SouthWest Metro
Intermediate District 288

Financial Statements and
Supplementary Information

June 30, 2022

Governing Board

	Board Position
Deb Pauly	Chair
Tracy O'Brien	Vice Chair
Dennis Havlicek	Clerk
Richard Schug	Treasurer
Dale Buss	Director
Enrique Velazquez	Director
Kristi Peterson	Director
Lisa Anderson	Director
Adam Bjorklund	Director
Erika Schulz	Director
Rachel Myers	Director

Administration

	Board Position
Darren Kermes	Superintendent
Brian Fell	Executive Director of Business Services

Independent Auditors' Report

To the Governing Board of
SouthWest Metro Intermediate District 288

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of SouthWest Metro Intermediate District 288 (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards)* Our responsibilities under those standards are further described in the Auditors' 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.

Emphasis of Matter

As discussed in Note 1, the District adopted the provisions of GASB Statement No. 87, *Leases*, effective July 1, 2021. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

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

Required Supplementary Information

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

Other Information

Management is responsible for the other information. The other information comprises the introductory section and uniform financial accounting and reporting standards compliance table but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 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.

Baker Tilly US, LLP

Minneapolis, Minnesota
November 28, 2022

The discussion and analysis of SouthWest Metro Intermediate District 288 financial performance provides an overall review of financial activities for the fiscal year. The analysis focuses on the District's financial performance as a whole. It should be read in conjunction with the Independent Auditors' Report at the front of this report and the District's financial statements, which immediately follow this section.

Article I. Financial Highlights

- In the General Fund, revenues and other financing sources exceeded expenditures by $1,292,746.

- Total assets, which includes capital assets and accumulated depreciation, are valued at $22.2 million. The deficit net position improved from $10.5 million at June 30, 2021 to $6.7 million at June 30, 2022. The primary driver of this related to the positive change of $2.4 million related to the pension plans.

- Capital assets have been reported at $17.6 million and accumulated depreciation of $4.2 million for a net capital asset value of $13.4 million. (See Note 4)

  Governmental Activities (Statement of Activities) - All of the District's services are included here, such as special education, regular instruction, vocational instruction, community service, and support services. Tuition from other school districts finance most of these activities.

- Total revenue for fiscal year 2021-22 was $28.2 million. Charges for services accounted for $18.1 million – 64% of all revenue, operating grants accounted for $8.4 million – 30% of all revenue, and general revenues accounted for $1.7 million – 6% of all revenue.

- The District had a total of $24.4 million of expenses, an increase of 6.9% over the prior year.

- As expected, costs for special education instruction programs accounted for $12.7 million – 52% and costs for elementary and secondary regular instruction accounted for $3.1 million – 13%. Community service costs and vocational instruction costs were each $1.3 million and $1.8 million – approximately 5% and 8%, respectively.

Article II. Overview of the Financial Statements

This annual financial report consists of two parts – management's discussion and analysis and the basic financial statements (district-wide and fund statements) including notes to the financial statements.

The basic financial statements consist of two kinds of statements that present different views of the District's financial activities.

- The S*tatement of Net Position* and S*tatement of Activities* provide information on a district-wide basis. These statements present an aggregate view of the District's finances. District-wide statements contain useful long-term information as well as information for the just-completed fiscal year.

- The S*tatement of Net Position* compares assets and deferred outflows to liabilities and deferred inflows to give an overall view of the financial health of the District.

- The S*tatement of Activities* defines the entity's expenses by function and illustrates the total that is offset by corresponding revenues – charges for services and/or operating grants and contributions. General revenues and extraordinary credits are identified. The result is total net expense offset by general and miscellaneous revenue – recognizing the Change in Net Position for the District from the previous year.

- The remaining statements: *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* focus on individual parts of the District. Fund statements generally report operations in more detail than the district-wide statements and support the *Statement of Net Position*.

- The *Notes to the Financial Statements* provide further explanation of some of the information in the statements and provide additional disclosures so statement users have a complete picture of the District's financial activities and position.

- *Required Supplementary Information* provides budget to actual comparative information for the general fund and various schedules related to pension and other postemployment benefits.

- The major features of the District's financial statements, including the portion of the activities reported and type of information contained is shown in the following table. (Table #1).

Major Features of the District-Wide and Fund Financial Statements

Table #1

	District Wide Statements	**Fund Financial Statements** **Governmental**
Scope	Entire district (except fiduciary funds)	The activity of the district that is not proprietary or fiduciary, such as instructional, support services, and community services.
Required financial statements	Statement of net position and Statement of activities	Balance sheet, and Statement of revenues, expenditures and changes in fund balance.
Basis of accounting and measurement focus	Accrual accounting Economic resources focus	Modified accrual accounting. Current financial resources focus.
Type of asset and 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.
Type of inflow and outflow information	All revenues and expenses during the 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.

Table #2

Condensed Statements of Net Position

	2022	2021
Assets		
Current Assets	$ 7,577,266	$ 5,471,232
Non-Current Assets	14,625,945	12,003,494
Total Assets	22,203,211	17,474,726
Deferred Outflows of Resources	7,925,635	6,097,222
Liabilities		
Current Liabilities	3,905,679	3,023,044
Non-Current Liabilities	18,618,697	22,738,081
Total Liabilities	22,524,376	25,761,125
Deferred Inflows of Resources	14,261,664	8,351,845
Net Position		
Investment in Capital Assets	4,095,168	3,532,551
Restricted for Capital Projects	-	75,266
Restricted - Long Term Facilties Maint	456,550	543,838
Restricted - Medical Assistance	494,103	357,794
Restricted - Student Activities	10,989	5,386
Restricted - Safe Schools Levy	45,488	1,784
Unrestricted (deficit)	(11,759,492)	(15,057,641)
Total Net Position	$ (6,657,194)	$ (10,541,022)

Statement of Net Position: (Table #2)

Assets increased from fiscal year 2021 primarily due to substantial increases in year-end receivables from MDE for special education revenue as well as lease receivables and lease assets added in fiscal year 2022 through the implementation of GASB Statement No. 87, *Leases*. Liabilities decreased during fiscal year 2022 primarily due to favorable conditions resulting in a decline in the net pension obligations.

Changes in Net Position from Operating Results:

