,994,957	-	8,536,510	-	(4,458,447)
Community education and services	3,291,150	2,009,508	515,996	-	(765,646)
Instructional support services	4,526,245	-	-	-	(4,526,245)
Pupil support services	7,383,783	422,337	3,698,759	-	(3,262,687)
Sites and buildings	8,264,266	23,932	64	-	(8,240,270)
Fiscal and other fixed-cost programs	3,105,904	-	-	-	(3,105,904)
<b>Total governmental activities</b>	<u>\$ 67,486,156</u>	<u>\$ 3,474,679</u>	<u>\$ 13,187,107</u>	<u>\$ -</u>	<u>(50,824,370)</u>
<b>General Revenues</b>					
Property taxes, levied for general purposes					8,488,702
Property taxes, levied for community education and services					560,324
Property taxes, levied for debt service					6,312,661
Property taxes, levied for OPEB debt service					735,761
Aids and payments from state sources					34,170,284
Aids and payments from federal sources					2,494,766
County apportionment					121,507
Unrestricted investment earnings					39,038
Miscellaneous revenues					1,061,539
<b>Total general revenues</b>					<u>53,984,582</u>
<b>Change in Net Deficit</b>					3,160,212
<b>Net Deficit - Beginning</b>					<u>(23,349,973)</u>
<b>Net Deficit - Ending</b>					<u>\$ (20,189,761)</u>

Independent School District No. 206  
 Alexandria Public Schools  
 Governmental Funds  
 Balance Sheet  
 June 30, 2022

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 12,866,751	\$ 4,490,424	\$ 3,353,846	\$ 3,441,309	\$ 24,152,330
Receivables					
Current property taxes	3,980,101	-	3,145,594	646,028	7,771,723
Delinquent property taxes	34,009	-	26,540	5,287	65,836
Accounts	898,157	-	-	1,806	899,963
Due from other governmental units	4,489,294	-	19,107	105,367	4,613,768
Inventories	15,539	-	-	35,934	51,473
<b>Total assets</b>	<b><u>\$ 22,283,851</u></b>	<b><u>\$ 4,490,424</u></b>	<b><u>\$ 6,545,087</u></b>	<b><u>\$ 4,235,731</u></b>	<b><u>\$ 37,555,093</u></b>
<b>Liabilities</b>					
Accounts payable	\$ 165,809	\$ 509,518	\$ -	\$ 53,266	\$ 728,593
Due to other governmental units	816,259	-	-	-	816,259
Salaries payable	5,426,881	-	-	297,625	5,724,506
Construction contracts payable	-	299,523	-	-	299,523
Unearned revenue	-	-	-	197,399	197,399
<b>Total liabilities</b>	<b><u>6,408,949</u></b>	<b><u>809,041</u></b>	<b><u>-</u></b>	<b><u>548,290</u></b>	<b><u>7,766,280</u></b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue-property taxes	34,009	-	26,540	5,287	65,836
Property taxes levied for subsequent year	7,793,436	-	6,486,467	1,379,738	15,659,641
<b>Total deferred inflows of resources</b>	<b><u>7,827,445</u></b>	<b><u>-</u></b>	<b><u>6,513,007</u></b>	<b><u>1,385,025</u></b>	<b><u>15,725,477</u></b>
<b>Fund Balance</b>					
Nonspendable	15,539	-	-	35,934	51,473
Restricted	530,014	3,681,383	32,080	2,300,818	6,544,295
Assigned	1,250,000	-	-	-	1,250,000
Unassigned	6,251,904	-	-	(34,336)	6,217,568
<b>Total fund balance</b>	<b><u>8,047,457</u></b>	<b><u>3,681,383</u></b>	<b><u>32,080</u></b>	<b><u>2,302,416</u></b>	<b><u>14,063,336</u></b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b><u>\$ 22,283,851</u></b>	<b><u>\$ 4,490,424</u></b>	<b><u>\$ 6,545,087</u></b>	<b><u>\$ 4,235,731</u></b>	<b><u>\$ 37,555,093</u></b>

Independent School District No. 206  
Alexandria Public Schools  
Reconciliation of the Balance Sheet to the Statement of Net Position  
June 30, 2022

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Total Fund Balances - Governmental Funds	\$ 14,063,336
Amounts reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported as assets in the governmental funds.	116,049,375
Accrued interest payable for long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(1,474,499)
Delinquent property taxes are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	65,836
Internal service funds are used by the District to charge the costs of the self-insured dental insurance pool. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.	47,732
Deferred outflows and inflows of resources related to pension, supplemental benefit, and OPEB plans are applicable to future periods and, therefore, are not reported in the funds.	(20,717,813)
Long-term liabilities, including bonds payable, certificates of participation, unamortized premiums, direct borrowing payable, leases, compensated absences, supplemental benefits, other post-employment benefits, and pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(128,223,728)</u>
Total Net Deficit - Governmental Activities	<u>\$ (20,189,761)</u>

Independent School District No. 206  
Alexandria Public Schools  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Year Ended June 30, 2022

	General	Capital Projects	Debt Service	Other Governmental Funds	Totals
<b>Revenues</b>					
Local property tax levies	\$ 8,489,982	\$ -	\$ 6,314,847	\$ 1,296,933	\$ 16,101,762
Other local and county sources	1,757,138	-	-	2,062,296	3,819,434
Investment earnings	35,749	1,098	2,186	7,188	46,221
Rental income	103,032	-	-	-	103,032
State sources	41,519,490	-	214,205	570,964	42,304,659
Federal sources	3,950,263	-	-	3,597,812	7,548,075
Sales and other conversion of assets	-	-	-	297,825	297,825
<b>Total revenues</b>	<b>55,855,654</b>	<b>1,098</b>	<b>6,531,238</b>	<b>7,833,018</b>	<b>70,221,008</b>
<b>Expenditures</b>					
<b>Current</b>					
Administration	1,912,280	-	-	-	1,912,280
District support services	2,227,510	-	-	-	2,227,510
Regular instruction	24,487,978	-	-	-	24,487,978
Vocational instruction	977,540	-	-	-	977,540
Special education instruction	12,967,254	-	-	-	12,967,254
Community education and service	-	-	-	3,297,862	3,297,862
Instructional support services	4,424,559	-	-	-	4,424,559
Pupil support services	3,528,138	-	-	3,371,341	6,899,479
Sites and buildings	5,434,640	-	-	-	5,434,640
Fiscal and other fixed cost programs	204,029	-	6,773	200	211,002
<b>Debt service</b>					
Principal	433,824	-	3,330,000	550,000	4,313,824
Interest	87,384	-	2,955,613	154,678	3,197,675
Debt issuance costs	-	133,686	-	-	133,686
Capital outlay	803,238	6,784,335	-	256,974	7,844,547
<b>Total expenditures</b>	<b>57,488,374</b>	<b>6,918,021</b>	<b>6,292,386</b>	<b>7,631,055</b>	<b>78,329,836</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(1,632,720)	(6,916,923)	238,852	201,963	(8,108,828)
<b>Other Financing Sources</b>					
Insurance recovery	69,145	-	-	-	69,145
Debt proceeds	-	10,325,000	-	-	10,325,000
Premium on debt proceeds	-	828,686	-	-	828,686
<b>Total other financing sources</b>	<b>69,145</b>	<b>11,153,686</b>	<b>-</b>	<b>-</b>	<b>11,222,831</b>
<b>Net Change in Fund Balance</b>	<b>(1,563,575)</b>	<b>4,236,763</b>	<b>238,852</b>	<b>201,963</b>	<b>3,114,003</b>
<b>Fund Balance (Deficit), Beginning of Year</b>	<b>9,611,032</b>	<b>(555,380)</b>	<b>(206,772)</b>	<b>2,100,453</b>	<b>10,949,333</b>
<b>Fund Balance, End of Year</b>	<b>\$ 8,047,457</b>	<b>\$ 3,681,383</b>	<b>\$ 32,080</b>	<b>\$ 2,302,416</b>	<b>\$ 14,063,336</b>

Independent School District No. 206  
 Alexandria Public Schools  
 Reconciliation of the Statement of Revenues, Expenditures,  
 and Changes in Fund Balances to the Statement of Activities  
 Year Ended June 30, 2022

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Net Change in Fund Balances - Total Governmental Funds \$ 3,114,003

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	8,006,545
Depreciation expense	(3,936,265)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(4,892)
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In the statement of activities, compensated absences 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.	2,459
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In the statement of activities, OPEB liabilities and supplemental benefits liabilities 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.	177,561
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In the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as an expense.	2,377,376
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(6,537,087)
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Internal service funds are used by the District to charge the costs of the self-insured dental insurance pool. The net revenue of the internal service fund is reported in the governmental activities.	<u>(39,488)</u>
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Change in Deficit of Governmental Activities	<u><u>\$ 3,160,212</u></u>
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Independent School District No. 206  
Alexandria Public Schools

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – General Fund  
Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Revenues</b>				
Local property tax levies	\$ 8,410,956	\$ 8,402,242	\$ 8,489,982	\$ 87,740
Other local and county sources	1,622,397	1,934,303	1,757,138	(177,165)
Investment earnings	50,000	25,000	35,749	10,749
Rental income	85,000	95,000	103,032	8,032
State sources	41,339,958	42,194,557	41,519,490	(675,067)
Federal sources	3,238,188	4,125,415	3,950,263	(175,152)
	<u>54,746,499</u>	<u>56,776,517</u>	<u>55,855,654</u>	<u>(920,863)</u>
<b>Expenditures</b>				
<b>Current</b>				
Administration	2,038,392	1,900,491	1,912,280	(11,789)
District support services	1,447,473	1,968,672	2,227,510	(258,838)
Regular instruction	24,491,621	24,820,959	24,487,978	332,981
Vocational instruction	969,739	958,649	977,540	(18,891)
Special education instruction	12,347,894	12,291,706	12,967,254	(675,548)
Instructional support services	3,596,549	4,855,313	4,424,559	430,754
Pupil support services	3,309,250	3,502,404	3,528,138	(25,734)
Sites and buildings	4,493,618	4,733,533	5,434,640	(701,107)
Fiscal and other fixed cost programs	407,281	830,759	204,029	626,730
<b>Debt Service</b>				
Principal	-	-	433,824	(433,824)
Interest	-	-	87,384	(87,384)
Capital outlay	1,694,219	1,773,799	803,238	970,561
	<u>54,796,036</u>	<u>57,636,285</u>	<u>57,488,374</u>	<u>147,911</u>
Deficiency of Revenues under Expenditures	(49,537)	(859,768)	(1,632,720)	(772,952)
<b>Other Financing Sources</b>				
Insurance recovery	10,000	47,500	69,145	21,645
Net Change in Fund Balance	<u>\$ (39,537)</u>	<u>\$ (812,268)</u>	(1,563,575)	<u>\$ (751,307)</u>
Fund Balance, Beginning of Year			<u>9,611,032</u>	
Fund Balance, End of Year			<u>\$ 8,047,457</u>	

