



# Annual Financial Report

## Independent School District No. 2895

Jackson, Minnesota

For the year ended June 30, 2022



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Jackson, Minnesota

Annual Financial Report

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INTRODUCTORY SECTION  
INDEPENDENT SCHOOL DISTRICT NO. 2895  
JACKSON, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2022

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Independent School District No. 2895

Jackson, Minnesota

School District Officials

For the Year Ended June 30, 2022

**Board of Education**

<u>Name</u>	<u>Term on Board Expires</u>	<u>Position</u>
Rhonda Moore	12/31/2022	Chairperson
Brad Anderson	12/31/2022	Vice-Chairperson
Jody Thrush	12/31/2024	Clerk
Amy Voss	12/31/2024	Treasurer
Tina Polz	12/31/2024	Director
Troy Schultz	12/31/2024	Director
Eric Kruger	12/31/2022	Director

**Administration**

Barry Schmidt	Superintendent
James Hoffbeck	Business Manager
Maria Bezdicek	Business Manager

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FINANCIAL SECTION  
INDEPENDENT SCHOOL DISTRICT NO. 2895  
JACKSON, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2022

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## INDEPENDENT AUDITOR'S REPORT

Members of the School Board  
Independent School District No. 2895  
Jackson, Minnesota

### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2895, Jackson, Minnesota, (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

### Basis for Opinions

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

### Responsibilities of Management for the Financial Statements

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

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

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

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

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

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

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

## **Other Matters**

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions and Schedule of Changes in the District's OPEB Liability and Related Ratios starting on page 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual fund financial statements and schedules and table and schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and 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 in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 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.



**Abdo**  
Mankato, Minnesota  
October 24, 2022



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## Management's Discussion and Analysis

As management of the Independent School District No. 2895, Jackson, Minnesota (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022.

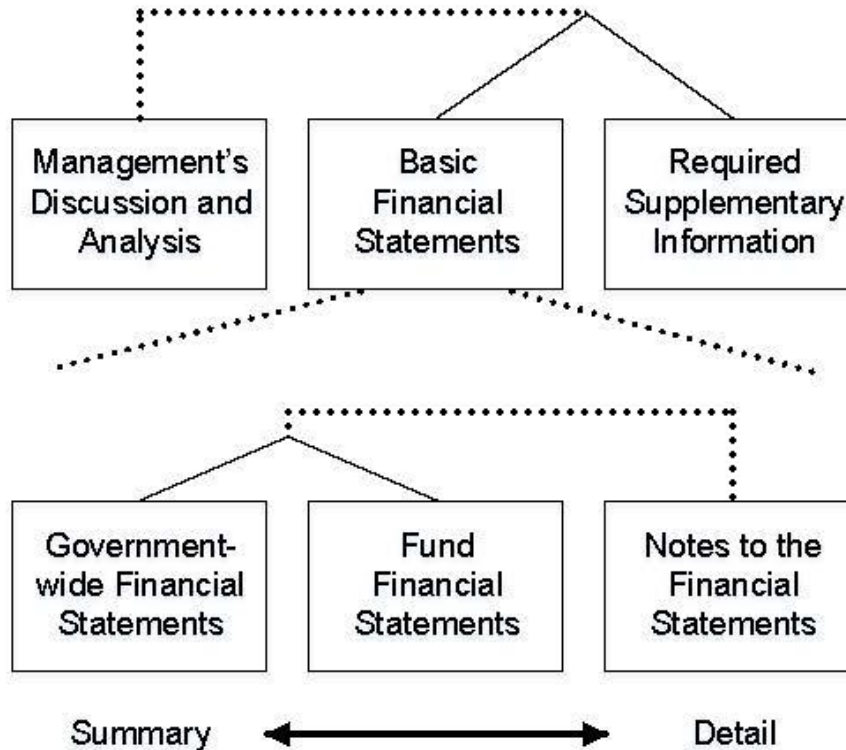
### Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$9,560,851 (*net position*). Of this amount, a deficit of \$11,532,037 (*unrestricted net position*) exists due to the recognition of long-term pension liabilities in accordance with GASB Statement No. 68.
- The District's total net position increased by \$2,338,444, compared to the prior year's increase of \$1,475,282. This change is mainly due to revenues increasing 4.5 percent while expenses decreased by \$4,171. The main cause of the increase is the bond surety payment received due to a company going bankrupt.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$15,515,999, a decrease of \$17,692,251 in comparison with the prior year. The main reason for the decrease is due to the spend down of unspent bond proceeds from the prior year. Unassigned fund balance represents amounts that are available for spending at the District's discretion. Of the total fund balance, \$2,295,661 is *available for spending* at the District's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$2,337,038 or 15.4 percent of total General fund expenditures. At the close of 2021 there was an unassigned balance of \$2,262,446.
- The District's total debt decreased by \$1,360,000 or 3.8 percent during the current fiscal year. This decrease relates to regular debt payments made during the year.

## Overview of the Financial Statements

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

### Organization of Independent School District No. 2895 Annual Financial Report



The following chart summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements:

### Major Features of the District-wide and Fund Financial Statements

	Fund Financial Statements		
	District-wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

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

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

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

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

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

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

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

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

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

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Debt Service fund and Building Construction fund, all of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these no major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found starting on page 37 of this report.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District’s share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 70 of this report.

**Other Information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund financial statements and schedules and table can be found starting on page 78 of this report.

## District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$9,560,851 at the close of the most recent fiscal year.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. These funds are to be used for the construction of school facilities. Another large portion of the District's net position reflects amounts restricted for specific purposes. These restrictions consist of \$1,326,789 for educational purposes, \$541,227 for food service and \$25,427 for debt service. The remaining deficit of \$11,532,037 is mainly due to the recognition of long-term pension liabilities in accordance with GASB Statement No. 68.

### Independent School District No. 2895's Net Position

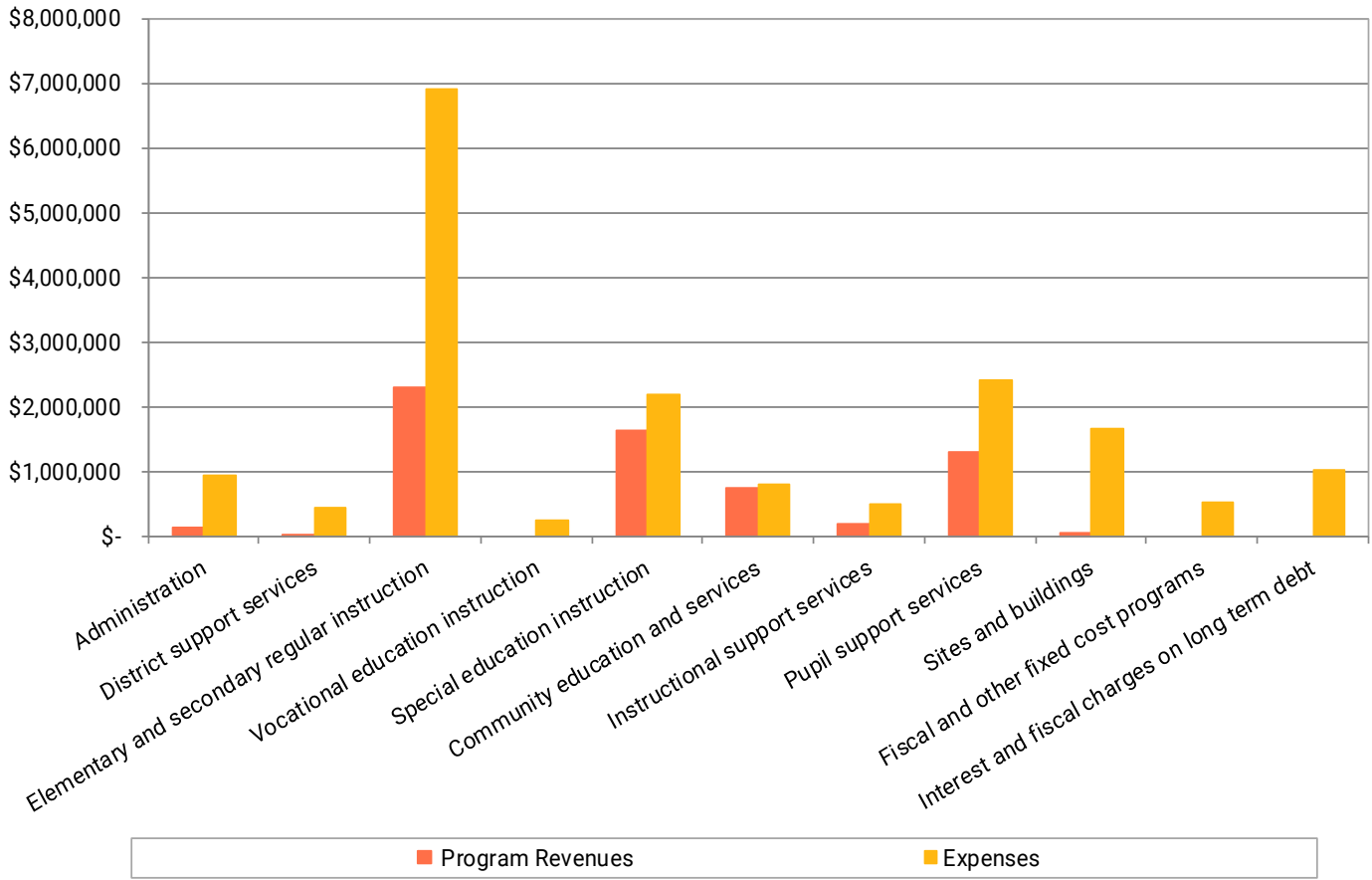
	Governmental Activities		Increase (Decrease)	
	2022	2021	Amount	Percent
Current and Other Assets	\$ 23,573,080	\$ 42,835,797	\$ (19,262,717)	(45.0) %
Capital Assets	44,126,153	26,472,194	17,653,959	66.7
Total Assets	<u>67,699,233</u>	<u>69,307,991</u>	<u>(1,608,758)</u>	(2.3)
Deferred Outflows of Resources	<u>3,601,898</u>	<u>4,578,746</u>	<u>(976,848)</u>	(21.3)
Long-term Liabilities Outstanding	42,582,304	48,081,676	(5,499,372)	(11.4)
Other Liabilities	4,117,210	5,580,673	(1,463,463)	(26.2)
Total Liabilities	<u>46,699,514</u>	<u>53,662,349</u>	<u>(6,962,835)</u>	(13.0)
Deferred Inflows of Resources	<u>15,040,766</u>	<u>13,001,981</u>	<u>2,038,785</u>	15.7
Net Position				
Net investment in capital assets	19,199,445	18,243,929	955,516	5.2
Restricted	1,893,443	1,408,554	484,889	34.4
Unrestricted	<u>(11,532,037)</u>	<u>(12,430,076)</u>	<u>898,039</u>	(7.2)
Total Net Position	<u>\$ 9,560,851</u>	<u>\$ 7,222,407</u>	<u>\$ 2,338,444</u>	32.4 %

**Governmental Activities.** Governmental activities increased the District's net position by \$2,338,444. Key elements of this increase are as follows:

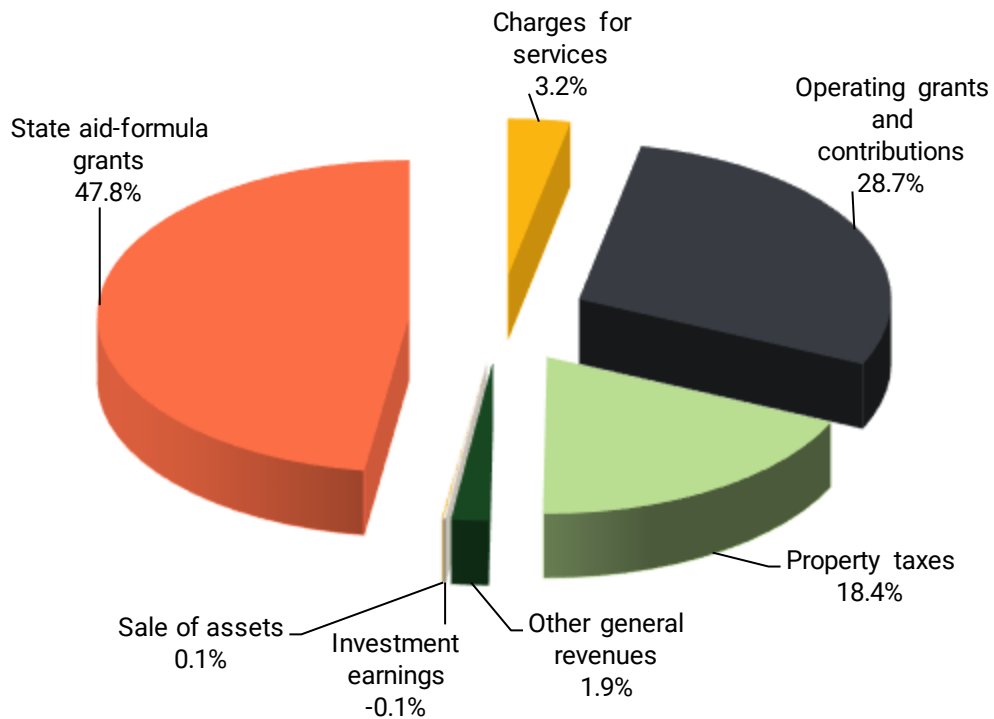
### Independent School District No. 2895's Changes in Net Position