Table #3

Changes in Net Position from Operating Results
For Governmental Activities

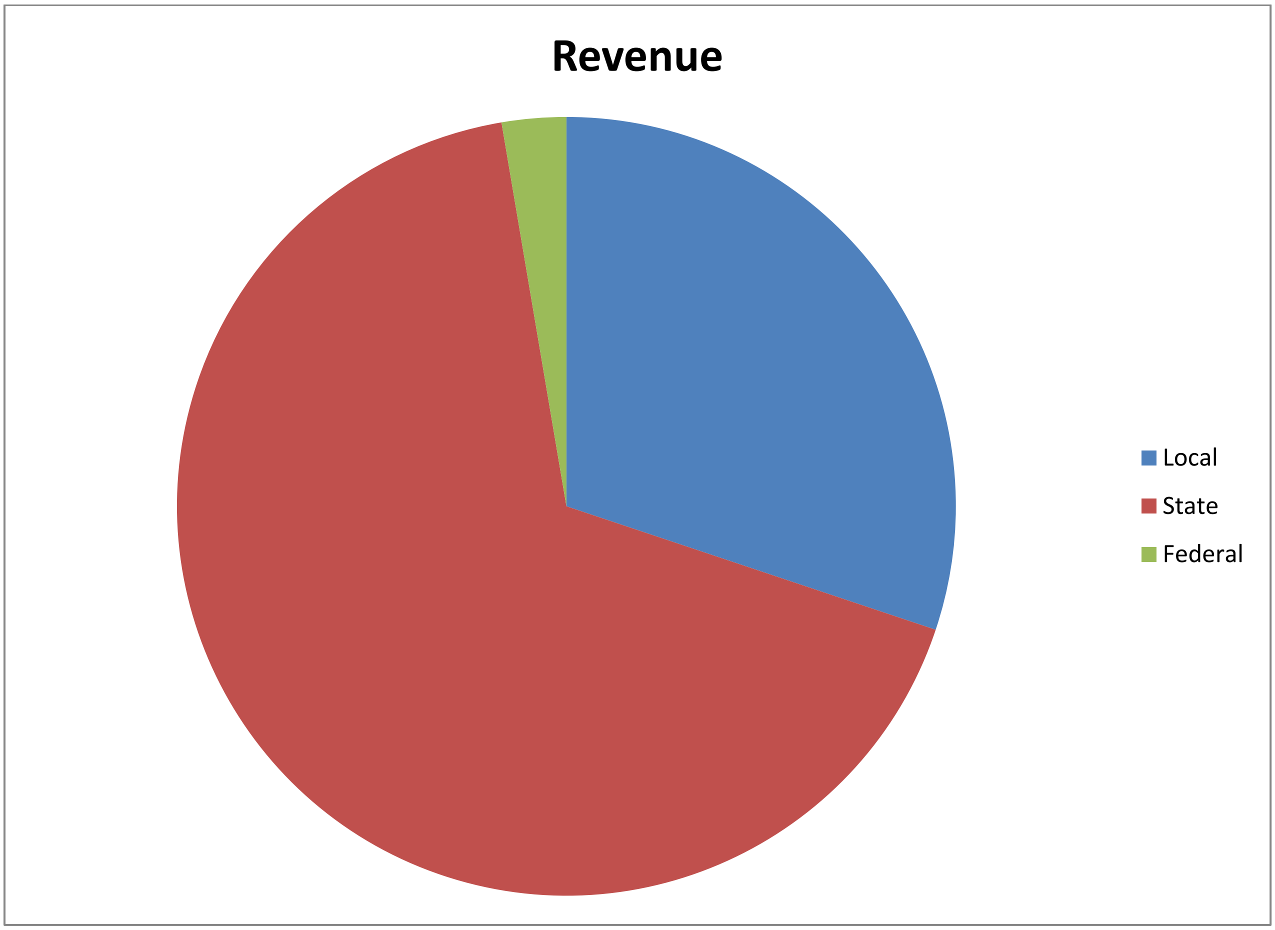
	2021-22	%	2020-21	%
Revenues:				
Program				
Charges for services	$ 18,107,597	64.1%	$ 12,888,335	58.7%
Operating grants	8,391,900	29.7%	7,972,485	36.3%
General				
General revenues	1,332,625	4.6%	1,064,217	4.8%
Investment earnings	2,739	0.0%	3,880	0.0%
Gain on sale of property	406,246	1.4%	12,360	0.1%
Total Revenues	28,241,107	100%	21,941,277	99.9%
Expenses:				
District and school admin	234,099	1.0%	327,197	1.4%
District support services	1,694,531	7.0%	1,488,532	6.5%
Elem and secondary reg instr.	3,102,076	12.7%	2,392,133	10.5%
Vocational ed instruction	1,837,881	7.5%	2,180,346	9.6%
Special education instruction	12,741,805	52.3%	12,063,016	52.9%
Instructional support services	351,558	1.4%	265,793	1.2%
Pupil support services	829,185	3.4%	468,612	2.1%
Sites and buildings	1,948,966	8.0%	2,024,125	8.9%
Fiscal and other programs	24,396	0.1%	50,368	0.2%
Community service	1,305,809	5.4%	1,351,204	5.9%
Depreciation - unallocated	126,552	0.5%	126,967	0.6%
Interest and fiscal charges	160,421	0.7%	55,838	0.2%
Total Expenses	24,357,279	100%	22,794,131	100%
Change in Net Position	$ 3,883,828		$ (852,854)	

Revenue (Table #3)

- For fiscal year 2022, the District received $28 million in revenue. Approximately 28% of this total came from member school districts.

- In addition, state government subsidized certain programs with revenue of $18.7 million and the federal government subsidized certain programs with grants of $743 thousand.

(Chart #1 – Table #3)



Expenses (Table #3)

- For fiscal year 2022, the District's total expenses were $24.4 million 52.3% was directed to special education instruction, 12.7% to regular instruction, and 7.5% to vocational instruction. Costs for textbooks, teacher salaries/benefits and instructional supplies are included in these amounts. Community service accounted for 5.4% of the total expenses and administration, operations/maintenance, debt service and cooperative support accounted for the other 22.1%.

(Chart #2 – Table #3)

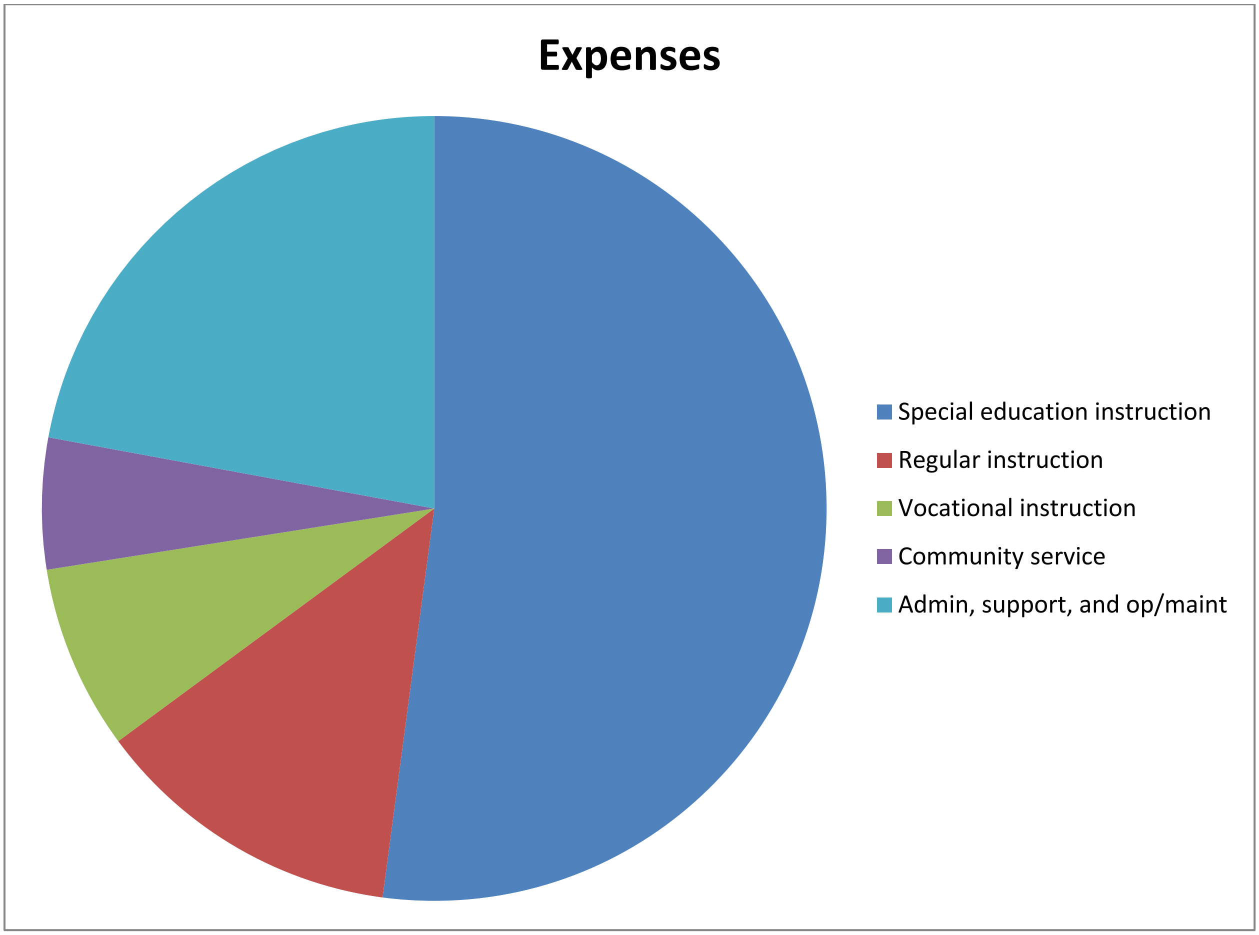


Table #4

Net Cost of Governmental Activities

	Total Cost of Services 2022	Net Cost of Services 2022
District and school administration	$ 234,099	$ (187,674)
District support services	1,694,531	(1,693,453)
Elem and secondary regular instr.	3,102,076	898,959
Vocational education instruction	1,837,881	97,472
Special education instruction	12,741,805	5,835,996
Instructional support services	351,558	(351,558)
Pupil support services	829,185	(371,114)
Sites and buildings	1,948,966	(1,948,966)
Fiscal and other programs	24,396	(24,396)
Community service	1,305,809	173,925
Depreciation - unallocated	126,552	(126,552)
Interest and fiscal charges	160,421	(160,421)
Total	$ 24,357,279	$ 2,142,218

General Fund Budgetary Comparison: The District adopted its original budget in April of 2021 for the 2022 fiscal year. The District approved budget amendments in March 2022. The District's expenditures were $25.5 million, or approximately 3.3% above the amended budget and 19.5% above the original budget. (See Page 47).

Fund Balances: The District has total fund balances of $4,364,559 as of June 30, 2022, of which all relates to the General Fund.

