Independent School District No. 879
Delano, Minnesota

Basic Financial Statements

June 30, 2023

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Independent School District No. 879
Board of Education and Administration
June 30, 2023

Board of Education	Position	Term Expires
Rachel Depa	Chair	December 31, 2026
Susan Roeser	Vice Chairperson	December 31, 2024
Amy Johnson	Clerk	December 31, 2024
James Gierke	Treasurer	December 31, 2024
Ryan Schaust	Director	December 31, 2026
Sarah Baker	Director	December 31, 2026
Corey Black	Director	December 31, 2026

Administration	
Matthew Schoen	Superintendent
Mary Reeder	Business Manager

Independent Auditor's Report

To the School Board
Independent School District No. 879
Delano, Minnesota

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 879, Delano, Minnesota, as of and for the year ended June 30, 2023, and the related notes to the basic 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 present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 879, Delano, Minnesota, as of June 30, 2023, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 879 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The management of Independent School District No. 879 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, which raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

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

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management′s Discussion and Analysis, which follows this report letter, and 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 (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management′s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information and the Schedule of Expenditures of Federal Awards is/are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2023, 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 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.

Bergan KDV, Ltd.

St. Cloud, Minnesota
November 14, 2023

Independent School District No. 879
Management's Discussion and Analysis

This section of Independent School District No. 879, Delano Public Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2023. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. Certain comparative information between the current year (2022-2023) and the prior year (2021-2022) is required to be presented in the MD&A.

Financial Highlights

- *General Fund 01:* The overall fund balance increased by $409,486.
- *Food Service Fund 02:* The overall fund balance increased by $142,032.
- *Community Service Fund 04:* The overall fund balance increased by $187,205.
- *Debt Service Fund 07:* The overall fund balance increased by $130,229.

Overview of the Financial Statements

The financial section of the annual report consists of three parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The following outline shows how the various parts of this annual report are arranged and related to one another.

A. Management's Discussion and Analysis
B. Basic Financial Statements
    1. Government-Wide Financial Statements
    2. Fund Financial Statements

Overview of the Financial Statements (Continued)

Government-Wide Financial Statements

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

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

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that is properly using certain revenues (e.g., federal grants).

The District has two kinds of funds:

- ***Governmental funds*** – Most of the District's basic services are included in governmental funds, which generally focus on:

  (1) How cash and other financial assets that can readily be converted to cash flow in and out, and

Overview of the Financial Statements (Continued)

Fund Financial Statements (Continued)

- ***Governmental funds* (Continued)**
  (2) The balances left at year-end that are available for spending.
  Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.

- **Fiduciary funds** – The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as A Whole

Net Position
Table A-1

	Governmental Activities		Percentage
	2023	2022	Change
Current and other assets	$ 25,197,454	$ 23,311,185	8.09%
Capital assets	76,037,156	77,904,304	-2.40%
Total assets	101,234,610	101,215,489	0.02%
Deferred outflows of resources	6,445,495	7,340,035	-12.19%
Current liabilities	7,407,035	7,351,539	0.75%
Long-term liabilities	56,960,171	60,741,393	-6.23%
Net pension and OPEB liability	24,430,956	15,675,350	55.86%
Total liabilities	88,798,162	83,768,282	50.39%
Deferred inflows of resources	15,757,558	28,953,042	-45.58%
Net Position			
Invested in capital assets, net of related debt	15,493,965	13,547,024	14.37%
Restricted	5,029,013	3,896,191	29.08%
Unrestricted	(17,398,593)	(21,609,015)	-19.48%
Net position	$ 3,124,385	$ (4,165,800)	-175.00%

Financial Analysis of the District as A Whole (Continued)

The District's combined net position was $3,124,385 on June 30, 2023, an increase of $7,290,185, which was due to decreases in the pension expense related to the state-wide plans and long-term liabilities.

Changes in Net Position

The following Table A-2 presents the Change in Net Position of the District:

Change in Net Position
Table A-2

	Governmental Activities for the Fiscal Year Ended June, 30		Total Percentage Change
	2023	2022	
Revenues			
Program revenues			
Charges for services	$ 3,840,973	$ 2,674,672	43.61%
Operating grants and contributions	8,373,900	8,813,059	-4.98%
Capital grants and contributions	394,424	399,086	-1.17%
General Revenues			
Property taxes	9,839,642	9,771,862	0.69%
State aid-formula grants	17,518,864	16,882,306	3.77%
Investment earnings	476,194	5,764	8161.52%
Other	48,291	17,234	180.21%
Total revenues	40,492,288	38,563,983	5.00%
Expenditures			
Administration	1,139,291	1,207,530	-5.65%
District support services	933,400	1,374,586	-32.10%
Elementary and secondary regular instruction	11,664,401	13,580,710	-14.11%
Vocational education instruction	320,374	357,988	-10.51%
Special education instruction	4,016,144	4,419,417	-9.13%
Instructional support services	1,142,935	1,411,704	-19.04%
Pupil support services	2,519,820	2,499,174	0.83%
Sites and buildings	4,025,107	3,994,435	0.77%
Fiscal and other fixed cost programs	212,398	186,014	14.18%
Food service	1,392,971	1,242,345	12.12%
Community education and services	2,527,690	2,304,824	9.67%
Unallocated depreciation	1,690,352	1,648,665	2.53%
Interest and fiscal charges on long-term debt	1,617,220	1,754,547	-7.83%
Total expenditures	33,202,103	35,981,939	-7.73%
Increase/(decrease) in net position	7,290,185	2,582,044	182.34%
Beginning of year net position	(4,165,800)	(6,747,844)	-38.26%
End of year net position	$ 3,124,385	$ (4,165,800)	-175.00%

Financial Analysis of the District as A Whole (Continued)

District's Revenues

The District's total revenues were $40,492,288 for the year ended June 30, 2023. Property taxes and state aid-formula grants accounted for 67% of total revenue for the year. (See Figure A-1). The remaining 33% came from other program revenues (charges for services and operating and capital grants and contributions), investment earnings and other.

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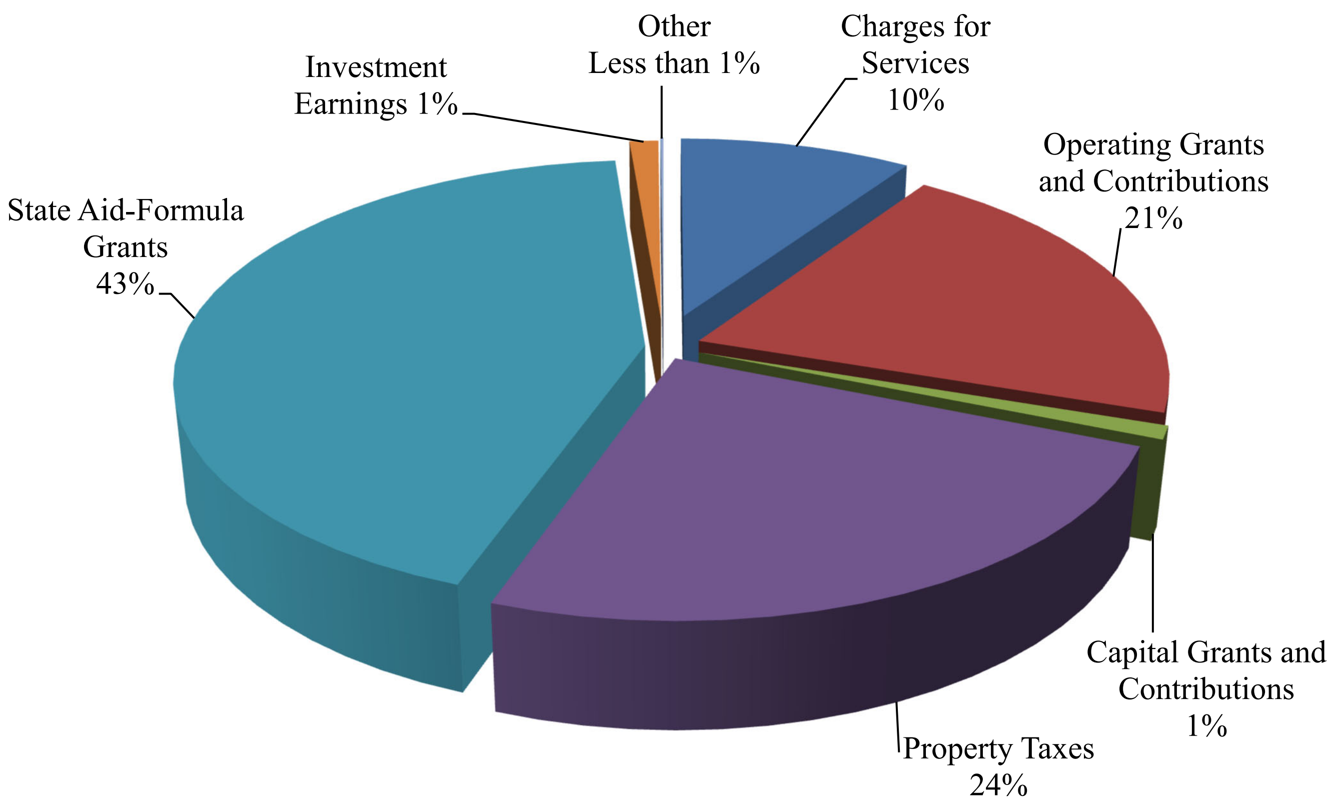
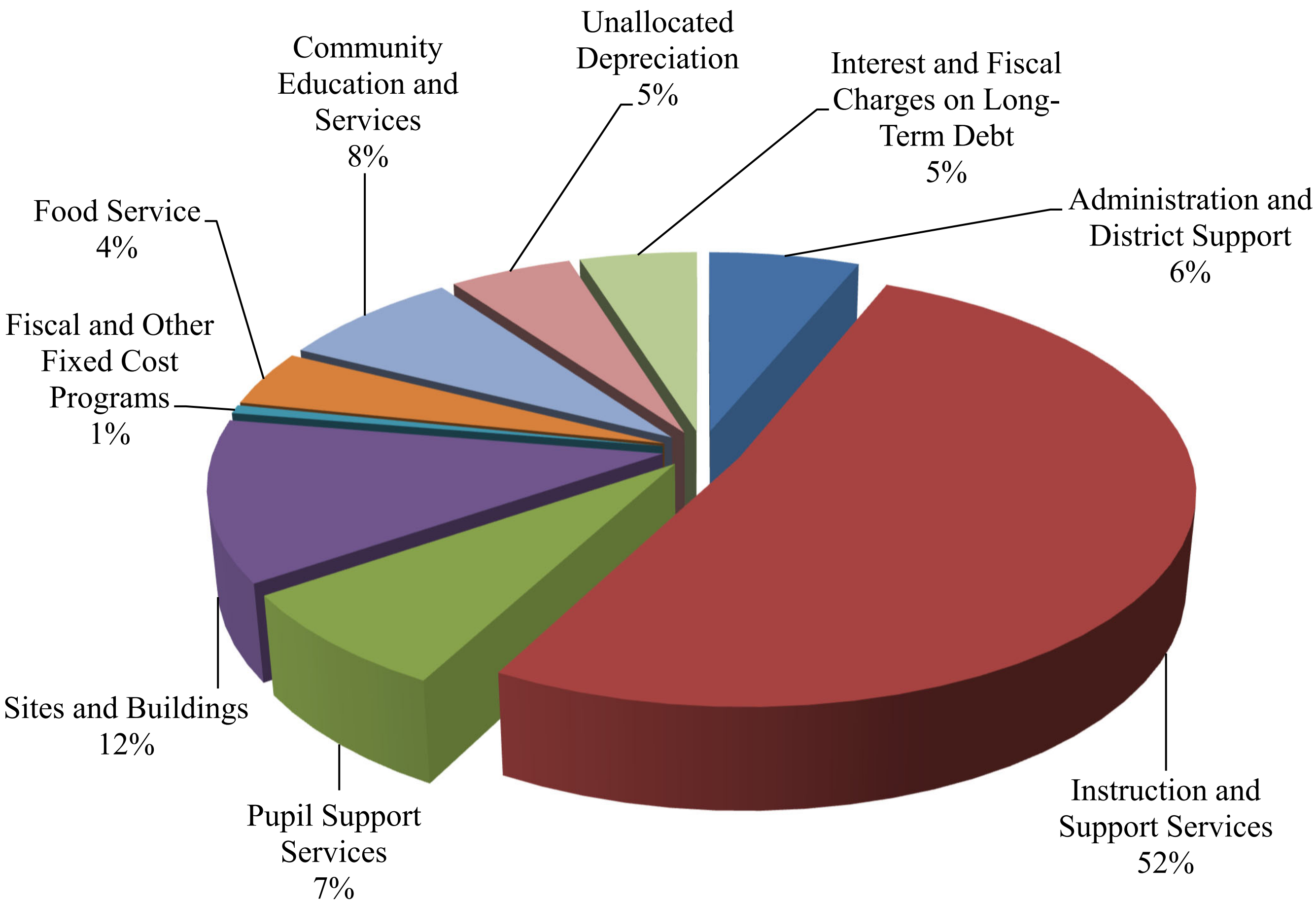
Figure A-1 Sources of District's Revenues for Fiscal 2023



Financial Analysis of the District as A Whole (Continued)

District's Expenses

Figure A-2 District Expenses for Fiscal 2023



The total costs of all programs and services were $33,202,103 for fiscal year 2023. The District's expenses are predominately related to instruction and pupil support services (59%). (See Figure A-2.) Interest and fiscal charges for the District's bonds account for another 5%, and 12% accounts for the facilities maintenance needs of the entire district.