	Governmental Activities		Increase (Decrease)	
	2022	2021	Amounts	Percent
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 645,704	\$ 392,594	\$ 253,110	64.5 %
Operating grants and contributions	5,764,188	5,197,806	566,382	10.9
Capital grants and contributions	-	41,050	(41,050)	(100.0)
General revenues				
Property taxes	3,691,113	3,784,803	(93,690)	(2.5)
State aid-formula grants and other contributions	9,603,876	9,295,856	308,020	3.3
Other general revenues	376,686	70,243	306,443	436.3
Investment earnings	(15,276)	444,526	(459,802)	(103.4)
Gain on sale of capital assets	19,916	5,525	14,391	260.5
Insurance recoveru	5,187	-	5,187	100.0
Total Revenues	<u>20,091,394</u>	<u>19,232,403</u>	<u>858,991</u>	4.5
<b>Expenses</b>				
Administration	955,516	1,029,757	(74,241)	(7.2)
District support services	448,189	296,697	151,492	51.1
Elementary and secondary regular instruction	6,912,704	7,250,874	(338,170)	(4.7)
Vocational education instruction	247,508	274,357	(26,849)	(9.8)
Special education instruction	2,201,917	2,472,115	(270,198)	(10.9)
Community education and services	813,975	679,898	134,077	19.7
Instructional support services	516,174	730,428	(214,254)	(29.3)
Pupil support services	2,430,513	1,933,030	497,483	26
Sites and buildings	1,674,039	1,483,835	190,204	12.8
Fiscal and other fixed cost programs	527,286	518,617	8,669	1.7
Interest and fiscal charges on long-term debt	1,025,129	1,087,513	(62,384)	(5.7)
Total Expenses	<u>17,752,950</u>	<u>17,757,121</u>	<u>(4,171)</u>	-
Change in Net Position	2,338,444	1,475,282	863,162	58.5
Net Position, July 1	<u>7,222,407</u>	<u>5,747,125</u>	<u>1,475,282</u>	25.7
Net Position, June 30	<u>\$ 9,560,851</u>	<u>\$ 7,222,407</u>	<u>\$ 2,338,444</u>	32.4 %

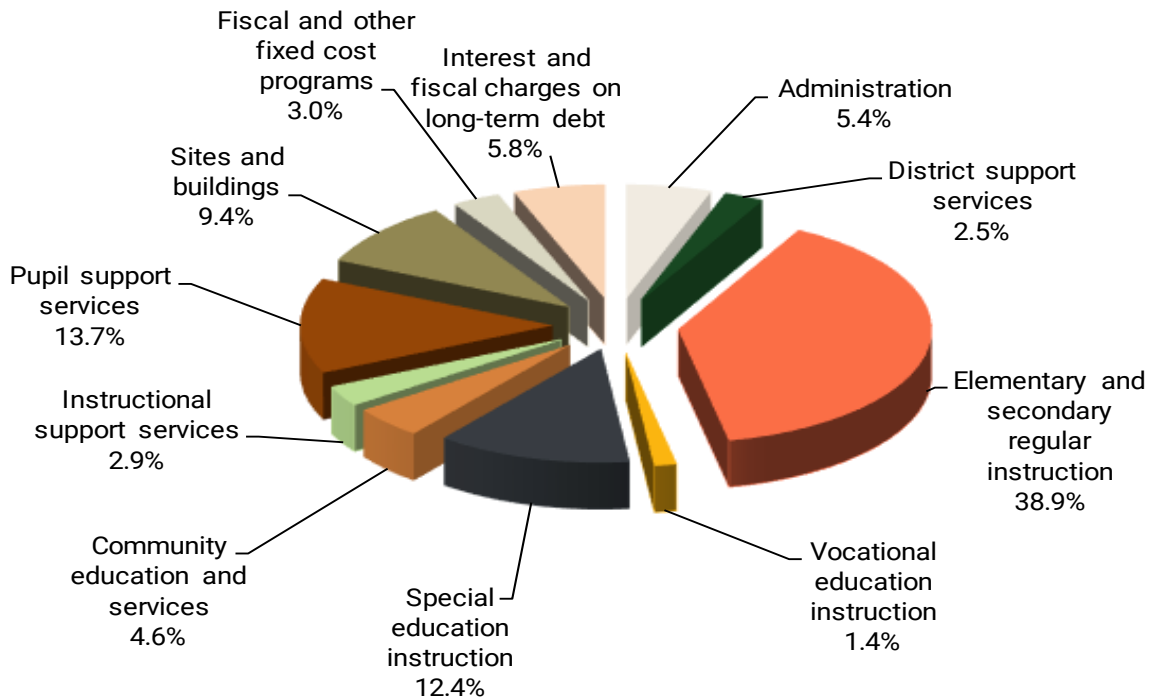
## Expenses and Program Revenues - Governmental Activities



## Revenues by Source - Governmental Activities



## Expenses by Program - Governmental Activities



### Financial Analysis of the District's Funds

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$15,515,999, a decrease of \$17,692,251 in comparison with the prior year due to unspent bond proceeds. Unassigned fund balance represents amounts that are available for spending at the District's discretion. Unassigned fund balance at the close of 2022 had a balance of \$2,295,661, compared to a balance of \$1,861,683 in the prior year.

The General fund is the chief operating fund of the District. At the end of the current year, unassigned fund balance of the General fund had a balance of \$2,337,038, while total fund balance reached \$3,554,661. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 15.4 percent of total General fund expenditures, while total fund balance represents 23.5 percent of that same amount.

The fund balance of the District's General fund increased by \$335,447 during the current fiscal year. The increase in fund balance was mainly due to COVID-19 federal funding received during the year.

The Debt Service fund has a total fund balance of \$418,351, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year was \$14,577. This decrease is due to property taxes and State aids being less than the regularly scheduled payment of principal and interest and the issuance of debt.

The Building Construction fund has a total fund balance of \$10,878,349 of unspent bond proceeds. The net decrease in fund balance during the current year was \$18,144,878. This decrease is due to the spend down of prior year bond proceeds.



## General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operation budget in March 2021.

- We did revise the budget in numerous areas. The original preliminary budget was approved in March, 2021 when the student numbers were very soft and salaries were not settled.
- Grants and COVID-19 response impacted the budget amendment in March 2022.

## Capital Asset and Debt Administration

**Capital Assets.** The District's investment in capital assets for its governmental activities as of June 30, 2022, amounts to \$44,126,153 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements and machinery and equipment. The total increase in the District's investment in capital assets for the current fiscal year was 66.7 percent. The total depreciation expense for the year was \$974,307. The following is a schedule of capital assets as of June 30, 2022:

### Independent School District No. 2895's Capital Assets (Net of Depreciation)

	Governmental Activities		
	2022	2021	Increase (Decrease)
Land	\$ 143,618	\$ 143,618	\$ -
Buildings	17,598,972	18,231,396	(632,424)
Equipment	1,008,116	1,167,581	(159,465)
Construction in Progress	25,375,447	6,929,599	18,445,848
Total	<u>\$ 44,126,153</u>	<u>\$ 26,472,194</u>	<u>\$ 17,653,959</u>

Additional information on the District's capital assets can be found in Note 3C on page 48 of this report.

**Long-term Debt.** At the end of the current fiscal year, the District had total general obligation bonds outstanding of \$34,050,000. Most of this amount is to finance capital projects relating to school buildings.

### Independent School District No. 2895's Outstanding Debt

	Governmental Activities		
	2022	2021	Increase (Decrease)
General Obligation Bonds	<u>\$ 34,050,000</u>	<u>\$ 35,410,000</u>	<u>\$ (1,360,000)</u>

The District's total debt decreased by \$1,360,000 (3.8 percent) during the current fiscal year due to regularly scheduled payments.

Additional information on the District's long-term debt can be found in Note 3D on page 49 of this report.

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

The District has a healthy General fund unassigned fund balance. The referendum that was renewed and the additional referendum that passed has helped to make the School District financially stable. The Board is increasing the choices of classes for our students. We are building a new Middle School, adding on to Riverside Elementary and updating other facilities. The Board and Administration are dedicated to making Jackson County Central Schools the best it can be. We do need to keep working towards a balanced budget in the future.

## **Requests for Information**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Superintendent, Independent School District No. 2895, PO Box 119, Jackson, Minnesota 56143-1075.

DISTRICT-WIDE FINANCIAL STATEMENTS  
INDEPENDENT SCHOOL DISTRICT NO. 2895  
JACKSON, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2022

Independent School District No. 2895

Jackson, Minnesota  
Statement of Net Position  
June 30, 2022

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and temporary investments	\$ 19,171,571
Receivables	
Taxes	2,312,540
Accounts and interest	117,698
Intergovernmental	1,902,100
Inventories	22,966
Prepaid items	46,205
Capital assets not being depreciated	25,519,065
Capital assets net of accumulated depreciation	<u>18,607,088</u>
Total Assets	<u>67,699,233</u>
<b>Deferred Outflows of Resources</b>	
Deferred pension resources	3,527,594
Deferred other post employment benefit resources	<u>74,304</u>
Total Deferred Outflows of Resources	<u>3,601,898</u>
<b>Liabilities</b>	
Salaries and wages payable	660,689
Accounts and other payables	2,011,392
Accrued interest payable	405,615
Due to other school districts	178,006
Due to other governments	30,416
Accrued expenses	783,532
Unearned revenue	47,560
Noncurrent liabilities	
Due within one year	
Long-term liabilities	1,145,000
Due in more than one year	
Long-term liabilities	34,711,921
Net pension liability	6,200,518
Other postemployment benefits liability	<u>524,865</u>
Total Liabilities	<u>46,699,514</u>
<b>Deferred Inflows of Resources</b>	
Property taxes levied for subsequent year	4,301,470
Deferred pension resources	10,650,371
Deferred other post employment benefit resources	<u>88,925</u>
Total Deferred Inflows of Resources	<u>15,040,766</u>
<b>Net Position</b>	
Net investment in capital assets	19,199,445
Restricted	
Educational purposes	1,326,789
Food service	541,227
Debt service	25,427
Unrestricted	<u>(11,532,037)</u>
Total Net Position	<u>\$ 9,560,851</u>

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

Independent School District No. 2895

Jackson, Minnesota

Statement of Activities

For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
<b>Governmental Activities</b>					
Administration	\$ 955,516	\$ -	\$ 135,754	\$ -	\$ (819,762)
District support services	448,189	-	2,929	-	(445,260)
Elementary and secondary regular instruction	6,912,704	342,720	1,971,508	-	(4,598,476)
Vocational education instruction	247,508	-	-	-	(247,508)
Special education instruction	2,201,917	-	1,650,954	-	(550,963)
Community education and services	813,975	247,399	506,417	-	(60,159)
Instructional support services	516,174	-	189,343	-	(326,831)
Pupil support services	2,430,513	55,585	1,246,375	-	(1,128,553)
Sites and buildings	1,674,039	-	60,908	-	(1,613,131)
Fiscal and other fixed cost programs	527,286	-	-	-	(527,286)
Interest and fiscal charges on long term debt	1,025,129	-	-	-	(1,025,129)
<b>Total Governmental Activities</b>	<b>\$ 17,752,950</b>	<b>\$ 645,704</b>	<b>\$ 5,764,188</b>	<b>\$ -</b>	<b>(11,343,058)</b>
<b>General revenues</b>					
<b>Taxes</b>					
Property taxes, levied for general purposes					2,133,343
Property taxes, levied for community service					109,089
Property taxes, levied for debt service					1,448,681
State aid-formula grants and other contributions					9,603,876
Other general revenues					376,686
Investment earnings (loss)					(15,276)
Gain on sale of capital assets					19,916
Insurance recovery					5,187
<b>Total General Revenues</b>					<b>13,681,502</b>
<b>Change in Net Position</b>					<b>2,338,444</b>
<b>Net Position, July 1</b>					<b>7,222,407</b>
<b>Net Position, June 30</b>					<b>\$ 9,560,851</b>

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

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FUND FINANCIAL STATEMENTS  
INDEPENDENT SCHOOL DISTRICT NO. 2895  
JACKSON, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2022

Independent School District No. 2895

Jackson, Minnesota  
Balance Sheet  
Governmental Funds  
June 30, 2022

	General	Debt Service	Building Construction	Other Governmental Funds	Total
<b>Assets</b>					
Cash and temporary investments	\$ 4,566,705	\$ 1,107,938	\$ 12,685,034	\$ 811,894	\$ 19,171,571
Receivables					
Taxes					
Current	868,405	1,352,030	-	48,089	2,268,524
Delinquent	29,088	12,691	-	2,237	44,016
Accounts and interest	854	-	97,063	19,781	117,698
Intergovernmental	1,781,437	92,317	-	28,346	1,902,100
Inventories	11,654	-	-	11,312	22,966
Prepaid items	46,205	-	-	-	46,205
	<u>7,304,348</u>	<u>2,564,976</u>	<u>12,782,097</u>	<u>921,659</u>	<u>23,573,080</u>
<b>Total Assets</b>					
<b>Liabilities</b>					
Salaries and wages payable	\$ 610,233	\$ -	\$ -	\$ 50,456	\$ 660,689
Accounts and other payables	71,559	-	1,903,748	36,085	2,011,392
Due to other school districts	178,006	-	-	-	178,006
Due to other governments	26,985	-	-	3,431	30,416
Accrued expenses	783,532	-	-	-	783,532
Unearned revenue	-	-	-	47,560	47,560
	<u>1,670,315</u>	<u>-</u>	<u>1,903,748</u>	<u>137,532</u>	<u>3,711,595</u>
<b>Total Liabilities</b>					
<b>Deferred Inflows of Resources</b>					
Property taxes levied for subsequent year	2,050,284	2,133,934	-	117,252	4,301,470
Unavailable revenue					
Delinquent property taxes	29,088	12,691	-	2,237	44,016
	<u>2,079,372</u>	<u>2,146,625</u>	<u>-</u>	<u>119,489</u>	<u>4,345,486</u>
<b>Total Deferred Inflows of Resources</b>					
<b>Fund Balances</b>					
Nonspendable	57,859	-	-	11,312	69,171
Restricted	1,159,764	418,351	10,878,349	694,703	13,151,167
Unassigned	2,337,038	-	-	(41,377)	2,295,661
	<u>3,554,661</u>	<u>418,351</u>	<u>10,878,349</u>	<u>664,638</u>	<u>15,515,999</u>
<b>Total Fund Balances</b>					
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 7,304,348</u>	<u>\$ 2,564,976</u>	<u>\$ 12,782,097</u>	<u>\$ 921,659</u>	<u>\$ 23,573,080</u>