Capital Assets and Long-Term Liabilities

Capital Assets

	Total 2022	Total 2021	Percent Change 2021-2022
Land	$ 92,099	$ 92,099	0.0 %
Buildings and improvements	15,572,935	13,423,759	16.0 %
Equipment	888,750	873,208	1.8 %
Lease assets - buildings	1,007,767	-	N/A %
Accumulated depreciation	(4,209,697)	(3,351,738)	25.6 %
	$ 13,351,854	$ 11,037,328	**21.0 %**

Long-Term Liabilities

	Total 2022	Total 2021	Percent Change 2021-2022
Compensated absences payable	$ 846,746	$ 732,375	15.6 %
Certificates of participation	7,910,000	7,910,000	- %
Premium on certificates of participation	112,124	119,599	(6.3) %
Lease-purchase agreement	585,000	-	n/a %
Lease liabilities	649,562	-	n/a %
Net OPEB liability	421,024	348,329	%
Net pension liability, cost sharing plans	8,742,731	13,978,689	(37.5) %
	$ 19,267,187	$ 23,088,992	**(16.6) %**

Decisions/Issues that will Impact the Future of the District

The District continues to receive requests for membership. Decisions for membership or service to students of nonmember school districts will impact program space as the District looks to find the optimum membership size.

Contacting the District's Financial Management:

This Financial Report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Brian Fell, Finance Director, 4601 Dean Lakes Blvd, Shakopee, MN 55379.

Statement of Net Position
June 30, 2022

Assets	
Current Assets	
Cash and temporary investments	$ 1,897,567
Accounts and interest receivable	33,836
Due from other governments	5,631,165
Prepaid items	14,698
Total current assets	7,577,266
Noncurrent Assets	
Leases receivable	1,274,091
Capital assets not depreciated/amortized	92,099
Capital assets depreciated/amortized, net of accumulated depreciation/amortization	13,259,755
Total noncurrent assets	14,625,945
Total assets	22,203,211
Deferred Outflows of Resources	
OPEB related amounts	114,894
Pension related amounts	7,810,741
Total deferred outflows of resources	7,925,635
Liabilities	
Current Liabilities	
Salaries payable	1,979,559
Accounts and contracts payable	254,138
Due to other governmental units	48,967
Due to member districts	796,525
Unearned revenues	178,000
Other long-term liabilities due within one year	648,490
Total current liabilities	3,905,679
Long-Term Liabilities	
Net pension liability	8,742,731
Other long-term liabilities due in more than one year	9,875,966
Total long-term liabilities	18,618,697
Total liabilities	22,524,376
Deferred Inflows of Resources	
Unearned revenues	1,291,992
OPEB related amounts	64,539
Pension related amounts	12,905,133
Total deferred inflows of resources	14,261,664
Net Position (Deficit)	
Net investment in capital assets	4,095,168
Restricted for Medical Assistance	494,103
Restricted for long-term facilities maintenance	456,550
Restricted for student activities	10,989
Restricted for safe schools levy	45,488
Unrestricted (deficit)	(11,759,492)
Total net position (deficit)	$ (6,657,194)

See notes to financial statements

SouthWest Metro Intermediate District 288

Statement of Activities
Year Ended June 30, 2022

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities					
District and school administration	$ 234,099	$ -	$ 46,425	$ -	$ (187,674)
District support services	1,694,531	1,078	-	-	(1,693,453)
Elementary and secondary regular instruction	3,102,076	3,966,385	34,650	-	898,959
Vocational education instruction	1,837,881	1,428,963	506,390	-	97,472
Special education instruction	12,741,805	12,419,065	6,158,736	-	5,835,996
Instructional support services	351,558	-	-	-	(351,558)
Pupil support services	829,185	114,256	343,815	-	(371,114)
Sites and buildings	1,948,966	-	-	-	(1,948,966)
Fiscal and other fixed cost programs	24,396	-	-	-	(24,396)
Community service	1,305,809	177,850	1,301,884	-	173,925
Depreciation, unallocated	126,552	-	-	-	(126,552)
Interest and fiscal charges	160,421	-	-	-	(160,421)
Total governmental activities	$ 24,357,279	$ 18,107,597	$ 8,391,900	$ -	2,142,218
General Revenues					
Other general revenues					1,332,320
Investment earnings					2,739
Gain on sale of property					406,551
Total general revenues					1,741,610
Change in net position					3,883,828
Net Position (Deficit), Beginning					(10,541,022)
Net Position (Deficit), Ending					$ (6,657,194)

See notes to financial statements

SouthWest Metro Intermediate District 288

Balance Sheet
Governmental Funds
June 30, 2022

	General Fund	Special Revenue - Community Service Fund	Building Construction Fund	Total Governmental Funds
Assets				
Cash and temporary investments	$ 1,897,567	$ -	$ -	$ 1,897,567
Accounts and interest receivable	33,836	-	-	33,836
Due from other governments	5,469,779	161,386	-	5,631,165
Leases receivable	1,274,091	-	-	1,274,091
Due from other funds	28,786	-	-	28,786
Prepaid items	14,698	-	-	14,698
Total assets	$ 8,718,757	$ 161,386	$ -	$ 8,880,143
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Salaries payable	$ 1,872,040	$ 107,519	$ -	$ 1,979,559
Accounts and contracts payable	189,755	2,000	-	191,755
Due to other governmental units	48,967	-	-	48,967
Due to member districts	791,345	5,180	-	796,525
Due to other funds	-	28,786	-	28,786
Unearned revenues	178,000	-	-	178,000
Total liabilities	3,080,107	143,485	-	3,223,592
Deferred Inflows of Resources				
Unearned revenues	1,274,091	17,901	-	1,291,992
Total deferred inflows of resources	1,274,091	17,901	-	1,291,992
Fund Balances				
Nonspendable for prepaid items	14,698	-	-	14,698
Restricted for Medical Assistance	494,103	-	-	494,103
Restricted for long-term facilities maintenance	456,550	-	-	456,550
Restricted for student activities	10,989	-	-	10,989
Restricted for safe schools levy	45,488	-	-	45,488
Assigned for future construction projects	460,000	-	-	460,000
Unassigned	2,882,731	-	-	2,882,731
Total fund balances	4,364,559	-	-	4,364,559
Total liabilities, deferred inflows of resources and fund balances	$ 8,718,757	$ 161,386	$ -	$ 8,880,143

See notes to financial statements

SouthWest Metro Intermediate District 288

Reconciliation of the Balance Sheet to the Statement of Net Position
June 30, 2022

Total Fund Balances, Governmental Funds		$ 4,364,559
Amounts reported for governmental activities in the statement of net position are different because:		
Some deferred inflows and deferred outflows of resources are not reported in the fund statements. These consist of:		
Deferred outflows, pension related amounts		7,810,741
Deferred inflows, pension related amounts		(12,905,133)
Deferred outflows, other postemployment benefits related amounts		114,894
Deferred inflows, other postemployment benefits related amounts		(64,539)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Cost of capital assets	$ 17,561,551	
Less accumulated depreciation/amortization	(4,209,697)	13,351,854
Long-Term liabilities are included on the statement of net position but are excluded from fund liabilities until due and payable.		
Lease liabilities	(649,562)	
Long-term debt	(8,495,000)	
Unamortized premium on long-term debt	(112,124)	
Accrued interest on long-term debt	(62,383)	
Compensated absences payable	(846,746)	
Total OPEB liability	(421,024)	
Net pension liability, cost sharing plans	(8,742,731)	(19,329,570)
Total Net Position, Governmental Activities		$ (6,657,194)

See notes to financial statements

SouthWest Metro Intermediate District 288

Statement of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds
Year Ended June 30, 2022

	General Fund	Special Revenue - Community Service Fund	Building Construction Fund	Total Governmental Funds
Revenues				
Local:				
Interdistrict	$ 7,723,580	$ -	$ -	$ 7,723,580
Investment earnings	2,659	-	80	2,739
Other	396,678	256,057	-	652,735
State sources	17,567,411	1,114,968	-	18,682,379
Federal sources	633,815	108,710	-	742,525
Total revenues	26,324,143	1,479,735	80	27,803,958
Expenditures				
Current:				
Administration	291,369	-	-	291,369
District support services	1,801,961	-	-	1,801,961
Elementary and secondary regular instruction	3,371,238	-	-	3,371,238
Vocational education instruction	2,010,656	-	-	2,010,656
Special education instruction	14,132,306	-	-	14,132,306
Instructional support services	385,855	-	-	385,855
Pupil support services	851,208	-	-	851,208
Sites and buildings	2,450,488	-	1,354,597	3,805,085
Community service	-	1,479,735	-	1,479,735
Debt service:				
Principal	37,000	-	-	37,000
Interest	168,824	-	-	168,824
Total expenditures	25,500,905	1,479,735	1,354,597	28,335,237
Excess (deficiency) of revenues over expenditures	823,238	-	(1,354,517)	(531,279)
Other Financing Sources				
Proceeds from long-term debt issued	-	-	622,000	622,000
Proceeds from sale of capital assets	469,508	-	-	469,508
Total other financing sources	469,508	-	622,000	1,091,508
Net change in fund balances	1,292,746	-	(732,517)	560,229
Fund Balances, Beginning	3,071,813	-	732,517	3,804,330
Fund Balances, Ending	$ 4,364,559	$ -	$ -	$ 4,364,559