The cost of all governmental activities this year was $33,202,103.

- Some of the cost was paid by the users of the District's programs - $3,840,973.
- The federal and state governments subsidized certain programs with grants and contributions – $8,768,324.
- Most of the District's costs - $20,592,806, however, were paid for by District taxpayers and the taxpayers of the State of Minnesota.

Financial Analysis of the District as A Whole (Continued)

District's Expenses (Continued)

Typically the District does not incorporate funds allocated to direct instruction as part of an analysis of expenditures in all governmental funds. Funding for general operation of the District is controlled by the state and the District does not have latitude to allocate money received from entrepreneurial-type funds like Food Service and Community Education. Therefore, a more accurate analysis would be limited to the allocation of resources received for the general operation of the District and would show that 59% of those resources are spent on instruction and support services associated with education.

Table A-3 presents the total cost of governmental activities, as well as the cost of those activities. The net cost represents total cost less program revenues applicable in each category.

Net Cost of Governmental Activities
Table A-3

	Total Cost of Services		Total Percentage Change	Net Cost of Services		Total Percentage Change
	2023	2022	2022-2023	2023	2022	2022-2023
Administration	$ 1,139,291	$ 1,207,530	-5.65%	$ 1,110,160	$ 1,193,447	-6.98%
District support services	933,400	1,374,586	-32.10%	869,274	1,168,859	-25.63%
Elementary and secondary regular education	11,664,401	13,580,710	-14.11%	9,171,426	11,196,467	-18.09%
Vocational education instruction	320,374	357,988	-10.51%	313,072	349,453	-10.41%
Special education instruction	4,016,144	4,419,417	-9.13%	456,878	1,211,007	-62.27%
Instructional support services	1,142,935	1,411,704	-19.04%	869,339	1,178,654	-26.24%
Pupil support services	2,519,820	2,499,174	0.83%	1,304,938	1,397,050	-6.59%
Sites and buildings	4,025,107	3,994,435	0.77%	3,226,927	3,177,804	1.55%
Fiscal and other fixed cost programs	212,398	186,014	14.18%	212,398	186,014	14.18%
Food service	1,392,971	1,242,345	12.12%	(179,695)	(404,236)	-55.55%
Community education and services	2,527,690	2,304,824	9.67%	(69,483)	51,439	-235.08%
Unallocated depreciation	1,690,352	1,648,665	2.53%	1,690,352	1,648,665	2.53%
Interest and fiscal charges on long-term debt	1,617,220	1,754,547	-7.83%	1,617,220	1,740,499	-7.08%
Total	$ 33,202,103	$ 35,981,939	-7.73%	$ 20,592,806	$ 24,095,122	-14.54%

Financial Analysis of the District's Funds

Governmental Funds

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of $11,018,249, for a increase of $868,953 over last year's ending fund balance of $10,149,296.

Revenues and other financing sources for the District's governmental funds were $40,411,276, while total expenditures and other financing uses were $39,542,323, for a positive net change of $868,953.

General Fund

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

General Fund revenues are outlined in Table A-4 below:

Summary of General Fund Revenues
Table A-4

	Year Ended June 30, 2023	Year Ended June 30, 2022	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources				
Property taxes	$ 4,611,863	$ 4,503,457	$ 108,406	2.41%
Other local and county sources	1,544,632	1,210,949	333,683	27.56%
State sources	23,576,005	22,825,476	750,529	3.29%
Federal sources	674,649	537,194	137,455	25.59%
Sales and other conversion of assets	3,298	1,643	1,655	100.73%
Total General Fund revenue	$ 30,410,447	$ 29,078,719	$ 1,331,728	4.58%

Revenues from the General Fund totaled $30,410,447, an increase of 4.58% over the preceding year. Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of an equalized mix of property tax and state aid revenue. Other state-authorized revenue, including excess levy referendum, involves an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on revenue.

State sources of revenue increased due to an increase in enrollment. Other local and county sources increased due to higher interest rates for interest revenue. Federal sources increased due to ESSER III grants used in the current fiscal year as well as additional special education ARP funds.

Financial Analysis of the District's Funds (Continued)

General Fund (Continued)

General Fund expenditures are itemized in Table A-5:

Summary of General Fund Expenditures
Table A-5

	Year Ended June 30, 2023	Year Ended June 30, 2022	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	$ 15,843,453	$ 15,581,865	$ 261,588	1.68%
Employee benefits	6,345,863	6,411,943	(66,080)	-1.03%
Purchased services	5,109,395	4,850,343	259,052	5.34%
Supplies and materials	1,708,197	1,712,946	(4,749)	-0.28%
Capital expenditures	626,064	786,740	(160,676)	-20.42%
Other expenditures	475,102	509,689	(34,587)	-6.79%
Total General Fund expenditures	$ 30,108,074	$ 29,853,526	$ 254,548	0.85%

Total General Fund expenditures increased by $254,548 or 0.85% over the previous year.

Salaries increased due to budgeted contract salary increases. Benefits decreased due to one-time retiree health benefits reflected in 2021-2022. Purchased services increased due to increased usage of contracted special education services and higher utility costs. Supplies and materials remained steady in the current year compared to the prior year. Capital expenditures decreased due to one-time boiler replacement project in the prior year.

In 2022-2023, the General Fund recorded an increase of $409,487. The unassigned fund balance closed at $4,460,856, which is 15% of the total General Fund expenditures.

It is the goal of the School Board of Education to maintain an unassigned fund balance of 12% of operating expenditures. For the fiscal year ended June 30, 2023, the District is in compliance with the fund balance goal.

General Fund Budgetary Highlights

Actual revenues were $287,275 under the final budget, a 1.0% variance. Actual expenditures were $1,044,713 under budget, which is a variance of 3.3%. The variance between actual and final budgeted revenue amounts was due to budgeting for federal grants that were not fully spent thus revenue was not received in the current year, as well as general education aid was lower than projected. The expenditure budget variance is due to unspent federal CARES/ARP grant expenditures, staff development, building budgeted expenses, capital and LTFM funds.

Debt Service Fund

The Debt Service Fund revenues exceeded expenditures by $130,229 in 2022-2023.

Capital Assets and Debt Administration

Capital Assets

The District investment in capital assets for its governmental activities amounts to $76,037,156 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment (see Table A-6). Additional information on capital assets can be found in Note 3 of this report.

Capital Assets - Governmental Activities
Table A-6

	2023	2022	Percentage Change
Land	$ 1,022,151	$ 1,022,151	0.00%
Land improvements	6,027,587	6,027,587	0.00%
Buildings	96,167,795	96,167,795	0.00%
Equipment	4,019,449	3,463,621	16.05%
Leased assets	111,191	29,129	281.72%
Construction in progress	0	62,716	-100.00%
Less accumulated depreciation	(31,311,017)	(28,868,695)	8.46%
Total	$ 76,037,156	$ 77,904,304	-2.40%

Long-Term Liabilities

At year-end, the District had $60,587,621 in total long-term debt, a decrease of 5.93% from the previous year, as shown in Table A-7. (More detailed information about long-term liabilities can be found in Note 4 of the financial statements.)

Capital Assets and Debt Administration (Continued)

Long-Term Liabilities (Continued)

Long-Term Liabilities
Table A-7

	2023	2022	Percentage Change
General obligation bonds payable	$ 58,170,000	$ 61,565,000	-5.51%
Bond premium payable	1,921,506	2,221,621	-13.51%
Lease	102,085	13,790	640.28%
Financed purchase payable	0	188,869	-100.00%
Special assessments payable	349,600	368,000	-5.00%
Vacation payable	44,430	52,061	-14.66%
Total	$ 60,587,621	$ 64,409,341	-5.93%

Factors Bearing on the District's Future

The District had planned to continue to spend down the fund balance due to budget reductions over the past four years. The district had two questions on the ballot in November 2022. Question 1 asked for a $200 increase to be added to the expiring operating referendum and an additional $250 to be approved on question 2. Question 1 passed and Question 2 failed. A five-year financial planning program will continue to be used as a tool in long-term financial planning.

Enrollment will continue to be monitored; enrollment in 2022-2023 increased by 26 students from 2021-2022. As of this date, enrollment in the 2023-2024 school year has increased by 14 students from the prior school year.

Finally, the District will continue to strive to achieve its mission statement of "Systemic growth toward educational excellence for every learner".

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Delano Public Schools ISD #879, Attention: Business Manager, 700 Elm Avenue East, Delano, MN 55328.

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BASIC FINANCIAL STATEMENTS

Independent School District No. 879
Statement of Net Position
June 30, 2023

	Governmental Activities
Assets	
Cash and investments	$ 16,104,642
Current property taxes receivable	5,280,629
Delinquent property taxes receivable	427,047
Accounts receivable	136,096
Interest receivable	9,879
Due from Department of Education	2,552,086
Due from Federal Government through Department of Education	82,331
Due from other Minnesota school districts	227,091
Due from other governmental units	19,787
Inventory	53,809
Prepaid items	107,097
Equity interest in joint venture	196,960
Capital assets, not being depreciated	
Land	1,022,151
Capital assets, net of accumulated depreciation/amortization	
Land improvements	3,260,984
Buildings	70,067,691
Machinery and equipment	1,584,319
Leased equipment	102,011
Total assets	101,234,610
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	6,073,848
Deferred outflows of resources related to other post employment benefits (OPEB)	371,647
Total deferred outflows of resources	6,445,495
Total assets and deferred outflows of resources	$ 107,680,105
Liabilities	
Accounts payable	$ 237,962
Salaries and benefits payable	2,429,560
Interest payable	744,676
Due to other Minnesota school districts	185,035
Due to other governmental units	150,534
Unearned revenue	31,818
Bonds payable	
Payable within one year	3,545,000
Payable after one year	56,546,506
Lease liablity	
Payable within one year	19,620
Payable after one year	82,465
Special assessment payable	
Payable within one year	18,400
Payable after one year	331,200
Vacation payable	
Payable within one year	44,430
Net pension liability	20,986,137
Total OPEB liability	3,444,819
Total liabilities	88,798,162
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	10,544,758
Deferred inflows of resources related to pensions	4,137,539
Deferred inflows of resources related to other post employment benefits (OPEB)	1,075,261
Total deferred inflows of resources	15,757,558
Net Position	
Net investment in capital assets	15,493,965
Restricted for	
Debt service	639,897
Other purposes	4,389,116
Unrestricted	(17,398,593)
Total net position	3,124,385
Total liabilities, deferred inflows of resources, and net position	$ 107,680,105