Independent School District No. 206  
Alexandria Public Schools  
Statement of Net Position  
Proprietary Fund  
Year Ended June 30, 2022

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	<u>Governmental Activities - Internal Service Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 56,284</u>
Liabilities	
Claims incurred but not reported	<u>8,552</u>
Net Position	
Unrestricted	<u><u>\$ 47,732</u></u>

Independent School District No. 206  
 Alexandria Public Schools  
 Statement of Changes in Net Position  
 Proprietary Fund  
 Year Ended June 30, 2022

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	Governmental Activities - Internal Service Fund
Additions	
Dental premiums	\$ 361,101
Deductions	
Dental claims	400,594
Operating Loss	(39,493)
Nonoperating Revenue	
Investment income	5
Change in Net Position	(39,488)
Net Position, Beginning of Year	87,220
Net Position, End of Year	\$ 47,732



Independent School District No. 206  
 Alexandria Public Schools  
 Statement of Cash Flows  
 Proprietary Fund  
 Year Ended June 30, 2022

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	<u>Governmental Activities - Internal Service Fund</u>
Operating Activities	
Receipts from participants	\$ 361,101
Payments for insurance claims and administration	<u>(405,688)</u>
Net cash used for operating activities	<u>(44,587)</u>
Investing Activity	
Investment income	<u>5</u>
Net Change in Cash and Investments	(44,582)
Cash and Cash Equivalents, July 1	<u>100,866</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 56,284</u></u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Activities	
Operating loss	\$ (39,493)
Changes in assets and liabilities	
Claims incurred but not reported	<u>(5,094)</u>
Net cash used for operating activities	<u><u>\$ (44,587)</u></u>

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

**A. Organization**

Independent School District No. 206, Alexandria Public Schools, Alexandria, Minnesota (“the District”) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America 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. Reporting Entity**

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District, along with any component units.

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 burden or benefit 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. Government-Wide Financial Statement Presentation**

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are generally recognized as revenues in the fiscal 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 when all eligibility requirements imposed by the provider have been met.

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

#### **D. Fund Financial Statement Presentation**

Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

*Revenue Recognition* – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to Minnesota Statutes. Federal revenue is recorded in the year in which the related expenditure is made. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

*Recording of Expenditures* – Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, severance, postemployment benefits, and pensions are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the District the right to use leased assets, are reported as expenditures in the governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service fund is receipts from participants. Operating expenses for the internal service fund include payments for insurance claims and administration. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **Description of Funds**

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

#### **Major Governmental Funds**

*General Fund* – The general fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities, equipment purchases, and health and safety projects. The District's Student Activity Funds are under board control and are reported in the general fund.

*Capital Projects Fund* – The capital projects fund is used to account for capital projects within the District.

*Debt Service Fund* – The debt service fund is used to account for the accumulation of resources for, and payment of, general obligation bond principal, interest, and related costs.

#### **Nonmajor Governmental Funds**

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

*Community Service Fund* – 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, extended day programs, or other similar services.

*OPEB Debt Service Fund* – The OPEB debt service fund is used to account for the accumulation of resources for, and payment of, general obligation OPEB bond principal, interest, and related costs.

#### **Other Funds**

*Internal Service Fund* – The Dental Internal Service Fund is used to account for the activities of the District's dental plan.

**E. Other Significant Accounting Policies**

**Budgeting**

An operating budget is adopted by July 1 of each fiscal year for all governmental funds on the same modified accrual basis used to reflect actual revenues and expenditures. The superintendent is authorized to transfer budget amounts within line items; however, supplemental appropriations that amend total appropriations of any fund require a board resolution. Reported budgeted amounts are as originally adopted or as amended by board resolution. Unencumbered appropriations lapse at year-end.

**Cash and Cash Equivalents**

Cash balances for all district funds are pooled and invested to the extent available in various investment instruments as authorized by state statutes. Earnings from such investments are allocated to each of the funds based on the fund's average monthly cash and cash equivalents balance. Funds that incur a deficit balance in pooled cash and cash equivalents during the year are charged interest.

Deposits and investments include certificates of deposit and monies deposited with the Minnesota School District Liquid Asset Fund (MSDLAF), and are stated at fair value. Fair value is the price that would be received to sell the investment in an orderly transaction at year end.

The District has an approved investment policy and OPEB investment policy in place to ensure compliance with state laws relating to investments, and to guarantee that investments meet certain primary criteria.

**Receivables**

Amounts other than leases receivable are shown net of any allowance for uncollectibles. No allowances for uncollectibles have been recorded. The only receivables not expected to be fully collected within one year are property taxes receivable.

**Inventories**

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method. Surplus commodities are stated at standardized costs, as determined by the U.S. Department of Agriculture.

**Property Taxes**

The majority of district revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the Legislature based on education funding priorities.

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the “tax shift,” which periodically changes the District’s recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year’s levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. The remaining portion of the taxes collectible in 2022 is recorded as deferred inflows of resources (property taxes levied for subsequent year).

Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county general remits taxes to the District at periodic intervals as they are collected. A portion of the property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

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

### **Capital Assets**

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historic cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would have been paid to acquire an asset with equivalent service potential on the date of the donation. The District maintains a threshold level of \$10,000 or more for capitalizing capital assets. Federally funded assets maintain a threshold of \$5,000 or more for capitalizing capital assets. 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 government-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 when declared as no longer needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 3 to 50 years. Land and construction in progress are not depreciated.

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

### **Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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

### **Accrued Employee Benefits**

*Vacation* – The District compensates substantially all full-time noncertified employees for unused vacation upon termination. As of June 30, 2022, this amount did not exceed a normal year’s accumulation. In the fund financial statements, the expenditure for vacation pay is recognized when payment is made, and a liability is recorded only for amounts payable in the current period. In the district-wide statements, vacation expense is recognized as earned and a liability is recorded for all earned vacation pay.

*Sick Leave* – The District grants 13 days per year with an accumulation of up to 120 days of sick leave. Upon accumulation of 120 days of leave each teacher will be eligible for a buy back for unused days to a maximum number of 10 days per year at a rate of \$90 per day.

The liability for such vacation or sick leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

### **Postemployment Benefits Other Than Pensions (OPEB)**

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

## 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 the 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.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in Note 10.

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.

## Deferred Outflows 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 so will *not* be recognized as an outflow of resources (expense/ expenditure) until then.

The District has three items that qualify for reporting in this category on the government-wide statement of net position. Deferred outflows of resources related to other postemployment benefits consists of various estimate differences and contributions made to the plan subsequent to the measurement date that will be recognized as expenditures in future years. Deferred outflows of resources related to supplemental benefits consists of various estimate differences that will be recognized as expenses in future years. Deferred outflows of resources related to pension plans consists of various estimate differences and contributions made to the plan subsequent to the measurement date that will be recognized as expenses in future years.

## Deferred Inflows of Resources

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 of items that qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide statement of net position and the governmental funds balance sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. The third item is deferred inflows related to pension, OPEB, and supplemental benefit activity as a result of various estimate differences that will be recognized as expenses in future years, reported in the government-wide statement of net position.

### **Net Position**

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

### **Fund Balance**

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." The District's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

- Nonspendable fund balance amounts are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.
- Restricted fund balance amounts are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

- Committed fund balance amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the school board and that remain binding unless removed by the school board by subsequent formal action. The formal action to commit a fund balance must occur prior to fiscal year end; however, the specific amounts actually committed can be determined in the subsequent fiscal year. A majority vote of the school board is required to commit a fund balance to a specific purpose and subsequently to remove or change any constraint so adopted by the board. A committed fund balance cannot be a negative number.
- Assigned fund balance amounts are comprised of unrestricted funds constrained by the school district's intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. In funds other than the general fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the school district's intended use of those resources. The action to assign a fund balance may be taken after the end of the fiscal year. The school board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The board also delegates the power to assign fund balances to the following: the Superintendent and the Director of Business Services. Assignments so made shall be reported to the school board on a monthly basis, either separately or as part of ongoing reporting by the assigning party if other than the school board. An assigned fund balance cannot be a negative number.
- Unassigned fund balance amounts are the residual amounts in the general fund not reported in any other classification. Unassigned amounts in the general fund are technically available for expenditure for any purpose. The general fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

If resources from more than one fund balance classification could be spent, the school district will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned. The school district will strive to maintain an unassigned general fund balance ranging between 11% and 16% of the annual general fund operating expenditures.

### **Leases**

The District is a lessee for noncancellable leases of various buildings and equipment. The District recognizes a lease liability and a right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease(s) and will remeasure the lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

### **Risk Management**

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

### **Estimates**

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

### **Implementation of GASB Statement No. 87**

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 13 and the additional disclosures required by this standard is included in Note 6.

## **Note 2 - Stewardship, Compliance, and Accountability**

### **Deficit Fund Balance**

At June 30, 2022, the OPEB Debt Service Fund had a deficit fund balance of \$8,059. The deficit fund balance is expected to be eliminated with future revenues.

## **Note 3 - Deposits and Investments**

### **Deposits**

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the District's School Board. All such depositories are members of the Federal Reserve System.

The following is considered the most significant risk associated with deposits:

*Custodial Credit Risk* – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate surety 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 standard 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.

At June 30, 2022, all deposits were insured or collateralized by securities held by the District's agent in the District's name.

### **Investments**

The following are considered the most significant risks associated with investments:

*Credit Risk - Investments* – Minnesota Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record.

*Custodial Credit Risk - Investments* – The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40.

*Interest Rate Risk - Investments* – The District does not have a formal policy that limits investment maturities.

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

The following table presents the District’s deposit and investment balances at June 30, 2022:

Type	Fair Value	Investment Maturities (in Years)		
		N/A	< 1	1 - 5
Cash and cash equivalents				
Minnesota School				
District Liquid Asset Fund	\$ 11,859,751	\$ 11,859,751	\$ -	\$ -
Money market	<u>12,348,863</u>	<u>12,348,863</u>	<u>-</u>	<u>-</u>
	<u>\$ 24,208,614</u>	<u>\$ 24,208,614</u>	<u>\$ -</u>	<u>\$ -</u>

The Minnesota School District Liquid Asset Fund is an external investment pool not registered with the Securities and 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’s shares.