See notes to financial statements

Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance to the Statement of Activities
Year Ended June 30, 2022

Net Change in Fund Balances, Total Governmental Funds	$ 560,229
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated/amortized over their estimated useful lives and reported as depreciation/amortization expense in the statement of activities.	
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	2,262,917
Depreciation/amortization is reported in the government-wide financial statements	(627,122)
In the statement of activities, only the gain or loss ($406,551) on the disposal of capital assets is reported. In the fund financial statements, proceeds from the sale of capita assets ($469,508) are reported because the proceeds increase financial resources	(62,957)
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal payments paid	37,000
Lease payments paid	92,125
Long-term debt issued	(622,000)
Amortization of premium on long-term debt	7,475
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	930
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.	
Compensated absences payable	(114,371)
Total OPEB liability (and OPEB related deferred inflows and outflows of resources)	(3,910)
Net pension liability (and pension related deferred inflows and outflows of resources), cost sharing plans	2,353,512
Change in Net Position of Governmental Activities	$ 3,883,828

1. Summary of Significant Accounting Policies

The accounting policies of Southwest Metro Intermediate District 288 (the District) conform to generally accepted accounting principles in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

Organization

The District is an instrumentality of the State of Minnesota established to function as an educational institution. The District is a joint powers district consisting of the Belle Plaine, Buffalo-Hanover-Montrose, Central, Eastern Carver County, Jordan, New Prague, Prior Lake-Savage, Shakopee, Tri-City United, Waconia and Watertown-Mayer school districts. It is governed by a Governing Board elected by the members of the District.

The District provides vocational instruction, exceptional instruction and other services to its member districts and others as requested. The District serves as a service provider and pass-through grant agency for its members. The District employs personnel to provide such services and purchases the time of individuals employed by the member districts to fulfill their obligations.

Reporting Entity

This report includes all of the funds of the District. The reporting entity for the District consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The District has not identified any organizations that meet this criteria.

District-Wide and Fund Financial Statements

District-Wide Financial Statements

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under the Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources, which enhances the relevance and consistency of information about the District's leasing activities. This standard was implemented July 1, 2021.

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through intergovernmental revenues and other nonexchange revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The District does not allocate indirect expenses to functions in the statement of activities. 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. Other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Financial statements of the District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues and expenditures/expenses. The existence of the District's various funds has been established by the Minnesota Department of Education (MDE).

Funds are organized as major funds or nonmajor funds within the governmental statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures/expenses of that individual governmental fund are at least 10% of the corresponding total for all funds of that category or type, and

b. In addition, any other governmental fund that the District believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

General Fund

General Fund accounts for the District's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.

Special Revenue Community Service Fund

Special Revenue Community Service Fund is used to account for and report grants and local revenues that are restricted or committed to expenditures used to provide services to residents in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs or other similar services.

Building Construction (Capital Projects) Fund

The Building Construction Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Financial Statements

The district-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers intergovernmental revenues to be available if they are collected within the next year and within 60 days of the end of the current fiscal period for all other revenues. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Intergovernmental aids and grants are recognized as revenues in the period the District is entitled the resources and the amounts are available. Amounts owed to the District which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

State general and categorical aids and other entitlements are recognized as revenues in the period the District is entitled to the resources and the amounts are available. Amounts owed to the District which are not available are recorded as receivables and deferred inflows. Amounts received before eligibility requirements (excluding time) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows. The receivable amounts recorded as of year-end were based on the best information available at the time and reflect significant estimates that are subject to the Minnesota Department of Education’s final calculations which will not be finalized until the first part of calendar year 2023.

Revenues susceptible to accrual include miscellaneous taxes, charges for services and interest. Other general revenues such as student fees, recreation fees and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

All Financial Statements

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

Cash and Temporary Investments

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

Investments are generally stated at fair value, except for investments in 2a7-like external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less are also reported at amortized cost. Investment income is accrued at the balance sheet date. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

See Note 3 for further information.

Receivables

When necessary, the District utilizes an allowance for uncollectible accounts to value its receivables. The District considers all of its receivables to be fully collectible and no allowance is necessary at year end.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

Prepaid Items

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.

Capital Assets

District-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the district-wide financial statements. Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District defines capital assets as those with an initial, individual cost of $5,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 15 to 40 years for buildings and improvements and 5 to 15 years for furniture and equipment. Land is not depreciated.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

Long-Term Obligations

In the district-wide financial statements, all long-term obligations are reported as liabilities in the statement of net position. The long-term liabilities consist primarily of long-term debt (certificates of participation) compensated absences, total OPEB liability and net pension liabilities.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures.

Compensated Absences and Other Employee Benefit Amounts

Under the terms of union contracts, employees are granted vacation and sick leave in varying amounts, portions of which can be carried over to future years. In the event of termination, certain employees are reimbursed for any vacation earned and unused for the current and prior years. Employees are not compensated for unused sick leave upon termination of employment, except in the case of employees who meet certain years of service and/or minimum age requirements. Employees eligible for unused sick leave compensation may receive a portion of unused sick leave as severance. An accrual is made in the district-wide statements for any vacation and sick earned and unused at year-end.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

Leases

The District is a lessor because it leases capital assets to other entities. As a lessor, the District reports a lease receivable and corresponding deferred inflow of resources in both the fund financial statements and district-wide financial statements. The District continues to repot and depreciate the capital assets being leased as capital assets of the primary government.

The District is a lessee because it leases capital assets from other entities. As a lessee, the District reports a lease liability and an intangible right-to-use capital asset (known as the lease asset) on the district-wide financial statements. In the governmental fund financial statements, the District recognizes lease proceeds and capital outlay at initiation of the lease, and the outflow of resources for the lease liability as a debt service payment. The District has a policy to recognize leases over $5,000 as a lease liability and intangible asset.

Equity Classifications

District-Wide Statements

Equity is classified as net position and displayed in three components:

a. **Net Investment in Capital Assets** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any borrowings that are attributable to the acquisition, construction or improvement of those assets.

b. **Restricted Net Position** - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.

c. **Unrestricted Net Position** - All other net positions 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.

Fund Statements

Governmental fund balances are displayed as follows:

a. **Nonspendable** - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.

b. **Restricted** - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

c. **Committed** - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the District Board. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the District Board that originally created the commitment.

d. **Assigned** - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) The District has adopted a financial policy authorizing the Superintendent and Director of Finance to assign amounts for a specific purpose. In addition, the governing body may take official action to assign amounts. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.

e. **Unassigned** - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those purposes.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Governing Board has formally adopted a fund balance policy regarding the minimum unassigned fund balance for the General Fund. The policy establishes that the District will strive to maintain an unassigned General fund balance of 8 to 15% of the previous year's expenditures.

See Note 9 for further information.

Pensions - Teachers Retirement Association

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 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 in 2015.

See Note 10 for further information.

Pensions - Public Employees Retirement Association

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.

PERA has a special funding situation created by direct aid contributions made by the State of Minnesota. The direct aid is a result of the merger of the Minneapolis Employees Retirement Fund Association into PERA on January 1, 2015.

See Note 10 for further information.

2. Stewardship, Compliance and Accountability

Excess Expenditures Over Appropriations

The District controls expenditures at the function level. Some individual functions experienced expenditures which exceeded appropriations. The detail of those items can be found in the District's year-end budget to actual report.

3. Cash and Investments

Components of Cash and Investments

	Carrying Value	Bank Balance	Associated Risks
Deposits	$ 1,359,611	$ 2,205,303	Custodial credit risk
Investments	537,956	537,956	Credit and interest rate risks
Total deposits and investments	$ 1,897,567	$ 2,743,259	

Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for time and savings accounts (including NOW accounts) and $250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the District is located, insured amounts are further limited to a total of $250,000 for the combined amount of all deposit accounts.

The Securities Investor Protection Corporation (SIPC), created by the Securities Investor Protection Act of 1970, is an independent government-sponsored corporation (not an agency of the U.S. government). SIPC membership provides account protection up to a maximum of $500,000 per customer, of which $100,000 may be in cash.

The District maintains collateral agreements with its banks. At June 30, 2022, the banks had pledged various government securities in the amount of $4,140,097 to secure the District's deposits.

Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the Governing Board, including checking accounts and savings accounts.

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

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may be lost. Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes certain treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated “A” or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank 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 District's deposit policies do not further limit depository choices. The District does not have any deposits exposed to custodial credit risk.