Independent School District No. 879
Statement of Activities
Year Ended June 30, 2023

		Program Revenues			Net (Expense) Revenues and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Administration	$ 1,139,291	$ -	$ 29,131	$ -	$ (1,110,160)
District support services	933,400	7,962	56,164	-	(869,274)
Elementary and secondary regular instruction	11,664,401	564,144	1,928,628	203	(9,171,426)
Vocational education instruction	320,374	-	7,302	-	(313,072)
Special education instruction	4,016,144	18,905	3,540,361	-	(456,878)
Instructional support services	1,142,935	-	273,596	-	(869,339)
Pupil support services	2,519,820	-	1,214,882	-	(1,304,938)
Sites and buildings	4,025,107	-	403,959	394,221	(3,226,927)
Fiscal and other fixed cost programs	212,398	-	-	-	(212,398)
Food service	1,392,971	945,416	627,250	-	179,695
Community education and services	2,527,690	2,304,546	292,627	-	69,483
Unallocated depreciation	1,690,352	-	-	-	(1,690,352)
Interest and fiscal charges on long-term debt	1,617,220	-	-	-	(1,617,220)
Total governmental activities	$ 33,202,103	$ 3,840,973	$ 8,373,900	$ 394,424	(20,592,806)
	General revenues				
	Taxes				
	Property taxes, levied for general purposes				4,636,829
	Property taxes, levied for community service				188,308
	Property taxes, levied for debt service				5,014,505
	State aid-formula grants				17,518,864
	Investment income				476,194
	Net income (loss) from joint venture				48,246
	Gain of sale of assets				45
	Total general revenues				27,882,991
	Change in net position				7,290,185
	Net position - beginning				(4,165,800)
	Net position - ending				$ 3,124,385

Independent School District No. 879
Balance Sheet - Governmental Funds
June 30, 2023

	General	Debt Service	Other Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments	$ 11,068,926	$ 3,710,451	$ 1,325,265	$ 16,104,642
Current property taxes receivable	2,517,065	2,655,537	108,027	5,280,629
Delinquent property taxes receivable	196,997	221,979	8,071	427,047
Accounts receivable	46,338	-	89,758	136,096
Interest receivable	9,879	-	-	9,879
Due from Department of Education	2,493,669	38,672	19,745	2,552,086
Due from Federal Government through Department of Education	62,716	-	19,615	82,331
Due from other Minnesota school districts	209,566	-	17,525	227,091
Due from other governmental units	19,787	-	-	19,787
Inventory	8,685	-	45,124	53,809
Prepaid items	102,332	-	4,765	107,097
Total assets	$ 16,735,960	$ 6,626,639	$ 1,637,895	$ 25,000,494
Liabilities				
Accounts payable	$ 207,825	$ -	$ 30,137	$ 237,962
Salaries and benefits payable	2,276,481	-	153,079	2,429,560
Due to other Minnesota school districts	185,035	-	-	185,035
Due to other governmental units	147,812	-	2,722	150,534
Unearned revenue	-	-	31,818	31,818
Total liabilities	2,817,153	-	217,756	3,034,909
Deferred Inflows of Resources				
Property taxes levied for subsequent year's expenditures	5,079,705	5,242,066	222,987	10,544,758
Unavailable revenue - delinquent property taxes	185,709	209,260	7,609	402,578
Total deferred inflows of resources	5,265,414	5,451,326	230,596	10,947,336
Fund Balances				
Nonspendable	111,017	-	49,889	160,906
Restricted	3,191,964	1,175,313	1,139,654	5,506,931
Committed	43,136	-	-	43,136
Assigned	846,422	-	-	846,422
Unassigned	4,460,854	-	-	4,460,854
Total fund balances	8,653,393	1,175,313	1,189,543	11,018,249
Total liabilities, deferred inflows of resources, and fund balances	$ 16,735,960	$ 6,626,639	$ 1,637,895	$ 25,000,494

Independent School District No. 879
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2023

Total fund balance - governmental funds	$ 11,018,249
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Equity interests in underlying capital assets of joint ventures are not reported in the funds because they do not represent current assets.	
Equity interest in joint venture - Wright Technical Center	196,960
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	107,348,173
Less accumulated depreciation/amortization	(31,311,017)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bond principal payable	(58,170,000)
Lease liablity	(102,085)
Special assessment payable	(349,600)
Net premium on bonds payable	(1,921,506)
Vacation payable	(44,430)
Total OPEB liability	(3,444,819)
Net pension liability	(20,986,137)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and OPEB that are not recognized in the governmental funds.	
Deferred inflows of resources related to pensions	(4,137,539)
Deferred outflows of resources related to pensions	6,073,848
Deferred inflows of resources related to OPEB	(1,075,261)
Deferred outflows of resources related to OPEB	371,647
Delinquent property taxes receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	402,578
Governmental funds do not report a liability for accrued interest on bonds and capital loans until due and payable.	(744,676)
Total net position - governmental activities	$ 3,124,385

See notes to basic financial statements.

Independent School District No. 879
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2023

	General	Debt Service	Other Nonmajor Funds	Total Governmental Funds
Revenues				
Local property taxes	$ 4,611,863	$ 4,999,158	$ 188,566	$ 9,799,587
Other local and county revenues	1,544,632	100,806	2,282,779	3,928,217
Revenue from state sources	23,576,005	386,718	238,261	24,200,984
Revenue from federal sources	674,649	-	617,864	1,292,513
Sales and other conversion of assets	3,298	-	1,075,659	1,078,957
Total revenues	30,410,447	5,486,682	4,403,129	40,300,258
Expenditures				
Current				
Administration	1,312,028	-	-	1,312,028
District support services	863,726	-	-	863,726
Elementary and secondary regular instruction	14,576,068	-	-	14,576,068
Vocational education instruction	347,648	-	-	347,648
Special education instruction	4,672,026	-	-	4,672,026
Instructional support services	1,356,965	-	-	1,356,965
Pupil support services	2,617,872	-	-	2,617,872
Sites and buildings	3,280,898	-	-	3,280,898
Fiscal and other fixed cost programs	212,398	-	-	212,398
Food service	-	-	1,364,584	1,364,584
Community education and services	-	-	2,599,924	2,599,924
Capital outlay				
District support services	384,583	-	-	384,583
Elementary and secondary regular instruction	69,710	-	-	69,710
Special education instruction	13,553	-	-	13,553
Instructional support services	1,747	-	-	1,747
Pupil support services	8,072	-	-	8,072
Sites and buildings	148,399	-	-	148,399
Food service	-	-	97,040	97,040
Community education and services	-	-	16,248	16,248
Debt service				
Principal	226,043	3,395,000	-	3,621,043
Interest and fiscal charges	16,338	1,961,453	-	1,977,791
Total expenditures	30,108,074	5,356,453	4,077,796	39,542,323
Excess of revenues over expenditures	302,373	130,229	325,333	757,935
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	45	-	-	45
Insurance recoveries	-	-	3,904	3,904
Proceeds from capital leases	107,069	-	-	107,069
Total other financing sources (uses)	107,114	-	3,904	111,018
Net change in fund balances	409,487	130,229	329,237	868,953
Fund Balances				
Beginning of year	8,243,906	1,045,084	860,306	10,149,296
End of year	$ 8,653,393	$ 1,175,313	$ 1,189,543	$ 11,018,249

Independent School District No. 879
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities - Governmental Funds
Year Ended June 30, 2023

Net change in fund balances - total governmental funds	$ 868,953
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net income from the equity interest in a joint venture does not provide current financial resources and its not reported as revenue in the funds.	48,246
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation/amortization expense.	
Capital outlays	633,749
Depreciation/amortization expense	(2,500,897)
Vacation payable are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	6,631
Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities.	3,621,043
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	60,456
Proceeds from the issuance of debt is recognized as other financing sources in the governmental funds increasing fund balance but have no effect on net position in the Statement of Activities.	
Capital lease issuance	(107,069)
Premiums and discounts are amortized over the life of the bond on the statement of net position.	300,115
Net OPEB are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(29,451)
Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	4,348,354
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	40,055
Change in net position - governmental activities	$ 7,290,185

Independent School District No. 879
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 4,729,880	$ 4,697,630	$ 4,611,863	$ (85,767)
Other local and county revenues	591,800	1,538,987	1,544,632	5,645
Revenue from state sources	23,070,794	23,731,707	23,576,005	(155,702)
Revenue from federal sources	495,111	726,100	674,649	(51,451)
Sales and other conversion of assets	-	3,298	3,298	-
Total revenues	28,887,585	30,697,722	30,410,447	(287,275)
Expenditures				
Current				
Administration	1,337,461	1,424,349	1,312,028	(112,321)
District support services	917,220	885,382	863,726	(21,656)
Elementary and secondary regular instruction	14,036,003	14,865,200	14,576,068	(289,132)
Vocational education instruction	305,238	349,998	347,648	(2,350)
Special education instruction	4,962,674	4,830,423	4,672,026	(158,397)
Instructional support services	1,565,310	1,376,006	1,356,965	(19,041)
Pupil support services	2,599,771	2,664,896	2,617,872	(47,024)
Sites and buildings	4,093,699	3,665,728	3,280,898	(384,830)
Fiscal and other fixed cost programs	201,000	212,400	212,398	(2)
Capital outlay				
Administration	9,347	1,000	-	(1,000)
District support services	276,000	278,912	384,583	105,671
Elementary and secondary regular instruction	34,000	70,524	69,710	(814)
Special education instruction	-	13,553	13,553	-
Instructional support services	11,000	4,705	1,747	(2,958)
Pupil support services	6,400	8,450	8,072	(378)
Sites and buildings	102,509	152,154	148,399	(3,755)
Food service	87,671	87,671	-	(87,671)
Debt service				
Principal	221,603	254,497	226,043	(28,454)
Interest and fiscal charges	7,751	6,939	16,338	9,399
Total expenditures	30,774,657	31,152,787	30,108,074	(1,044,713)
Excess of revenues over (under) expenditures	(1,887,072)	(455,065)	302,373	757,438
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	45	45	-
Proceeds from capital leases	-	-	107,069	107,069
Total other financing sources (uses)	-	45	107,114	107,069
Net change in fund balance	$ (1,887,072)	$ (455,020)	409,487	$ 864,507
Fund Balance				
Beginning of year			8,243,906	
End of year			$ 8,653,393	

See notes to basic financial statements.

Independent School District No. 879
Statement of Fiduciary Net Position
June 30, 2023

	Custodial Fund
Assets	
Current	
Cash and investments	$ 32,780
Total Assets	$ 32,780
Liabilities	
Accounts Payable	$ 500
Net Position	
Restricted for scholarships	12,530
Restricted for other purposes	19,750
Total Net Position	32,280
Total Liabilities and Net Position	$ 32,780

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2023

	Custodial Fund
Additions	
Other local revenues	$ 79,495
Deductions	
Scholarships	6,000
Pupil support services	72,602
Total deductions	78,602
Change in net position	893
Net Position	
Beginning of year	31,387
End of year	$ 32,280

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. The governing body consists of a seven member board elected by the voters of the District to serve four-year terms.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting Entity

The financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the basic financial statements of the District because of the significance of their operational or financial relationships with the District.

The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the District.

As a result of applying the component unit definition criteria above, it has been determined the District has no component units.

The student activity accounts of the District are under board control and are reported in the General Fund.

Joint Venture

A joint venture is a legal entity or other organization that results from a contracted agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control. The participants retain either an ongoing financial interest or an ongoing financial responsibility. The District participates in one joint venture. A description of this organization is included in Note 8.

B. Basic Financial Statement Information

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

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

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position is available. Depreciation/ amortization expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation/ amortization expense relating to assets that serve multiple functions is presented as unallocated depreciation in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

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

The custodial fund is presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide statements.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner.

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures in the Debt Service Fund, compensated absences and claims and judgments are recognized when payment is due.

The District applies resources in the following order when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available: restricted, committed, assigned, and unassigned.

Description of Funds:

Major Funds:

General Fund – This fund is the basic operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and payment of, general obligation (G.O.) bond principal, interest, and related costs.