**Note 4 - Due from Other Governmental Units**

Amounts receivable from other governments as of June 30, 2022, include:

Fund	Federal	State	Total
Major funds			
General	\$ 356,789	\$ 4,132,505	\$ 4,489,294
Debt service	-	19,107	19,107
Non-major funds	<u>57,239</u>	<u>48,128</u>	<u>105,367</u>
	<u>\$ 414,028</u>	<u>\$ 4,199,740</u>	<u>\$ 4,613,768</u>

**Note 5 - Capital Assets**

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

	Balance July 1, 2021, as restated	Additions	Deletions	Balance June 30, 2022
Capital assets not being depreciated				
Land	\$ 6,031,424	\$ -	\$ -	\$ 6,031,424
Construction in progress	546,633	6,874,142	196,151	7,224,624
Total capital assets, not being depreciated	6,578,057	6,874,142	196,151	13,256,048
Capital assets being depreciated/amortized:				
Buildings and improvements	132,189,322	473,113	-	132,662,435
Equipment	14,778,692	788,998	166,739	15,400,951
Land improvements	9,274,787	66,443	-	9,341,230
Right-to-use leased assets	1,043,465	-	-	1,043,465
Total capital assets being depreciated/amortized	157,286,266	1,328,554	166,739	158,448,081
Less accumulated depreciation/amortization for				
Buildings and improvements	34,746,760	2,728,945	-	37,475,705
Equipment	11,644,452	641,727	166,739	12,119,440
Land improvements	5,494,016	337,771	-	5,831,787
Right-to-use leased assets	-	227,822	-	227,822
Total accumulated depreciation/amortization	51,885,228	3,936,265	166,739	55,654,754
Net capital assets, depreciated/amortized	105,401,038	(2,607,711)	-	102,793,327
Total capital assets, net	\$ 111,979,095	\$ 4,266,431	\$ 196,151	\$ 116,049,375

Depreciation/amortization expense for the year ended June 30, 2022 was charged to the following functions/programs:

District support services	\$ 1,111
Regular instruction	11,094
Vocational education instruction	7,271
Community service	3,887
Pupil support services	593,228
Sites and buildings	3,319,674
	3,319,674
Total depreciation/amortization expense	\$ 3,936,265

**Note 6 - Leases**

**Leases Payable**

During prior years, the District entered into various building and equipment lease agreements as lessee. An initial lease liability was recorded in the amount of \$1,043,465 during the current fiscal year. As of June 30, 2022, the value of the lease liabilities totaled \$827,669. The District is required to make annual principal and interest payments of \$234,878. The leases have varying interest rates of 3.00% to 5.00%. The building and equipment have varying estimated useful lives ranging from two to thirty years. The carrying value of the right-to-use assets as of the end of the current fiscal year was \$1,043,465 with accumulated amortization of \$227,822. Interest expense totaled \$27,523 and amortization expense totaled \$227,822 for the current fiscal year.

The future principal and interest lease payments as of June 30, 2022, were as follows:

Years Ending June 30,	Principal	Interest
2023	\$ 211,746	\$ 21,148
2024	198,642	15,115
2025	118,440	9,654
2026	38,107	8,055
2027	39,257	6,884
2028 - 2032	221,477	16,475
	<u>\$ 827,669</u>	<u>\$ 77,331</u>

**Note 7 - Long-Term Liabilities**

Changes in long-term liabilities during the year ended June 30, 2022 are as follows:

	Balance July 1, 2021, as restated	Additions	Deletions	Balance June 30, 2022	Due Within One Year
Bonds payable	\$ 81,460,000	\$ -	\$ 3,880,000	\$ 77,580,000	\$ 3,900,000
Certificates of participation	-	10,325,000	-	10,325,000	455,000
Unamortized bond premium	5,551,308	828,686	492,817	5,887,177	435,900
Direct borrowings	413,518	-	218,028	195,490	124,673
Leases	1,043,465	-	215,796	827,669	211,746
Vacation and sick leave	348,997	356,192	358,651	346,538	346,538
	<u>\$ 88,817,288</u>	<u>\$ 11,509,878</u>	<u>\$ 5,165,292</u>	<u>\$ 95,161,874</u>	<u>\$ 5,473,857</u>

*Bonds Payable*

Following is a summary of bonds payable as of June 30, 2022:

Bond Description	Final Maturity	Interest Rate	Original Principal	Outstanding Balance
General Obligation Alternative and Capital Facilities Bonds, Series 2010A	2025	1.25 - 4.5%	\$ 5,820,000	\$ 325,000
General Obligation OPEB Refunding Bonds, Series 2013A	2029	3 - 3.65%	6,365,000	4,235,000
General Obligation Alternative Facilities and Capital Facilities Bonds, Series 2015A	2031	2 - 3.125%	5,560,000	3,585,000
General Obligation School Building Refunding Bonds, Series 2015B	2028	2 - 5%	16,895,000	10,800,000
General Obligation School Building Refunding Bonds, Series 2017A	2037	4 - 5%	58,090,000	56,910,000
General Obligation Capital Facilities Bonds, Series 2020A	2031	1 - 2%	1,885,000	<u>1,725,000</u>
				<u>\$ 77,580,000</u>

The bonds are general obligations of the District for which the full faith and credit and unlimited taxing powers of the district are pledged. Bond principal and interest payments are made by the debt service fund, except for the principal and interest payments on the OPEB Refunding Bonds of 2013A, which are made by the OPEB debt service fund.

*Certificates of Participation*

Certificate of Participation Description	Final Maturity	Interest Rate	Original Principal	Outstanding Balance
Certificates of Participation, Series 2021A	2037	2 - 3%	\$ 10,325,000	<u>\$ 10,325,000</u>

The certificates represent proportionate interests in certain rental payments to be made by the District under a lease-purchase agreement between the District as lessee and UMB Bank, N.A. ("the Trustee") as lessor. The certificates are issued pursuant to a trust agreement between the District and the Trustee. Pursuant to the lease, the Trustee agrees to lease the property constructed with the proceeds to the District. The lease and certificates are not a general obligation of the District and the full faith and credit and ad valorem taxing powers of the District are not pledged to the payment of the rental payments. The lease is subject to termination by the District at the end of any fiscal year of the District if the School Board does not appropriate monies sufficient to continue the lease for the ensuing fiscal year. In the event the lease is terminated pursuant to such non-appropriation, there is no obligation of the District for future rental payments. At the end of the lease term, the District will acquire title to the improvements.



Payments for the Certificates of Participation are made from the general fund through revenues derived from the lease levy pursuant to Minnesota Statutes, Section 126C.40. If the lease levy revenue is insufficient, the District will use available General Fund dollars.

During the year ended June 30, 2022, the District issued \$10,325,000 of Certificates of Participation, Series 2021A to finance additions to Discovery Middle School and Woodland Elementary School. The certificates bear an interest rate of 2.0-3.0% and call for semiannual interest payments commencing August 2022 and annual principal payments commencing February 2023 through February 2037.

*Direct Borrowings*

Direct borrowing agreements have been entered into to finance certain capital asset purchases. These capital assets include buses and a skidsteer. Total cost of capital assets acquired through direct borrowing arrangements as of June 30, 2022 was \$904,009 and total accumulated depreciation on these assets as of June 30, 2022 was \$303,737. The outstanding direct borrowing agreements contain provisions that in the event of default, the equipment will be repossessed.

Following is a summary of direct borrowings payable as of June 30, 2022:

Direct Borrowing Description	Final Maturity	Interest Rate	Original Principal	Outstanding Balance
2 buses, 2020	2023	2.66%	\$ 219,543	\$ 55,595
Skidsteer, 2020	2024	4 - 5%	54,310	22,203
2 buses, 2021	2024	2.08%	235,166	117,692
				<u>\$ 195,490</u>

*Leases*

Leases consist of lease agreements as described in Note 6.

*Vacation and Sick Leave*

Vacation and sick leave consists of vested vacation and sick leave as discussed in Note 1. These expenses are paid out of the general fund.

Remaining principal and interest payments on long-term debt, excluding leases, are as follows:

Years Ending June 30,	Bonds Payable		Certificates of Participation Payable	
	Principal	Interest	Principal	Interest
2023	\$ 3,900,000	\$ 2,988,997	\$ 455,000	\$ 403,827
2024	4,005,000	2,829,834	580,000	279,450
2025	4,205,000	2,654,384	595,000	262,050
2026	4,280,000	2,482,284	615,000	244,200
2027	4,605,000	2,293,841	630,000	225,750
2028-2032	26,680,000	8,409,964	3,455,000	833,250
2033-2037	29,905,000	2,729,250	3,995,000	291,150
	<u>\$ 77,580,000</u>	<u>\$ 24,388,554</u>	<u>\$ 10,325,000</u>	<u>\$ 2,539,677</u>

Years Ending June 30,	Direct Borrowing Payable		Total	
	Principal	Interest	Principal	Interest
2023	\$ 124,673	\$ 5,026	\$ 4,479,673	\$ 3,397,850
2024	70,817	1,790	4,655,817	3,111,074
2025	-	-	4,800,000	2,916,434
2026	-	-	4,895,000	2,726,484
2027	-	-	5,235,000	2,519,591
2028-2032	-	-	30,135,000	9,243,214
2033-2037	-	-	33,900,000	3,020,400
	<u>\$ 195,490</u>	<u>\$ 6,816</u>	<u>\$ 88,100,490</u>	<u>\$ 26,935,047</u>

**Note 8 - Supplemental Benefit Plan**

**A. Plan Description**

The District provides a defined contribution supplemental pension benefit to certain eligible employees and reports it following the guidance of GASB Statement No. 73. All of the pension benefits are based on contractual agreements with employee groups. Contract groups receive other supplement benefits as follows:

*Teachers* – For retirees reaching age 55 with 10 years of service, where probation is complete before July 1, 1998 and not electing the Matching Contribution Program, the benefit is \$30,000. All teachers with 20 years of service and electing the Matching Contribution Plan the benefit is \$30,000 minus the District contributions to the Matching Contribution Plan. Matching contributions are equal to 2% of annual base salary up to \$2,000 per year. The limitation on the total benefit is \$30,000. The benefit is payable in 3 equal payments over 2 years to a 403(b) plan.

*Principals and Department Leaders* – For retirees reaching age 55 with 10 years of service as Department Leader (or “Rule of 90” for Principals only), the benefit is \$40,500 (limited to \$30,000 for specified Department Leaders) minus the District contributions to the Matching Contribution Plan. Matching contributions are equal to 2% of annual base salary up to \$2,000 per year. The limitation on the total benefit is \$40,500. The benefit is payable in 3 equal payments over 2 years to a 403(b) plan.

*K-12 Classified Employees, Paraprofessionals and Bus Drivers* – For retirees reaching age 55 with 10 years of service (25 for K-12 Classified Employees) the benefit is a percentage of annual salary at the time of retirement at the following rates:

- With 10-15 years of service 20%
- With 16-19 years of service 30%
- With 20+ years of service 40%

The benefit is payable in one lump sum.