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



Independent School District No. 2895

Jackson, Minnesota

Reconciliation of the Balance Sheet

to the Statement of Net Position

Governmental Funds

June 30, 2022

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

Total Fund Balances - Governmental Funds	\$ 15,515,999
Net capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	44,126,153
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Bonds payable	(34,050,000)
Severance payable	(51,864)
Unamortized premiums	(1,755,057)
Other postemployment benefits liability	(524,865)
Net pension liability	(6,200,518)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	44,016
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	3,527,594
Deferred inflows of pension resources	(10,650,371)
Governmental funds do not report long-term amounts related to other post employment benefits.	
Deferred outflows of other postemployment benefit resources	74,304
Deferred inflows of other postemployment benefit resources	(88,925)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(405,615)</u>
Total Net Position - Governmental Activities	<u>\$ 9,560,851</u>

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

Independent School District No. 2895  
 Jackson, Minnesota  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2022

	General	Debt Service	Building Construction	Other Governmental Funds	Total
<b>Revenues</b>					
Local property tax levies	\$ 2,066,475	\$ 1,442,416	\$ -	\$ 108,191	\$ 3,617,082
Other local and county revenue	522,084	352	280,904	692,987	1,496,327
Interest earned (lost) on investments	8,134	2,094	(26,971)	1,467	(15,276)
Revenue from state sources	11,330,030	918,549	-	112,992	12,361,571
Revenue from federal sources	1,528,614	-	-	1,016,780	2,545,394
Sales and other conversion of assets	-	-	-	39,825	39,825
Total Revenues	<u>15,455,337</u>	<u>2,363,411</u>	<u>253,933</u>	<u>1,972,242</u>	<u>20,044,923</u>
<b>Expenditures</b>					
<b>Current</b>					
Administration	1,015,127	-	-	-	1,015,127
District support services	446,445	-	-	-	446,445
Elementary and secondary regular instruction	7,201,808	-	-	27,668	7,229,476
Vocational education instruction	263,358	-	-	-	263,358
Special education instruction	2,357,878	-	-	-	2,357,878
Community education and services	-	-	-	837,145	837,145
Instructional support services	522,027	-	-	-	522,027
Pupil support services	1,420,768	-	-	965,609	2,386,377
Sites and buildings	1,451,428	-	-	-	1,451,428
Fiscal and other fixed cost programs	83,355	-	-	-	83,355
Capital outlay	368,946	-	18,374,670	10,063	18,753,679
<b>Debt service</b>					
Principal	-	1,360,000	-	-	1,360,000
Interest and other charges	-	1,017,988	24,141	-	1,042,129
Total Expenditures	<u>15,131,140</u>	<u>2,377,988</u>	<u>18,398,811</u>	<u>1,840,485</u>	<u>37,748,424</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	324,197	(14,577)	(18,144,878)	131,757	(17,703,501)
<b>Other Financing Sources (Uses)</b>					
Sale of capital assets	6,063	-	-	-	6,063
Insurance recovery	5,187	-	-	-	5,187
Total Other Financing Sources (Uses)	<u>11,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,250</u>
Net Change In Fund Balances	335,447	(14,577)	(18,144,878)	131,757	(17,692,251)
Fund Balances, July 1	<u>3,219,214</u>	<u>432,928</u>	<u>29,023,227</u>	<u>532,881</u>	<u>33,208,250</u>
Fund Balances, June 30	<u>\$ 3,554,661</u>	<u>\$ 418,351</u>	<u>\$ 10,878,349</u>	<u>\$ 664,638</u>	<u>\$ 15,515,999</u>

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

Independent School District No. 2895  
 Jackson, Minnesota  
 Reconciliation of the Statement of  
 Revenues, Expenditures and Changes in Fund Balances  
 to Statement of Activities  
 Governmental Funds  
 For the Year Ended June 30, 2022

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

Total Net Change in Fund Balances - Governmental Funds	\$(17,692,251)
<p>Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>	
Capital outlay	18,614,413
Depreciation expense	(974,307)
<p>The net effect of various miscellaneous transactions involving capital assets.</p>	
Gain on trade-in	13,853
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.</p>	
Principal repayments	1,360,000
Amortization of bond premiums, net of premium on bonds issued	86,435
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	17,000
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	893,987
Direct aid contributions	7,775
<p>Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.</p>	
	13,593
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Severance costs	(1,544)
Other postemployment benefits costs	(510)
	(1,544)
	(510)
Change in Net Position - Governmental Activities	\$ 2,338,444

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

Independent School District No. 2895  
 Jackson, Minnesota  
 Statement of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual  
 General Fund  
 For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Local property tax levies	\$ 2,075,240	\$ 2,050,990	\$ 2,066,475	\$ 15,485
Other local and county revenue	169,800	418,320	522,084	103,764
Interest earned on investments	4,000	2,500	8,134	5,634
Revenue from state sources	11,267,340	11,299,080	11,330,030	30,950
Revenue from federal sources	323,500	1,327,580	1,528,614	201,034
Total Revenues	<u>13,839,880</u>	<u>15,098,470</u>	<u>15,455,337</u>	<u>356,867</u>
<b>Expenditures</b>				
<b>Current</b>				
Administration	994,210	1,020,850	1,015,127	5,723
District support services	311,410	462,400	446,445	15,955
Elementary and secondary regular instruction	6,463,270	7,298,200	7,201,808	96,392
Vocational education instruction	239,070	253,490	263,358	(9,868)
Special education instruction	2,440,920	2,381,590	2,357,878	23,712
Instructional support services	477,200	546,470	522,027	24,443
Pupil support services	1,136,580	1,307,970	1,420,768	(112,798)
Sites and buildings	1,271,340	1,409,490	1,451,428	(41,938)
Fiscal and other fixed cost programs	78,250	83,370	83,355	15
<b>Capital outlay</b>				
Administration	-	-	445	(445)
District support services	-	13,000	14,822	(1,822)
Elementary and secondary regular instruction	40,000	42,000	168,051	(126,051)
Vocational education instruction	-	21,050	2,309	18,741
Instructional support services	25,000	20,000	20,109	(109)
Pupil support services	30,000	6,220	69,224	(63,004)
Sites and buildings	195,000	154,000	93,986	60,014
Total Expenditures	<u>13,702,250</u>	<u>15,020,100</u>	<u>15,131,140</u>	<u>(111,040)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>				
	<u>137,630</u>	<u>78,370</u>	<u>324,197</u>	<u>245,827</u>
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	1,000	2,320	6,063	3,743
Insurance recovery	-	5,180	5,187	7
Total Other Financing Sources (Uses)	<u>1,000</u>	<u>7,500</u>	<u>11,250</u>	<u>3,750</u>
<b>Net Change In Fund Balances</b>	138,630	85,870	335,447	249,577
<b>Fund Balances, July 1</b>	<u>3,219,214</u>	<u>3,219,214</u>	<u>3,219,214</u>	<u>-</u>
<b>Fund Balances, June 30</b>	<u>\$ 3,357,844</u>	<u>\$ 3,305,084</u>	<u>\$ 3,554,661</u>	<u>\$ 249,577</u>

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

# Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2022

## Note 1: Summary of Significant Accounting Policies

### A. Reporting Entity

Independent School District No. 2895, (the District) was incorporated under the laws of the State of Minnesota, (the State). The District operates under a School Board form of government for the purpose of providing educational services to individuals within the area. The District is governed by an elected School Board of seven members. The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The District has no component units that meet the GASB criteria.

### B. District-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

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

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

# Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2022

## Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

### Description of Funds

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

#### *Major Governmental Funds*

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

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

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

#### *Non-Major Governmental Funds*

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

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

# Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2022

## Note 1: Summary of Significant Accounting Policies (Continued)

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

#### Deposits and Investments

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

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

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency and all of the investments have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

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.

## Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2022

### **Note 1: Summary of Significant Accounting Policies (Continued)**

The District has the following recurring fair value measurements as of June 30, 2022:

- Municipal Securities of are valued using quoted market prices (Level 1 inputs)
- Commercial papers of are valued using a matrix pricing model (Level 2 inputs)

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

#### **Investment Policy**

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

1. **Safety and Security.** Safety of principal is the first priority. The investments of the District shall be undertaken in a manner that seeks to ensure the preservation of the capital in the overall investment portfolio.
2. **Liquidity.** The funds shall be invested to assure that funds are available to meet immediate payment requirements, including payroll, accounts payable and debt service.
3. **Return and Yield.** The investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

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

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

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

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



# Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2022

## **Note 1: Summary of Significant Accounting Policies (Continued)**

### **Property Taxes**

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

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

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

Current property taxes receivable is the uncollected portion of the taxes levied in 2021 and collectible in 2022. This levy is offset with a deferred inflow of resources, property taxes levied for subsequent year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

### **Accounts Receivable**

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

### **Inventories and Prepaid Items**

Food Service fund inventories include items purchased by the District and commodities donated by the U.S. Department of Agriculture (USDA). Commodities are valued using a standard price list furnished by the USDA and purchased inventory is valued at the lower of cost or market on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements.

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2022

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Capital Assets**

Capital assets include property, plant and equipment. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is expensed as incurred.

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

<u>Assets</u>	<u>Years</u>
Buildings	20 - 50
Equipment and Machinery	5 - 20

**Deferred Outflows of Resources**

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

**Compensated Absences**

Vacation Pay - Vacations taken or estimated to be taken within 60 days after year end are expensed and included in salaries payable as of June 30. Since teachers are not eligible for vacation pay and amounts accrued to other employees are insignificant, no long-term portion of vacation liabilities is recorded in the financial statements.

Sick Pay - Substantially all District employees are entitled to sick leave at various rates. Employees are not compensated for unused sick leave upon termination of employment.

Severance Pay - The District maintains a severance pay plan for its staff. The plan contains benefit formulas based on years of service and minimum age requirements. If severance benefits are paid within the first 60 days after year end, an accrual is made in the governmental fund incurring the liability. Otherwise, vested severance pay, if any, is recorded in the statement of net position and severance pay expenses are recognized when earned. As of June 30, 2022, the District has a severance liability of \$51,864. The General fund is typically used to liquidate governmental severance benefits payable.

# Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2022

## **Note 1: Summary of Significant Accounting Policies (Continued)**

### **Postemployment Benefits Other Than Pensions**

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

### **Long-term Obligations**

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

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

### **Pensions**

#### Teachers Retirement Association (TRA)

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in in Note 4.

#### Public Employees Retirement Association (PERA)

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

Independent School District No. 2895  
 Jackson, Minnesota  
 Notes to the Financial Statements  
 June 30, 2022

**Note 1: Summary of Significant Accounting Policies (Continued)**

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

	GERP	TRA	Total Pension Expense
Pension Expense	\$ (2,489)	\$ (149,693)	\$ (152,182)

**Deferred Inflows of Resources**

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

**Fund Balance**

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

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

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

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

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

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

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of fund balance when expenditures are made. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

# Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2022

## **Note 1: Summary of Significant Accounting Policies (Continued)**

The District has formally adopted a fund balance policy for the General fund. The District's policy is to maintain a minimum unassigned fund balance of 1.5 months of operating expenditures for cash-flow timing needs.

### **Net Position**

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

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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

### **A. Budgetary Information**

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

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

1. Prior to July 1, the budget is prepared by the Superintendent to be adopted by the School Board.
2. Budgets for General, Special Revenue and Debt Service funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
3. Budgeted amounts are as originally adopted, or as amended.
4. Budget appropriations lapse at year end.
5. The legal level of budgetary control is the department level.
6. The District does not use encumbrance accounting.

The District amended the originally adopted budget for the General fund in the current year to account for changes in student numbers, salaries, and response to COVID-19 changes.

Independent School District No. 2895  
 Jackson, Minnesota  
 Notes to the Financial Statements  
 June 30, 2022

**Note 2: Stewardship, Compliance and Accountability (Continued)**

**B. Excess of Actual Expenditures Over Appropriations**

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

Fund	Budget	Actual	Excess
General	\$ 15,020,100	\$ 15,131,140	\$ 111,040

The excess expenditures were funded by actual revenues in excess of budget.

**Note 3: Detailed Notes on All Funds**

**A. Deposits and Investments**

**Deposits**

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

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

Authorized collateral in lieu of a corporate surety bond includes:

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

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

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2022

**Note 3: Detailed Notes on All Funds (Continued)**

At year end, the District's carrying amount of deposits was \$2,084,148 and the bank balance was \$3,212,653. Of the bank balance, \$2,462,993 was covered by federal depository insurance. The District did not have sufficient additional collateral coverage at First National Bank.