Nonmajor Funds:

Food Service Special Revenue Fund – This fund is used to account for food service revenues and expenditures.

Community Service Special Revenue Fund – This fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education, or other similar services.

Fiduciary Fund:

Custodial Fund – This fund is used to account for resources received and held by the District to be used in making scholarship awards, theater, concerts in the park, county conferences, and youth assistance programs.

D. Deposits and Investments

Cash and 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 individual funds based on the average of month-end cash and investment balances.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

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

Cash and investments at June 30, 2023, were comprised of deposits, shares in the Minnesota School District Liquid Asset Fund (MSDLAF), shares in MNTrust MNTrust Term series, U.S. Treasury Securities, and brokered certificates of deposit. MSDLAF and MNTrust securities are valued at amortized cost, which approximates fair value

Minnesota Statutes requires all deposits be protected by federal deposit insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

Minnesota Statutes authorizes the District to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days.

In accordance with GASB Statement No. 79, the various MSDLAF and MNTrust securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF or MNTrust. Investments in the MSDLAF MAX must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions. Seven days' notice of redemption is required for withdrawals of investments in the MNTrust Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

E. Property Tax Receivable

Current property taxes receivable are recorded for taxes certified the previous December and collectible in the current calendar year, which have not been received by the District. Delinquent property taxes receivable represent uncollected taxes for the past six years and are deferred and included in the deferred inflows of resources section of the fund financial statements as unavailable revenue because they are not available to finance the operations of the District in the current year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Property Taxes Levied for Subsequent Year's Expenditures
Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2022, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in fiscal year 2023. The remaining portion of the levy will be recognized when measurable and available.

G. Inventories
Inventories of commodities donated directly by the U.S. Department of Agriculture are recorded at market value. Other inventories are stated at cost as determined on a first-in, first-out (FIFO) basis. Inventories are recorded as expenditures when consumed rather than when purchased.

H. Prepaid Items
Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

I. Property Taxes
The District levies its property tax during the month of December. December 28 is the last day the District can certify a tax levy to the County Auditor. Such taxes become a lien on January 1. The property tax is recorded as revenue when it becomes measurable and available. Hennepin and Wright Counties are the collecting agency for the levy and remit the collections to the District three times a year. The Tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Delinquent collections for November and December are received the following January.

A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

J. Capital Assets
Capital assets are recorded in the government-wide financial statements but are not reported in the fund financial statements.

Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of five years. Such 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 its acquisition value at the date of donation.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

Capital assets are depreciated/ amortized 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 purpose by the District, no salvage value is taken into consideration. Useful lives vary from 5 to 50 years for land improvements, buildings, machinery and equipment, and vehicles.

Capital assets not being depreciated or amortized include land and construction in progress. The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

K. Right-to-Use Lease Assets/Lease Liabilities

The District recorded right-to-use lease assets as a result of implementing GASB Statement No. 87, Leases. The right-to-use lease assets are initially measured at an amount equal to the initial measurement of the lease liability plus any payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

Key estimates and judgments related to leases include (1) the discount rate, (2) lease term, and (3) lease payments.

The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District determines its estimated borrowing rate based on the applicable State and Local Government Securities rate. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a re-measurement of the leases and will remeasure the right-to-use lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liability.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has two items that qualify for reporting in this category. Deferred outflows of resources related to pensions and deferred outflows of resources related to OPEB are reported in the government-wide Statement of Net Position. Deferred outflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years. Deferred outflows of resources related to OPEB is recorded for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the Statement of Financial Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four types of items which

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Outflows/Inflows of Resources (Continued)

qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. Deferred inflows of resources related to pensions is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years. Deferred inflows of resources related to OPEB is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

M. Long-Term Obligations

In the government-wide financial statements long-term debt and other long term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

N. Compensated Absences

Certain District employees earn vacation days based on the number of completed years of service. Vacation is accumulated at various rates and maximum hours are capped at different amounts. Certain employees are compensated for unused vacation upon termination of employment.

Employees are entitled to paid sick leave at various rates for each month of full-time service. Employees are not compensated for unused sick leave upon termination of employment (sick pay is recorded as an expenditure when payment is made).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Pensions

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

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

P. 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 injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2023.

Q. Fund Equity

In the fund financial statements, governmental funds report various levels of spending constraints.

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include prepaids and inventory.

- Restricted Fund Balances – These amounts are subject to externally enforceable legal restrictions.

- Committed Fund Balances – The government's highest level of decision making authority is the School Board. The formal action to establish, modify, or rescind a commitment must be made by the School Board.

- Assigned Fund Balances – The School Board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The School Board also delegates the power to assign fund balances to the Superintendent or Business Manager.

- Minimum Fund Balance Policy – The District will strive to maintain a minimum unassigned General Fund balance of 12% of operating expenditures.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Net Position

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

S. Use of Estimates

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

T. Budgetary Information

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

1. Prior to July 1, the School Superintendent submits to the School Board, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, and Debt Service Funds.
4. Budgets for the General, Special Revenue, and Debt Service Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with applicable *Minnesota Statutes*, the District maintains deposits at depository banks authorized by the School Board.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits (Continued)

Custodial Credit Risk – Deposits: This is the risk that in the event of the failure of a depository financial institution, the District will not be able to recover deposits or collateral securities that are in possession of an outside party. The District has a policy that requires the District's deposits be collateralized as required by *Minnesota Statutes* for an amount exceeding FDIC, SAIF, BIF, or FCUA coverage. As of June 30, 2023, the District's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

As of June 30, 2023, the District had the following pooled deposits:

Checking	$ 656,325
Certificates of deposit	471,150
Total deposits	$ 1,127,475

B. Investments

1. District Governmental Funds Pooled

As of June 30, 2023, the District had the following pooled investments:

	Fair Value	Less Than One Year	1-2 Years	Moody's/S&P Ratings
MSDLAF - Liquid Class	$ 2,657,701	$ 2,657,701	$ -	AAAm
MSDLAF - Max Class	7,551,509	7,551,509	-	AAAm
MNTrust IS Account Balance	616,367	616,367	-	AAAm
MNTrust Term Series	3,118,177	3,118,177	-	AAm
Treasury Securities	819,640	819,640	-	AAAm
Brokered Certificates of Deposit	245,953	245,953	-	N/A
Total investments	$ 15,009,347	$ 15,009,347	$ -	

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The District's investment policy states the District shall manage its investments in a manner to attain a market yield rate of return through various economics and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments to be in the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy indicates the District will follow state law. The District's investments were rated in the table above by Standards and Poor's (S&P) and Moody's Investor Services. These investments were in the top two rating categories.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

1. District Governmental Funds Pooled (Continued)

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's policy does not allow for an investment in any one issuer that is in excess of five percent of the total investments. The District's investments were exposed to concentration of credit risk at June 30, 2023, as investments in MN Trust Series Flec PenFed C (20.77%) and US Treasury Bonds (5.46%) represented more than 5% of total investments.

Custodial Credit Risk – Investments: For investments, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The District's investment policy states all investments shall be held in third party safekeeping by an institution designated as a custodial agent.

The District has the following recurring fair value measurements as of June 30, 2023:

- $1,065,593 of investments are valued using significant other observable inputs (Level 2 inputs)

C. Summary of Deposits and Investments

Summary of deposits and investments as of June 30, 2023:

Deposits (Note 3.A.)	$ 1,127,475
Petty cash	600
Investments (Note 3.B.)	15,009,347
Total deposits and investments	$ 16,137,422

Deposits and investments are presented in the June 30, 2023, basic financial statements as follows:

Statement of Net Position	
Cash and investments	$ 16,104,642
Statement of Fiduciary Net Position	
Cash and investments - custodial fund	32,780
Total deposits and investments	$ 16,137,422

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 1,022,151	$ -	$ -	$ 1,022,151
Construction in progress	62,716	62,716	125,432	-
Total capital assets not being depreciated	1,084,867	62,716	125,432	1,022,151
Other capital assets				
Improvements	6,027,587	-	-	6,027,587
Buildings	96,167,795	-	-	96,167,795
Equipment	3,463,621	589,396	33,568	4,019,449
Leased equipment	29,129	107,069	25,007	111,191
Total other capital assets at historical cost	105,688,132	696,465	58,575	106,326,022
Less accumulated depreciation for				
Improvements	2,522,137	244,466	-	2,766,603
Buildings	24,158,021	1,942,083	-	26,100,104
Equipment	2,172,918	295,780	33,568	2,435,130
Less accumulated amortization for				
Leased equipment	15,619	18,568	25,007	9,180
Total accumulated depreciation/amortization	28,868,695	2,500,897	58,575	31,311,017
Total capital assets being depreciated/ amortized, net	76,819,437	(1,804,432)	-	75,015,005
Governmental activities, capital assets, net	$ 77,904,304	$ (1,741,716)	$ -	$ 76,037,156

Depreciation/amortization expense for the year ended June 30, 2023, was charged to the following functions:

District support services	$ 28,218
Elementary and secondary regular instruction	64,614
Special education instruction	710
Pupil support services	12,432
Sites and buildings	699,796
Community service	4,775
Unallocated	1,690,352
Total depreciation/amortization expense	$ 2,500,897

NOTE 4 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities						
G.O. bonds, including						
Refunding bonds						
G.O. Bonds, series 2008C	07/01/08	3.10%-4.10%	$ 980,000	02/01/24	$ 85,000	$ 85,000
G.O. School Refunding Bonds, series 2015A	04/08/15	3.00%-5.00%	13,140,000	02/01/25	3,055,000	1,500,000
G.O. School Building Bonds, series 2016A	02/18/16	2.75%-4.00%	62,900,000	02/01/36	53,230,000	1,620,000
G.O. Alternative Facilities Bonds, series 2017A	09/21/17	2.00%-3.00%	3,390,000	02/01/28	1,800,000	340,000
Total G.O. bonds					58,170,000	3,545,000
Premium on bonds payable					1,921,506	-
Lease liability					102,085	19,620
Special assessments payable					349,600	18,400
Vacation payable					44,430	44,430
Total all long-term liabilities					$ 60,587,621	$ 3,627,450

The long-term bond liabilities listed above were issued to finance acquisition and construction of capital facilities or to refinance (refund) previous bond issues.

The bond obligations are paid from the Debt Service Fund. Other long term liability payments are paid from the General Fund.

B. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. bonds	$ 61,565,000	$ -	$ 3,395,000	$ 58,170,000
Premium on bonds payable	2,221,621	-	300,115	1,921,506
Financed purchase	188,869	-	188,869	-
Lease liability	13,790	107,069	18,774	102,085
Special assessments payable	368,000	-	18,400	349,600
Vacation payable	52,061	126,762	134,393	44,430
Total long-term liabilities	$ 64,409,341	$ 233,831	$ 4,055,551	$ 60,587,621

NOTE 4 – LONG-TERM DEBT (CONTINUED)

C. Bond Payment Schedule

Minimum annual principal and interest payments required to retire bonds:

Year Ending June 30,	G.O. Bonds Principal	G.O. Bonds Interest	G.O. Bonds Total
2024	$ 3,545,000	$ 1,809,223	$ 5,354,223
2025	3,680,000	1,670,738	5,350,738
2026	3,835,000	1,542,588	5,377,588
2027	3,955,000	1,396,388	5,351,388
2028	4,070,000	1,279,587	5,349,587
2029-2033	23,330,000	4,492,068	27,822,068
2034-2036	15,755,000	954,750	16,709,750
Total	$ 58,170,000	$ 13,145,340	$ 71,315,340

D. Financed Purchase from Direct Borrowing

On May 4, 2007, the District entered into a lease purchase agreement with CitiCapital for the acquisition of building improvements. The capital lease agreement includes monthly principal and interest payments of $23,950 for each of the 15 years of the agreement. The liability was $0 at year end.

E. Lease Liability

On April 8, 2018, the District entered into a lease agreement for copiers. The obligation totaled $71,220. This agreement includes monthly principal and interest payments of $1,187 per month for 60 months. This liability was retired in 2023.