Investments

The District's investments by type at year-end are as follows:

	Credit Rating	Rating Agency	Maturity Duration	Carrying Value
Investments				
Investment pools/mutual funds:				
Minnesota School District Liquid Asset Fund	AAAm	S&P	N/A	$ 537,956
Total investment pools/mutual funds				$ 537,956

The Minnesota School District Liquid Asset (MSDLAF) Fund is regulated by Minnesota Statutes and is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under Rule 2a7. The District's investment in the MSDLAF is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value.

Investments are subject to various risks:

Credit Risk

This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statues limit the District's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank or a United States insurance company and with a credit quality in one of the two highest categories; repurchase or reverse purchase 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; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. The District's investment policies do not further restrict investing in specific financial instruments.

Interest Rate Risk

This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The District's investment policies do not limit the maturities of investments; however, when purchasing investments, the District considers such things as interest rates and cash flow needs.

4. Capital Assets

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

	Beginning Balance, as restated *	Additions	Deletions	Ending Balance
Capital assets, not depreciated/amortized:				
Land	$ 92,099	$ -	$ -	$ 92,099
Capital assets, depreciated/amortized:				
Buildings and improvements	13,423,759	2,236,012	86,836	15,572,935
Furniture and equipment	873,208	26,905	11,363	888,750
Lease assets, buildings	1,007,767	-	-	1,007,767
Total capital assets, depreciated/amortized	15,304,734	2,262,917	98,199	17,469,452
Less accumulated depreciation/amortization:				
Buildings and improvements	(2,863,580)	(461,740)	23,880	(3,301,440)
Furniture and equipment	(488,158)	(73,257)	11,363	(550,052)
Lease assets, buildings	(266,080)	(92,125)	-	(358,205)
Total accumulated depreciation/amortization	(3,617,818)	(627,122)	35,243	(4,209,697)
Net capital assets, depreciated/amortized	11,696,916	1,635,795	62,956	13,259,755
Total	$ 11,779,015	$ 1,635,795	$ 62,956	$ 13,351,854

* Beginning balances have been restated for the implementation of GASB No. 87, *Leases* to reflect the lease assets and associated accumulated amortization at the date of implementation.

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

Elementary and secondary regular instruction	$ 12,544
Vocational education instruction	8,275
Special education instruction	10,740
Pupil services	12,881
Sites and buildings	456,130
Depreciation not included in other functions	126,552
Total depreciation/amortization expense	$ 627,122

5. Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue, Community Service Fund	$ 28,786
Total fund financial statements		$ 28,786

All amounts are due within one year.

The principal purpose of these interfunds is to cover negative cash. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

6. Lessor – Leases Receivable

The district has two lessor agreements as of June 30, 2022 for leasing space in the Dean Lakes building.

Lease Receivables Description	Date of Inception	Final Maturity	Interest Rates	Fiscal Year Revenue	Receivable Balance
Partial building lease to Scott County	11/1/2021	12/31/2031	4.99 %	$ 76,656	$ 1,124,240
Partial building lease to Scott County CDA	7/1/2021	12/31/2031	4.99	16,875	149,851
Total leases receivable				$ 93,531	$ 1,274,091

7. Short-Term Indebtedness

For the year ending June 30, 2022, the District obtained a line of credit from a local bank instead of issuing revenue anticipation notes. There were no borrowings on the line of credit during fiscal year 2022.

The line of credit maximum is $750,000 and is available through February 1, 2023 with a variable interest rate based upon the Independent Index, which was 4.3% at June 30, 2022.

8. Long-Term Liabilities

Components of and Changes in Long-Term Liabilities

	Beginning Balance, as restated *	Additions	Decreases	Ending Balance	Amounts Due Within One Year
Compensated absences payable	$ 732,375	$ 114,371	$ -	$ 846,746	$ 48,911
Total OPEB liability	348,329	111,732	39,037	421,024	-
Certificate of participation	7,910,000	-	-	7,910,000	465,000
Lease-purchase agreement	-	622,000	37,000	585,000	34,000
Premium on certificates of participation	119,599	-	7,475	112,124	-
Lease liabilities	741,687	-	92,125	649,562	100,579
Net pension liability, cost sharing plans	13,978,689	-	5,235,958	8,742,731	-
Total	$ 23,830,679	$ 848,103	$ 5,411,595	$ 19,267,187	$ 648,490

* Beginning balances have been restated for the implementation of GASB No. 87, *Leases* to reflect the lease liabilities at the date of implementation.

Description of Long-Term Liabilities

Compensated Absences Payable

Compensated absences include vacation, unused floating holiday pay and sick leave and are paid by the General Fund and the Special Revenue - Community Service Fund. These benefits are not funded until the year of payment. Annual payments to retire compensated absences payable have not been determined and will depend on employee turnover and actual employee absences.

Certificates of Participation Payable

In December 2020, the District issued $7,910,000 of direct placement Certificates of Participation, Series 2020A. The proceeds of this issue were used to finance the purchase of the Dean Lakes Building to be used district wide. The certificates are secured by a pledge of lease payments required to be made by the District to the trustee pursuant to a Lease-Purchase Agreement to be entered into between the District and trustee. Interest is payable at an average rate of approximately 1.75% over the term of the debt.

Lease-Purchase Agreement

In July 2021, the District entered into a $622,000 lease-purchase agreement. The proceeds of this issue were used to finance the purchase of various energy conservation measures at various facilities of the District. The lease is secured by the trustee having a security interest in the leased property. Interest is payable at an average rate of 3.3% over the term of the debt.

Lessee – Lease Liabilities

Lease Liabilities Description	Date of Issue	Final Maturity	Interest Rates	Original Lease Liability	Lease Liability Balance
Building rental	9/1/2016	8/31/2026	4.99 %	$ 408,184	$ 211,031
Building rental	6/7/2018	8/31/2028	4.99	599,583	438,531
Total lease liabilities					$ 649,562

Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term debt, not including severance and health benefits payable are as follows:

Years ending June 30:	Certificates of Participation Payable	
	Principal	Interest
2023	$ 465,000	$ 138,138
2024	475,000	128,838
2025	480,000	126,462
2026	490,000	116,862
2027	500,000	107,063
2028-2032	2,645,000	384,200
2033-2037	2,855,000	165,335
Total	$ 7,910,000	$ 1,166,898

Years ending June 30:	Lease-Purchase Agreement	
	Principal	Interest
2023	$ 34,000	$ 19,305
2024	35,000	18,183
2025	36,000	17,028
2026	37,000	15,840
2027	38,000	14,619
2028-2032	210,000	53,427
2033-2036	195,000	16,368
Total	$ 585,000	$ 154,770

Years ending June 30:	Lease Liabilities Payable	
	Principal	Interest
2023	$ 100,589	$ 38,366
2024	109,146	31,432
2025	117,827	24,417
2026	129,403	14,540
2027	88,266	9,660
2028-2029	104,331	875
Total	$ 649,562	$ 119,290

9. Net Position – Net Investment in Capital Assets

Net position reported on the government wide statement of net position at June 30, 2022 includes the following:

Net investment in capital assets:		
Land	$	92,099
Other capital assets, net of accumulated depreciation/amortization		13,259,755
Less capital related long-term debt outstanding		(9,144,562)
Less premium on long-term debt outstanding		(112,124)
Total net investment in capital assets	$	4,095,168

10. Defined Benefit Pension Plans - State-Wide

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), both of which are administered on a statewide basis. Disclosures relating to these plans for the year ended June 30, 2021, the most recent information available, are as follows:

Teachers' Retirement Association (TRA)

Plan Description

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

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

Benefits Provided

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

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

Tier 1	Step Rate Formula	Percentage (Per Year)
Basic	1st ten years	2.2 %
	All years after	2.7
Coordinated	1st ten years if service years are prior to July 1, 2006	1.2
	1st ten years if service years are July 1, 2006 or after	1.4
	All other years of service if service years are prior to July 1, 2006	1.7
	All other years of service if service years are July 1, 2006 or after	1.9

With these provisions:

a. Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

b. 3% per year early retirement reduction factors for all years under normal retirement age.

c. Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

- Or -

Tier II: For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9% per year for coordinated members and 2.7% for basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, 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 eligible for a refund of their employee contributions plus interest.

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

Contribution Rate

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

	Employee	Employer
Basic	11.00 %	12.34 %
Coordinated	7.50	8.34

The following is a reconciliation of employer contributions in TRA's 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 (in thousands).

Employer contributions reported in TRA's Annual Comprehensive Financial Report: Statement of Changes in Fiduciary Net Position	$ 448,829
Add employer contributions not related to future contribution efforts	379
Less TRA's contributions not included in allocation	(538)
Total employer contributions	448,670
Total nonemployer contributions	37,840
Employer contributions reported in schedule of employer and nonemployer pension allocations	$ 486,510

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.