**Investments**

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

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	6/30/2022	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
Minnesota School District Liquid Asset Fund (MSDLAF)	AAAm	less than 1 year	\$ 4,402,390			
Non-Pooled Investments at Amortized Costs						
Brokered cash and cash equivalents	AAA	less than 1 year	5,212			
Non-Pooled Investments at Fair Value						
Government Agency Securities	AA+	less than 1 year	3,882,859	\$ 3,882,859	\$ -	\$ -
U.S. Treasury notes	N/A	less than 1 year	1,608,333	1,608,333	-	-
Municipal Securities	A+	less than 1 year	250,000	250,000	-	-
Municipal Securities	AA	less than 1 year	2,534,187	2,534,187	-	-
Municipal Securities	AA+	less than 1 year	2,181,622	2,181,622	-	-
Municipal Securities	AA-	less than 1 year	1,093,528	1,093,528	-	-
Municipal Securities	SP-1	less than 1 year	425,188	425,188	-	-
Municipal Securities	N/A	less than 1 year	180,025	180,025	-	-
Commercial Papers	A-1	less than 1 year	524,079	-	524,079	-
Total Non-Pooled Investments at Fair Value			12,679,821	12,155,742	524,079	-
Total Investments			\$ 17,087,423	\$ 12,155,742	\$ 524,079	\$ -

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

The Minnesota School District Liquid Asset Fund (MSDLAF) is a trust organized and existing under the laws of the State of Minnesota and the Minnesota Joint Powers Act, as amended. The trust was established for the purpose of allowing Minnesota school districts to pool their investment funds to obtain a competitive investment yield, while maintaining liquidity and preserving capital. The credit rating for the MSDLAF is AAAM. The weighted average days to maturity are less than six months. The District's investment in the MSDLAF is equal to the value of pool shares.

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

Deposits	\$ 2,084,148
Investments	<u>17,087,423</u>
Total	<u>\$ 19,171,571</u>

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2022

**Note 3: Detailed Notes on All Funds (Continued)**

**B. Property Taxes**

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

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

Taxes receivable is comprised of the following components:

	General	Debt Service	Nonmajor Governmental	Total
Current Taxes	\$ 868,405	\$ 1,352,030	\$ 48,089	\$ 2,268,524
Delinquent Taxes	29,088	12,691	2,237	44,016
Total Taxes Receivable	<u>\$ 897,493</u>	<u>\$ 1,364,721</u>	<u>\$ 50,326</u>	<u>\$ 2,312,540</u>
Property Taxes Levied for Subsequent Year	<u>\$ 2,050,284</u>	<u>\$ 2,133,934</u>	<u>\$ 117,252</u>	<u>\$ 4,301,470</u>

**C. Capital Assets**

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

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 143,618	\$ -	\$ -	\$ 143,618
Construction In Progress	6,929,599	18,445,848	-	25,375,447
Total Capital Assets not Being Depreciated	<u>7,073,217</u>	<u>18,445,848</u>	<u>-</u>	<u>25,519,065</u>
Capital Assets Being Depreciated				
Buildings	33,473,160	112,710	-	33,585,870
Equipment	4,384,988	97,774	(38,271)	4,444,491
Total Capital Assets Being Depreciated	<u>37,858,148</u>	<u>210,484</u>	<u>(38,271)</u>	<u>38,030,361</u>
Less Accumulated Depreciation				
Buildings	(15,241,764)	(745,134)	-	(15,986,898)
Equipment	(3,217,407)	(229,173)	10,205	(3,436,375)
Total Accumulated Depreciation	<u>(18,459,171)</u>	<u>(974,307)</u>	<u>10,205</u>	<u>(19,423,273)</u>
Total Capital Assets Being Depreciated, Net	<u>19,398,977</u>	<u>(763,823)</u>	<u>(28,066)</u>	<u>18,607,088</u>
Governmental Activities Capital Assets, Net	<u>\$ 26,472,194</u>	<u>\$ 17,682,025</u>	<u>\$ (28,066)</u>	<u>\$ 44,126,153</u>



Independent School District No. 2895  
 Jackson, Minnesota  
 Notes to the Financial Statements  
 June 30, 2022

**Note 3: Detailed Notes on All Funds (Continued)**

Depreciation expense was charged to governmental activities as follows:

Administration	\$ 4,212
Elementary And Secondary Regular Instruction	156,555
Vocational Education Instruction	856
Instructional Support Services	2,860
Pupil Support Services	31,192
Sites and Buildings	248,266
Fiscal And Other Fixed Cost Programs	530,366
 Total Depreciation Expense	 \$ 974,307

Construction Commitments

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

Project	Spent-to-Date	Remaining Commitment
JCC - Riverside Elem. Addition/Remodel	\$ 4,989,893	\$ 94,262
JCC - Middle School Addition/Remodel	13,463,620	7,070,154
Food Service Equipment	191,797	173,493
 Total	 \$ 18,645,310	 \$ 7,337,909

**D. Long-term Debt**

General Obligation Bonds

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

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

Description	Original Issue	Interest Rate	Issue Date	Final Maturity	Principal Outstanding	
					Due Within One Year	Total
G.O. School Building Bonds, Series 2020A	\$ 34,050,000	2.00 - 4.00 %	02/13/20	02/01/42	\$ 1,145,000	\$ 34,050,000

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2022

**Note 3: Detailed Notes on All Funds (Continued)**

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

Year Ending June 30	Principal Payments	Interest Payments	Total
2023	\$ 1,145,000	\$ 973,475	\$ 2,118,475
2024	1,280,000	927,675	2,207,675
2025	1,330,000	876,475	2,206,475
2026	1,385,000	823,275	2,208,275
2027	1,440,000	767,875	2,207,875
2028 - 2032	8,075,000	2,962,275	11,037,275
2033 - 2037	9,135,000	1,898,994	11,033,994
2038 - 2042	10,260,000	752,619	11,012,619
<b>Total</b>	<b>\$ 34,050,000</b>	<b>\$ 9,982,663</b>	<b>\$ 44,032,663</b>

Changes in Long-term Liabilities

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

	Beginning Balance As Restated	Additions	Deductions	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable					
General obligation bonds	\$ 35,410,000	\$ -	\$ (1,360,000)	\$ 34,050,000	\$ 1,145,000
Bond premiums	1,841,492	-	(86,435)	1,755,057	-
Total Bonds Payable	<u>37,251,492</u>	<u>-</u>	<u>(1,446,435)</u>	<u>35,805,057</u>	<u>1,145,000</u>
Other Liabilities					
Severance payable	50,320	1,544	-	51,864	-
Total Long-term Liabilities	<u>\$ 37,301,812</u>	<u>\$ 1,544</u>	<u>\$ (1,446,435)</u>	<u>\$ 35,856,921</u>	<u>\$ 1,145,000</u>

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2022

**Note 3: Detailed Notes on All Funds (Continued)**

**E. Components of Fund Balance**

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

	General	Debt Service	Building Construction	Nonmajor Governmental	Total	Reconciling Items	UFARS Balance
Nonspendable							
Inventories	\$ 11,654	\$ -	\$ -	\$ 11,312	\$ 22,966	\$ -	\$ 22,966
Prepaid items	46,205	-	-	-	46,205	-	46,205
<b>Total Nonspendable</b>	<b>\$ 57,859</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,312</b>	<b>\$ 69,171</b>	<b>\$ -</b>	<b>\$ 69,171</b>
Restricted for							
Staff development	\$ 53,183	\$ -	\$ -	\$ -	\$ 53,183	\$ -	\$ 53,183
Operating capital	360,286	-	-	-	360,286	-	360,286
Lakefield Fields project	42,953	-	-	-	42,953	-	42,953
Strength and conditioning	23,521	-	-	-	23,521	-	23,521
Basic skills	247	-	-	-	247	-	247
Basic skills extended time	16,031	-	-	-	16,031	-	16,031
Learning and development	8,525	-	-	-	8,525	-	8,525
Gifted and talented	4,350	-	-	-	4,350	-	4,350
Safe schools	36,362	-	-	-	36,362	-	36,362
Long term facility maintenance	488,763	-	-	-	488,763	-	488,763
Medical assistance	47,852	-	-	-	47,852	-	47,852
Husky wrestling capital improvement project	183	-	-	-	183	-	183
Student activities	34,979	-	-	-	34,979	-	34,979
Scholarships	1,622	-	-	-	1,622	-	1,622
Career pathways	40,907	-	-	-	40,907	-	40,907
Community education	-	-	-	116,197	116,197	-	116,197
Early childhood and family education	-	-	-	-	-	(322)	(322)
School readiness	-	-	-	-	-	(41,055)	(41,055)
Food service	-	-	-	529,915	529,915	-	529,915
Community service	-	-	-	3,893	3,893	-	3,893
Swimming pool	-	-	-	44,698	44,698	-	44,698
Building project	-	-	10,878,349	-	10,878,349	-	10,878,349
Debt service	-	418,351	-	-	418,351	-	418,351
<b>Total Restricted</b>	<b>\$ 1,159,764</b>	<b>\$ 418,351</b>	<b>\$ 10,878,349</b>	<b>\$ 694,703</b>	<b>\$ 13,151,167</b>	<b>\$ (41,377)</b>	<b>\$ 13,109,790</b>
Unassigned	\$ 2,337,038	\$ -	\$ -	\$ (41,377)	\$ 2,295,661	\$ 41,377	\$ 2,337,038

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

## Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2022

### **Note 3: Detailed Notes on All Funds (Continued)**

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

Restricted for Lakefield Fields Project - This amount represents available resources for the Lakefield Fields project. Revenues are derived from contributions and donations.

Restricted for Strength and Conditioning Project - This amount represents available resources for strength and conditioning opportunities for students. Revenues are derived from donations.

Restricted for Basic Skills – This amount represents resources dedicated to meeting the educational needs of pupils who enroll under-prepared to learn and have performance below the level appropriate for their age.

Restricted for Basic Skills Extended Time - This amount represents resources dedicated to meeting the educational needs of pupils who enroll in extended day programs, extended week programs, summer school, vacation break academies, and other programming authorized under the learning year program.

Restricted for Learning and Development - This amount represents available general education revenues for learning and development, which is mainly for reducing the pupil-to-staff ratio.

Restricted for Gifted and Talented - This amount represents available resources to provide gifted and talented students with challenging and appropriate educational programs. Revenues are derived from donations.

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

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

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

Restricted for Husky Wrestling Capital Improvement Project - This amount represents available resources for capital improvements related to the wrestling program. Revenues are derived from donations.

Restricted for Student Activities - This amount represents resources dedicate to student-focused extracurricular activities offered and approved by the School Board.

Restricted for Scholarships - This amount represents available resources for scholarships. Revenues are derived from contributions and donations.

Restricted for Career Pathways - This amount represents available resources for career pathways. Revenues are derived from contributions and donations.

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

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

## Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2022

### **Note 3: Detailed Notes on All Funds (Continued)**

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

Restricted for Food Service - This amount represents available resources available for food service. Revenues are derived from sales to pupils and State aid.

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

Restricted for Swimming Pool - This amount represents available resources dedicated exclusively for operating the swimming pool. Revenues are derived from tax levies and local and county sources and expenditures are primarily for salaries, benefits, purchased services supplies and materials.

Restricted for Building Project - This amount represents resources available for future capital project expenditures identified by bond proceeds.

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

### **Note 4: Defined Benefit Pension Plans - Statewide**

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

#### **A. Teachers Retirement Association (TRA)**

##### **1. Plan Description**

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

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

##### **2. Benefits Provided**

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

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**Note 4: Defined Benefit Pension Plans – Statewide (Continued)**

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

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

With these provisions:

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

**or**

**Tier II:** For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated members and 2.7 percent per year for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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

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 also eligible for a refund of their employee contributions plus interest.

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

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

**3. Contribution Rate**

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

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

The District's contributions to TRA for the years ending June 30, 2022, 2021 and 2020 were \$576,440, \$548,665 and \$512,940, respectively. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

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

Employer Contributions Reported in TRA's Annual Comprehensive Financial Report Statement of Changes in Fiduciary Net Position	\$ 448,829,000
Add Employer Contributions not Related to Future Contribution Efforts	379,000
Deduct TRA'S Contributions not Included in Allocation	<u>(538,000)</u>
Total Employer Contributions	448,670,000
Total Non-employer Contributions	<u>37,840,000</u>
Total Contributions Reported in Schedule of Employer and Non-employer Pension Allocations	<u>\$ 486,510,000</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.

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2022

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

**4. Actuarial Assumptions**

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

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Actuarial Information

Valuation date	July 1, 2021
Experience study	June 30, 2021
	June 5, 2019 (demographic assumptions)
	November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% thereafter
Projected salary increase	2.85 to 8.85% before July 1, 2028 and 3.5 to 9.25% thereafter
Cost of living adjustment	1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually

Mortality Assumption

Pre-retirement	RP-2014 white collar employee table, male rates set back six years and female rates set back seven years. Generational projection uses the MP-2015 scale.
Post-retirement	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability	RP-2014 disabled retiree mortality table, without adjustment.



Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2022

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	35.50 %	5.10 %
International Equity	17.50	5.30
Private Markets	25.00	5.90
Fixed Income	20.00	0.75
Unallocated Cash	2.00	-
Total	100.00 %	

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

Changes in actuarial assumptions since the 2020 valuation:

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

**5. Discount Rate**

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

**6. Net Pension Liability**

At June 30, 2022, the District reported a liability of \$4,936,465 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.