On July 18, 2018, the District entered into a lease agreement for a postage machine. The obligation totaled $10,395. This agreement includes monthly principal and interest payments of $173 per month for 60 months.

On March 31, 2023, the District entered into a lease agreement for copiers. The obligation totaled $93,528. This agreement includes monthly principal and interest payments of $1,758 per month for 60 months.

On April 19, 2023, the District entered into a lease agreement for a postage machine. The obligation totaled $13,541. This agreement includes monthly principal and interest payments of $251 per month for 60 months.

NOTE 4 – LONG-TERM DEBT (CONTINUED)

E. Lease Liability (Continued)

Minimum annual principal and interest payments required to retire lease liabilities:

Year Ending June 30,	Lease Liability Principal	Lease Liability Interest	Total
2024	$ 19,620	$ 4,655	$ 24,275
2025	20,443	3,659	24,102
2026	21,488	2,613	24,101
2027	22,588	1,513	24,101
2028	17,946	381	18,327
Total	$ 102,085	$ 12,821	$ 114,906

F. Special Assessment

The District is obligated to pay special assessments to the City of Delano for a watermain relocation. The minimum annual principal and interest payments required to retire the assessment are as follows:

Year Ending June 30,	Special Assessments Principal	Special Assessments Interest	Special Assessments Total
2024	$ 18,400	$ 11,189	$ 29,589
2025	18,400	10,638	29,038
2026	18,400	10,086	28,486
2027	18,400	9,534	27,934
2028	18,400	8,981	27,381
2029-2033	105,800	36,127	141,927
2034-2038	124,200	18,009	142,209
2039	27,600	966	28,566
Total	$ 349,600	$ 105,530	$ 455,130

NOTE 5 –FUND BALANCES

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

NOTE 5 – FUND BALANCES (CONTINUED)

Fund Equity

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

	General Fund	Debt Service Fund	Other Nonmajor Funds	Total
Nonspendable for				
Inventory	$ 8,685	$ -	$ 45,124	$ 53,809
Prepaids items	102,332	-	4,765	107,097
Total nonspendable	111,017	-	49,889	160,906
Restricted/reserved for				
Student Activities	47,727	-	-	47,727
Scholarships	1,710	-	-	1,710
Staff Development	136,471	-	-	136,471
Operating Capital	1,041,295	-	-	1,041,295
Area Learning Center	7,260	-	-	7,260
Long-term Facilities Maintenance	1,938,707	-	-	1,938,707
Medical Assistance	18,794	-	-	18,794
Debt Service	-	1,175,313	-	1,175,313
Food Service	-	-	745,606	745,606
Community Service	-	-	2,472	2,472
Community Education	-	-	321,325	321,325
Early Childhood and Family Education	-	-	53,240	53,240
School Readiness	-	-	16,114	16,114
Adult Basic Education	-	-	897	897
Total restricted/reserved	3,191,964	1,175,313	1,139,654	5,506,931
Committed for				
Separation/retirement Benefits	43,136	-	-	43,136
Assigned for				
Donated Funds	509,357	-	-	509,357
Student Activities Carryover	4,803	-	-	4,803
Q Comp	303,129	-	-	303,129
Providing Transformative Learning Experiences	29,133	-	-	29,133
Total assigned	846,422	-	-	846,422
Unassigned	4,460,854	-	-	4,460,854
Total fund balance	$ 8,653,393	$ 1,175,313	$ 1,189,543	$ 11,018,249

Nonspendable for Inventory – This balance represents fund balance that has already been spent as inventory.

NOTE 5 – FUND BALANCES (CONTINUED)

Fund Equity (Continued)

Nonspendable for Prepaid Items – This balance represents fund balance that has already been spent as prepaid items.

Restricted/Reserved for Student Activities – This balance represents available resources to be used for the extracurricular activity funds raised by the students.

Restricted/Reserved for Scholarships – This balance represents available resources for the scholarship funds.

Restricted/Reserved for Staff Development – This balance represents unspent staff development revenues set aside from general education revenue that were restricted/reserved for staff development related to Finance Code 316. Expenditures for staff development must equal at least 2% of the basic general education revenue, unless legal stipulations are met (*Minnesota Statutes* § 122A.61, subd. 1).

Restricted/Reserved for Operating Capital – This balance represents available resources in the General Fund to be used to purchase equipment and facilities.

Restricted/Reserved for Area Learning Center – This balance represents amounts restricted for students attending area learning centers. Each district that sends students to an area learning center must restrict an amount equal to the sum of 1) at least 90 and no more than 100 percent of the district average General Education Revenue per adjusted pupil unit minus an amount equal to the product of the formula allowance according to *Minnesota Statutes* § 126C.10, subd. 2, times .0466, calculated without basic skills revenue, local optional revenue, and transportation sparsity revenue, times the number of pupil units attending a state-approved area learning center, plus (2) the amount of basic skills revenue generated by pupils attending the area learning center. The amount restricted may only be spent on program costs associated with the area learning center.

Restricted/Reserved for Long-Term Facilities Maintenance (LTFM) – This balance represents available resources to be used for LTFM projects in accordance with the 10-year plan (*Minnesota Statutes* § 123B.595, subd. 12).

Restricted/Reserved for Medical Assistance – This balance represents available resources to be used for medical assistance expenditures (*Minnesota Statutes* § 125A.21, subd. 3).

Restricted for Debt Service – This balance represents the resources available for the payment of G.O. bond principal, interest, and related costs.

Restricted for Food Service – This balance represents the accumulation of the activity to provide the food service program.

Restricted for Community Service – This balance represents the positive fund balance of the Community Service Fund.

NOTE 5 – FUND BALANCES (CONTINUED)

Fund Equity (Continued)
Restricted/Reserved for Community Education – This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, early childhood and family education, and extended day programs.

Restricted/Reserved for Early Childhood and Family Education – This balance represents the resources available to provide for services for early childhood and family education programming.

Restricted/Reserved for School Readiness – This balance represents the resources available to provide for services for school readiness programs (*Minnesota Statutes* § 124D.16).

Restricted/Reserved for Adult Basic Education – This account will represent the balance of carryover monies for all activity involving adult basic education. This would include all state aid and any grants or local funding used in support of ABE.

Committed for Separation/Retirement Benefits – This balance represents resources segregated from the unassigned fund balance for retirement benefits, including compensated absences, pensions, other post employment benefits (OPEB), and termination benefits (as defined in GASB Statements Nos. 16, 27, 45, 47 and 50 and *Minnesota Statutes* § 123B.79, subd. 7).

Assigned for Donated Funds – This balance represents resources segregated from unassigned fund balance for different groups (athletics, media center, principals, etc.) who have done fundraising or receive donations for specific purposes.

Assigned for Student Activities Carryover – This balance represents resources segregated from unassigned fund balance for different student activities that have done fundraising or receive donations for specific purposes.

Assigned for Q Comp – This balance represents resources segregated from unassigned fund balances for unspent Q Comp dollars.

Assigned for Providing Transformative Learning Experiences – This balance represents resources segregated from unassigned fund balances for providing transformative learning experiences.

Net position restricted for other purposes on the Statement of Net Position are comprised of the total positive General Fund restricted fund balances and the total net position restricted for food service and community service.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans, total pension expense for the year ended June 30, 2023, was ($2,720,403). The components of pension expense are noted in the following plan summaries.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

The General Fund and Community Service Fund typically liquidate the liability related to the pensions.

Teachers' Retirement Association

A. 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 schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those teachers employed by St. Paul Schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through the Defined Contribution Plan (DCP) administered by Minnesota State

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

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

Tier I Benefits

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier I Benefits (Continued)
With these provisions:

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

- 3% per year early retirement reduction factor for all years under normal retirement age.

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

Tier II Benefits
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.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

C. Contribution Rate

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2021, June 30, 2022, and June 30, 2023, were:

	June 30, 2021		June 30, 2022		June 30, 2023	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.0%	12.13%	11.0%	12.34%	11.0%	12.55%
Coordinated	7.5%	8.13%	7.5%	8.34%	7.5%	8.55%

The following is a reconciliation of employer contributions in TRA's fiscal year 2022 ACFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations. Amounts are reported in thousands.

Employer contributions reported in TRA's ACFR Statement of Changes in Fiduciary Net Position	$ 482,679
Employer contributions not related to future contribution efforts	(2,178)
TRA's contributions not included in allocation	(572)
Total employer contributions	479,929
Total non-employer contributions	35,590
Total contributions reported in *Schedule of Employer and Non-Employer Allocations*	$ 515,519

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.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

The total pension liability in the June 30, 2022, 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	
Valuation date	July 1, 2022
Measurement date	June 30, 2022
Experience study	June 28, 2019 (demographic and economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% after June 30, 2028.
Projected salary increase	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% after June 30, 2028.
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality Assumptions	
Pre-retirement	RP 2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP 2015 scale.
Post-retirement	RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5 %	5.10 %
International stocks	16.5	5.30
Private markets	25.0	5.90
Fixed income	25.0	0.75
Total	100.0 %	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2023 is six years. The "Difference Between Expected and Actual Experience," "Changes of Assumptions," and "Changes in Proportion" use the amortization period of six years in the schedule presented. The amortization period for "Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments" is five years as required by GASB 68.

Changes in actuarial assumptions since the 2021 valuation:

- None

E. Discount Rate
The discount rate used to measure the total pension liability was 7.0%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2022 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability

On June 30, 2023, the District reported a liability of $16,503,398 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.2061% at the end of the measurement period and 0.2082% for the beginning of the year.

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

District's proportionate share of net pension liability	$ 16,503,398
State's proportionate share of the net pension liability associated with the District	1,223,608

For the year ended June 30, 2023, the District recognized pension expense of $3,307,384. Included in this amount, the District recognized $168,250 as pension expense for the support provided by direct aid.

On June 30, 2023, 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	$ 247,088	$ 147,118
Net collective difference between projected and actual earnings on plan investments	417,246	-
Changes of assumptions	2,670,885	3,495,843
Changes in proportion	170,637	288,378
Contributions to TRA subsequent to the measurement date	1,111,597	-
Total	$ 4,617,453	$ 3,931,339

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)
The $1,111,597 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, 2024.

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2024	$ (3,026,104)
2025	424,300
2026	84,925
2027	2,095,075
2028	(3,679)
Total	$ (425,483)

G. Pension Liability Sensitivity
The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.0%) and 1 percent higher (8.0%) than the current rate.

District proportionate share of NPL		
1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
$ 26,016,708	$ 16,503,398	$ 8,705,450

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.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

H. Pension Plan Fiduciary Net Position
Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That can be obtained at www.minnesotatra.org, or 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

A. Plan Description
The District participates in the following cost-sharing multiple-employer defined benefit pension plan administered by PERA. PERA's defined benefit pension plan is established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

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

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

General Employees Plan Benefits

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 annuity accrual rate for a Coordinated Plan member 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.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits (Continued)

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 1.0% 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.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2023 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2023, were $328,517. The District's contributions were equal to the required contributions as set by state statute.

General Employees Fund Pension Costs

At June 30, 2023, the District reported a liability of $4,482,739 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 $131,287. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0566% at the end of the measurement period and 0.0577% for the beginning of the period.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs (Continued)

District's proportionate share of net pension liability	$ 4,482,739
State of Minnesota's proportionate share of the net pension liability associated with the School	131,287
Total	$ 4,614,026

For the year ended June 30, 2023, the District recognized pension expense of $586,981 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized $19,617 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

At June 30, 2023, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 37,443	$ 49,043
Changes in actuarial assumptions	1,033,646	19,553
Net collective difference between projected and actual investments earnings	56,789	-
Change in proportion	-	137,604
Contributions paid to PERA subsequent to the measurement date	328,517	-
Total	$ 1,456,395	$ 206,200

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

The $328,517 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2024	$ 325,442
2025	356,537
2026	(165,697)
2027	405,396
Total	$ 921,678

E. Long-Term Expected Return on Investment

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

Asset Class	Final Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5 %	5.10 %
International stocks	16.5	5.30
Fixed income	25.0	0.75
Private markets	25.0	5.90
Total	100.0 %	

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. 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% for the General Employees.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service.