Actuarial Assumptions

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

Key methods and assumptions used in valuation of total pension liability, actuarial information:

Actuarial valuation date:	July 1, 2021
Measurement date:	June 30, 2021
Experience study	June 5, 2019 (demographic assumptions); November 6, 2017 (economic assumptions)
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	7.0%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected salary increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of living adjustment	1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually
Mortality assumptions:	
Pre-retirement	RP-2014 white collar employee table, male rates set back five years and females rates set back seven years. Generational projections uses the MP-2015 scale.
Post-retirement	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability	RP-2014 disabled retiree mortality table, without adjustment.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.5 %	5.10 %
International Equity	17.5	5.30
Private Markets	25.0	5.90
Fixed Income	20.0	0.75
Unallocated Cash	2.0	0.00

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2022 is six years. The *Difference Between Expected and Actual Experience, Changes of Assumptions, and Changes in Proportion* use the amortization period of six years in the schedule presented. The amortization period for *Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments* is five years as required by GASB 68.

The following changes in actuarial assumptions occurred in the July 1, 2021 valuation:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The discount rate used to measure the TPL at the prior measurement date was 7.5%. 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 result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

Net Pension Liability

On June 30, 2022, the District reported a liability of $6,402,525 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was .1463%, an increase of .0040% from its proportion measured as of June 30, 2020.

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	$	6,402,525
State's proportionate share of the net pension liability associated with the District		539,849

For the year ended June 30, 2022, the District recognized pension expense of ($1,229,290). It also recognized ($6,045) as a decrease to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 168,668	$ 167,477
Changes in actuarial assumptions	2,346,106	5,074,752
Net difference between projected and actual earnings on plan investments	-	5,370,111
Changes in proportion	2,473,932	-
Contributions paid to TRA subsequent to the measurement date	860,934	-
Total	$ 5,849,640	$ 10,612,340

$860,934 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

	Pension Expense Amount
2023	$ (3,226,912)
2024	(2,408,297)
2025	(292,919)
2026	(505,765)
2027	810,259

Pension Liability Sensitivity

The following presents the net pension liability of TRA calculated using the discount rate of 7.00%, 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%) or one percentage point higher (800%) than the current rate.

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
District's proportionate share of the TRA net pension liability	$ 12,933,413	$ 6,402,525	$ 1,046,677

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.

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org, by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000; or by calling 651-296-2409 or 800-657-3669.

Public Employees Retirement Association (PERA)

Plan Description

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

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 the Coordinated Plan. Coordinated Plan members are covered by Social Security.

Benefits Provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% 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% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. 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.

Contributions

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

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2022; the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2022 were $295,948. The District's contributions were equal to the required contributions as set by state statute.

Pension Costs

At June 30, 2022 the District reported a liability of $2,340,206 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $71,499. 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 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 share was 0.0548% at the end of the measurement period, a decrease of 0.0030% from its proportion measured as of June 30, 2020.

District's proportionate share of the net pension liability	$ 2,340,206
State of Minnesota's proportionate share of the net pension liability associated with the county	71,499
Total	$ 2,411,705

For the year ended June 30, 2022, the District recognized pension expense of $84,002 for its proportionate share of the General Employees Plan's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 13,538	$ 72,071
Changes in actuarial assumptions	1,428,881	52,737
Net difference between projected and actual earnings on plan investments	-	2,012,283
Changes in proportion	171,392	155,702
Contributions paid to PERA subsequent to the measurement date	347,290	-
Total	$ 1,961,101	$ 2,292,793

$347,290 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Pension Expense Amount
Years ending June 30:	
2023	$ (75,795)
2024	8,456
2025	(58,852)
2026	(552,791)

Long-Term Expected Return on Investment

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

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

Actuarial Assumptions

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

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

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

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

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

The following changes in actuarial assumptions and plan provisions occurred in 2021 for the General Employees Plan:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.50%. 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 Statute. 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.

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:

	1% Decrease in Discount Rate (5.50%)	Discount Rate (6.50%)	1% Increase in Discount Rate (7.50%)
District's proportionate share of the PERA net pension liability	$ 4,772,825	$ 2,340,206	$ 344,093

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.

11. Other Postemployment Benefits Plan

General Information About the OPEB Plan

Plan Description

The District's other postemployment benefit (OPEB) plan provides insurance benefits for eligible employees through the District's health insurance plan which covers both active and retired members. The District administers its single-employer defined benefit OPEB plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

Benefit provisions are established through contractual agreements with employee groups; benefits vary but the District pays a portion of eligible retiree's premiums from the time of retirement until the employee reaches the age of eligibility for Medicare. All other retirees must pay 100% of the premium. Administrative costs of the plan are financed by the District.

Employees Covered by Benefit Terms

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

Inactive plan members or beneficiaries currently receiving benefit payments	3
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	219
Total	222

Plan members must have been hired on or before June 30, 2010 to be eligible for a premium contribution by the District.

Total OPEB Liability

The District's total OPEB liability of $421,024 was measured as of June 30, 2021, and was determined by an actuarial valuation as of June 30, 2021.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Healthcare cost trend rates	6.70% initially, gradually decreasing to an ultimate rate of 3.7% in 2075 and later years
Retirees' share of benefit-related costs	Varies

The discount rate was based on a yield for 20-year tax-exempt municipal general obligation bonds.

Mortality rates were based on the RP-2014 mortality tables, as appropriate, with adjustments for mortality improvements based on scales MP-2015 and MP-2020 and other adjustments.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results on the PERA General Employees Retirement Plan and Teachers Retirement Association actuarial valuations as of July 1, 2021.

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balance at June 30, 2021	$ 348,329
Changes for the year:	
Service cost	36,999
Interest	9,079
Changes of benefit terms	825
Differences between expected and actual experience	64,829
Changes in assumptions	(9,514)
Benefit payments	(29,523)
Net changes	72,695
Balance at June 30, 2022	$ 421,024

Changes of assumptions and other inputs reflect a change in the discount rate from 2.45% in 2021 to 1.92% in 2022 and a change in the inflation rate from 2.5% in 2021 to 2.25% in 2022.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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 (0.92%) or 1-percentage-point higher (2.92%) than the current discount rate:

	1% Decrease (0.92%)	Discount Rate (1.92%)	1% Increase (2.92%)
District's proportionate share of the TRA net pension liability	$ 441,304	$ 421,024	$ 401,113

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	$ 388,994	$ 421,024	$ 458,783

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 an OPEB expense of $44,568.

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	$ 58,474	$ 52,130
Change in assumptions	15,762	12,409
Contributions between measurement date and reporting date	40,658	-
Total	$ 114,894	$ 64,539

$40,658 reported as deferred outflows related to OPEB resulting from the employer contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2023.

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

Years ending December 31:	
2023	$ (2,335)
2024	(2,335)
2025	(1,242)
2026	(63)
2027	2,369
Thereafter	13,303
	$ 9,697

12. Risk Management

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

13. Commitments and Contingencies

Federal and State Revenues

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

Legal Contingencies

The District has the usual and customary legal claims pending at year-end, mostly of a minor nature and/or covered by insurance. Although the outcomes of these claims are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

14. Effect of New Accounting Standards on Current Period Financial Statements

The Governmental Accounting Standards Board (GASB) has approved the following that could have some impact on the District's financial statements:

- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 99*, Omnibus 2022*
- Statement No. 100*, Accounting Changes and Error Corrections – an amendment to GASB Statement No. 62*
- Statement No 101*, Compensated Absences*

When they become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SouthWest Metro Intermediate District 288

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
Local:				
Interdistrict	$ 6,521,710	$ 8,034,298	$ 7,723,580	$ (310,718)
Investment earnings	505	505	2,659	2,154
Other	221,543	313,681	396,678	82,997
State sources	14,435,682	16,023,539	17,567,411	1,543,872
Federal sources	440,023	646,508	633,815	(12,693)
Total revenues	21,619,463	25,018,531	26,324,143	1,305,612
Expenditures				
Current:				
Administration	271,048	254,563	291,369	36,806
District support services	1,127,454	1,473,077	1,801,961	328,884
Elementary and secondary regular instruction	2,339,049	3,271,124	3,371,238	100,114
Vocational education instruction	2,220,182	2,118,748	2,010,656	(108,092)
Special education instruction	12,725,031	13,756,294	14,132,306	376,012
Instructional support services	208,822	281,796	385,855	104,059
Pupil support services	492,618	447,179	851,208	404,029
Sites and buildings	1,942,973	3,086,993	2,450,488	(636,505)
Debt service:				
Principal	-	-	37,000	37,000
Interest	5,051	5,051	168,824	163,773
Total expenditures	21,332,228	24,694,825	25,500,905	806,080
Excess (deficiency) of revenues over expenditures	287,235	323,706	823,238	499,532
Other Financing Sources				
Proceeds from sale of capital assets	12,000	464,932	469,508	4,576
Net change in fund balance	$ 299,235	$ 788,638	1,292,746	$ 504,108
Fund Balance, Beginning			3,071,813	
Fund Balance, Ending			$ 4,364,559	