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

The District proportionate share was 0.1128 percent at the end of the measurement period and 0.1145 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	\$ 4,936,465
State's Proportionate Share of Net Pension Liability Associated with the District	416,290

For the year ended June 30, 2022, the District recognized negative pension expense of \$154,354. It also recognized \$4,661 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 137,817	\$ 147,631
Changes in Actuarial Assumptions	1,851,050	4,856,241
Net Difference Between Projected and Actual Earnings on Plan Investments	-	4,136,570
Changes in Proportion	2	306,936
Contributions to TRA Subsequent to the Measurement Date	576,440	-
 Total	 \$ 2,565,309	 \$ 9,447,378

Deferred outflows of resources totaling \$576,440 related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

2023	\$ (3,633,197)
2024	(2,453,202)
2025	(467,313)
2026	(579,989)
2027	(615,191)
Thereafter	290,383

Independent School District No. 2895  
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**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

**7. Pension Liability Sensitivity**

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

District Proportionate Share of NPL		
1 Percent Decrease (6.00%)	Current (7.00%)	1 Percent Increase (8.00%)
\$ 9,971,900	\$ 4,936,465	\$ 807,007

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

**8. Pension Plan Fiduciary Net Position**

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

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

**1. Plan Description**

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

General Employees Retirement Plan

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

**2. Benefits Provided**

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

## Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2022

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

#### General Employee Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

#### **3. Contributions**

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

#### General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ending June 30, 2022, 2021 and 2020 were \$165,366, \$160,025 and \$152,081, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

#### **4. Pension Costs**

#### General Employee Fund Pension Costs

At June 30, 2022, the District reported a liability of \$1,264,053 for its proportionate share of the General Employee Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$38,597. 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 of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The District's proportion was 0.0296 percent which was an increase of 0.0004 percent from its proportion measured as of June 30, 2020.

Independent School District No. 2895

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Notes to the Financial Statements

June 30, 2022

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

For the year ended June 30, 2022, the District recognized negative pension expense of \$5,603 for its proportionate share of General Employees Plan's pension expense. In addition, the District recognized an additional \$3,114 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 8,003	\$ 38,624
Changes in Actuarial Assumptions	771,804	27,975
Net Difference Between Projected and Actual Earnings on Plan Investments	-	1,096,069
Changes in Proportion	17,112	40,325
Contributions paid to PERA Subsequent to the Measurement Date	<u>165,366</u>	<u>-</u>
 Total	 <u>\$ 962,285</u>	 <u>\$ 1,202,993</u>

The \$165,366 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$ (57,573)
2024	(39,484)
2025	(10,425)
2026	(298,592)

**5. Actuarial Assumptions**

The total pension liability in the June 30, 2022 actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter. Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The table is adjusted slightly to fit PERA's experience.

Actuarial assumptions used in the June 30, 2022 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employee Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation.

Independent School District No. 2895  
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**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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

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

**6. Discount Rate**

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

Independent School District No. 2895  
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**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

**7. Pension Liability Sensitivity**

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

District Proportionate Share of NPL		
1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
\$ 2,578,002	\$ 1,264,053	\$ 185,860

**8. Pension Plan Fiduciary Net Position**

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

**Note 5: Postemployment Benefits Other Than Pensions**

**A. Plan Description**

The District administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides healthcare insurance for eligible retirees and their spouses through the District's group health insurance plan until Medicare age, which covers both active and retired members. Benefit provisions are established through negotiations between the District and the unions representing District employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

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

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	8
Active Plan Members	185
Total Plan Members	193

**B. Funding Policy**

The District has historically funded these liabilities on a pay-as-you-go basis. Contribution requirements are negotiated between the District and union representatives on a per contract basis. At the present time, no retiree benefits are provided except the allowance to continue health insurance that is mandated by Minnesota Law. The District does not contribute any of the cost of current-year premiums for eligible retired plan members or their spouses. For fiscal year 2022, the District contributed \$45,447 to the plan. Plan members receiving benefits contribute 100 percent of their premium costs.

**C. Actuarial Methods and Assumptions**

The District's total OPEB liability of \$524,865 was measured as of July 1, 2021 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of July 1, 2021.

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**Note 5: Postemployment Benefits Other Than Pensions (Continued)**

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

Discount Rate	2.10%
20-Year Municipal Bond Yield	2.10%
Inflation Rate	2.00%
Salary Increases	Service graded
Medical Trend Rate	6.50% as of July 1, 2021 grading to 5.00% over 6 years
Dental Trend Rate	N/A

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

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

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

**D. Changes in the Total OPEB Liability**

	<u>Total OPEB Liability</u>
Balance at June 30, 2021	\$ 569,778
Changes for the Year	
Service Cost	35,616
Interest	18,068
Assumption Changes	35,090
Differences Between Expected and Actual Experience	(88,240)
Benefit Payments	(45,447)
Net Changes	<u>(44,913)</u>
Balance at June 30, 2022	<u>\$ 524,865</u>



Independent School District No. 2895  
 Jackson, Minnesota  
 Notes to the Financial Statements  
 June 30, 2022

**Note 5: Postemployment Benefits Other Than Pensions (Continued)**

Since the prior measurement date, the following assumptions changed:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the PUB-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.
- The retiree plan participation percentage was changed from 30% for all future retirees to 10% for Paraprofessionals and Cooks and 35% for all others.
- The inflation rate was changed from 2.50% to 2.00%
- The discount rate was changed from 3.10% to 2.10%.

Since the prior measurement date, there have been no changes in benefits.

**E. Sensitivity of the Total OPEB Liability**

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.10 percent) or 1-percentage-point higher 3.10 percent) than the current discount rate:

1 Percent Decrease (1.10%)	Current (2.10%)	1 Percent Increase (3.10%)
\$ 551,313	\$ 524,865	\$ 498,950

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is 1-percentage point lower (5.50 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.50 percent increasing to 6.00 percent) than the current Healthcare Cost Trend rate:

1 Percent Decrease (5.50% Decreasing to 4%)	Healthcare Cost Trend Rates (6.50% Decreasing to 5.00%)	1 Percent Increase (7.50% Decreasing to 6%)
\$ 481,934	\$ 524,865	\$ 575,253

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2022

**Note 5: Postemployment Benefits Other Than Pensions (Continued)**

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

For the year ended June 30, 2022, the District recognized OPEB expense of (\$43,601). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 85,314
Changes in actuarial assumptions	30,703	3,611
Contributions Subsequent to the Measurement Date	43,601	-
<b>Total</b>	<b>\$ 74,304</b>	<b>\$ 88,925</b>

Deferred outflows of resources totaling \$43,601 related to OPEB resulting from the District's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2023.

Year ended June 30:

2023	\$ (9,573)
2024	(9,573)
2025	(9,573)
2026	(9,568)
2027	(9,643)
Thereafter	(10,292)

**Note 6: Other Information**

**A. Risk Management**

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries insurance. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

The Southwest/West Central Services Cooperative Health Insurance Fund was formed under a joint powers agreement. The agreement is to provide a cooperative program of group funding and risk management of employee health and medical claims for the employees of the member school districts. The fund is not intended to function as an insurance company for the districts. Rather, it is a means of combining the administration of claims and of obtaining lower insurance rates. Although premiums billed to the districts are determined on an actuarial basis, the districts' liability for claims is limited to the amount of premiums paid.

Independent School District No. 2895  
Jackson, Minnesota  
Notes to the Financial Statements  
June 30, 2022

**Note 6: Other Information (Continued)**

**B. Federal and State Programs**

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

**Note 7: COVID-19**

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (“COVID-19”) and the risks to the international community as virus spreads globally. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. In response to the pandemic, the State of Minnesota has issued stay-at-home orders and other measures aimed at slowing the spread of the coronavirus.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Due to the rapid development and fluidity of this situation, the District cannot determine the ultimate impact that the COVID-19 pandemic will have on its financial condition, liquidity, and future revenue collection, and therefore any prediction as to the ultimate impact on the Districts financial condition, liquidity, and future results of its revenue collections is uncertain.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 2895  
JACKSON, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2022

Independent School District No. 2895

Jackson, Minnesota

Required Supplementary Information

For the Year Ended June 30, 2022

**Schedule of Employer's Share of TRA Net Pension Liability**

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/21	0.1128 %	\$ 4,936,465	\$ 416,290	\$ 5,352,755	\$ 6,748,647	73.1 %	86.6 %
06/30/20	0.1145	8,459,413	708,949	9,168,362	6,476,515	130.6	75.5
06/30/19	0.1178	7,508,597	664,359	8,172,956	6,598,392	113.8	78.2
06/30/18	0.1178	7,399,509	695,326	8,094,835	6,508,840	113.7	78.1
06/30/17	0.1253	25,012,153	2,417,627	27,429,780	6,747,440	370.7	51.6
06/30/16	0.1216	29,004,501	2,911,176	31,915,677	6,323,947	458.6	44.9
06/30/15	0.1170	7,237,607	888,092	8,125,699	5,936,107	121.9	76.8
06/30/14	0.1228	5,658,536	397,953	6,056,489	5,604,300	101.0	81.1

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

**Schedule of Employer's TRA Contributions**

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
06/30/22	\$ 576,440	\$ 576,440	\$ -	\$ 6,911,751	8.34 %
06/30/21	548,665	548,665	-	6,748,647	8.13
06/30/20	512,940	512,940	-	6,476,515	7.92
06/30/19	508,736	508,736	-	6,598,392	7.71
06/30/18	488,163	488,163	-	6,508,840	7.50
06/30/17	506,058	506,058	-	6,747,440	7.50
06/30/16	474,296	474,296	-	6,323,947	7.50
06/30/15	445,208	445,208	-	5,936,107	7.50

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

Independent School District No. 2895  
Jackson, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2022

**Notes to the Required Supplementary Information - TRA**

Changes in Actuarial Assumptions

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

2020 - Assumed termination rates were changed to more closely reflect actual experience. The pre-retirement mortality assumption was changed to RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale. Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

2019 - No changes noted.

2018 - The investment 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.

2018 - The investment return assumption was changed from 8.5% to 7.5%. The price inflation assumption was lowered from 3.0% to 2.5%. The payroll growth assumption was lowered from 3.5% to 3.0%. The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for the next 10 years, and 0.75% thereafter. The total salary increase assumption was adjusted by the wage inflation change. The amortization date for the funding of the Unfunded Actuarial Accrued Liability (UAAL) was reset to June 30, 2048 (30 years). A mechanism in the law that provided the TRA Board with some authority to set contribution rates was eliminated.

2017 - The Cost of Living Adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045. 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%

2016 - The assumed investment return was changed from 8.0 percent to 4.66 percent using the Single Equivalent Interest Rate calculation. The single discount rate was changed from 8.0 percent to 4.66 percent. The assumed future salary increases, payroll growth and inflation were changed by a 0.25 percent decrease for price inflation, a 0.50 percent increase for wage inflation and a 2.50 percent decrease in maximum salary increases based on years of service. Mortality assumptions were updated using the RP-2014 tables.

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

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

Independent School District No. 2895  
Jackson, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2022

**Notes to the Required Supplementary Information – TRA (Continued)**

2015 - The assumed post-retirement benefit increase rate was changed from 2.0 percent per year through 2034 and 2.5 percent per year thereafter to 2.0 percent per year for all future years. The assumed investment return was changed from 8.25 percent to 8.0 percent. The single discount rate was changed from 8.25 percent to 8.0 percent.

Changes in Plan Provisions

2021 - No changes noted.

2020 - No changes noted.

2019 - No changes noted.

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

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 - No changes noted.

2016 - No changes noted.

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

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



Independent School District No. 2895  
 Jackson, Minnesota  
 Required Supplementary Information (Continued)  
 For the Year Ended June 30, 2022

**Schedule of Employer's Share of PERA Net Pension Liability**

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/21	0.0296 %	\$ 1,264,053	\$ 38,597	\$ 1,302,650	\$ 2,133,667	59.2 %	87.0 %
06/30/20	0.0292	1,750,673	53,984	1,804,657	2,027,747	86.3	79.0
06/30/19	0.0305	1,686,277	52,498	1,738,775	2,161,200	78.0	80.2
06/30/18	0.0294	1,630,991	53,386	1,684,377	1,971,907	82.7	79.5
06/30/17	0.0312	1,991,787	25,015	2,016,802	2,007,560	99.2	75.9
06/30/16	0.0324	2,630,719	34,439	2,665,158	2,013,520	130.7	68.9
06/30/15	0.0314	1,627,311	-	1,627,311	1,813,493	89.7	78.2
06/30/14	0.0309	1,451,527	-	1,451,527	1,624,097	89.4	78.7

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

**Schedule of Employer's PERA Contributions**

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
06/30/22	\$ 165,366	\$ 165,366	\$ -	\$ 2,204,880	7.50 %
06/30/21	160,025	160,025	-	2,133,667	7.50
06/30/20	152,081	152,081	-	2,027,747	7.50
06/30/19	162,090	162,090	-	2,161,200	7.50
06/30/18	147,893	147,893	-	1,971,907	7.50
06/30/17	150,567	150,567	-	2,007,560	7.50
06/30/16	151,014	151,014	-	2,013,520	7.50
06/30/15	136,012	136,012	-	1,813,493	7.50

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

Independent School District No. 2895  
Jackson, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2022

**Notes to the Required Supplementary Information - PERA**

Changes in Actuarial Assumptions

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

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

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

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

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

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

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

Independent School District No. 2895  
Jackson, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2022

**Notes to the Required Supplementary Information – PERA (Continued)**

Changes in Plan Provisions

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

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

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

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

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

2016 - No changes noted.