*Confidential Employees and Secretaries* – For retirees reaching age 55 with 15 years of service, the benefit is a percentage of annual salary at the time of retirement at the following rates:

- With 15-19 years of service 30%
- With 20-24 years of service 40%
- With 25+ years of service 50%

The benefit is payable in one lump sum.

*Food Service Employees* – For retirees reaching age 55 with 20 years of service, the District will pay \$1,200 in one lump sum.

**B. Employees Covered by Benefit Terms**

At the July 1, 2021, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	6
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	690
	696

**C. Supplemental Benefits Liability**

The District’s supplemental benefits liability of \$918,895 was measured as of June 30, 2022, and was based on an actuarial valuation as of July 1, 2021.

**D. Actuarial Assumptions**

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

Inflation	2.50 percent
Salary Increases	Service graded table
Discount Rate	3.80 percent
20-Year Municipal Bond Yield	3.80 percent

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

The actuarial assumptions used in the July 1, 2021, valuation were based on inputs from a variety of published sources of historical and projected future financial data.

The following changes in actuarial assumptions and plan provisions occurred during the year ended June 30, 2022:

**Actuarial Assumptions:**

- The mortality tables were updated 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 discount rate was changed from 2.10% to 3.80%.
- The retirement and withdrawal rates for non-public-safety employees were updated to reflect the latest experience study.

**Plan Provisions:**

- There were no changes of plan provisions.

**E. Discount Rate**

The discount rate used to measure the supplemental benefits liability was 3.80%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates.

**F. Changes in the Supplemental Benefits Liability**

Service Cost	\$ 71,448
Interest Cost	18,505
Assumption Changes	(83,044)
Difference Between Expected and Actual Experience	<u>190,683</u>
Supplemental benefits cost	<u>197,592</u>
Benefit Payments	<u>(175,949)</u>
Change in supplemental benefits obligation	21,643
Supplemental benefits liability, beginning of year	<u>897,252</u>
Supplemental benefits liability, end of year	<u><u>\$ 918,895</u></u>

**G. Sensitivity of the Supplemental Benefits Liability to Changes in Discount Rate**

The following presents the supplemental benefits liability of the District, as well as what the District's supplemental benefits liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	2.80%	3.80%	4.80%
Supplemental Benefits Liability	\$ 962,748	\$ 918,895	\$ 876,808

**H. Supplemental Benefits and Deferred Outflows and Inflows of Resources Related**

For the year ended June 30, 2022, the District recognized supplemental benefits expense of \$134,417. At June 30, 2022, the District reported deferred outflows of resources related to supplemental benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability losses	\$ 321,657	\$ -
Assumption changes	<u>28,872</u>	<u>74,313</u>
	<u><u>\$ 350,529</u></u>	<u><u>\$ 74,313</u></u>

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

Years Ended June 30,	Supplemental Benefits Expense Amount
2023	\$ 44,464
2024	44,464
2025	44,464
2026	44,464
2027	44,457
Thereafter	53,903

**Note 9 - Other Post-Employment Benefits**

**A. Plan Description**

All employees are allowed upon meeting the eligibility requirements under Minn. Stat. 471.61 subd, 2b, to participate in the District’s health insurance plan after retirement. This plan covers active and retired employees. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated at the end of each contract period. Contract groups receive other post-retirement benefits as follows:

The retiree health plan does not issue a publicly available financial report.

**B. Benefits Provided**

The contract groups have access to other post-retirement benefits of blended medical premiums of \$617/\$583 (teachers/all others) for single and \$1,629/\$1,525 (teachers/all others) for family coverage. The implicit rate subsidy is only until Medicare eligibility. Certain contract groups are eligible for subsidized benefits as follows:

*Superintendent* – For retirees reaching age 58 with 7 years of service (or “Rule of 90”), the District will pay the full medical insurance premium until Medicare eligibility (includes HSA contributions up to IRS maximum) for the retiree and spouse and the full premium at the time of retirement for a \$500,000 life insurance policy until Medicare eligibility.

*Principals* – For retirees reaching age 55 with 10 years of service as a Department Leader (or “Rule of 90”), the District will pay the full medical insurance premium until Medicare eligibility (includes HSA contributions up to IRS maximum) for the retiree and spouse and the full premium at the time of retirement for a \$40,000 life insurance policy until age 65.

*Department Leaders* – For retirees reaching age 55 with 10 years of service and a hire date prior to July 1, 2015, and not electing the Defined Contribution Plan, the District will pay the Board Contribution for medical insurance same as active employees (up to \$600 per month for single and \$900 for family coverage for fiscal year 2021-2022) until Medicare eligibility (includes HSA contributions up to IRS maximum) for the retiree and spouse and the full premium at the time of retirement for a \$40,000 life insurance policy until age 65.

*Cabinet* – For retirees reaching age 58 with 7 years of service as a cabinet member (or “Rule of 90”) and a hire date prior to July 1, 2015, the District will pay the Board Contribution for medical insurance premium at the same as active employees (full premium for the \$3200 deductible plan plus contributions towards the HSA for fiscal year 2021-2022) until Medicare eligibility (includes HSA contributions up to IRS maximum) for the retiree and spouse and the full premium at the time of retirement for a \$200,000 life insurance policy until age 65.

*Teachers* – For retirees reaching age 55 with 10 years of service and a hire date prior to July 1, 2014, the District will pay the Board Contribution for medical insurance premium at the same as active teachers(\$645.50 per month for single or family coverage for fiscal year 2021-2022), until Medicare eligibility and the full premium at the time of retirement for a \$10,000 life insurance policy until age 65.

*K-12 Classified Personnel, Food Service, and Confidential Employees* – For retirees reaching age 55 with 10 years of service, with a hire date prior to July 1, 2014 (and Custodians hired before July 1, 2014 or hired between June 1, 2014 and July 1, 2015 and not electing the Defined Contribution Plan), the District will pay the Board Contribution for medical insurance premium at the same as actives (\$600 per month for fiscal year 2021-2022) until Medicare eligibility. For secretaries and confidential employees only, the District will pay the full premium at the time of retirement for a \$10,000 life insurance policy until age 65.

**C. Employees Covered by Benefit Terms**

At the valuation date of July 1, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	75
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	549
	624

**D. Net OPEB Liability**

The District’s net OPEB liability of \$8,678,371 was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2021.

**E. Actuarial Assumptions**

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

Inflation	2.50 percent
Salary increases	Service graded tables
Discount rate	3.80 percent
Investment rate of return	Not applicable as Irrevocable OPEB Trust is \$0 at June 30, 2021
Healthcare cost trend rates	6.50 percent, grading to 5.00 percent over 6 years, then to 4.00 percent over the next 48 years
Retiree plan participation	
Pre-65 subsidy available	100%
Pre-65 subsidy not available	
ABE/CE, Food Service, Paraprofessionals, and Transportation employees	25%
All others	50%
Percent of married retirees electing spouse coverage	
Spouse subsidy available	
Teachers	10%
Admin, Principals, Cabinet and Superintendent	100%
All others	0%
Spouse subsidy not available	0%

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

The actuarial assumptions used in the July 1, 2021, valuation were based on inputs from a variety of published sources of historical and projected future financial data.

Since the previous valuation dated July 1, 2019, the following changes have been made:

Plan Provisions:

- The face value of the life insurance policy for Cabinet participants increased from \$50,000 to \$200,000.
- Supervisors are now under the Department Leader/Administration contract.



Actuarial Assumptions:

- 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-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 discount rate was changed from 2.10% to 3.80%.

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Fixed Income	60%	3.10%
Domestic Equity	30%	6.85%
International Equity	5%	6.85%
Cash	5%	2.30%
	100%	

**F. Discount Rate**

The discount rate used to measure the total OPEB liability was 3.80%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**G. Changes in the Net OPEB Liability**

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2021	\$ 9,478,333	\$ -	\$ 9,478,333
Changes from the Prior Year:			
Service Cost	379,569	-	379,569
Interest Cost	197,984	-	197,984
Assumption Changes	(586,436)	-	(586,436)
Plan Changes	12,097	-	12,097
Employer Contributions	-	864,636	(864,636)
Difference between Expected and Actual Experience	61,460	-	61,460
Benefit Payments	(864,636)	(864,636)	-
Total Net Changes	(799,962)	-	(799,962)
Balances at June 30, 2022	<u>\$ 8,678,371</u>	<u>\$ -</u>	<u>\$ 8,678,371</u>

The measurement date of the net OPEB liability was June 30, 2022; the date of the actuarial valuation on which the total OPEB liability is based was July 1, 2021.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of changes in the District's net OPEB liability and related ratios, presented as required supplementary information following the notes to the financial statements, presents multiple year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits will be displayed.

**H. Sensitivity of the Net OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Discount rate	2.80%	3.80%	4.80%
Net OPEB Liability	\$ 9,130,021	\$ 8,678,371	\$ 8,239,021

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate 1 percentage point lower and 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease in Healthcare Trend Rate</u>	<u>Selected Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
Medical trend rate	5.50%, decreasing to 4.00% over 6 years then to 3.00% over the next 48 years	6.50%, decreasing to 5.00% over 6 years then to 4.00% over the next 48 years	7.50%, decreasing to 6.00% over 6 years then to 5.00% over the next 48 years
Net OPEB Liability	\$ 7,918,114	\$ 8,678,371	\$ 9,561,416

**I. OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB**

For the year ended June 30, 2022, the District recognized OPEB expense of \$934,719. At June 30, 2022, the District reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability losses	\$ 150,213	\$ -
Assumption changes	287,238	551,731
Investment gains	-	29,856
	<u>\$ 437,451</u>	<u>\$ 581,587</u>

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

Years Ended June 30,	OPEB Expense Amount
2023	\$ 135,433
2024	(38,152)
2025	(57,689)
2026	(50,452)
2027	(58,282)
Thereafter	(74,994)

**J. OPEB Plan Fiduciary Plan**

Detailed information about the OPEB plan’s fiduciary net position is available in a separately issued OPEB financial report.

**Note 10 - Defined Benefit Pension Plans**

Substantially all employees of the District are required by state law to belong to defined benefit, multi-employer, cost-sharing pension plans administered by the Public Employees’ Retirement Association (PERA) or the Teachers’ Retirement Association (TRA), both of which are administered on a state-wide basis.

