INDEPENDENT SCHOOL DISTRICT NO. 12
CENTENNIAL SCHOOLS
CIRCLE PINES, MINNESOTA

Financial Statements and
Supplementary Information

Year Ended
June 30, 2023

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INDEPENDENT SCHOOL DISTRICT NO. 12

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INTRODUCTORY SECTION

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INDEPENDENT SCHOOL DISTRICT NO. 12

School Board and Administration
Year Ended June 30, 2023

SCHOOL BOARD

	Board Position
Chris Bettinger	Chairperson
Tom Knisely	Vice-Chairperson
Sue Linser	Clerk
Craig Johnson	Treasurer
Gloria Murphy	Director
Jessica Schwinn	Director

ADMINISTRATION

Jeff Holmberg	Superintendent
Patrick Chaffey	Executive Director of Business Services
Mark Grossklaus	Executive Director of Teaching and Learning
Krista Bergert	Director of Public Information and Community Outreach
Tim Burton	Director of Building and Grounds
Michael Christensen	Director of Technology
Nicholas Christensen	Director of Alternative Learning
Tara Forner	Director of Food Service
Daniel Melde	Director of Human Resources
Matthew St. Martin	Director of Athletics and Activities
Corrine Sendle	Director of Community Education
Kathy Zwonitzer	Director of Student Services

District Offices

Independent School District No. 12
4707 North Road
Circle Pines, MN 55014-1898
Phone: (763) 792-6000
Fax: (763) 392-6943

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FINANCIAL SECTION

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MMKR
CERTIFIED PUBLIC ACCOUNTANTS

PRINCIPALS
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Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA
Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 12
Circle Pines, Minnesota

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINIONS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 12 (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

EMPHASIS OF MATTER

Change in Accounting Principle

As described in Note 1 of the notes to basic financial statements, in fiscal 2023, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

(continued)

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
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RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

(continued)

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (RSI), 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 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 RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

SUPPLEMENTARY INFORMATION

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual fund financial statements and schedules, and the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the District. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules, the Schedule of Expenditures of Federal Awards, and the UFARS Compliance Table are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER INFORMATION

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

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

(continued)

PRIOR YEAR COMPARATIVE INFORMATION

We have previously audited the District's 2022 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 8, 2022. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
November 6, 2023

This section of Independent School District No. 12's (the District) annual financial statements presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2023. Please read it in conjunction with the other components of the District's annual financial statements.

FINANCIAL HIGHLIGHTS

- The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2023 by $40,169,138 (net position). The District's total net position increased by $28,813,339 during the fiscal year ended June 30, 2023.

- Government-wide revenues totaled $116,485,461 and were $28,813,339 more than expenses of $87,672,122.

- The District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). This change is further described in Note 1 of the notes to basic financial statements.

- The General Fund's total fund balance (under the governmental fund presentation) increased $7,633,730 over the prior year, compared to an increase of $1,616,662 planned in the budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual financial statements consists of the following parts:

- Independent Auditor's Report;
- Management's discussion and analysis;
- Basic financial statements, including the government-wide financial statements, fund financial statements, and the notes to basic financial statements;
- Required supplementary information; and
- Supplementary information consisting of combining and individual fund statements and schedules.

The following explains the two types of statements included in the basic financial statements:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information about the District as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes *all* of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, except for the fiduciary funds. 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 financial statements report the District's *net position* and how it has changed. Net position—the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources—is one way to measure the District's financial health or *position*.