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

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

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

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.

Changes in Plan Provisions

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

G. Discount Rate

The discount rate used to measure the total pension liability in 2022 was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position 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.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (5.5%)	Current Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
District's proportionate share of the PERA net pension liability	$ 7,080,721	$ 4,482,739	$ 2,351,993

I. Pension Plan Fiduciary Net Position

Detailed information about the General Employees Fund's fiduciary net position is available in a separately-issued PERA financial report that includes the financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District provides a single-employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. Medical coverage is administered by PIEP. It is the District's policy to periodically review its medical coverage, and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees. No assets are acclimated in a trust.

B. Benefit Paid

Teachers who apply for early retirement shall remain eligible to receive certain health insurance benefits until the end of the school year in which the teacher becomes Medicare eligible. Full vesting of such amounts occurs upon attaining 56 years of age. The General Fund, Food Service Fund and Community Service Fund typically liquidate the Liability related to OPEB.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

C. Members

As of July 1, 2022, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	14
Active employees	279
Total	293

D. Contributions

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with PIEP. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2023, the District contributed $213,520 to the plan.

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Discount Rate	3.80%
Salary increases	Service graded table
Inflation	2.50%
Healthcare cost trend increases	6.50% as of July 1, 2022, grading to 5.00% over 6 years and then to 4.00% over the next 48 years
Mortality Assumption	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale

The actuarial assumptions used in the July 1, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2021 through June 30, 2022.

The discount rate used to measure the total OPEB liability was 3.8% based on the 20-year municipal bond yield.

F. Total OPEB Liability

The District's total OPEB liability of $3,444,819 was measured as of July 1, 2022, and was determined by an actuarial valuation as of that date.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability (Continued)

Assumptions changes for the June 30, 2023, addendum to the July 2022 valuation.

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.
- The discount rate was changed from 2.10% to 3.80%.

Changes in the total OPEB liability are as follows:

	Total OPEB Liability (a)
Balances at July 1, 2022	$ 4,099,847
Changes for the year	
Service cost	219,021
Interest cost	87,736
Assumption changes	(369,185)
Plan changes	38,666
Differences between expected and actual economic experience	(347,873)
Benefit payments	(283,393)
Net changes	(655,028)
Balances at June 30, 2023	$ 3,444,819

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity
The following presents the District's total OPEB liability calculated using the discount rate of 3.8% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	1% Decrease in Discount Rate (2.8%)	Current Discount Rate (3.8%)	1% Increase in Discount Rate (4.8%)
Total OPEB liability	$ 3,680,007	$ 3,444,819	$ 3,219,085

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% lower and 1% higher than the current healthcare cost trend rates. The decrease in health care cost trend rates is over six years.

	1% Decrease (5.25 Decreasing to 4.0%)	1% Decrease (6.25 Decreasing to 5.0%)	1% Decrease (7.25 Decreasing to 6.0%)
Total OPEB liability	$ 3,261,750	$ 3,444,819	$ 3,660,502

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the District recognized OPEB expense of $242,971. At June 30, 2023, 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
Liability losses/gains	$ 46,925	$ 656,587
Changes of assumptions	111,202	418,674
Subsequent contributions	213,520	-
Total	$ 371,647	$ 1,075,261

$213,520 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2024. Other amounts will be amortized in future years as follows:

Year Ending June 30,	
2024	$ (102,452)
2025	(102,452)
2026	(102,452)
2027	(102,452)
2028	(102,452)
Thereafter	(404,877)
Total	$ (917,137)

NOTE 8 – COMMITMENTS

Joint Powers

The District entered into a joint powers agreement in February 1998 with Wright Technical Center No. 966 (WTC), a cooperative center for vocational education, between and among eight other independent school districts to finance the acquisition and betterment of the addition to the existing WTC facilities.

NOTE 8 – COMMITMENTS (CONTINUED)

The addition was financed through capital lease agreements. Each participating district annually authorizes a leading levy to cover their allocated portion of the lease payment based on the formula set out in the joint powers agreement. Participating districts will also be apportioned operating costs and continuing costs for the addition based on the current cost. Separately issued basic financial statements can be obtained from Wright Technical Center, 1400 Highway 25 North Buffalo, Minnesota 55313-1936.

Contract Commitments

Commitments at June 30, 2023, include the following:

Contractor	Original Contract Amount	Work Completed as of 6/30/23	Amount Remaining on Contract
Tekton Construction- HS Secure Vestibule	$ 92,700	$ -	$ 92,700

REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 879
Schedule of Changes in Total OPEB Liability
and Related Ratios

	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Total OPEB Liability				
Service cost	$ 237,911	$ 280,201	$ 308,361	$ 300,001
Interest	135,041	138,749	148,759	137,879
Changes of assumptions	-	(53,622)	97,912	(81,954)
Differenced between expected and actual experience	-	93,855	-	(472,316)
Plan changes	-	-	-	-
Benefit payments	(331,767)	(280,164)	(356,424)	(341,531)
Net change in total OPEB liability	41,185	179,019	198,608	(457,921)
Beginning of year	3,898,370	3,939,555	4,118,574	4,317,182
End of year	$ 3,939,555	$ 4,118,574	$ 4,317,182	$ 3,859,261
Covered payroll	$ 13,280,316	$ 14,490,655	$ 14,925,375	$ 15,133,308
Total OPEB liability as a percentage of covered-employee payroll	29.66%	28.42%	28.93%	25.50%

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

June 30, 2022	June 30, 2023
$ 323,451	$ 219,021
97,469	87,736
64,116	(369,185)
-	(347,873)
-	38,666
(244,450)	(283,393)
240,586	(655,028)
3,859,261	4,099,847
$ 4,099,847	$ 3,444,819
$ 15,587,307	$ 15,750,414
26.30%	21.87%

Independent School District No. 879
Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
General Employees Retirement Fund

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0582%	$ 2,733,944	$ -	$ 2,733,944	$ 3,057,131	89.4%	78.7%
2015	0.0560%	2,902,211	-	2,902,211	3,237,587	89.6%	78.2%
2016	0.0591%	4,798,627	62,701	4,861,328	3,669,560	130.8%	68.9%
2017	0.0587%	3,747,369	47,113	3,794,482	3,781,053	99.1%	75.9%
2018	0.0584%	3,239,793	106,243	3,346,036	3,927,360	82.5%	79.5%
2019	0.0616%	3,405,726	105,829	3,511,555	4,361,667	78.1%	80.2%
2020	0.0607%	3,639,242	112,272	3,751,514	4,328,760	84.1%	79.1%
2021	0.0577%	2,464,048	75,168	2,539,216	4,151,733	59.3%	87.0%
2022	0.0566%	4,482,739	131,287	4,614,026	4,237,480	105.8%	76.7%

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

Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
TRA Retirement Fund

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.2082%	$ 9,593,706	$ 674,763	$ 10,268,469	$ 9,502,729	101.0%	81.5%
2015	0.1976%	12,223,514	1,499,077	13,722,591	10,030,187	121.9%	76.8%
2016	0.2037%	48,587,310	4,875,894	53,463,204	10,593,453	458.7%	44.9%
2017	0.2055%	41,021,528	3,966,035	44,987,563	11,061,400	370.9%	51.6%
2018	0.2063%	12,957,571	1,217,498	14,175,069	11,396,373	113.7%	78.1%
2019	0.2112%	13,461,932	1,191,389	14,653,321	11,992,776	112.3%	78.2%
2020	0.2125%	15,699,785	1,315,641	17,015,426	12,347,336	127.2%	75.5%
2021	0.2082%	9,111,455	768,587	9,880,042	12,457,589	73.1%	86.63%
2022	0.2061%	16,503,398	1,223,608	17,727,006	12,736,894	129.6%	76.17%

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

Independent School District No. 879
Schedule of District Contributions
General Employees Retirement Fund

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 221,642	$ 221,642	$ -	$ 3,057,131	7.25%
2015	242,819	242,819	-	3,237,587	7.50%
2016	275,217	275,217	-	3,669,560	7.50%
2017	283,579	283,579	-	3,781,053	7.50%
2018	294,552	294,552	-	3,927,360	7.50%
2019	327,125	327,125	-	4,361,667	7.50%
2020	324,657	324,657	-	4,328,760	7.50%
2021	311,380	311,380	-	4,151,733	7.50%
2022	317,811	317,811	-	4,237,480	7.50%
2023	328,517	328,517	-	4,380,227	7.50%

Schedule of District Contributions
TRA Retirement Fund

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 665,191	$ 665,191	$ -	$ 9,502,729	7.00%
2015	752,264	752,264	-	10,030,187	7.50%
2016	794,509	794,509	-	10,593,453	7.50%
2017	829,605	829,605	-	11,061,400	7.50%
2018	854,728	854,728	-	11,396,373	7.50%
2019	924,643	924,643	-	11,992,776	7.71%
2020	977,909	977,909	-	12,347,336	7.92%
2021	1,012,802	1,012,802	-	12,457,589	8.13%
2022	1,062,257	1,062,257	-	12,736,894	8.34%
2023	1,111,597	1,111,597	-	13,001,135	8.55%

Independent School District No. 879
Notes to the Required Supplementary Information

TRA Retirement Fund

2022 Changes
Changes in Actuarial Assumptions
- None

2021 Changes
Changes in Actuarial Assumptions
- The investment return assumption was changed from 7.5% to 7.0%.

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

2019 Changes
Changes in Actuarial Assumptions
- None

2018 Changes
Changes in Actuarial Assumptions
- The discount rate was increased to 7.5% from 5.12%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0.0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

TRA Retirement Fund (Continued)

2017 Changes
Changes in Actuarial Assumptions

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

2016 Changes
Changes in Actuarial Assumptions

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

TRA Retirement Fund (Continued)

2015 Changes
Changes of Benefit Terms
- The DTRFA was merged into TRA on June 30, 2015.

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

Independent School District No. 879
Notes to the Required Supplementary Information

General Employees Fund

2022 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.

Changes in Plan Provisions

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

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- 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 changes 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 and Survivor option changed from 35% to 45%. The assumed number of married female new retires electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

General Employees Fund (Continued)

2019 Changes
Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes
Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, 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 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes
Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

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

General Employees Fund (Continued)

2016 Changes
Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes
Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and 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.

Independent School District No. 879
Notes to the Required Supplementary Information

Post Employment Health Care Plan

2023 Changes
Changes in Actuarial Assumptions
- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.
- The discount rate was changed from 2.10% to 3.80%.

2022 Changes
Changes in Actuarial Assumptions
- The discount rate was changed from 2.40% to 2.10%.

2021 Changes
Changes in Actuarial Assumptions
- The health care trend rates, mortality tables, and salary increase rates were updated.
- The discount rate was changed from 3.10% to 2.40%.

2020 Changes
Changes in Actuarial Assumptions
- The discount rate was changed from 3.10% to 2.4%.
- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.

2019 Changes
Changes in Actuarial Assumptions
- The discount rate was changed from 3.50% to 3.10%.

2018 Changes
Changes in Actuarial Assumptions
- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.

Post Employment Health Care Plan (Continued)

2018 Changes (Continued)
Changes in Actuarial Assumptions (Continued)

- The discount rate was changed from 3.40% to 3.50%.
- The trend on the Medicare Supplement Rate was changed from the health care trend rates to 4% per year.
- The percentage of future retirees not eligible for a subsidy who are assumed to continue on one of the District's medical plans post-employment was decreased from 50% to 40%.
- The percentage of future spouses eligible for a subsidy who are assumed to continue on one of the District's medical plans after their spouses' retirement was increased from 15% to 25%.

2017 Changes
Changes in Actuarial Assumptions

- Changes of assumptions and other inputs reflect a change in the discount rate from 3.0% in 2016 to 3.4% in 2017.