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Independent School District No. 2895  
 Jackson, Minnesota  
 Required Supplementary Information (Continued)  
 For the Year Ended June 30, 2022

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB Liability				
Service cost	\$ 35,616	\$ 34,715	\$ 33,704	\$ 40,655
Interest	18,068	17,819	19,870	19,516
Differences between expected and actual experience	(88,240)	-	(14,183)	-
Changes in assumptions	35,090	-	(6,323)	-
Benefit payments	<u>(45,447)</u>	<u>(45,345)</u>	<u>(42,052)</u>	<u>(43,515)</u>
Net Change in Total OPEB Liability	(44,913)	7,189	(8,984)	16,656
Total OPEB Liability - Beginning	<u>569,778</u>	<u>562,589</u>	<u>571,573</u>	<u>554,917</u>
Total OPEB Liability - Ending	<u>\$ 524,865</u>	<u>\$ 569,778</u>	<u>\$ 562,589</u>	<u>\$ 571,573</u>
Covered - Employee Payroll	\$ 8,677,603	\$ 8,564,591	\$ 8,315,137	\$ 8,238,226
Districts's Total OPEB Liability as a Percentage of Covered Employee Payroll	6.05 %	6.65 %	6.77 %	6.94 %

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

Changes in Benefits

2022 - No changes noted.

2021 - No changes noted.

2020 - No changes noted.

2019 - No changes noted.

Changes in Assumptions

2022 - The health care trend rates, mortality tables, salary increase rates for non-teachers, withdrawal rates, and retire plan participation percentages were updated. The inflation rate was changed from 2.50% to 2.00%. The discount rate was changed from 3.10% to 2.10%.

2021 - No changes noted.

2020 - The health care trend rates, mortality tables, and salary increase assumptions were updated. The discount rate changed from 3.40% to 3.10%.

2019 - No changes noted.

Changes in Method

2022 - No changes noted.

2021 - No changes noted.

2020 - No changes noted.

2019 - No changes noted.

COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES AND TABLE

INDEPENDENT SCHOOL DISTRICT NO. 2895  
JACKSON, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2022

Independent School District No. 2895

Jackson, Minnesota

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2022

	Special Revenue		Total
	Food Service	Community Service	
<b>Assets</b>			
Cash and temporary investments	\$ 589,021	\$ 222,873	\$ 811,894
Receivables			
Taxes			
Current	-	48,089	48,089
Delinquent	-	2,237	2,237
Accounts and interest	-	19,781	19,781
Intergovernmental	20,767	7,579	28,346
Inventories	11,312	-	11,312
<b>Total Assets</b>	<b>\$ 621,100</b>	<b>\$ 300,559</b>	<b>\$ 921,659</b>
<b>Liabilities</b>			
Salaries and wages payable	\$ 1,591	\$ 48,865	\$ 50,456
Accounts and other payables	30,722	5,363	36,085
Due to other governments	-	3,431	3,431
Unearned revenue	47,560	-	47,560
<b>Total Liabilities</b>	<b>79,873</b>	<b>57,659</b>	<b>137,532</b>
<b>Deferred Inflows of Resources</b>			
Property taxes levied for subsequent year	-	117,252	117,252
Unavailable revenue			
Delinquent property taxes	-	2,237	2,237
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>119,489</b>	<b>119,489</b>
<b>Fund Balances</b>			
<b>Nonspendable</b>			
Inventories	11,312	-	11,312
<b>Restricted</b>			
Community education	-	116,197	116,197
Community service	-	3,893	3,893
Swimming pool	-	44,698	44,698
Food service	529,915	-	529,915
Unassigned	-	(41,377)	(41,377)
<b>Total Fund Balances</b>	<b>541,227</b>	<b>123,411</b>	<b>664,638</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 621,100</b>	<b>\$ 300,559</b>	<b>\$ 921,659</b>

Independent School District No. 2895  
 Jackson, Minnesota  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 For the Year Ended June 30, 2022

	Special Revenue		Total
	Food Service	Community Service	
Revenues			
Local property tax levies	\$ -	\$ 108,191	\$ 108,191
Other local and county revenue	15,760	677,227	692,987
Interest earned on investments	1,032	435	1,467
Revenue from state sources	36,386	76,606	112,992
Revenue from federal sources	1,003,580	13,200	1,016,780
Sales and other conversion of assets	39,825	-	39,825
Total Revenues	<u>1,096,583</u>	<u>875,659</u>	<u>1,972,242</u>
Expenditures			
Current			
Elementary and secondary regular instruction	-	27,668	27,668
Community education and services	-	837,145	837,145
Pupil support services	956,853	8,756	965,609
Capital outlay	-	10,063	10,063
Total Expenditures	<u>956,853</u>	<u>883,632</u>	<u>1,840,485</u>
Net Change In Fund Balances	139,730	(7,973)	131,757
Fund Balances, July 1	<u>401,497</u>	<u>131,384</u>	<u>532,881</u>
Fund Balances, June 30	<u>\$ 541,227</u>	<u>\$ 123,411</u>	<u>\$ 664,638</u>

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Independent School District No. 2895

Jackson, Minnesota

General Fund

Comparative Balance Sheets

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Cash and temporary investments	\$ 4,566,705	\$ 4,218,252
Receivables		
Taxes		
Current	868,405	822,324
Delinquent	29,088	22,289
Accounts	854	24,847
Intergovernmental	1,781,437	1,401,011
Inventories	11,654	24,944
Prepaid items	46,205	58,961
	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 7,304,348</u>	<u>\$ 6,572,628</u>
<b>Liabilities</b>		
Salaries payable	\$ 610,233	\$ 614,929
Accounts and other payables	71,559	34,520
Due to other school districts	178,006	74,316
Due to other governments	26,985	26,068
Accrued expenses	783,532	629,313
	<u>                    </u>	<u>                    </u>
Total Liabilities	<u>1,670,315</u>	<u>1,379,146</u>
<b>Deferred Inflows of Resources</b>		
Property taxes levied for subsequent year	2,050,284	1,951,979
Unavailable revenue		
Delinquent property taxes	29,088	22,289
	<u>                    </u>	<u>                    </u>
Total Deferred Inflows of Resources	<u>2,079,372</u>	<u>1,974,268</u>
<b>Fund Balances</b>		
<b>Nonspendable</b>		
Inventories	11,654	24,944
Prepaid items	46,205	58,961
<b>Restricted</b>		
Staff development	53,183	85,808
Operating capital	360,286	272,655
Learning and development	8,525	-
Gifted and talented	4,350	6,189
Basic skills	247	247
Basic skills extended time	16,031	25,231
Safe schools	36,362	33,248
Long term facility maintenance	488,763	276,304
Medical assistance	47,852	15,637
Lakefield Fields Project	42,953	21,159
Strength and Conditioning	23,521	4,507
Husky Wrestling Capital Improvement Project	183	183
Student activities	34,979	71,693
Scholarships	1,622	1,872
Career pathways	40,907	58,130
Unassigned	2,337,038	2,262,446
	<u>                    </u>	<u>                    </u>
Total Fund Balances	<u>3,554,661</u>	<u>3,219,214</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,304,348</u>	<u>\$ 6,572,628</u>

Independent School District No. 2895

Jackson, Minnesota

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual

For the Year Ended June 30, 2022

(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022			Variance with Final Budget	2021
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			Amounts
<b>Revenues</b>					
Local property tax levies	\$ 2,075,240	\$ 2,050,990	\$ 2,066,475	\$ 15,485	\$ 2,086,962
Other local and county revenue	169,800	418,320	522,084	103,764	315,306
Interest earned on investments	4,000	2,500	8,134	5,634	3,266
Revenue from state sources	11,267,340	11,299,080	11,330,030	30,950	11,247,918
Revenue from federal sources	323,500	1,327,580	1,528,614	201,034	958,968
<b>Total Revenues</b>	<b>13,839,880</b>	<b>15,098,470</b>	<b>15,455,337</b>	<b>356,867</b>	<b>14,612,420</b>
<b>Expenditures</b>					
<b>Current</b>					
<b>Administration</b>					
Salaries	680,350	693,440	700,621	(7,181)	741,776
Employee benefits	236,300	229,510	232,763	(3,253)	234,816
Purchased services	58,150	82,500	69,931	12,569	72,230
Supplies and materials	4,500	4,500	3,043	1,457	4,303
Other expenditures	14,910	10,900	8,769	2,131	13,673
<b>Total administration</b>	<b>994,210</b>	<b>1,020,850</b>	<b>1,015,127</b>	<b>5,723</b>	<b>1,066,798</b>
<b>District support services</b>					
Salaries	220,700	252,600	225,881	26,719	216,301
Employee benefits	64,960	68,950	64,362	4,588	68,245
Purchased services	22,500	82,900	73,189	9,711	20,347
Supplies and materials	3,000	56,700	82,493	(25,793)	4,134
Other expenditures	250	1,250	520	730	220
<b>Total district support services</b>	<b>311,410</b>	<b>462,400</b>	<b>446,445</b>	<b>15,955</b>	<b>309,247</b>
<b>Elementary and secondary regular instruction</b>					
Salaries	4,553,760	4,877,490	4,798,081	79,409	4,687,607
Employee benefits	1,271,820	1,324,990	1,298,105	26,885	1,295,528
Purchased services	389,600	662,130	694,494	(32,364)	362,049
Supplies and materials	246,090	431,590	409,128	22,462	234,104
Other expenditures	2,000	2,000	2,000	-	2,500
<b>Total elementary and secondary regular instruction</b>	<b>6,463,270</b>	<b>7,298,200</b>	<b>7,201,808</b>	<b>96,392</b>	<b>6,581,788</b>
<b>Vocational education instruction</b>					
Salaries	171,890	183,840	183,224	616	177,512
Employee benefits	42,180	43,650	43,960	(310)	43,305
Purchased services	10,000	11,000	18,474	(7,474)	1,128
Supplies and materials	15,000	15,000	17,700	(2,700)	19,881
<b>Total vocational education instruction</b>	<b>239,070</b>	<b>253,490</b>	<b>263,358</b>	<b>(9,868)</b>	<b>241,826</b>
<b>Special education instruction</b>					
Salaries	1,829,340	1,775,980	1,701,309	74,671	1,764,573
Employee benefits	433,660	435,810	405,528	30,282	423,813
Purchased services	165,870	155,700	225,726	(70,026)	167,490
Supplies and materials	12,050	14,100	25,315	(11,215)	18,332
<b>Total special education instruction</b>	<b>2,440,920</b>	<b>2,381,590</b>	<b>2,357,878</b>	<b>23,712</b>	<b>2,374,208</b>

Independent School District No. 2895

Jackson, Minnesota

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual (Continued)

For the Year Ended June 30, 2022

(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022			Variance with Final Budget	2021
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Instructional support services					
Salaries	\$ 293,660	\$ 310,110	\$ 295,315	\$ 14,795	\$ 276,372
Employee benefits	107,600	96,810	98,371	(1,561)	100,934
Purchased services	19,580	47,400	51,929	(4,529)	24,523
Supplies and materials	56,360	92,150	76,412	15,738	112,564
Total instructional support services	<u>477,200</u>	<u>546,470</u>	<u>522,027</u>	<u>24,443</u>	<u>514,393</u>
Pupil support services					
Salaries	311,520	403,190	398,062	5,128	308,630
Employee benefits	83,110	103,140	99,278	3,862	81,416
Purchased services	721,450	749,640	892,001	(142,361)	758,042
Supplies and materials	20,500	52,000	31,427	20,573	39,728
Total pupil support services	<u>1,136,580</u>	<u>1,307,970</u>	<u>1,420,768</u>	<u>(112,798)</u>	<u>1,187,816</u>
Sites and buildings					
Salaries	452,000	478,250	472,575	5,675	454,480
Employee benefits	132,840	140,690	136,210	4,480	135,627
Purchased services	519,000	588,050	652,097	(64,047)	542,215
Supplies and materials	176,500	242,500	235,546	6,954	178,426
Other expenditures	(9,000)	(40,000)	(45,000)	5,000	(40,000)
Total sites and buildings	<u>1,271,340</u>	<u>1,409,490</u>	<u>1,451,428</u>	<u>(41,938)</u>	<u>1,270,748</u>
Fiscal and other fixed cost programs					
Employee benefits	250	250	250	-	250
Purchased services	78,000	83,120	83,105	15	74,436
Total fiscal and other fixed cost programs	<u>78,250</u>	<u>83,370</u>	<u>83,355</u>	<u>15</u>	<u>74,686</u>
Total current	<u>13,412,250</u>	<u>14,763,830</u>	<u>14,762,194</u>	<u>1,636</u>	<u>13,621,510</u>
Capital outlay					
Administration	-	-	445	(445)	-
District support services	-	13,000	14,822	(1,822)	2,082
Elementary and secondary regular instruction	40,000	42,000	168,051	(126,051)	76,060
Vocational education instruction	-	21,050	2,309	18,741	4,369
Instructional support services	25,000	20,000	20,109	(109)	217,632
Pupil support services	30,000	6,220	69,224	(63,004)	6,725
Sites and buildings	195,000	154,000	93,986	60,014	219,137
Total capital outlay	<u>290,000</u>	<u>256,270</u>	<u>368,946</u>	<u>(112,676)</u>	<u>526,005</u>
Total Expenditures	<u>13,702,250</u>	<u>15,020,100</u>	<u>15,131,140</u>	<u>(111,040)</u>	<u>14,147,515</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>137,630</u>	<u>78,370</u>	<u>324,197</u>	<u>245,827</u>	<u>464,905</u>
Other Financing Sources (Uses)					
Sale of capital assets	1,000	2,320	6,063	3,743	5,525
Insurance recovery	-	5,180	5,187	7	54,473
Transfers out	-	-	-	-	(73,160)
Total Other Financing Sources (Uses)	<u>1,000</u>	<u>7,500</u>	<u>11,250</u>	<u>3,750</u>	<u>(13,162)</u>
Net Change In Fund Balances	138,630	85,870	335,447	249,577	451,743
Fund Balances, July 1	<u>3,219,214</u>	<u>3,219,214</u>	<u>3,219,214</u>	<u>-</u>	<u>2,767,471</u>
Fund Balances, June 30	<u>\$ 3,357,844</u>	<u>\$ 3,305,084</u>	<u>\$ 3,554,661</u>	<u>\$ 249,577</u>	<u>\$ 3,219,214</u>