For the year ended June 30, 2022, the District reported its proportionate share of deferred outflows of resources, net pension liabilities, deferred inflows of resources, and pension expense for each of the plans as follows:

	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources	Pension Expense (Income)
PERA	\$ 4,637,893	\$ 5,871,866	\$ 5,420,051	\$ 479,819
TRA	<u>10,481,465</u>	<u>17,592,722</u>	<u>30,549,200</u>	<u>(109,025)</u>
Total all plans	<u><u>\$ 15,119,358</u></u>	<u><u>\$ 23,464,588</u></u>	<u><u>\$ 35,969,251</u></u>	<u><u>\$ 370,794</u></u>

Disclosures relating to these plans are as follows:

**Public Employees Retirement Association (PERA)**

**A. Plan Descriptions**

The District participates in the General Employees Retirement Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (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.

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

**B. Benefits Provided**

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

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent 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.

**C. Contribution Rate**

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2021, were \$796,256. The District's contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

At June 30, 2022, the District reported a liability of \$5,871,866 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$179,316.

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 0.1375 percent at the end of the measurement period and 0.1384 percent for the beginning of the period.

District's proportionate share of net pension liability	\$ 5,871,866
State of Minnesota's proportionate share of the net pension liability associated with the District	179,316
Total	\$ 6,051,182

For the year ended June 30, 2022, the District recognized pension expense of \$479,819 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized \$14,468 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

Independent School District No. 206  
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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 related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 34,973	\$ 179,832
Changes in actuarial assumptions	3,585,240	129,208
Net collective difference between projected and actual investment earnings	-	5,070,542
Change in proportion	221,424	40,469
Contributions paid to PERA subsequent to the measurement date	796,256	-
Total	\$ 4,637,893	\$ 5,420,051

The \$796,256 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:

Years Ended June 30,	Pension Expense Amount
2023	\$ (102,864)
2024	(30,603)
2025	(57,924)
2026	(1,387,023)

**E. Long-Term Expected Return on 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 Allocations	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%
	100.0%	

**F. Actuarial Methods and Assumptions**

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

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

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

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

Actuarial assumptions 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:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

**G. Discount Rate**

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

**H. Pension Liability Sensitivity**

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

**Sensitivity Analysis**  
*Net Pension Liability (Asset) at Different Discount Rates*

	General Employees Fund	
1% Lower	5.50%	\$ 11,975,609
Current Discount Rate	6.50%	\$ 5,871,866
1% Higher	7.50%	\$ 863,372

**I. Pension Plan Fiduciary Net Position**

Detailed information about the 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).

**Teachers Retirement Association (TRA)**

**A. Plan Descriptions**

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

Educators employed in Minnesota’s public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those 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 Defined Contribution Plan (DCR) administered by Minnesota State.

**B. Benefits Provided**

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

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

*Tier I Benefits*

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

With these provisions:

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

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

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

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

**C. Contribution Rate**

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

	June 30, 2020		June 30, 2021		June 30, 2022	
	Employees	Employers	Employees	Employers	Employees	Employers
Basic	11.00%	11.92%	11.00%	12.13%	11.00%	12.34%
Coordinated	7.50%	7.92%	7.50%	8.13%	7.50%	8.34%

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

	<i>in thousands</i>
Employer contributions reported in TRA's Comprehensive Annual Financial Report, Statement of Changes in Fiduciary Net Position	\$ 448,829
Add employer contributions not related to future contribution efforts	379
Deduct TRA's contributions not included in allocation	<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><u>\$ 486,510</u></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.

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

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

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 Allocations	Long-Term Expected Real Rate of Return
Domestic Equity	35.5%	5.10%
International Equity	17.5%	5.30%
Private Markets	25.0%	5.90%
Fixed Income	20.0%	0.75%
Unallocated Cash	2.0%	0.00%
<b>Total</b>	<b>100.0%</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 six years in the schedule presented. The amortization period for *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**

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

**E. 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).

**F. Net Pension Liability**

On June 30, 2022, the District reported a liability of \$17,592,722 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 0.4020 percent at the end of the measurement period and 0.3925 percent 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	\$ 17,592,722
State's proportionate share of the net pension liability associated with the district	\$ 1,483,735

For the year ended June 30, 2022, the District recognized pension expense of \$109,025. It also recognized \$16,613 as a decrease to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 465,229	\$ 487,949
Net difference between projected and actual investment earnings on pension plan investments	-	14,778,965
Changes of assumptions	6,446,648	15,282,286
Changes in proportion	1,471,943	-
District's contributions to TRA subsequent to the measurement date	2,097,645	-
Total	\$ 10,481,465	\$ 30,549,200

The \$2,097,645 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 pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2023	\$ (10,896,517)
2024	(8,295,437)
2025	(1,898,803)
2026	(2,487,258)
2027	1,412,635

**G. Pension Liability Sensitivity**

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

**Sensitivity of Net Pension Liability (NPL) to changes in the discount rate**

1% decrease (6.00%)	Current (7.00%)	1% increase (8.00%)
\$ 35,538,155	\$ 17,592,722	\$ 2,876,037

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

**H. Pension Plan Fiduciary Net Position**

Detailed information about TRA’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 11 - Dental Self-Insurance**

The District is self-insured with respect to dental insurance costs. The District implemented the self-insurance medical plan on July 1, 1985. Terms of the plan do not include a stop-loss provision which would limit the District's liability. The following is the activity for the year ended June 30, 2022:

Claims incurred but not reported at beginning of year	\$ 13,646
Claims incurred	360,832
Claims paid	<u>(365,926)</u>
Claims incurred but not reported at end of year	<u><u>\$ 8,552</u></u>

**Note 12 - Fund Balance**

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

The following is a summary of fund balances as of June 30, 2022:

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Government Funds</u>	<u>Totals</u>
Nonspendable					
Inventories	\$ 15,539	\$ -	\$ -	\$ 35,934	\$ 51,473
Restricted					
Student activities	530,014	-	-	-	530,014
Project funded by COP	-	3,681,383	-	-	3,681,383
Community education	-	-	-	1,242,261	1,242,261
School readiness	-	-	-	66,963	66,963
Food service	-	-	-	991,594	991,594
Debt service	-	-	32,080	-	32,080
Total restricted	<u>530,014</u>	<u>3,681,383</u>	<u>32,080</u>	<u>2,300,818</u>	<u>6,544,295</u>
Assigned					
Capital projects	1,000,000	-	-	-	1,000,000
Technology	250,000	-	-	-	250,000
Total assigned	<u>1,250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,250,000</u>
Unassigned	<u>6,251,904</u>	<u>-</u>	<u>-</u>	<u>(34,336)</u>	<u>6,217,568</u>
Total fund balance	<u><u>\$ 8,047,457</u></u>	<u><u>\$ 3,681,383</u></u>	<u><u>\$ 32,080</u></u>	<u><u>\$ 2,302,416</u></u>	<u><u>\$ 14,063,336</u></u>

Independent School District No. 206  
 Alexandria Public Schools  
 Notes to Financial Statements  
 June 30, 2022

The UFARS fund balance reporting standards are slightly different than the reporting standards under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Below is a reconciliation between the fund balance reporting under GASB 54 and UFARS reporting standards:

	GASB Balance	Reconciling Items	UFARS Balance
Nonspendable			
Inventories	\$ 51,473	\$ -	\$ 51,473
Restricted			
Student activities	530,014	-	530,014
Project funded by COP			
Capital projects fund	3,681,383	-	3,681,383
Community education	1,242,261	-	1,242,261
Early childhood and family education	-	(26,277)	(26,277)
School readiness	66,963	-	66,963
Food service	991,594	-	991,594
Debt service	32,080	-	32,080
Total restricted	6,544,295	(26,277)	6,518,018
Assigned			
Capital projects	1,000,000	-	1,000,000
Technology	250,000	-	250,000
Total assigned	1,250,000	-	1,250,000
Unassigned	6,217,568	26,277	6,243,845
Total fund balance	\$ 14,063,336	\$ -	\$ 14,063,336

**Note 13 - Adoption of New Standard**

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 87 as follows:

	Governmental Activities
Net deficit at June 30, 2021, as previously reported	\$ (23,349,973)
Add capital lease payable at June 30, 2021	42,000
Less capital asset at June 30, 2021	(42,000)
Add right-to-use assets, net of amortization under GASB Statement No. 87 at July 1, 2021	1,043,465
Less lease liabilities under GASB Statement No. 87 at July 1, 2021	(1,043,465)
Net Position at July 1, 2021, as adjusted	\$ (23,349,973)

**Note 14 - Employee Benefit Plan 403(b)**

All teachers having completed their tenth year of teaching in the District are eligible to participate in the matching 403(b) program. The District will match the employees' deferral up to a maximum of \$2,000 per year. The maximum career matching contribution by the District will not exceed \$30,000 per teacher. Contributions are invested in tax deferred annuities selected and owned by Plan participants. The District contributions for the years ended June 30, 2022, 2021, and 2020 were \$302,119, \$302,920, and \$284,699, respectively.

## **Note 15 - Commitments and Contingencies**

### **Federal and State Revenue**

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

### **Construction Commitments**

The District has active construction projects as of June 30, 2022. The projects include renovation projects at Discovery Middle School and Woodland Elementary School with construction costs of \$7,224,624 reported as construction in progress with remaining commitments of \$3,823,794 as of June 30, 2022.

### **Litigation and Potential Exposure**

In the ordinary course of its operations, the District is party to legal proceedings as a plaintiff or defendant. The financial impact of remaining actions is not determinable at June 30, 2022, but, in the opinion of management and legal counsel, the ultimate disposition of any or all of these proceedings will not have a material effect on the District's financial position.

## **Note 16 - Related Organizations**

The Runestone Area Education District No. 61-6014 was organized on August 15, 1988. The purpose of the Education District is to increase options for learning and access to educational opportunities for all residents within the boundaries of the member districts by facilitating cooperation among school districts. Funding is provided by the member districts. The following school districts are member of the Runestone Area Education District:

- Independent School District No. 206, Alexandria, Minnesota
- Independent School District No. 2908, Brandon - Evansville, Minnesota
- Independent School District No. 213, Osakis, Minnesota
- Independent School District No. 2149, Glenwood, Minnesota
- Independent School District No. 547, Parkers Prairie, Minnesota

During the year ended June 30, 2022, the District received \$77,679 from RAED for services provided by the District to RAED, with \$23,085 receivable from RAED. At June 30, 2022, the District had payables to RAED totaling \$796,238 for education services.

Central Minnesota Educational Telecommunications System (CMETS) is a joint powers entity established pursuant to provisions of Minnesota Statute Section 471.59. The purpose of CMETS is to provide a comprehensive educational program for all member districts involved. Member districts jointly provide planning, research, purchasing, development, implementation, and programming of distance learning systems and technological services. The following school districts are members of CMETS:

- Independent School District No. 745, Albany, Minnesota
- Independent School District No. 206, Alexandria, Minnesota
- Independent School District No. 2908, Brandon - Evansville, Minnesota
- Independent School District No. 213, Osakis, Minnesota
- Independent School District No. 547, Parkers Prairie, Minnesota
- Independent School District No. 740, Melrose, Minnesota
- Independent School District No. 743, Sauk Centre, Minnesota
- Independent School District No. 2149, Glenwood, Minnesota

During the year ended June 30, 2022, the District received \$90,172 from CMETS for services provided by the District to CMETS. During the year ended June 30, 2022, the District paid \$129,423 in telecommunications aid to CMETS and \$20,451 for service revenue and member tuition to CMETS. At June 30, 2022, the District had payables to CMETS totaling \$20,451.