See notes to required supplementary information

SouthWest Metro Intermediate District 288

Budgetary Comparison Schedule
Community Service Fund
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
Local:				
Other, primarily tuition and fees	$ 230,300	$ 198,000	$ 256,057	$ 58,057
State sources	1,039,798	1,114,968	1,114,968	-
Federal sources	61,488	72,208	108,710	36,502
Total revenues	1,331,586	1,385,176	1,479,735	94,559
Expenditures				
Current:				
Salaries	854,351	899,487	942,502	43,015
Employee benefits	279,256	287,711	299,362	11,651
Purchased services	137,006	137,006	198,236	61,230
Supplies and materials	48,211	48,211	34,100	(14,111)
Capital outlay	12,762	12,762	5,535	(7,227)
Total expenditures	1,331,586	1,385,176	1,479,735	94,559
Net change in fund balance	$ -	$ -	-	$ -
Fund Balance, Beginning			-	
Fund Balance, Ending			$ -	

SouthWest Metro Intermediate District 288

Schedule of Employer's Proportionate Share of the Net Pension Liability - Teachers Retirement Association
Year Ended June 30, 2022

District Fiscal Year End Date	TRA Fiscal Year End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated With the District	Proportionate Share of the Net Pension Liability and the District's Share of the the State's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the total Pension Liability
June 30, 2022	June 30, 2021	0.1463%	$ 6,402,525	$ 539,849	$ 6,942,374	$ 8,804,613	72.7%	86.6%
June 30, 2021	June 30, 2020	0.1423%	10,513,315	880,902	11,394,217	8,270,063	127.1%	75.5%
June 30, 2020	June 30, 2019	0.1321%	8,420,082	745,201	9,165,283	7,829,040	107.5%	78.2%
June 30, 2019	June 30, 2018	0.1303%	8,181,914	768,688	8,950,602	7,283,066	112.3%	78.1%
June 30, 2018	June 30, 2017	0.1180%	23,554,941	2,276,863	25,831,804	6,392,480	368.5%	51.6%
June 30, 2017	June 30, 2016	0.1172%	27,951,996	2,806,739	30,758,735	6,094,160	458.7%	44.9%
June 30, 2016	June 30, 2015	0.1172%	7,249,979	888,767	8,138,746	5,947,131	121.9%	76.8%
June 30, 2015	June 30, 2014	0.1250%	5,759,910	405,221	6,165,131	5,706,973	100.9%	81.5%

Schedule of Employer Contributions - Teachers Retirement Association
Year Ended June 30, 2022

District Fiscal Year End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2022	$ 860,934	$ 860,934	$ -	$ 10,322,950	8.3%
June 30, 2021	654,989	654,989	-	8,270,063	7.9%
June 30, 2020	667,782	667,782	-	8,431,591	7.9%
June 30, 2019	587,178	587,178	-	7,829,040	7.5%
June 30, 2018	546,230	546,230	-	7,283,066	7.5%
June 30, 2017	479,436	479,436	-	6,392,480	7.5%
June 30, 2016	457,357	457,357	-	6,094,160	7.5%
June 30, 2015	446,035	446,035	-	5,947,131	7.5%

See notes to required supplementary information

SouthWest Metro Intermediate District 288

Schedule of Employer's Proportionate Share of the Net Pension Liability - Public Employees Retirement Association
Year Ended June 30, 2022

District Fiscal Year End Date	PERA Fiscal Year End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated With the District	Proportionate Share of the Net Pension Liability and the District's Share of the the State's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the total Pension Liability
June 30, 2022	June 30, 2021	0.0548%	$ 2,340,206	$ 71,499	$ 2,411,705	$ 3,878,320	60.3%	87.0%
June 30, 2021	June 30, 2020	0.0578%	3,465,374	106,891	3,572,265	4,151,387	83.5%	79.1%
June 30, 2020	June 30, 2019	0.0516%	2,852,848	88,663	2,941,511	3,644,693	78.3%	80.2%
June 30, 2019	June 30, 2018	0.0531%	2,945,770	96,553	3,042,323	3,601,393	81.8%	79.5%
June 30, 2018	June 30, 2017	0.0505%	3,223,887	40,507	3,264,394	3,270,333	98.6%	75.9%
June 30, 2017	June 30, 2016	0.0500%	4,059,752	52,966	4,112,718	3,113,627	130.4%	68.9%
June 30, 2016	June 30, 2015	0.0527%	2,731,188	n/a	2,731,188	3,031,904	90.1%	78.2%
June 30, 2015	June 30, 2014	0.0551%	2,588,322	n/a	2,588,322	2,997,273	86.4%	78.7%

Schedule of Employer Contributions - Public Employees Retirement Association
Year Ended June 30, 2022

District Fiscal Year End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2022	$ 347,290	$ 347,290	$ -	$ 4,630,533	7.5%
June 29, 2021	290,874	290,874	-	3,878,320	7.5%
June 30, 2020	311,354	311,354	-	4,151,387	7.5%
June 30, 2019	273,351	273,351	-	3,644,693	7.5%
June 30, 2018	270,105	270,105	-	3,601,393	7.5%
June 30, 2017	245,275	245,275	-	3,270,333	7.5%
June 30, 2016	233,522	233,522	-	3,113,627	7.5%
June 30, 2015	227,393	227,393	-	3,031,904	7.5%

See notes to required supplementary information

	2018	2019	2020	2021	2022
Total OPEB Liability					
Service cost	$ 34,480	$ 33,719	$ 30,853	$ 34,220	$ 36,999
Interest	12,562	14,709	14,619	10,864	9,079
Differences between expected and actual experience	-	(6,591)	(80,251)	2,725	64,829
Changes of assumptions	(10,899)	(1,588)	18,041	6,356	(9,514)
Changes of benefit terms	-	-	-	-	825
Benefit payments	(60,724)	(44,059)	(49,369)	(37,412)	(29,523)
Net change in total OPEB liability	(24,581)	(3,810)	(66,107)	16,753	72,695
Total OPEB Liability, Beginning	426,074	401,493	397,683	331,576	348,329
Total OPEB Liability, Ending	$ 401,493	$ 397,683	$ 331,576	$ 348,329	$ 421,024
Covered-Employee Payroll	$ 9,973,229	$ 10,272,426	$ 10,311,000	$ 11,078,453	$ 12,587,778
Total OPEB Liability as a Percentage of Covered-Employee Payroll	4.03%	3.87%	3.22%	3.10%	3.30%

1. Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1. The Governing Board adopts annual budgets for the General and Community Service Funds prior to July of each fiscal year, in accordance with state law. The annual budgets may be periodically amended and approved by the Governing Board.

The budgeted amounts presented include amendments made, if any.

The appropriated budget is prepared by function. Spending control is established as the amount of expenditures budgeted for the fund, but management control is exercised at line item levels. Unexpended budget appropriations lapse at year-end.

2. Other Postemployment Benefit Plan

The District is required to present the last ten fiscal years of data; however, accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

Accumulation of Assets

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75.

Changes in Benefit Terms and Assumptions

There were no changes in the benefit terms. The discount rate changed from 2.45% in 2021 to 1.92% in 2022 and the inflation rate changed from 2.5% in 2021 to 2.25% in 2022.

3. Teachers Retirement Association Pension

The District is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

The amounts presented in relation to the schedule of employer's proportionate share of the net pension liability and the schedule of employer contributions represents the specific data of the District. The information was derived using a combination of the employer's contribution data along with data provided by the Teachers Retirement Association in relation to the District as a whole.

2021 Changes in Actuarial Assumptions

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

2020 Changes in Actuarial Assumptions

- Assumed termination rates were changed to more closely reflect actual experience.

- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 5 years and female rates set back 7 years. Generational projection uses the MP-2015 scale.

- Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

2019 Changes in Actuarial Assumptions

- There were no changes in actuarial assumptions

2018 Changes in Actuarial Assumptions

- The cost of living adjustment (COLA) was reduced from 2.00% each January 1 to 1.00%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10% each year until reaching the ultimate rate of 1.50% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.50% if the funded ratio was at least 90.00% 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% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00% to 3.00%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50% to 7.50%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2021, 8.34% in 2022, 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.
- The single discount rate changed from 5.12% to 7.50%.