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

- To assess the overall health of the District requires consideration of additional nonfinancial 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 all shown in one category titled "governmental activities." These activities, including regular and special education instruction, transportation, administration, food services, and community education, are primarily financed with state aids and property taxes.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or major funds, rather than the District as a whole. Funds (Food Service Special Revenue and Community Service Special Revenue) that do not meet the threshold to be classified as major funds are called nonmajor funds. Detailed financial information for nonmajor funds can be found in the supplemental information section.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. For Minnesota schools, funds are established in accordance with Uniform Financial Accounting and Reporting Standards in accordance with statutory requirements and accounting principles generally accepted in the United States of America. Some funds are required by state law and by bond covenants. The District can establish other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District maintains the following kinds of funds:

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

Proprietary Funds – The District maintains one type of proprietary fund. The internal service funds are used as an accounting device to accumulate and allocate costs internally among the District's various functions. The District uses its internal service funds to account for the self-insurance activities of district employees' medical and dental claims. These services have been included within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to other organizations or individuals. The District is responsible for ensuring that the assets reported in the fiduciary fund are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

Table 1
Summary Statement of Net Position
as of June 30, 2023 and 2022

	2023	2022
Assets		
Current and other assets	$ 156,653,547	$ 148,994,277
Capital assets, net of depreciation/amortization	126,420,589	129,507,146
Total assets	$ 283,074,136	$ 278,501,423
Deferred outflows of resources		
Pension plan deferments	$ 18,904,713	$ 23,319,808
OPEB plan deferments	1,239,959	1,545,795
Total deferred outflows of resources	$ 20,144,672	$ 24,865,603
Liabilities		
Current and other liabilities	$ 10,788,386	$ 10,735,489
Long-term liabilities, including due within one year	208,413,230	191,733,776
Total liabilities	$ 219,201,616	$ 202,469,265
Deferred inflows of resources		
Property taxes levied for subsequent year	$ 26,389,059	$ 25,333,701
Pension plan deferments	12,784,030	60,094,659
OPEB plan deferments	4,674,965	4,113,602
Total deferred inflows of resources	$ 43,848,054	$ 89,541,962
Net position		
Net investment in capital assets	$ 45,451,762	$ 41,830,688
Restricted	19,443,630	16,203,497
Unrestricted	(24,726,254)	(46,678,386)
Total net position	$ 40,169,138	$ 11,355,799

The District's financial position is the product of many factors. For example, the determination of the District's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation/amortization amounts. A conservative versus liberal approach to depreciation and amortization estimates, as well as capitalization policies, will produce a significant difference in the calculated amounts. Another major factor in determining net position as compared to fund balances are the liabilities for long-term severance, pension, other post-employment benefits (OPEB), and compensated absences, which impact the unrestricted portion of net position.

The District's increase in net investment in capital assets is due mostly to the relationship between the rate at which the District's capital assets are being added, depreciated/amortized, and how that compares to the rate at which the District is repaying the debt issued to purchase or construct those assets. The increase in net position restricted for capital asset acquisition and facilities maintenance, food service, community service, and other purposes contributed to the increase in this portion of net position. The change in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans contributed to the change in deferred outflows, long-term liabilities, deferred inflows, and unrestricted net position. Positive operations also contributed to the increase in unrestricted net position.

Table 2 presents a summarized version of the District's Statement of Activities:

Table 2
Summary Statement of Activities
as of June 30, 2023 and 2022

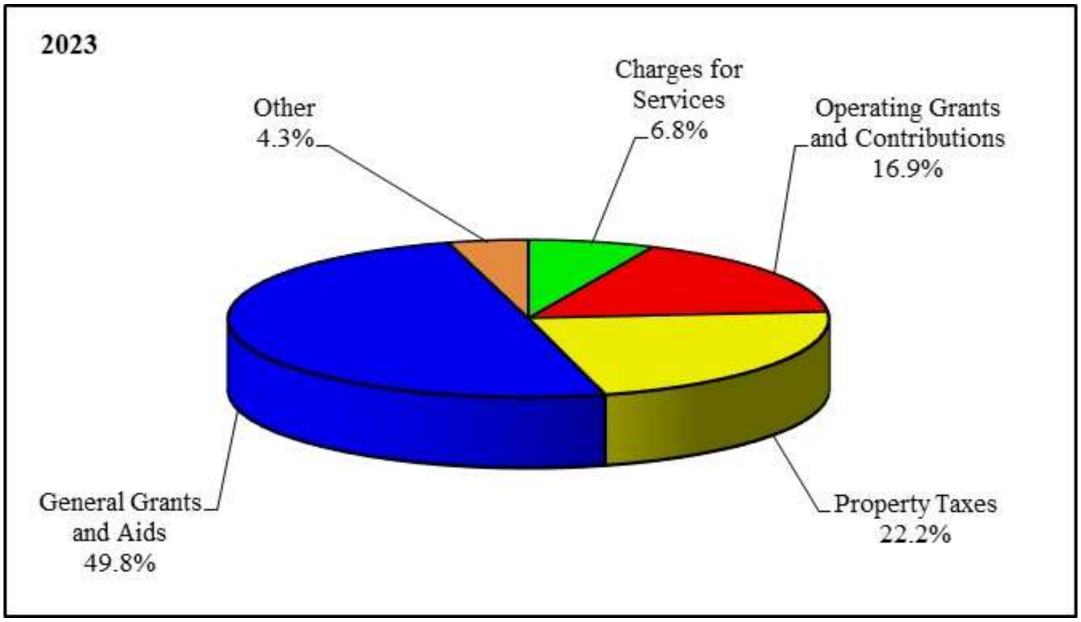
	2023	2022
Revenues		
Program revenues		
Charges for services	$ 7,873,550	$ 5,768,956
Operating grants and contributions	19,714,147	23,884,474
General revenues		
Property taxes	25,842,521	26,154,496
General grants and aids	58,039,436	54,735,615
Other	5,015,807	2,576,148
Total revenues	116,485,461	113,119,689
Expenses		
Administration	2,436,265	2,740,270
District support services	2,013,186	1,551,255
Elementary and secondary regular instruction	27,996,467	32,421,316
Vocational education instruction	685,680	1,010,157
Special education instruction	15,688,515	17,530,375
Instructional support services	3,584,691	4,255,983
Pupil support services	8,060,107	7,672,042
Sites and buildings	9,026,155	7,039,527
Fiscal and other fixed cost programs	376,058	315,490
Food service	3,839,148	3,848,612
Community service	4,955,327	4,535,684
Depreciation/amortization not included in other functions	5,095,416	4,976,798
Interest and fiscal charges on debt	3,915,107	4,054,810
Total expenses	87,672,122	91,952,319
Change in net position	28,813,339	21,167,370
Net position – beginning	11,355,799	(9,811,571)
Net position – ending	$ 40,169,138	$ 11,355,799

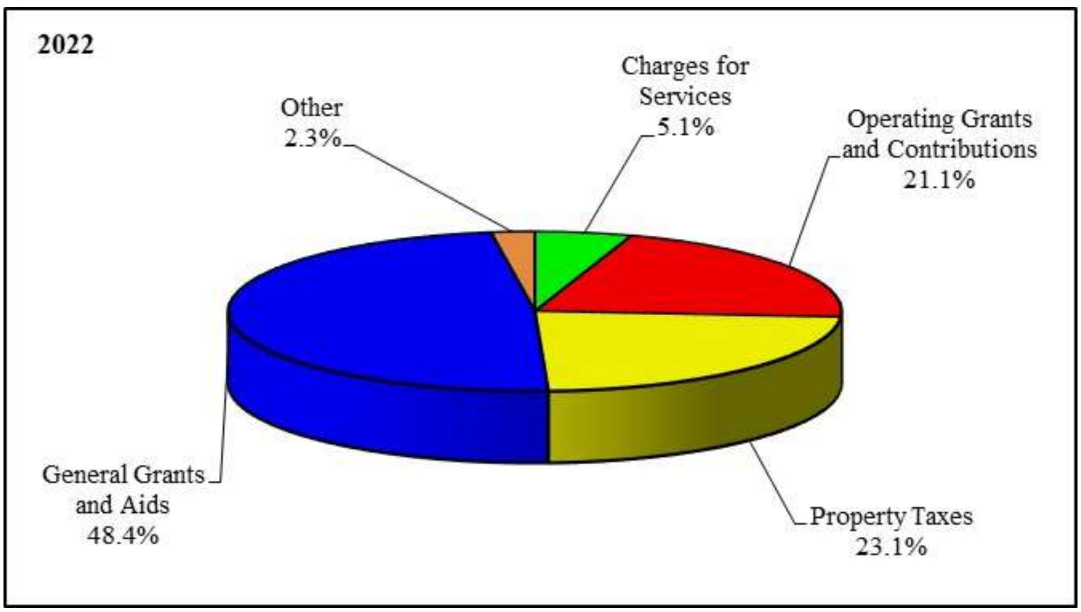
This table is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation and amortization expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Revenues increased by $3,365,772, in the current year. Increases in general grants and aids from improvements to general education funding were offset by decreases in operating grants and contributions. Operating grants were down because the District earned more pandemic-related sources for programs in the prior year. Charges for services were up with changes in funding for school lunches and expanding programing in other areas. Other sources were up with improved investment results in the current year. Expenses were down compared to the prior year, due primarily to changes in state-wide pension plans.