Each joint venture's financial statements are audited and available for inspection.



Required Supplementary Information  
June 30, 2022

**Independent School District No. 206**  
**Alexandria Public Schools**

Independent School District No. 206  
 Alexandria Public Schools  
 Schedule of Changes in Supplemental Benefits Liability  
 June 30, 2022

**Schedule of Changes in Supplemental Benefits Liability  
 Last 10 Fiscal Years \***

	2022	2021	2020	2019	2018	2017
Service cost	\$ 71,448	\$ 86,320	\$ 80,470	\$ 61,475	\$ 57,160	\$ 60,479
Interest	18,505	23,024	26,678	31,917	105,654	33,570
Assumption changes	(83,044)	9,994	25,554	8,505	(912)	-
Differences between expected and actual experience	190,683	-	96,415	-	168,487	-
Plan changes	-	-	51,722	-	-	-
Benefit payments	(175,949)	(189,092)	(186,460)	(211,288)	(255,124)	(226,423)
Net change in supplemental benefits liability	21,643	(69,754)	94,379	(109,391)	75,265	(132,374)
Supplemental benefits liability - beginning	897,252	967,006	872,627	982,018	906,753	1,039,127
Supplemental benefits liability - ending	<u>\$ 918,895</u>	<u>\$ 897,252</u>	<u>\$ 967,006</u>	<u>\$ 872,627</u>	<u>\$ 982,018</u>	<u>\$ 906,753</u>

\* GASB Statement No. 73 requires ten years of information to be presented in this table. However, until a full 10- year trend is compiled, the District will present information for those years for which information is available.

Independent School District No. 206  
 Alexandria Public Schools  
 Schedule of Supplemental Benefits Liability  
 June 30, 2022

**Schedule of Supplemental Benefits Liability  
 Last 10 Fiscal Years \***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Supplemental benefits liability	<u>\$ 918,895</u>	<u>\$ 897,252</u>	<u>\$ 967,006</u>	<u>\$ 872,627</u>	<u>\$ 982,018</u>	<u>\$ 906,753</u>
Covered payroll	<u>\$ 32,556,957</u>	<u>\$ 29,919,190</u>	<u>\$ 29,047,757</u>	<u>\$ 27,067,479</u>	<u>\$ 26,279,106</u>	<u>\$ 24,863,378</u>
Supplemental benefits liability as a percentage of covered payroll	2.82%	3.00%	3.33%	3.22%	3.74%	3.65%

There are no assets accumulated in an irrevocable trust to pay plan benefits.

\* GASB Statement No. 73 requires ten years of information to be presented in this table. However, until a full 10- year trend is compiled, the District will present information for those years for which information is available.



### Notes to the Schedule of District Contributions

<u>Valuation date</u>	July 1, 2021
<u>Actuarial cost method</u>	Entry Age, level percentage of pay
<u>Amortization method</u>	Average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes.
<u>Inflation</u>	2.00 percent
<u>Salary increases</u>	Service graded table
<u>Mortality</u>	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale

### 2022 Changes

#### Changes in Actuarial Assumptions

- The mortality tables were updated 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 discount rate was changed from 2.10% to 3.80%.
- The retirement and withdrawal rates for non-public-safety employees were updated to reflect the latest experience study.

#### Changes in Plan Provisions

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

### 2021 Changes

#### Changes in Actuarial Assumptions

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

#### Changes in Plan Provisions

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

### 2020 Changes

#### Changes in Actuarial Assumptions

- The discount rate as changed from 3.10% to 2.40%.
- 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.

Changes in Plan Provisions

- A GASB 73 benefit was added for Supervisors.
- Administrators are now eligible for a GASB 73 benefit if they attain age 55 with 10 years of service as an administrator.
- Secretaries' benefit amounts were changed to be the same as Confidential employees.

**2019 Changes**

Changes in Actuarial Assumptions

- The discount rate was changed from 3.40% to 3.10%.

Changes in Plan Provisions

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

**2018 Changes**

Changes in Actuarial Assumptions

- The mortality tables were updated to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.

Changes in Plan Provisions

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

Independent School District No. 206

Alexandria Public Schools

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

June 30, 2022

**Schedule of Changes in the District's Net OPEB Liability and Related Ratios, Last 10 Fiscal Years\***

	2022	2021	2020	2019	2018	2017
Service cost	\$ 379,569	\$ 525,635	\$ 487,935	\$ 466,323	\$ 431,504	\$ 392,975
Interest	197,984	228,706	293,179	318,329	285,045	290,515
Assumption changes	(586,436)	117,041	(85,879)	172,583	955,246	-
Plan changes	12,097	-	13,894	-	-	-
Differences between expected and actual experience	61,460	-	140,641	-	103,033	-
Benefit payments	(864,636)	(788,971)	(840,162)	(848,813)	(890,791)	(875,121)
Net change in total OPEB liability	(799,962)	82,411	9,608	108,422	884,037	(191,631)
Total OPEB liability - beginning	9,478,333	9,395,922	9,386,314	9,277,892	8,393,855	8,585,486
Total OPEB liability - ending (a)	<u>\$ 8,678,371</u>	<u>\$ 9,478,333</u>	<u>\$ 9,395,922</u>	<u>\$ 9,386,314</u>	<u>\$ 9,277,892</u>	<u>\$ 8,393,855</u>
Plan fiduciary net position						
Contributions-employer	\$ 944,378	\$ 242,145	\$ -	\$ -	\$ -	\$ -
Projected investment return	-	21,521	55,459	57,706	93,438	118,057
Differences between expected and actual experience	-	36,184	13,392	13,963	-	141,574
Benefit payments	(944,378)	(788,971)	(840,162)	(848,813)	(890,791)	(875,121)
Net change in plan fiduciary net position	-	(489,121)	(771,311)	(777,144)	(797,353)	(615,490)
Total fiduciary net position - beginning, as restated on July 1, 2018	-	489,121	1,260,432	2,037,576	2,335,947	2,951,437
Total fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 489,121</u>	<u>\$ 1,260,432</u>	<u>\$ 1,538,594</u>	<u>\$ 2,335,947</u>
District's net OPEB liability - ending (a) - (b)	<u>\$ 8,678,371</u>	<u>\$ 9,478,333</u>	<u>\$ 8,906,801</u>	<u>\$ 8,125,882</u>	<u>\$ 7,739,298</u>	<u>\$ 6,057,908</u>
Plan fiduciary net position as a percentage of the total OPEB Liability	0.00%	0.00%	5.21%	13.43%	16.58%	27.83%
Covered payroll	\$ 31,785,681	\$ 29,251,622	\$ 28,399,633	\$ 27,098,253	\$ 26,308,983	\$ 24,033,865
District's net OPEB liability as a percentage of covered payroll	27.30%	32.40%	31.36%	29.99%	29.42%	25.21%

\*GASB Statements No. 74/75 require ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Independent School District No. 206  
 Alexandria Public Schools  
 Schedule of District OPEB Contributions  
 June 30, 2022

**Schedule of District OPEB Contributions  
 Last 10 Fiscal Years\***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 31,785,681	\$ 29,251,622	\$ 28,399,633	\$ 27,098,253	\$ 26,308,983	\$ 24,033,865
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

\*GASB Statements No. 74/75 require ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Independent School District No. 206  
Alexandria Public Schools  
Notes to the Schedule of Changes in the District's Net OPEB Liability and Related Ratios  
and Schedule of District OPEB Contributions  
June 30, 2022

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**Note to the Schedule of District Contributions**

<u>Valuation date</u>	July 1, 2021
<u>Inflation</u>	2.50 percent
<u>Investment rate of return</u>	Not applicable as Irrevocable OPEB Trust is \$0 at June 30, 2021
<u>Discount rate</u>	3.80 percent
<u>Healthcare cost trend rates</u>	6.50% in 2021 grading to 5.00% over 6 years and then to 4.00% over the next 48 years
<u>Mortality</u>	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale
<u>Actuarial cost method</u>	Entry Age, level percentage of pay
<u>Amortization method</u>	Average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes. Closed five-year period for differences between expected and actual asset returns.

**2022 Changes**

Changes in Actuarial Assumptions

- 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-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 discount rate was changed from 2.10% to 3.80%.

Changes in Plan Provisions

- The face value of the life insurance policy for Cabinet participants increased to \$200,000.
- Supervisors are now under the Department Leader/Administration contract.

**2021 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

## 2020 Changes

### Changes in Actuarial Assumptions

- 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 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 percentage of future retirees not eligible for a subsidy who are assumed to continue on one of the District's medical plans post-employment was reduced from 50% to 25% for ABE/CE, Food Service, Paraprofessionals, and Transportation employees.
- The expected long-term investment return was changed from 3.70% to 4.40%.
- The discount rate was changed from 3.10% to 2.40%.

### Changes in Plan Provisions

- The Superintendent's post-employment life insurance subsidy increased to a \$500,000 life insurance benefit.
- Administrators are now eligible for a GASB 74/75 subsidy if they attain age 55 with 10 years of service.

## 2019 Changes

### Changes in Actuarial Assumptions

- The expected long-term investment return was changed from 4.00% to 3.70%.
- The discount rate was changed from 3.40% to 3.10%.

### Changes in Plan Provisions

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

## 2018 Changes

### Changes in Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.
- The Board Contributions were updated to increase at the full health care trend rates. Previously, we assumed they would increase at half of the health care trend rates.