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SUPPLEMENTARY INFORMATION

Independent School District No. 879
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2023

	Special Revenue Funds		Total
	Food Service	Community Service	Total Nonmajor Funds
Assets			
Cash and investments (including cash equivalents)	$ 762,919	$ 562,346	$ 1,325,265
Current property taxes receivable	-	108,027	108,027
Delinquent property taxes receivable	-	8,071	8,071
Accounts receivable	16,210	73,548	89,758
Due from Department of Education	327	19,418	19,745
Due from Federal Government through Department of Education	2,171	17,444	19,615
Due from other Minnesota school districts	-	17,525	17,525
Inventory	37,329	7,795	45,124
Prepaid items	4,765	-	4,765
Total assets	$ 823,721	$ 814,174	$ 1,637,895
Liabilities			
Accounts payable	$ 837	$ 29,300	30,137
Salaries and benefits payable	3,366	149,713	153,079
Due to other governmental units	-	2,722	2,722
Unearned revenue	31,818	-	31,818
Total liabilities	36,021	181,735	217,756
Deferred Inflows of Resources			
Property taxes levied for subsequent year's expenditures	-	222,987	222,987
Unavailable revenue - delinquent property taxes	-	7,609	7,609
Total deferred inflows of resources	-	230,596	230,596
Fund Balances			
Nonspendable	42,094	7,795	49,889
Restricted	745,606	394,048	1,139,654
Total fund balances	787,700	401,843	1,189,543
Total liabilities, deferred inflows of resources, and fund balances	$ 823,721	$ 814,174	$ 1,637,895

Independent School District No. 879
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2023

	Special Revenue Funds		Total
	Food Service	Community Service	Nonmajor Funds
Revenues			
Local property taxes	$ -	$ 188,566	$ 188,566
Other local and county revenues	33,066	2,249,713	2,282,779
Revenue from state sources	55,300	182,961	238,261
Revenue from federal sources	570,127	47,737	617,864
Sales and other conversion of assets	945,163	130,496	1,075,659
Total revenues	1,603,656	2,799,473	4,403,129
Expenditures			
Current			
Food service	1,364,584	-	1,364,584
Community education and services	-	2,599,924	2,599,924
Capital outlay			
Food service	97,040	-	97,040
Community education and services	-	16,248	16,248
Total expenditures	1,461,624	2,616,172	4,077,796
Excess of revenues over expenditures	142,032	183,301	325,333
Other financing source			
Insurance recoveries		3,904	3,904
Net change in fund balances	142,032	187,205	329,237
Fund Balances			
Beginning of year	645,668	214,638	860,306
End of year	$ 787,700	$ 401,843	$ 1,189,543

Independent School District No. 879
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - Detail General Fund
Year Ended June 30, 2023

	2023				2022
	Budgeted Amounts		Actual	Variance with Final Budget -	Actual
	Original	Final	Amounts	Over (Under)	Amounts
Revenues					
Local property taxes					
Property tax levy	$ 4,644,880	$ 4,501,880	$ 4,473,709	$ (28,171)	$ 4,309,740
County apportionment	30,000	100,000	99,436	(564)	95,843
Miscellaneous taxes	55,000	95,750	38,718	(57,032)	97,874
Total local property taxes	4,729,880	4,697,630	4,611,863	(85,767)	4,503,457
Other local and county revenues					
Tuition and fees	476,800	569,627	568,558	(1,069)	509,813
Interest	50,000	328,000	327,873	(127)	4,662
Other local revenues	65,000	641,360	648,201	6,841	696,474
Total other local and county revenues	591,800	1,538,987	1,544,632	5,645	1,210,949
Revenue from state sources					
General education aid	18,872,942	19,193,378	19,083,398	(109,980)	18,649,533
Endowment fund	98,422	114,691	114,691	-	97,739
Special education aid	3,050,000	3,289,177	3,289,120	(57)	3,016,488
Educational agricultural and homestead credit	8,000	7,680	7,680	-	7,532
Other aids	1,041,430	1,126,781	1,081,116	(45,665)	1,054,184
Total revenue from state sources	23,070,794	23,731,707	23,576,005	(155,702)	22,825,476
Revenue from federal sources					
Title I	49,759	56,019	49,780	(6,239)	33,662
Special education	133,300	209,366	209,366	-	144,450
Other	40,856	148,573	148,573	-	192,778
Coronavirus relief funds	60,512	155,952	113,884	(42,068)	-
Education stabilization funds	210,684	156,190	153,046	(3,144)	166,304
Total revenue from federal source	495,111	726,100	674,649	(51,451)	537,194
Sales and other conversion of assets					
Local sales and other conversion of assets	-	3,298	3,298	-	1,643
Total revenues	28,887,585	30,697,722	30,410,447	(287,275)	29,078,719
Expenditures					
Current					
Administration					
Salaries and wages	868,113	863,916	857,265	(6,651)	812,641
Employee benefits	395,247	403,706	389,786	(13,920)	358,074
Purchased services	11,800	22,750	20,280	(2,470)	12,105
Supplies and materials	2,700	25,273	18,716	(6,557)	30,526
Capital expenditures	9,347	1,000	-	(1,000)	4,838
Other expenditures	59,601	108,704	25,981	(82,723)	26,015
Total administration	1,346,808	1,425,349	1,312,028	(113,321)	1,244,199
District support services					
Salaries and wages	384,974	393,280	392,776	(504)	371,480
Employee benefits	191,446	138,981	136,161	(2,820)	150,097
Purchased services	223,400	207,500	192,596	(14,904)	178,145
Supplies and materials	106,000	135,672	133,243	(2,429)	358,950
Capital expenditures	276,000	278,912	384,583	105,671	335,518
Other expenditures	11,400	9,949	8,950	(999)	8,474
Total district support services	1,193,220	1,164,294	1,248,309	84,015	1,402,664

Independent School District No. 879
Schedule of Revenues, Expenditures, and
Changes In Fund Balance -
Budget and Actual - Detail General Fund
Year Ended June 30, 2023

	2023				2022
	Budgeted Amounts		Actual	Variance with Final Budget -	Actual
	Original	Final	Amounts	Over (Under)	Amounts
Expenditures					
Elementary and secondary regular instruction					
Salaries and wages	$ 9,349,112	$ 9,391,283	$ 9,303,465	$ (87,818)	$ 9,103,540
Employee benefits	3,672,764	3,640,346	3,572,543	(67,803)	3,493,027
Purchased services	619,950	827,095	788,873	(38,222)	790,658
Supplies and materials	315,793	938,919	844,047	(94,872)	580,120
Capital expenditures	34,000	70,524	69,710	(814)	43,372
Other expenditures	78,384	67,557	67,140	(417)	73,352
Total elementary and secondary regular instruction	14,070,003	14,935,724	14,645,778	(289,946)	14,084,069
Vocational education instruction					
Salaries and wages	102,884	78,883	78,883	-	101,486
Employee benefits	47,254	35,987	35,932	(55)	45,079
Purchased services	151,600	225,323	224,382	(941)	179,508
Supplies and materials	2,500	8,805	8,037	(768)	6,528
Other expenditures	1,000	1,000	414	(586)	579
Total vocational education instruction	305,238	349,998	347,648	(2,350)	333,180
Special education instruction					
Salaries and wages	3,109,852	2,977,037	2,961,486	(15,551)	2,966,917
Employee benefits	1,285,745	1,260,919	1,127,142	(133,777)	1,204,656
Purchased services	416,125	479,217	478,850	(367)	366,573
Supplies and materials	111,827	74,340	65,973	(8,367)	30,209
Capital expenditures	-	13,553	13,553	-	373
Other expenditures	39,125	38,910	38,575	(335)	50,280
Total special education instruction	4,962,674	4,843,976	4,685,579	(158,397)	4,619,008
Instructional support services					
Salaries and wages	890,784	885,187	884,350	(837)	927,002
Employee benefits	403,317	375,356	371,709	(3,647)	386,548
Purchased services	42,250	38,394	34,268	(4,126)	59,504
Supplies and materials	220,435	68,695	59,300	(9,395)	77,442
Capital expenditures	11,000	4,705	1,747	(2,958)	3,301
Other expenditures	8,524	8,374	7,338	(1,036)	7,547
Total instructional support services	1,576,310	1,380,711	1,358,712	(21,999)	1,461,344
Pupil support services					
Salaries and wages	448,297	483,071	463,180	(19,891)	347,926
Employee benefits	309,484	297,853	290,610	(7,243)	305,522
Purchased services	1,822,700	1,856,285	1,842,095	(14,190)	1,825,961
Supplies and materials	17,140	21,887	16,189	(5,698)	22,604
Capital expenditures	6,400	8,450	8,072	(378)	12,280
Other expenditures	2,150	5,800	5,798	(2)	4,073
Total pupil support services	2,606,171	2,673,346	2,625,944	(47,402)	2,518,366
Food Service:					
Capital Expenditures	87,671	87,671	-	(87,671)	-

Independent School District No. 879
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Detail General Fund
Year Ended June 30, 2023

	2023				2022
	Budgeted Amounts			Variance with	
	Original	Final	Actual Amounts	Final Budget - Over (Under)	Actual Amounts
Expenditures					
Sites and buildings					
Salaries and wages	$ 986,960	$ 911,554	$ 902,048	$ (9,506)	$ 950,878
Employee benefits	510,279	450,295	421,980	(28,315)	468,960
Purchased services	2,021,980	1,658,471	1,320,053	(338,418)	1,279,664
Supplies and materials	527,800	595,668	562,692	(32,976)	606,566
Capital expenditures	102,509	152,154	148,399	(3,755)	349,163
Other expenditures	46,680	49,740	74,125	24,385	20,252
Total sites and buildings	4,196,208	3,817,882	3,429,297	(388,585)	3,675,483
Fiscal and other fixed cost programs					
Purchased services	200,000	208,000	207,998	(2)	181,614
Other expenditures	1,000	4,400	4,400	-	4,400
Total fiscal and other fixed cost programs	201,000	212,400	212,398	(2)	186,014
Debt service					
Principal	221,603	254,497	226,043	(28,454)	302,954
Interest and fiscal charges	7,751	6,939	16,338	9,399	26,245
Total debt service	229,354	261,436	242,381	(19,055)	329,199
Total expenditures	30,774,657	31,152,787	30,108,074	(1,044,713)	29,853,526
Excess of revenues over (under) expenditures	(1,887,072)	(455,065)	302,373	757,438	(774,807)
Other Financing Sources					
Proceeds from sale of capital assets	-	45	45	-	146
Proceeds from capital leases	-	-	107,069	107,069	-
Total other financing sources	-	45	107,114	107,069	146
Net change in fund balance	$ (1,887,072)	$ (455,020)	409,487	$ 864,507	(774,661)
Fund Balance					
Beginning of year			8,243,906		9,018,567
End of year			$ 8,653,393		$ 8,243,906

Independent School District No. 879
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Detail Food Service Fund
Year Ended June 30, 2023

	2023			
	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Other local and county revenues				
Interest	$ 1,500	$ 8,800	$ 30,990	$ 22,190
Other local revenues	2,500	2,500	2,076	(424)
Total other local and county revenues	4,000	11,300	33,066	21,766
Revenue from state sources				
Lunch program aid	41,925	55,300	55,300	-
Total revenue from state sources	41,925	55,300	55,300	-
Revenue from federal sources				
Coronavirus relief funds	-	84,673	80,493	(4,180)
Lunch aid program	213,675	368,170	368,170	-
Food distribution program	70,000	70,000	121,464	51,464
Total revenue from federal sources	283,675	522,843	570,127	47,284
Sales and other conversion of assets				
Sale of food	882,325	936,235	945,163	8,928
Total revenues	1,211,925	1,525,678	1,603,656	77,978
Expenditures				
Current				
Food service				
Salaries and wages	469,684	457,142	457,100	(42)
Employee benefits	173,564	163,837	155,885	(7,952)
Purchased services	53,705	89,085	88,798	(287)
Supplies and materials	639,300	614,855	661,105	46,250
Capital expenditures	10,000	10,000	97,040	87,040
Other expenditures	3,500	1,700	1,696	(4)
Total expenditures	1,349,753	1,336,619	1,461,624	125,005
Net change in fund balance	$ (137,828)	$ 189,059	142,032	$ (47,027)
Fund Balance				
Beginning of year			645,668	
Ending of year			$ 787,700	