Independent School District No. 2895  
 Jackson, Minnesota  
 Food Service Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual  
 For the Year Ended June 30, 2022  
 (With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022				2021
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
<b>Revenues</b>					
Other local and county revenues	\$ 13,000	\$ 11,000	\$ 15,760	\$ 4,760	\$ 12,343
Interest earned on investments	100	340	1,032	692	369
Revenue from state sources	52,000	32,570	36,386	3,816	17,895
Revenue from federal sources	356,400	846,360	1,003,580	157,220	821,644
Sales and other conversion of assets	291,000	26,000	39,825	13,825	28,857
Total Revenues	<u>712,500</u>	<u>916,270</u>	<u>1,096,583</u>	<u>180,313</u>	<u>881,108</u>
<b>Expenditures</b>					
<b>Current</b>					
Pupil support services					
Salaries	291,150	265,460	248,882	16,578	242,090
Employee benefits	48,980	54,280	47,918	6,362	49,576
Purchased services	10,500	12,000	10,309	1,691	2,391
Supplies and materials	353,500	596,200	604,744	(8,544)	442,559
Other expenditures	9,000	40,000	45,000	(5,000)	40,000
Total Expenditures	<u>713,130</u>	<u>967,940</u>	<u>956,853</u>	<u>11,087</u>	<u>776,616</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(630)	(51,670)	139,730	191,400	104,492
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	-	13,160
Net Change In Fund Balances	(630)	(51,670)	139,730	191,400	117,652
Fund Balances, July 1	<u>401,497</u>	<u>401,497</u>	<u>401,497</u>	<u>-</u>	<u>283,845</u>
Fund Balances, June 30	<u>\$ 400,867</u>	<u>\$ 349,827</u>	<u>\$ 541,227</u>	<u>\$ 191,400</u>	<u>\$ 401,497</u>

Independent School District No. 2895  
 Jackson, Minnesota  
 Community Service Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual  
 For the Year Ended June 30, 2022  
 (With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022				2021
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
<b>Revenues</b>					
Local property tax levies	\$ 108,870	\$ 108,880	\$ 108,191	\$ (689)	\$ 116,062
Other local and county revenue	496,070	624,520	677,227	52,707	539,274
Interest earned on investments	-	-	435	435	59
Revenue from state sources	90,340	78,980	76,606	(2,374)	84,060
Revenue from federal sources	-	23,000	13,200	(9,800)	26,400
Total revenues	<u>695,280</u>	<u>835,380</u>	<u>875,659</u>	<u>40,279</u>	<u>765,855</u>
<b>Expenditures</b>					
<b>Current</b>					
Elementary and secondary regular instruction					
Salaries	-	10,000	12,149	(2,149)	1,440
Employee benefits	-	1,550	2,375	(825)	223
Supplies and materials	-	20,050	13,144	6,906	1,752
Total elementary and secondary regular instruction	<u>-</u>	<u>31,600</u>	<u>27,668</u>	<u>3,932</u>	<u>3,415</u>
Community education and services					
Salaries	382,900	503,390	476,492	26,898	376,026
Employee benefits	90,490	126,470	120,005	6,465	88,693
Purchased services	59,300	81,300	64,463	16,837	77,319
Supplies and materials	128,500	172,420	176,185	(3,765)	121,989
Total community education and services	<u>661,190</u>	<u>883,580</u>	<u>837,145</u>	<u>46,435</u>	<u>664,027</u>
Pupil support services					
Salaries	8,200	6,730	6,608	122	7,300
Employee benefits	2,880	2,160	2,148	12	2,646
Total pupil support services	<u>11,080</u>	<u>8,890</u>	<u>8,756</u>	<u>134</u>	<u>9,946</u>
Total current	<u>672,270</u>	<u>924,070</u>	<u>873,569</u>	<u>50,501</u>	<u>677,388</u>
<b>Capital outlay</b>					
Community education and services	5,000	10,200	10,063	137	-
Total Expenditures	<u>677,270</u>	<u>934,270</u>	<u>883,632</u>	<u>50,638</u>	<u>677,388</u>
<b>Excess (Deficiency) of Revenues</b>					
Over (Under) Expenditures	18,010	(98,890)	(7,973)	90,917	88,467
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	-	60,000
Net Change in Fund Balances	18,010	(98,890)	(7,973)	90,917	148,467
Fund Balances, July 1	131,384	131,384	131,384	-	(17,083)
Fund Balances, June 30	<u>\$ 149,394</u>	<u>\$ 32,494</u>	<u>\$ 123,411</u>	<u>\$ 90,917</u>	<u>\$ 131,384</u>

Independent School District No. 2895  
 Jackson, Minnesota  
 Debt Service Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual  
 For the Year Ended June 30, 2022  
 (With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022			Variance with Final Budget	2021
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			Amounts
Revenues					
Local property tax levies	\$ 1,454,400	\$ 1,454,670	\$ 1,442,416	\$ (12,254)	\$ 1,516,825
Other local and county revenues	2,000	350	352	2	8,188
Interest earned on investments	1,000	1,000	2,094	1,094	930
Revenue from state sources	918,810	918,540	918,549	9	869,123
Total Revenues	<u>2,376,210</u>	<u>2,374,560</u>	<u>2,363,411</u>	<u>(11,149)</u>	<u>2,395,066</u>
Expenditures					
Debt service					
Principal	1,360,000	1,360,000	1,360,000	-	1,315,000
Interest and other charges	1,018,780	1,019,280	1,017,988	1,292	1,025,231
Total Expenditures	<u>2,378,780</u>	<u>2,379,280</u>	<u>2,377,988</u>	<u>1,292</u>	<u>2,340,231</u>
Net Change in Fund Balances	(2,570)	(4,720)	(14,577)	(9,857)	54,835
Fund Balances, July 1	<u>432,928</u>	<u>432,928</u>	<u>432,928</u>	-	<u>378,093</u>
Fund Balances, June 30	<u>\$ 430,358</u>	<u>\$ 428,208</u>	<u>\$ 418,351</u>	<u>\$ (9,857)</u>	<u>\$ 432,928</u>

Independent School District No. 2895  
 Jackson, Minnesota  
 Schedules of Tax Capacity, Tax Levy and Tax Rates  
 For the Years Ended June 30, 2022 and 2021

	2022	2021
Tax Capacity		
Agricultural	\$ 12,825,361	\$ 12,928,107
Nonagricultural	5,192,949	5,169,218
Total	\$ 18,018,310	\$ 18,097,325
Tax Levy		
General	\$ 2,208,166	\$ 2,112,363
Community Service	117,252	113,954
Debt Service	2,133,934	2,373,151
Total	\$ 4,459,352	\$ 4,599,468
Tax Capacity Rates		
General	4.650	4.418
Community Service	0.598	0.579
Debt Service	10.887	12.058
Total	16.135	17.055



## Fiscal Compliance

**Fiscal Compliance Report - 6/30/2022**  
**District: JACKSON COUNTY CENTRAL (2895-1)**

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION</b>			
Total Revenue	\$15,455,337	<u>\$15,455,343</u>	(\$6)	Total Revenue	\$253,933	<u>\$253,932</u>	\$1
Total Expenditures	\$15,131,140	<u>\$15,131,144</u>	(\$4)	Total Expenditures	\$18,398,811	<u>\$18,398,809</u>	\$2
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$57,859	<u>\$57,859</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
<i>Restricted / Reserved:</i>				<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$34,979	<u>\$34,978</u>	\$1	4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0
4.02 Scholarships	\$1,622	<u>\$1,622</u>	\$0	4.13 Project Funded by COP	\$0	<u>\$0</u>	\$0
4.03 Staff Development	\$53,183	<u>\$53,183</u>	\$0	4.67 LTFM	\$0	<u>\$0</u>	\$0
4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0	<i>Restricted:</i>			
4.08 Cooperative Revenue	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$10,878,349	<u>\$10,878,349</u>	\$0
4.13 Project Funded by COP	\$0	<u>\$0</u>	\$0	<i>Unassigned:</i>			
4.14 Operating Debt	\$0	<u>\$0</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.16 Levy Reduction	\$0	<u>\$0</u>	\$0	<b>07 DEBT SERVICE</b>			
4.17 Taconite Building Maint	\$0	<u>\$0</u>	\$0	Total Revenue	\$2,363,411	<u>\$2,363,409</u>	\$2
4.24 Operating Capital	\$403,422	<u>\$403,423</u>	(\$1)	Total Expenditures	\$2,377,988	<u>\$2,377,988</u>	\$0
4.26 \$25 Taconite	\$0	<u>\$0</u>	\$0	<i>Non Spendable:</i>			
4.27 Disabled Accessibility	\$0	<u>\$0</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
4.28 Learning & Development	\$8,525	<u>\$8,525</u>	\$0	<i>Restricted / Reserved:</i>			
4.34 Area Learning Center	\$0	<u>\$0</u>	\$0	4.25 Bond Refundings	\$0	<u>\$0</u>	\$0
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	\$0	4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	\$0
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	\$0	4.51 QZAB Payments	\$0	<u>\$0</u>	\$0
4.38 Gifted & Talented	\$4,350	<u>\$4,350</u>	\$0	4.67 LTFM	\$0	<u>\$0</u>	\$0
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	\$0	<i>Restricted:</i>			
4.41 Basic Skills Programs	\$247	<u>\$247</u>	\$0	4.64 Restricted Fund Balance	\$418,351	<u>\$418,351</u>	\$0
4.48 Achievement and Integration	\$0	<u>\$0</u>	\$0	<i>Unassigned:</i>			
4.49 Safe School Crime - Crime Levy	\$36,362	<u>\$36,361</u>	\$1	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.51 QZAB Payments	\$0	<u>\$0</u>	\$0	<b>08 TRUST</b>			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
4.59 Basic Skills Extended Time	\$16,031	<u>\$16,032</u>	(\$1)	<i>Restricted / Reserved:</i>			
4.67 LTFM	\$488,763	<u>\$488,764</u>	(\$1)	4.01 Student Activities	\$0	<u>\$0</u>	\$0
4.72 Medical Assistance	\$47,852	<u>\$47,853</u>	(\$1)	4.02 Scholarships	\$0	<u>\$0</u>	\$0
4.73 PPP Loan	\$0	<u>\$0</u>	\$0	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
4.74 EIDL Loan	\$0	<u>\$0</u>	\$0	<b>18 CUSTODIAL</b>			
<i>Restricted:</i>				Total Revenue	\$0	<u>\$0</u>	\$0
4.64 Restricted Fund Balance	\$64,428	<u>\$64,429</u>	(\$1)	Total Expenditures	\$0	<u>\$0</u>	\$0
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	\$0	<i>Restricted / Reserved:</i>			
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	\$0	4.01 Student Activities	\$0	<u>\$0</u>	\$0
<i>Committed:</i>				4.02 Scholarships	\$0	<u>\$0</u>	\$0
4.18 Committed for Separation	\$0	<u>\$0</u>	\$0	4.48 Achievement and Integration	\$0	<u>\$0</u>	\$0
4.61 Committed Fund Balance	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0
<i>Assigned:</i>				<b>20 INTERNAL SERVICE</b>			
4.62 Assigned Fund Balance	\$0	<u>\$0</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
<i>Unassigned:</i>				Total Expenditures	\$0	<u>\$0</u>	\$0
4.22 Unassigned Fund Balance	\$2,337,038	<u>\$2,337,037</u>	\$1	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
<b>02 FOOD SERVICES</b>				<b>25 OPEB REVOCABLE TRUST</b>			
Total Revenue	\$1,096,583	<u>\$1,096,583</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
Total Expenditures	\$956,853	<u>\$956,853</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$11,312	<u>\$11,312</u>	\$0	<i>Restricted / Reserved:</i>			
<i>Restricted / Reserved:</i>				<i>Restricted / Reserved:</i>			
4.52 OPEB Liab Not In Trust				<i>Unassigned:</i>			



Minnesota Department of Education

	\$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	\$529,915	<u>\$529,916</u>	<u>(\$1)</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<b>04 COMMUNITY SERVICE</b>			
Total Revenue	\$875,659	<u>\$875,655</u>	<u>\$4</u>
Total Expenditures	\$883,632	<u>\$883,630</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	\$116,197	<u>\$116,195</u>	<u>\$2</u>
4.32 E.C.F.E	(\$322)	<u>(\$322)</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	(\$41,055)	<u>(\$41,055)</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	\$48,591	<u>\$48,592</u>	<u>(\$1)</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

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

**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	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</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	\$0	<u>\$0</u>	<u>\$0</u>

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OTHER REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 2895  
JACKSON, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2022

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**INDEPENDENT AUDITOR'S REPORT ON  
MINNESOTA LEGAL COMPLIANCE**

Members of the School Board  
Independent School District No. 2895  
Jackson, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2895, Jackson, Minnesota, (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Districts basic financial statements. and have issued our report thereon dated October 24, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, except as described in the Schedule of Findings, Responses and Questioned Costs as items 2022-001, 2022-002 and 2022-003. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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



**Abdo**  
Mankato, Minnesota  
October 24, 2022

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

Members of the School Board  
Independent School District No. 2895  
Jackson, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2895, Jackson, Minnesota, (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 24, 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 the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, 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. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the District's compliance with those requirements. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported in accordance with *Government Auditing Standards*, described in the accompanying Schedule of Findings, Responses and Questioned Costs as items 2022-001, 2022-002 and 2022-003.

## Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, Responses and Questioned Costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

## Purpose of this Report

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



**Abdo**  
Mankato, Minnesota  
October 24, 2022



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FEDERAL FINANCIAL AWARD PROGRAMS  
INDEPENDENT SCHOOL DISTRICT NO. 2895  
JACKSON, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2022

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

Members of the School Board  
Independent School District No. 2895  
Jackson, Minnesota

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

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

We have audited the Independent School District No. 2895, Jackson, Minnesota (the District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2022. The District's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

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

We are required to be independent of the City 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 City's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City'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 City'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**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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



Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



**Abdo**  
Mankato, Minnesota  
October 24, 2022



Independent School District No. 2895  
 Jackson, Minnesota  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2022

Federal Funding Source	Administering Department	Program Name	Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Federal Program Clusters	Total Federal Expenditures
U.S. Department of Agriculture	Minnesota Department of Education	National School Lunch Program	10.555		\$ 702,313	
U.S. Department of Agriculture	Minnesota Department of Education	Noncash - Commodity Supplemental Food Program	10.555 *			68,132
U.S. Department of Agriculture	Minnesota Department of Education	School Breakfast Program	10.553			179,464
U.S. Department of Agriculture	Minnesota Department of Education	Special Milk Program for Children	10.556			418
U.S. Department of Agriculture	Minnesota Department of Education	Summer Food Service Program for Children	10.559		<u>53,253</u>	
		Total Child Nutrition Cluster				\$ 1,003,580
U.S. Department of Education	SW/WC Service Cooperatives Flow Through Payments	Special Education Grants to States	84.027			106,590
U.S. Department of Education	SW/WC Service Cooperatives Flow Through Payments	Special Education Grants to States	84.027X			46,469
U.S. Department of Education	SW/WC Service Cooperatives Flow Through Payments	Special Education Preschool Grants	84.173			3,600
U.S. Department of Education	SW/WC Service Cooperatives Flow Through Payments	Special Education Preschool Grants	84.173X		<u>4,754</u>	
		Total Special Education Cluster				161,413
U.S. Department of Treasury	Minnesota Department of Revenue	COVID-19 - Summer Preschool Aid	21.027C			27,668
U.S. Department of Treasury	Minnesota Department of Revenue	COVID-19 - American Rescue Plan	21.027C			38,483
U.S. Department of Treasury	Minnesota Department of Revenue	COVID-19 - Pandemic Enrollment Loss	21.027C		<u>36,294</u>	
		Total Coronavirus State and Local Fiscal Recovery Funds Cluster				102,445
U.S. Department of Education	Minnesota Department of Education	Title I Grants to Local Educational Agencies	84.010			168,583
U.S. Department of Education	Minnesota Department of Education	Improving Teacher Quality State Grants	84.367			33,300
U.S. Department of Education	Minnesota Department of Education	Student Support and Academic Enrichment Program	84.424			17,484
U.S. Department of Education	Minnesota Department of Education	COVID-19 - Elementary and Secondary School Emergency Relief Fund II	84.425DC			304,785
U.S. Department of Education	Minnesota Department of Education	COVID-19 - Expanded Summer Learning - GEER	84.425CC			3,861
U.S. Department of Education	Minnesota Department of Education	COVID-19 - Expanded Summer Learning - ESSER	84.425D			8,434
U.S. Department of Education	Minnesota Department of Education	COVID-19 - Elementary and Secondary School Emergency Relief Fund III	84.425D		<u>320,978</u>	
		Total Education Stabilization Fund				638,058
Federal Communications Commission	Direct	Emergency Connectivity Fund	32.009			122,162
U.S. Department of Health and Human Services	Minnesota Department of Health	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243			182,900
U.S. Department of Health and Human Services	Minnesota Department of Health	Epidemiology and Laboratory Capacity for Infectious Diseases	93.323			<u>37,477</u>
Total Federal Expenditures						<u>\$ 2,467,402</u>

Independent School District No. 2895  
Jackson, Minnesota  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2022

**Note 1: Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Independent School District No. 2895, Jackson, Minnesota, (the District) for the year ended June 30, 2022. The District's reporting entity is defined in Note 1A to the District's financial statements. The information in this schedule is presented in accordance with the requirement of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. All Federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

**Note 2: Summary of Significant Accounting Policies for Expenditures**

Expenditures reported on this schedule are reported on the modified accrual basis of accounting.

**Note 3: Pass-through Entity Identifying Numbers**

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

**Note 4: Subrecipients**

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

**Note 5: Indirect Cost Rate**

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

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Independent School District No. 2895  
 Jackson, Minnesota  
 Schedule of Findings, Responses and Questioned Costs  
 For the Year Ended June 30, 2022

**Section I - Summary of Auditor's Results**

**Financial Statements**

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

**Federal Awards**

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

**Identification of Clusters/Major Programs**

	<b>CFDA No.</b>
Education Stabilization Fund	84.425
Dollar threshold used to distinguish between Type A and Type B Programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

**Section II - Financial Statement Findings**

None

**Section III - Major Federal Award Findings and Questioned Costs**

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

**Section IV - Corrective Action Plans**

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

**Section V - Schedule of Prior Year Audit Findings**

There were prior year audit findings and they are included in the Schedule of Prior Year Audit Findings.

Independent School District No. 2895  
Jackson, Minnesota  
Schedule of Findings, Responses and Questioned Costs (Continued)  
For the Year Ended June 30 2022

<b><u>Findings</u></b>	<b><u>Description</u></b>
<b>2022-001</b>	<b>Responsible Contractor</b>
<i>Condition:</i>	Auditing for legal compliance requires a review of the District’s contracting and bidding. Our study indicated an instance of noncompliance that we believe is required to be remedied.
<i>Criteria:</i>	Minnesota statute §16C.285 Subd. 3 requires contractors doing public work to verify the minimum criteria for a “responsible contractor” as set forth in the statute if the contract exceeds \$50,000.
<i>Cause:</i>	We noted one contract where the District was not able to provide evidence that appropriate documentation was received.
<i>Effect:</i>	As a result, the District is not in compliance with the statute.
<i>Recommendation:</i>	We recommend the District review the statute and obtain such documentation on future contracts.
<i>Management Response:</i>	
The District will pay more attention to projects that exceed the \$50,000 threshold to ensure responsible contractor documentation is obtained.	
<b>2022-002</b>	<b>Excess Cash in the Food Service Fund</b>
<i>Condition:</i>	Our legal compliance testing for limited net cash resources in the Food Service fund identified that net cash resources within the fund exceeds the allowable amount.
<i>Criteria:</i>	U.S. Department of Agriculture has established requirements for non-profit Food Service accounts that puts a “limitation” on Net Cash Resources, which is three months average food service expenditures during the year.
<i>Cause:</i>	The Food Service fund has a net cash resource balance of \$276,405 which exceeds the allowable three months average expenditures of \$256,283.
<i>Effect:</i>	The District’s Food Service fund is not in compliance with the requirements for non-profit net cash resources required by the U.S. Department of Agriculture.
<i>Recommendation:</i>	We recommend that the District reviews the U.S. Department of Agriculture’s list of allowable expenses to help reduce the excess funds, as well as notify the Department of Education with their plan to reduce these excess funds as required by the Department. Going forward, all activity within the fund and fees charged relating to the fund’s services should be regularly reviewed to ensure the District’s Food Service fund meets the requirements set by the U.S. Department of Agriculture.
<i>Management Response:</i>	
The District has made improvements since last year and plans to continue to spend the cash resources on allowable expenses and will continue to monitor the activity within the fund to ensure it meets the requirement going forward.	

Independent School District No. 2895  
Jackson, Minnesota  
Schedule of Findings, Responses and Questioned Costs (Continued)  
For the Year Ended June 30 2022

<b><u>Findings</u></b>	<b><u>Description</u></b>
<b>2022-003</b>	<b>Collateral Coverage</b>
<i>Condition:</i>	Auditing of legal compliance requires a review of the District's deposits and investments. Our study indicated an instance of non-compliance that we believe is required to be remedied.
<i>Criteria:</i>	In accordance with Minnesota Statute, section 118A.03, the District is required to have pledged collateral equal to 110 percent of the deposit not covered with insurance.
<i>Cause:</i>	The District had \$40,562 of deposits uncollateralized on June 30, 2022 due to a wire deposit near fiscal year-end. The bank added additional coverage on July 1, 2022, however, the District was under collateralized at year-end.
<i>Effect:</i>	At year end, the District did not have sufficient collateral pledged and therefore was not in compliance with state statute.
<i>Recommendation:</i>	We recommend the District increase monthly collateral because of the timing of insurance payments may cause this issue in the future. Ultimately, it is the Districts responsibility to have adequate coverage regardless of the bank's process.
<i>Management Response:</i>	
	The Business Manager will review collateral and inform the bank that month-end transfers will be common with the new timing of insurance payments.

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# JACKSON COUNTY CENTRAL SCHOOLS

*Serving our communities of Jackson County Central since 1997*

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#2895

**SUPERINTENDENT**

Barry Schmidt

**WEBPAGE**

www.jccschools.com

**DISTRICT OFFICE**

1128 N Highway  
PO Box 119  
Jackson, MN 56143  
  
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**JCC HIGH SCHOOL**

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**PLEASANTVIEW ELEMENTARY SCHOOL**

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Lakefield, MN 56150  
  
Ph: 507-662-6218  
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**RIVERSIDE ELEMENTARY SCHOOL**

820 Park St.  
Jackson, MN 56143

An Equal Opportunity Employer

**2022-001 Responsible Contractor**

**Corrective Action Plan (CAP):**

- 1. Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding.

- 2. Actions Planned in Response to Finding

The Business Manager will review contracts reaching the \$50,000 threshold for responsible contractors.

- 3. Official Responsible for Ensuring CAP

Barry Schmidt, Superintendent of Schools, is the official responsible for ensuring continued implementation of certain control measures.

- 4. Planned Completion Date for CAP

June 30, 2023.

- 5. Plan to Monitor Completion of CAP

The Jackson County Central School Board monitors this corrective action plan.

Sincerely,

  
Barry Schmidt  
Superintendent of Schools



# JACKSON COUNTY CENTRAL SCHOOLS

*Serving our communities of Jackson County Central since 1997*

*Huskies*

ISD  
#2895

**SUPERINTENDENT**

Barry Schmidt

**WEBPAGE**

www.jccschools.com

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Jackson, MN 56143

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Employer

**2022-002 Excess Cash in the Food Service Fund**

**Corrective Action Plan (CAP):**

- 1. Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding.

- 2. Actions Planned in Response to Finding

The Business Manager continues training dealing with federal audit compliance requirements.

- 3. Official Responsible for Ensuring CAP

Barry Schmidt, Superintendent of Schools, is the official responsible for ensuring continued implementation of certain control measures.

- 4. Planned Completion Date for CAP

June 30, 2023.

- 5. Plan to Monitor Completion of CAP

The Jackson County Central School Board monitors this corrective action plan.

Sincerely,

  
Barry Schmidt  
Superintendent of Schools



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An Equal Opportunity Employer

**2022-003 Collateral Coverage**

**Corrective Action Plan (CAP):**

- 1. Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding.

- 2. Actions Planned in Response to Finding

The Business Manager will review collateral coverage more often.

- 3. Official Responsible for Ensuring CAP

Barry Schmidt, Superintendent of Schools, is the official responsible for ensuring continued implementation of certain control measures.

- 4. Planned Completion Date for CAP

June 30, 2023.

- 5. Plan to Monitor Completion of CAP

The Jackson County Central School Board monitors this corrective action plan.

Sincerely,

  
Barry Schmidt  
Superintendent of Schools

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Independent School District No. 2895  
Jackson, Minnesota  
Schedule of Prior Year Findings, Responses and Questioned Costs  
For the Year Ended June 30 2022

<b><u>Findings</u></b>	<b><u>Description</u></b>
<b>2021-001</b>	<b>Material Audit Adjustments</b>
<i>Condition:</i>	During our audit, adjustments were needed for market value adjustments and to adjust contracts payable.
<i>Criteria:</i>	The financial statements are the responsibility of the District's management.
<i>Cause:</i>	District staff has not prepared a year end trial balance reflecting all necessary accounting entries.
<i>Effect:</i>	It is likely that if a misstatement were to occur, it would not be detected by the District's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.
<i>Recommendation:</i>	We recommend the business manager review each journal entry, obtain an understanding of why the entry was necessary, and modify current procedures to ensure that future corrections are not needed.

*Management Response:*

There is no disagreement with this finding. The District will take action to avoid similar occurrences in the future.

<b>2021-002</b>	<b>Excess Cash in the Food Service Fund</b>
<i>Condition:</i>	Our legal compliance testing for limited net cash resources in the Food Service fund identified that net cash resources within the fund exceeds the allowable amount.
<i>Criteria:</i>	U.S. Department of Agriculture has established requirements for non-profit Food Service accounts that puts a "limitation" on Net Cash Resources, which is three months average food service expenditures during the year.
<i>Cause:</i>	The Food Service fund has a net cash resource balance of \$276,405 which exceeds the allowable three months average expenditures of \$256,283.
<i>Effect:</i>	The District's Food Service fund is not in compliance with the requirements for non-profit net cash resources required by the U.S. Department of Agriculture.
<i>Recommendation:</i>	We recommend that the District reviews the U.S. Department of Agriculture's list of allowable expenses to help reduce the excess funds, as well as notify the Department of Education with their plan to reduce these excess funds as required by the Department. Going forward, all activity within the fund and fees charged relating to the fund's services should be regularly reviewed to ensure the District's Food Service fund meets the requirements set by the U.S. Department of Agriculture.

*Management Response:*

The District has made improvements since last year and plans to continue to spend the cash resources on allowable expenses and will continue to monitor the activity within the fund to ensure it meets the requirement going forward.