### Changes in Plan Provisions

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

Independent School District No. 206  
 Alexandria Public Schools  
 Schedule of Employer's Share of Net Pension Liability  
 June 30, 2022

**Schedule of Employer's Share of Net Pension Liability  
 Last 10 Fiscal Years \***

<u>Pension Plan</u>	<u>Measurement Date</u>	<u>Employer's Proportion (Percentage) of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)</u>	<u>State's Proportionate Share (Amount) of the Net Pension Liability Associated With District (b)</u>	<u>Total (d) (a+b)</u>	<u>Employer's Covered Payroll (e)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/e)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
PERA	6/30/2014	0.1196%	\$ 5,618,209	N/A	\$ 5,618,209	\$ 6,400,896	87.8%	78.8%
PERA	6/30/2015	0.1203%	6,234,570	N/A	6,234,570	6,675,754	93.4%	78.2%
PERA	6/30/2016	0.1265%	10,271,173	134,091	10,405,264	7,303,741	140.6%	68.9%
PERA	6/30/2017	0.1328%	8,477,864	106,609	8,584,473	8,176,476	103.7%	75.9%
PERA	6/30/2018	0.1275%	7,073,177	232,044	7,305,221	8,030,989	88.1%	79.5%
PERA	6/30/2019	0.1333%	7,369,858	228,990	7,598,848	8,696,164	84.7%	80.2%
PERA	6/30/2020	0.1384%	8,297,712	255,750	8,553,462	9,271,076	89.5%	79.1%
PERA	6/30/2021	0.1375%	5,871,866	179,316	6,051,182	9,296,862	63.2%	87.0%
TRA	6/30/2014	0.3817%	\$ 17,588,461	\$ 1,237,470	\$ 18,825,931	\$ 17,425,146	100.9%	81.5%
TRA	6/30/2015	0.3533%	21,855,099	2,680,496	24,535,595	17,931,827	121.9%	76.8%
TRA	6/30/2016	0.3739%	89,184,071	8,951,105	98,135,176	19,448,547	458.6%	44.9%
TRA	6/30/2017	0.3809%	76,034,550	7,349,657	83,384,207	20,502,507	370.9%	51.6%
TRA	6/30/2018	0.3881%	24,374,474	2,289,882	26,664,356	21,440,507	113.7%	78.1%
TRA	6/30/2019	0.3917%	24,967,040	2,209,693	27,176,733	22,236,693	112.3%	78.1%
TRA	6/30/2020	0.3925%	28,998,426	2,430,194	31,428,620	22,811,174	127.1%	75.5%
TRA	6/30/2021	0.4020%	17,592,722	1,483,735	19,076,457	24,056,408	73.1%	86.6%

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10 - year trend is compiled, the District will present information for those years for which information is available.

Independent School District No. 206  
 Alexandria Public Schools  
 Schedule of Employer's Contributions  
 June 30, 2022

**Schedule of Employer's Contributions  
 Last 10 Fiscal Years \***

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
PERA	6/30/2015	\$ 500,682	\$ 500,682	\$ -	\$ 6,675,754	7.5%
PERA	6/30/2016	547,781	547,781	-	7,303,741	7.5%
PERA	6/30/2017	613,236	613,236	-	8,176,476	7.5%
PERA	6/30/2018	602,324	602,324	-	8,030,989	7.5%
PERA	6/30/2019	652,212	652,212	-	8,696,164	7.5%
PERA	6/30/2020	695,331	695,331	-	9,271,076	7.5%
PERA	6/30/2021	697,265	697,265	-	9,296,862	7.5%
PERA	6/30/2022	796,256	796,256	-	10,616,747	7.5%
TRA	6/30/2015	\$ 1,344,887	\$ 1,344,887	\$ -	\$ 17,931,827	7.5%
TRA	6/30/2016	1,458,641	1,458,641	-	19,448,547	7.5%
TRA	6/30/2017	1,537,688	1,537,688	-	20,502,507	7.5%
TRA	6/30/2018	1,608,038	1,608,038	-	21,440,507	7.5%
TRA	6/30/2019	1,714,449	1,714,449	-	22,236,693	7.7%
TRA	6/30/2020	1,806,645	1,806,645	-	22,811,174	7.9%
TRA	6/30/2021	1,955,786	1,955,786	-	24,056,408	8.1%
TRA	6/30/2022	2,097,645	2,097,645	-	25,151,619	8.3%

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10- year trend is compiled, the District will present information for those years for which information is available.



**Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions****PERA****2021 Changes**

## Changes in Actuarial Assumptions

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

## Changes in Plan Provisions

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

**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.

**2019 Changes**

## Changes in Actuarial Assumptions

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

## 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.

## 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

### 2021 Changes

#### Changes in Actuarial Assumptions

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

#### Changes in Plan Provisions

- There have been no changes since the prior valuation.

### 2020 Changes

#### Changes in Actuarial Assumptions

- 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). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

#### Changes in Plan Provisions

- There have been no changes since the prior valuation.

#### 2019 Changes

##### Changes in Actuarial Assumptions

- 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). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

#### Changes in Plan Provisions

- There have been no changes since the prior valuation.

#### 2018 Changes

##### Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.

- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

#### Changes in Plan Provisions

- There have been no changes since the prior valuation.

### 2017 Changes

#### Changes in Actuarial Assumptions

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

#### Changes in Plan Provisions

- There have been no changes since the prior valuation.

### 2016 Changes

#### Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.

- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Augmentation in the early retirement reduction factors is phased out o 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**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%. Details, if necessary, can be obtained from the TRA Comprehensive Annual Financial Report.

PERA's Comprehensive Annual Financial Report may be obtained on the PERA's website at [www.mnpera.org](http://www.mnpera.org) for notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions.

Additional financial and actuarial information can be found in TRA's GASB 67-68 report. Both reports can be obtained at <https://minnesotatra.org>.



Combining and Individual Fund Schedules  
June 30, 2022

**Independent School District No. 206**  
**Alexandria Public Schools**

Independent School District No. 206  
 Alexandria Public Schools  
 General Fund  
 Schedule of Changes in UFARS Fund Balances  
 Year Ended June 30, 2022

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	Fund Balance Beginning of Year	Net Change in Fund Balance	Fund Balance End of Year
Nonspendable	\$ 7,330	\$ 8,209	\$ 15,539
Restricted for student activities	494,320	35,694	530,014
Assigned for capital projects	1,975,000	(975,000)	1,000,000
Assigned for technology	500,000	(250,000)	250,000
Unassigned	6,634,382	(382,478)	6,251,904
	\$ 9,611,032	\$ (1,563,575)	\$ 8,047,457



Independent School District No. 206  
 Alexandria Public Schools  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 June 30, 2022

	Food Service	Community Service	OPEB Debt Service	Totals
<b>Assets</b>				
Cash and cash equivalents	\$ 1,158,095	\$ 1,897,778	\$ 385,436	\$ 3,441,309
Receivables				
Current property taxes	-	299,625	346,403	646,028
Delinquent property taxes	-	2,291	2,996	5,287
Accounts	-	1,806	-	1,806
Due from other governmental units	28,976	76,391	-	105,367
Inventories	35,934	-	-	35,934
<b>Total assets</b>	<b>\$ 1,223,005</b>	<b>\$ 2,277,891</b>	<b>\$ 734,835</b>	<b>\$ 4,235,731</b>
<b>Liabilities</b>				
Accounts payable	\$ 45,260	\$ 8,006	\$ -	\$ 53,266
Salaries payable	81,153	216,472	-	297,625
Unearned revenue	69,064	128,335	-	197,399
<b>Total liabilities</b>	<b>195,477</b>	<b>352,813</b>	<b>-</b>	<b>548,290</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue-property taxes	-	2,291	2,996	5,287
Property taxes levied for subsequent year	-	639,840	739,898	1,379,738
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>642,131</b>	<b>742,894</b>	<b>1,385,025</b>
<b>Fund Balance (Deficit)</b>				
Nonspendable	35,934	-	-	35,934
Restricted	991,594	1,309,224	-	2,300,818
Unassigned	-	(26,277)	(8,059)	(34,336)
<b>Total fund balance (deficit)</b>	<b>1,027,528</b>	<b>1,282,947</b>	<b>(8,059)</b>	<b>2,302,416</b>
<b>Total liabilities, deferred inflows of resources, and fund balance (deficit)</b>	<b>\$ 1,223,005</b>	<b>\$ 2,277,891</b>	<b>\$ 734,835</b>	<b>\$ 4,235,731</b>

Independent School District No. 206  
 Alexandria Public Schools  
 Nonmajor Governmental Funds  
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Year Ended June 30, 2022

	<u>Food Service</u>	<u>Community Service</u>	<u>OPEB Debt Service</u>	<u>Totals</u>
<b>Revenues</b>				
Local property tax levies	\$ -	\$ 561,514	\$ 735,419	\$ 1,296,933
Other local and county sources	57,693	2,004,603	-	2,062,296
Investment earnings	2,283	4,905	-	7,188
State sources	123,130	443,109	4,725	570,964
Federal sources	3,512,428	85,384	-	3,597,812
Sales and other conversion of assets	297,825	-	-	297,825
	<u>3,993,359</u>	<u>3,099,515</u>	<u>740,144</u>	<u>7,833,018</u>
<b>Expenditures</b>				
<b>Current</b>				
Community education and service	-	3,297,862	-	3,297,862
Pupil support services	3,371,341	-	-	3,371,341
Fiscal and other fixed cost programs	-	-	200	200
<b>Debt Service</b>				
Principal	-	-	550,000	550,000
Interest	-	-	154,678	154,678
Capital outlay	235,037	21,937	-	256,974
	<u>3,606,378</u>	<u>3,319,799</u>	<u>704,878</u>	<u>7,631,055</u>
Net Change in Fund Balance	386,981	(220,284)	35,266	201,963
Fund Balance (Deficit), Beginning of Year	<u>640,547</u>	<u>1,503,231</u>	<u>(43,325)</u>	<u>2,100,453</u>
Fund Balance (Deficit), End of Year	<u>\$ 1,027,528</u>	<u>\$ 1,282,947</u>	<u>\$ (8,059)</u>	<u>\$ 2,302,416</u>



Other Supplementary Information  
June 30, 2022

**Independent School District No. 206**  
**Alexandria Public Schools**

Independent School District No. 206  
Alexandria Public Schools  
Uniform Financial Accounting and Reporting Standards Compliance Table  
Year Ended June 30, 2022

**Fiscal Compliance Report - 6/30/2022**

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District: ALEXANDRIA (206-1)   [Back](#)   [Print](#)