Independent School District No. 879
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Detail Community Service Fund
Year Ended June 30, 2023

	2023			
	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes				
Property tax levy	$ 210,937	$ 189,937	$ 188,249	$ (1,688)
Miscellaneous taxes	-	500	317	(183)
Total local property taxes	210,937	190,437	188,566	(1,871)
Other local and county revenues				
Tuition and fees	1,726,683	1,923,761	2,083,108	159,347
Interest	1,000	16,800	16,525	(275)
Other local revenues	78,000	147,893	150,080	2,187
Total other local and county revenues	1,805,683	2,088,454	2,249,713	161,259
Revenue from state sources				
Educational agricultural and homestead credit	1,800	947	947	-
Other aids	178,861	184,961	182,014	(2,947)
Lunch program aid				
Total revenue from state sources	180,661	185,908	182,961	(2,947)
Revenue from federal sources:				
Education stabilization funds	-	35,042	38,906	3,864
Other	-	8,831	8,831	-
Total revenue from federal source	-	43,873	47,737	3,864
Sales and other conversion of assets				
Sale of food	123,438	123,438	130,496	7,058
Total revenues	2,320,719	2,632,110	2,799,473	167,363
Expenditures				
Community education and services				
Salaries and wages	1,480,546	1,627,566	1,677,706	50,140
Employee benefits	370,836	363,992	375,532	11,540
Purchased services	276,755	322,296	317,109	(5,187)
Supplies and materials	175,781	244,530	217,880	(26,650)
Capital expenditures	5,000	18,043	16,248	(1,795)
Other expenditures	11,348	13,812	11,697	(2,115)
Total expenditures	2,320,266	2,590,239	2,616,172	25,933
Excess of revenues over expenditures	453	41,871	183,301	141,430
Other financing sources				
Insurance recoveries	-	3,904	3,904	-
Net change in fund balance	$ 453	$ 45,775	187,205	$ 141,430
Fund Balance				
Beginning of year			214,638	
End of year			$ 401,843	

Independent School District No. 879
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2023

		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				
Total revenue		$ 30,410,447	$ 30,410,444	$ 3
Total expenditures		30,108,074	30,108,072	2
Nonspendable:				
4.60	Nonspendable fund balance	111,017	111,018	(1)
Restricted/reserved:				
4.01	Student Activities	47,727	47,727	0
4.02	Scholarships	1,710	1,710	-
4.03	Staff Development	136,471	136,471	0
4.07	Capital Projects Levy	-	-	-
4.08	Cooperative Programs	-	-	-
4.09	Alternative Facility Program	-	-	-
4.13	Building Projects Funded by COP/LP	-	-	-
4.14	Operating Debt	-	-	-
4.16	Levy Reduction	-	-	-
4.17	Taconite Building Maintenance	-	-	-
4.24	Operating Capital	1,041,295	1,041,295	0
4.26	$25 Taconite	-	-	-
4.27	Disabled Accessibility	-	-	-
4.28	Learning and Development	-	-	-
4.34	Area Learning Center	7,260	7,260	(0)
4.35	Contracted Alternative Programs	-	-	-
4.36	State Approved Alternative Program	-	-	-
4.38	Gifted and Talented	-	-	-
4.40	Teacher Development and Evaluation	-	-	-
4.41	Basic Skills Programs	-	-	-
4.48	Achievement and Integration	-	-	-
4.49	Safe School Crime	-	-	-
4.51	QZAB Payments	-	-	-
4.52	OPEB Liabilities not Held in Trust	-	-	-
4.53	Unfunded Severance and Retirement Levy	-	-	-
4.59	Basic Skills Extended Time	-	-	-
4.67	Long-term Facilities Maintenance	1,938,707	1,938,707	0
Restricted:		-	-	-
4.72	Medical Assistance	18,794	18,794	(0)
4.64	Restricted fund balance	-	-	-
4.75	Title VII - Impact Aid	-	-	-
4.76	Payments in Lieu of Taxes	-	-	-
Committed:				
4.18	Committed for separation	43,136	43,136	0
4.61	Committed	-	-	-
Assigned:				
4.62	Assigned fund balance	846,422	846,422	0
Unassigned:				
4.22	Unassigned fund balance	4,460,854	4,460,856	(2)
02 FOOD SERVICES FUND				
Total revenue		$ 1,603,656	$ 1,603,654	$ 2
Total expenditures		1,461,624	1,461,622	2
Nonspendable:				
4.60	Nonspendable fund balance	42,094	42,094	0
Restricted/reserved:				
4.52	OPEB Liabilities not Held in Trust	-	-	-
Restricted:				
4.64	Restricted fund balance	745,606	745,607	(1)
Unassigned:				
4.63	Unassigned fund balance	-	-	-
04 COMMUNITY SERVICE FUND				
Total revenue		$ 2,799,473	$ 2,799,469	$ 4
Total expenditures		2,616,172	2,616,169	3
Nonspendable:				
4.60	Nonspendable fund balance	7,795	7,795	0
Restricted/reserved:				
4.26	$25 Taconite	-	-	-
4.31	Community Education	321,327	321,327	(0)
4.32	ECFE	53,240	53,240	0
4.40	Teacher Development and Evaluation	-	-	-
4.44	School Readiness	16,114	16,114	0
4.47	Adult Basic Education	897	897	0
4.52	OPEB Liabilities not Held in Trust	-	-	-
Restricted:				
4.64	Restricted fund balance	2,470	2,472	(2)
Unassigned:				
4.63	Unassigned fund balance	-	-	-

		Audit	UFARS	Audit-UFARS
06 BUILDING CONSTRUCTION FUND				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.07	Capital Projects Levy	-	-	-
4.13	Building Projects Funded by COP	-	-	-
4.67	Long-term Facilities Maintenance	-	-	-
Restricted:				
4.64	Restricted fund balance	-	-	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-
07 DEBT SERVICE FUND				
Total revenue		$ 5,486,682	$ 5,486,683	$ (1)
Total expenditures		5,356,453	5,356,453	1
Nonspendable:		-	-	-
4.60	Nonspendable fund balance			
Restricted/reserved:				
4.25	Bond refunding	-	-	-
4.33	Maximum effort loan aid			
4.51	QZAB payments	-	-	-
4.67	LTFM	-	-	-
Restricted:				
4.64	Restricted fund balance	1,175,313	1,175,313	(0)
Unassigned:				
4.63	Unassigned fund balance	-	-	-
08 TRUST FUND				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.01	Student Activities	-	-	-
4.02	Scholarships	-	-	-
4.22	Net position	-	-	-
18 CUSTODIAL FUND				
Total revenue		$ 79,495	$ 79,495	$ -
Total expenditures		78,602	78,602	0
4.01	Student Activities	-	-	-
4.02	Scholarships	12,530	12,530	-
4.48	Achievement & Integration	-	-	-
4.64	Restricted fund balance	19,750	19,750	(0)
20 INTERNAL SERVICE FUND				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Net position	-	-	-
25 OPEB REVOCABLE TRUST				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Net position	-	-	-
45 OPEB IRREVOCABLE TRUST				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Net position	-	-	-
47 OPEB DEBT SERVICE				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted:				
4.64	Restricted fund balance	-	-	-
Unassigned:				
4.25	Bond refundings	-	-	-
4.63	Restricted fund balance	-	-	-
4.63	Unassigned fund balance	-	-	-

Independent School District No. 879
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Agency/Pass Through Agency/Program Title	Federal Assistance Listing	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education:		
Child Nutrition Cluster:		
Commodities Programs	10.555	$ 121,464
Supply Chain Assistance Funding - COVID	10.555	74,045
School Breakfast	10.553	19,320
Type A Lunch	10.555	348,850
Total Child Nutrition Cluster and U.S. Department of Agriculture		563,679
U.S. Department of Treasury		
Through Minnesota Department of Education		
Summer Preschool Program - COVID	21.027	8,831
America Resue Plan - COVID	21.027	27,495
Pandemic Enrollment Loss - COVID	21.027	113,053
Total Coronavirus Relief Funds		149,379
Through City of Delano		
Coronavirus Relief Fund - COVID	21.019	629
Total U.S. Department of Treasury		150,008
U.S. Department of Education		
Through Minnesota Department of Education:		
Title I, Part A	84.010	49,778
Title II, Part A - Improving Teacher Quality	84.367	25,521
Title IV, Part A	84.186	10,000
Education Stabilization Fund Cluster		
ESSER II 90% - COVID	84.425D	48,510
ESSER III 90% - COVID	84.425U	75,063
ESSER III Learning Loss - COVID	84.425U	38,906
ESSER III ARP Learning Recovery, lost instruction	84.425U	86,389
Expanded Summer Learning – ESSER - COVID	84.425D	29,476
Total Education Stabilization Fund		278,344
Through Meeker and Wright Special Education Cooperative No. 938:		
Special Education Cluster:		
Special Education	84.027	120,094
ARP IDEA Part B Section 611	84.027X	67,362
ARP IDEA - Part B Section 619	84.173X	7,136
Preschool Grants	84.173	14,777
Total Special Education Cluster		209,369
Total U.S. Department of Education		573,012
Federal Communications Commission		
Through Universal Service Administrative Co.		
Emergency Connectivity Fund - COVID	32.009	5,820
Total Federal Expenditures		$ 1,292,519

See notes to schedule of expenditures of federal awards.

Independent School District No. 879
Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes of net assets, or cash flows of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – PASS-THROUGH GRANT NUMBERS

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

NOTE 4 – INVENTORY

Inventories of commodities donated by the U.S. Department of Agriculture are recorded at market value in the Food Service Fund as inventory. Revenue and expenditures are recorded when commodities are used.

NOTE 5 – INDIRECT COST RATE

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

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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*

Independent Auditor's Report

To the School Board
Independent School District No. 879
Delano, Minnesota

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 879, Delano, Minnesota, as of and for the year ending June 30, 2023, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 14, 2023.

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 District's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control as described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance that we consider to be a significant deficiency, Audit Finding 2023-001.

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*.

District's Response to the 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 in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

Bergan KDV, Ltd.

St. Cloud, Minnesota
November 14, 2023

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance

Independent Auditor's Report

To the School Board
Independent School District No. 879
Delano, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2023. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Independent School District No. 879 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor′s Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Bergan KDV, Ltd.

St. Cloud, Minnesota
November 14, 2023

Independent School District No. 879
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes, Audit Finding 2023-001
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No

Identification of Major Programs

Assistance Listing No:	10.553, 10.555
Name of Federal Program or Cluster:	Child Nutrition Cluster
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low risk auditee?	yes

Independent School District No. 879
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 2023-001

Criteria or Specific Requirement:
Internal control that supports the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition:
The District does not have adequate segregation of accounting duties.

Context:
This finding impacts the internal control for all significant accounting functions.

Effect or Potential Effect:
The lack of adequate segregation of accounting duties could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Cause:
There are a limited number of office employees.

Recommendation:
Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

Independent School District No. 879
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2023-001 (Continued)

Management's Response: (Continued)

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
   Administration will examine current segregation of accounting duties and identify areas of concern. As these areas are identified, Administration will develop policies that will address and mitigate such potential problems while working within current financial constraints. Specific areas of greatest concern will be identified first and then addressed, followed up by policies with a plan to reduce the risk of problems. Specifics will be noted in the policies as they are brought before the School Board. An individual who is responsible for the implementation of the specific control will be named, as well as information on how the control added will potentially reduce risk of possible misstatement in the basic financial statements. As areas are addressed, other areas will be examined and corrected whenever possible.

3. Official Responsible for Ensuring CAP
   Matthew Schoen, Superintendent, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP
   The planned completion date for the CAP is ongoing.

5. Plan to Monitor Completion of CAP
   The School Board will be monitoring this CAP.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None

Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 879
Delano, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 879, Delano, Minnesota, as of and for the year ended June 30, 2023, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 14, 2023.

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

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

Bergan KDV, Ltd.

St. Cloud, Minnesota
November 14, 2023