2017 Changes in Actuarial Assumptions

- The COLA was assumed to increase from 2.00% annually to 2.50% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50%, but remain at 2.00% for all future years.
- Adjustments were made to the CSA loads. The active load was reduced from 1.40% to zero%, the vested inactive load increased from 4.00% to 7.00% and the nonvested inactive load increased from 4.00% to 9.00%.
- The investment return assumption was changed from 8.00% to 7.50%.
- The price inflation assumption was lowered from 2.75% to 2.50%.
- The payroll growth assumption was lowered from 3.50% to 3.00%.
- The general wage growth assumption was lowered from 3.50% to 2.85% for 10 years, followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

- The single discount rate changed from 4.66% to 5.12%.

2016 Changes in Actuarial Assumptions

- The single discount rate was changed from 8.00% to 4.66%.

2015 Changes in Actuarial Assumptions

- The Duluth Teachers Retirement Fund Association was merged into the TRA on June 30, 2016.
- The annual COLA for the June 30, 2015 valuation assumed 2.00%. The prior year valuation used 2.00%, with an increase to 2.50% commencing in 2034.
- The discount rate used to measure the total pension liability was 8.00%. This is a decrease from the discount rate at the prior measurement date of 8.25%.

4. Public Employees Retirement Association Pension

The District is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

The amounts presented in relation to the schedule of employer's proportionate share of the net pension liability and the schedule of employer contributions represents the specific data of the District. The information was derived using a combination of the employer's contribution data along with data provided by the Public Employees Retirement Association in relation to the District as a whole.

2021 Changes in Plan Provisions

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

2021 Changes in Actuarial Assumptions

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

2020 Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2021.

2020 Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.

- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.

- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.

- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.

- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.

- The assumed spouse age difference was changed from two years older for females to one year older.

- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from $31 million to $21 million per year. The State’s special funding contribution was changed prospectively, requiring $16 million due per year through 2031.

2019 Changes in Actuarial Assumptions

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

2018 Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.

- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.

- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

- Contribution stabilizer provisions were repealed.

- Post-retirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio, to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, 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.

2018 Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.

- The assumed benefit increase was changed from 1.00% per year through 2044, and 2.50% per year thereafter, to 1.25% per year.

2017 Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals $16 million in 2017 and 2018 and $6 million thereafter.

- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21 million to $31 million in calendar years 2019 to 2031.

2017 Changes in Actuarial Assumptions

- The Combined Service Annuity (CSA) loads were changed from 0.80% for active members and 60.00% for vested and nonvested deferred members. The revised CSA loads are now zero% for active member liability, 15.00% for vested deferred member liability and 3.00% for nonvested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.00% per year for all years, to 1.00% per year through 2044 and 2.50% per year thereafter.

2016 Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2035, and 2.50% per year thereafter, to 1.00% per year for all years.

- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.

- 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% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Retirement 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; the State's contribution of $6.0 million, which meets the special funding situation definition, was due September 2015.

2015 Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2030, and 2.50% per year thereafter, to 1.00% per year through 2035 and 2.50% per year thereafter.

OTHER REQUIRED REPORT

SouthWest Metro Intermediate District 288

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2022

		Audit	UFARS	Audit - UFARS
General Fund				
Total revenue		$ 26,324,143	$ 26,324,144	$ (1)
Total expenditures		25,500,905	25,500,906	(1)
Nonspendable				
460	Nonspendable fund balance	14,698	14,698	-
Restricted/reserve				
401	Student activities	10,989	10,989	-
402	Scholarships	-	-	-
403	Staff development	-	-	-
405	Deferred maintenance	-	-	-
406	Health and safety	-	-	-
407	Capital projects levy	-	-	-
408	Cooperative revenue	-	-	-
409	Alternative facility program	-	-	-
413	Project funded by COP	-	-	-
414	Operating debt	-	-	-
416	Levy reduction	-	-	-
417	Taconite building maintenance	-	-	-
423	Certain teacher programs	-	-	-
424	Operating capital	-	-	-
426	$25 taconite	-	-	-
427	Disabled accessibility	-	-	-
428	Learning and development	-	-	-
434	Area learning center	-	-	-
435	Contracted alternative programs	-	-	-
436	State approved alternative program	-	-	-
438	Gifted and talented	-	-	-
440	Teacher development and evaluation	-	-	-
441	Basic skills programs	-	-	-
445	Career and technical programs	-	-	-
448	Achievement and integration	-	-	-
449	Safe schools levy	45,488	45,488	-
451	QZAB payments	-	-	-
452	OPEB liability not in trust	-	-	-
453	Unfunded severance and retirement levy	-	-	-
467	Long-term facilities maintenance	456,550	456,550	-
472	Medical assistance	494,103	494,103	-
Restricted				
464	Restricted fund balance	-	-	-
Committed				
418	Committed for separation	-	-	-
461	Committed fund balance	-	-	-
Assigned				
462	Assigned fund balance	460,000	460,000	-
Unassigned				
422	Unassigned fund balance	2,882,731	2,882,732	(1)
Food Services				
Total revenue		-	-	-
Total expenditures		-	-	-
Nonspendable				
460	Nonspendable fund balance	-	-	-
Restricted/reserve				
452	OPEB liability not in trust	-	-	-
Restricted				
464	Restricted fund balance	-	-	-
Unassigned				
463	Unassigned fund balance	-	-	-

SouthWest Metro Intermediate District 288

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2022

		Audit	UFARS	Audit - UFARS
Community Service				
Total revenue		$ 1,479,735	$ 1,479,734	$ 1
Total expenditures		1,479,735	1,479,734	1
Nonspendable				
460	Nonspendable fund balance	-	-	-
Restricted/reserve				
426	$25 taconite	-	-	-
431	Community education	-	-	-
432	ECFE	-	-	-
440	Teacher development and evaluation	-	-	-
444	School readiness	-	-	-
447	Adult basic education	-	-	-
452	OPEB liability not in trust	-	-	-
Restricted				
464	Restricted fund balance	-	-	-
Unassigned				
463	Unassigned fund balance	-	-	-
Building Construction				
Total revenue		80	80	-
Total expenditures		1,354,597	1,354,596	1
Nonspendable				
460	Nonspendable fund balance	-	-	-
Restricted/reserve				
407	Capital projects levy	-	-	-
409	Alternative facility program	-	-	-
413	Project funded by COP	-	-	-
Restricted				
464	Restricted fund balance	-	-	-
Unassigned				
463	Unassigned fund balance	-	-	-
Debt Service				
Total revenue		-	-	-
Total expenditures		-	-	-
Nonspendable				
460	Nonspendable fund balance	-	-	-
Restricted/reserve				
425	Bond refundings	-	-	-
451	QZAB payments	-	-	-
Restricted				
464	Restricted fund balance	-	-	-
Unassigned				
463	Unassigned fund balance	-	-	-
Trust				
Total revenue		-	-	-
Total expenditures		-	-	-
422	Net assets	-	-	-
Internal Service				
Total revenue		-	-	-
Total expenditures		-	-	-
422	Net assets	-	-	-

SouthWest Metro Intermediate District 288

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2022

		Audit	UFARS	Audit - UFARS
OPEB Revocable Trust Fund				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
422	Net assets	-	-	-
OPEB Irrevocable Trust Fund				
Total revenue		-	-	-
Total expenditures		-	-	-
422	Net assets	-	-	-
OPEB Debt Service Fund				
Total revenue		-	-	-
Total expenditures		-	-	-
Nonspendable				
460	Nonspendable fund balance	-	-	-
Restricted				
425	Bond refundings	-	-	-
464	Restricted fund balance	-	-	-
Unassigned				
463	Unassigned fund balance	-	-	-

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* and Minnesota Legal Compliance

<u>Independent Auditors' Report</u>

To the Governing Board of
SouthWest Metro Intermediate District 288

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 (*Government Auditing Standards*), the financial statements of the governmental activities and each major fund of SouthWest Metro Intermediate District 288 (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 28, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

> Management is responsible for ensuring that controls have been properly designed, documented and implemented over key accounting functions, including the financial statement preparation process. Management relied on the assistance of the auditor for the preparation of the financial statements that are in conformity with generally accepted accounting principles. The District has also chosen to rely on their auditors to prepare certain year-end audit adjustments to amounts included in the financial statements.
>
> The District should consider whether preparation of the financial statements by the staff is cost effective. The Governing Board should continue to make a reasonable effort to stay knowledgeable about the District's financial condition and financial reporting requirements.

Management Response

The board and management are aware of our lack of controls over the year-ending reporting process. Because of its size, at this time the District does not feel it is cost effective to hire an employee(s) with the experience and technical training to prepare its financial statements. The Controller, the Executive Director of Business Services and the Superintendent review the audit draft prior to the issuance of the final financial statements. The District will continue to assist with the preparation and gain experience in this area.

Report on Compliance and Other Matters

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

Minnesota Legal Compliance

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

The District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described previously. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

Baker Tilly US, LLP

Minneapolis, Minnesota
November 28, 2022