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION</b>			
Total Revenue	\$55,855,654	<u>\$55,855,651</u>	<u>\$3</u>	Total Revenue	\$1,098	<u>\$1,098</u>	<u>\$0</u>
Total Expenditures	\$57,677,001	<u>\$57,676,996</u>	<u>\$5</u>	Total Expenditures	\$6,918,021	<u>\$6,918,021</u>	<u>\$0</u>
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$15,539	<u>\$15,539</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>				<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$530,014	<u>\$530,014</u>	<u>\$0</u>	4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>	4.13 Project Funded by COP	\$3,681,383	<u>\$3,681,383</u>	<u>\$0</u>
4.03 Staff Development	\$0	<u>\$0</u>	<u>\$0</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.14 Operating Debt	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.16 Levy Reduction	\$0	<u>\$0</u>	<u>\$0</u>				
4.17 Taconite Building Maint	\$0	<u>\$0</u>	<u>\$0</u>	<b>07 DEBT SERVICE</b>			
4.24 Operating Capital	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$6,531,238	<u>\$6,531,238</u>	<u>\$0</u>
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$6,292,387	<u>\$6,292,388</u>	<u>(\$1)</u>
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>	<i>Non Spendable:</i>			
4.28 Learning & Development	\$0	<u>\$0</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.34 Area Learning Center	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>	4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.38 Gifted & Talented	\$0	<u>\$0</u>	<u>\$0</u>	4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.41 Basic Skills Programs	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$32,079	<u>\$32,079</u>	<u>\$0</u>
4.49 Safe School Crime - Crime Levy	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>				
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	<u>\$0</u>	<b>08 TRUST</b>			
4.59 Basic Skills Extended Time	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.72 Medical Assistance	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.73 PPP Loan	\$0	<u>\$0</u>	<u>\$0</u>	4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.74 EIDL Loan	\$0	<u>\$0</u>	<u>\$0</u>	4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>				
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	<u>\$0</u>	<b>18 CUSTODIAL</b>			
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
<i>Committed:</i>				Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.18 Committed for Separation	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
<i>Assigned:</i>				4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.62 Assigned Fund Balance	\$1,250,000	<u>\$1,250,000</u>	<u>\$0</u>	4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>				4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance	\$6,251,904	<u>\$6,251,907</u>	<u>(\$3)</u>				
				<b>20 INTERNAL SERVICE</b>			
<b>02 FOOD SERVICES</b>				Total Revenue	\$361,106	<u>\$361,106</u>	<u>\$0</u>
Total Revenue	\$3,993,359	<u>\$3,993,358</u>	<u>\$1</u>	Total Expenditures	\$400,594	<u>\$400,593</u>	<u>\$1</u>
Total Expenditures	\$3,606,378	<u>\$3,606,379</u>	<u>(\$1)</u>	4.22 Unassigned Fund Balance (Net Assets)	\$47,732	<u>\$47,732</u>	<u>\$0</u>
<i>Non Spendable:</i>							
4.60 Non Spendable Fund Balance	\$35,934	<u>\$35,934</u>	<u>\$0</u>	<b>25 OPEB REVOCABLE TRUST</b>			
<i>Restricted / Reserved:</i>				Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>

Independent School District No. 206  
Alexandria Public Schools  
Uniform Financial Accounting and Reporting Standards Compliance Table  
Year Ended June 30, 2022

	\$0	<u>\$0</u>	<u>\$0</u>
4.74 EIDL Loan	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$991,592	<u>\$991,592</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<b>04 COMMUNITY SERVICE</b>			
Total Revenue	\$3,099,515	<u>\$3,099,517</u>	<u>(\$2)</u>
Total Expenditures	\$3,319,799	<u>\$3,319,801</u>	<u>(\$2)</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.31 Community Education	\$1,242,261	<u>\$1,242,261</u>	<u>\$0</u>
4.32 E.C.F.E	(\$26,277)	<u>(\$26,277)</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	\$66,963	<u>\$66,963</u>	<u>\$0</u>
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
4.73 PPP Loan	\$0	<u>\$0</u>	<u>\$0</u>
4.74 EIDL Loan	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
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**45 OPEB IRREVOCABLE TRUST**

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>

**47 OPEB DEBT SERVICE**

Total Revenue	\$740,144	<u>\$740,144</u>	<u>\$0</u>
Total Expenditures	\$704,878	<u>\$704,878</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	(\$8,059)	<u>(\$8,059)</u>	<u>\$0</u>

Independent School District No. 206  
Alexandria Public Schools  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
<b>Department of Agriculture</b>			
<i>Passed through Minnesota Department of Education</i>			
Non-Cash Assistance (Commodities):			
Child and Adult Care Food Program	10.558	0206-01-000 FIN 701	\$ 256,556
Child Nutrition Cluster			
School Breakfast Program	10.553	0206-01-000 FIN 705	444,168
National School Lunch Program	10.555	0206-01-000 FIN 701	2,510,544
National School Lunch Program - Supply Chain Assistance Funds	10.555C	0206-01-000 FIN 701	71,971
Special Milk Program for Children	10.556	0206-01-000 FIN 703	1,393
Summer Food Service Program for Children	10.559	0206-01-000 FIN 709	228,530
Total Child Nutrition Cluster			3,256,606
Pandemic Electronic Benefit Transfer (P-EBT)			
Administrative Costs Grant	10.649	0206-01-000 FIN 472	659
Total Department of Agriculture			\$ 3,513,821
<b>Department of Treasury</b>			
<i>Passed through Minnesota Department of Education</i>			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	0206-01-000 FIN 165	28,521
<b>Federal Communications Commission</b>			
COVID-19 Emergency Connectivity Fund Program	32.009	N/A	1,244,513
<b>Department of Education</b>			
<i>Passed through Minnesota Department of Education</i>			
Adult Education - Basic Grants to States	84.002	0206-01-000 FIN 166	28,263
Adult Education - Basic Grants to States	84.002	0206-01-000 FIN 438	7,794
Total 84.002			36,057
Title I Grants to Local Educational Agencies	84.010	0206-01-000 FIN 401	410,749
Special Education Cluster			
Special Education Grants to States	84.027	0206-01-000 FIN 140	202,857
Special Education Grants to States	84.027	0206-01-000 FIN 419	958,644
Special Education Grants to States	84.027	0206-01-000 FIN 425	18,841
Special Education Preschool Grants	84.173	0206-01-000 FIN 141	14,655
Special Education Preschool Grants	84.173	0206-01-000 FIN 420	24,052
Total Special Education Cluster			1,219,049
Special Education Grants - Grants for Infants and Families	84.181	0206-01-000 FIN 422	18,182
Supporting Effecton Instruction State Grants	84.367	0206-01-000 FIN 414	88,499
Student Support and Academic Enrichment	84.424	0206-01-000 FIN 433	21,861
COVID-19 Education Stabilization Fund	84.425C	0206-01-000 FIN 150	17,912
COVID-19 Education Stabilization Fund	84.425D	0206-01-000 FIN 155	502,978
COVID-19 Education Stabilization Fund	84.425U	0206-01-000 FIN 159	751
COVID-19 Education Stabilization Fund	84.425U	0206-01-000 FIN 160	102,705
COVID-19 Education Stabilization Fund	84.425	0206-01-000 FIN 163	51,383
COVID-19 Education Stabilization Fund	84.425	0206-01-000 FIN 168	17,305
COVID-19 Education Stabilization Fund	84.425D	0206-01-000 FIN 169	14,390
COVID-19 Education Stabilization Fund	84.425	0206-01-000 FIN 499	27,378
Total 84.425			734,802
Total Department of Education			2,529,199
<b>Department of Health and Human Services</b>			
<i>Passed through Minnesota Department of Education</i>			
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	0206-01-000 FIN 170	226,744
Total Federal Financial Assistance			<u>\$ 7,542,798</u>

**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2022. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

**Note 2 – Summary of Significant Accounting Policies**

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

**Note 3 – Indirect Cost Rate**

The District has not elected to use the 10% de minimis cost rate.

**Note 4 – Food Donation**

Nonmonetary assistance is reported in this schedule at the fair market value of commodities received and disbursed. At June 30, 2022 the District had food commodities totaling \$35,934 in inventory.



Additional Reports  
June 30, 2022

**Independent School District No. 206  
Alexandria Public Schools**





**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***

The School Board of  
Independent School District No. 206  
Alexandria Public Schools  
Alexandria, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 206, Alexandria Public Schools (“the District”), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated November 1, 2022.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001, 2022-002, and 2022-003 that we consider to be material weaknesses.

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

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

### **Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's responses to 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 other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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



Fargo, North Dakota  
November 1, 2022



**Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance**

The School Board of  
Independent School District No. 206  
Alexandria Public Schools  
Alexandria, Minnesota

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

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

We have audited Independent School District No. 206’s (“the District”) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended June 30, 2022. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on 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 (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

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

### ***Responsibilities of Management for Compliance***

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

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

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

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

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

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

## Report on Internal Control over Compliance

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

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

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

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

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota  
November 1, 2022



## Independent Auditor's Report on *Minnesota Legal Compliance*

The School Board of  
Independent School District No. 206  
Alexandria Public Schools  
Alexandria, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alexandria Public Schools, Independent School District No. 206 ("the District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 1, 2022.

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

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

A handwritten signature in cursive script that reads 'Eide Bailly LLP'.

Fargo, North Dakota  
November 1, 2022

**Section I – Summary of Auditor’s Results**

**FINANCIAL STATEMENTS**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

**Identification of major programs:**

Name of Federal Program	Federal Financial Assistance Listing/CFDA Number
Child Nutrition Cluster	10.553/10.555/10.556/10.559
Emergency Connectivity Fund Program	32.009
Special Education Cluster	84.027/84.173

Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

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**Section II – Financial Statement Findings**

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**2022-001      Preparation of Financial Statements, including Schedule of Expenditures of Federal Awards  
Material Weakness**

*Criteria* – A good system of internal accounting control contemplates an adequate system for internally preparing the District’s financial statements, including the Schedule of Expenditures of Federal Awards (SEFA).

*Condition* – The District does not have an internal control system designed to provide for the preparation of the financial statements being audited, including the SEFA. The auditors were requested to, and did, draft the financial statements, accompanying notes to the financial statements, and SEFA.

*Cause* – The District does not have an internal control system designed to provide for the preparation of the financial statements being audited, including the SEFA.

*Effect* – The disclosures in the financial statements could be incomplete.

*Recommendation* – It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

*Views of Responsible Officials* – There is no disagreement with the audit finding.



**2022-002      Material Journal Entries  
                  Material Weakness**

*Criteria* – A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements.

*Condition* – During the course of our engagement, we proposed material audit adjustments that were not identified as a result of the District’s existing internal controls, and therefore could have resulted in a material misstatement of the District’s financial statements.

*Cause* – The District does not have an internal control system designed to identify all necessary adjustments.

*Effect* – This deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

*Recommendation* – A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisor levels.

*Views of Responsible Officials* – There is no disagreement with the audit finding.

**2022-003      Segregation of Duties  
Material Weakness**

*Criteria* – A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of assets (check signers), record keeping and reconciliation functions.

*Condition* – The District does not adequately separate duties in cash receipts and journal entry posting.

*Cause* – One individual is responsible for receipting cash, preparing the deposit slip, making the deposit in the financial institution, and entering the transaction into the accounting system. Also, there is no formal process to review journal entries that are posted into the accounting system.

*Effect* – Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

*Recommendation* – The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

*Views of Responsible Officials* – There is no disagreement with the audit finding.

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**Section III – Federal Award Findings and Questioned Costs**

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None reported

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**Section IV – Minnesota Legal Compliance Findings**

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None reported