Figure A shows further analysis of these revenue sources:

Figure A – Sources of Revenues for Fiscal Years 2023 and 2022



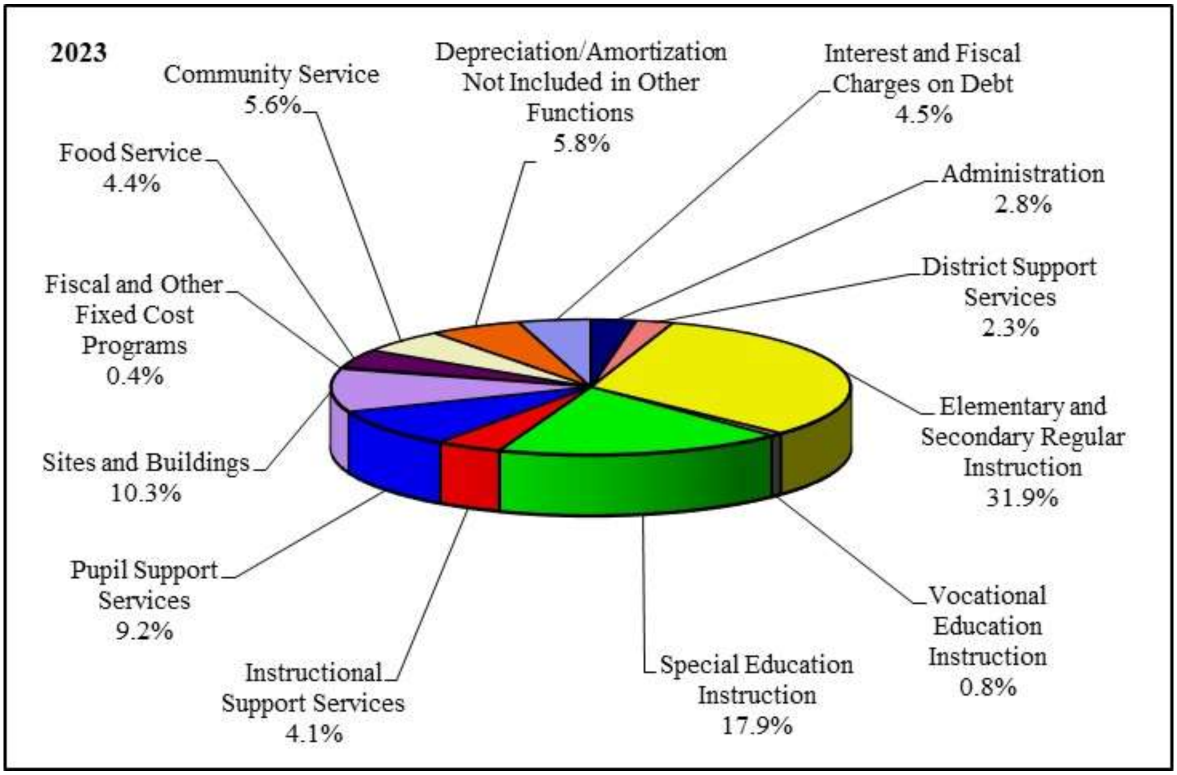


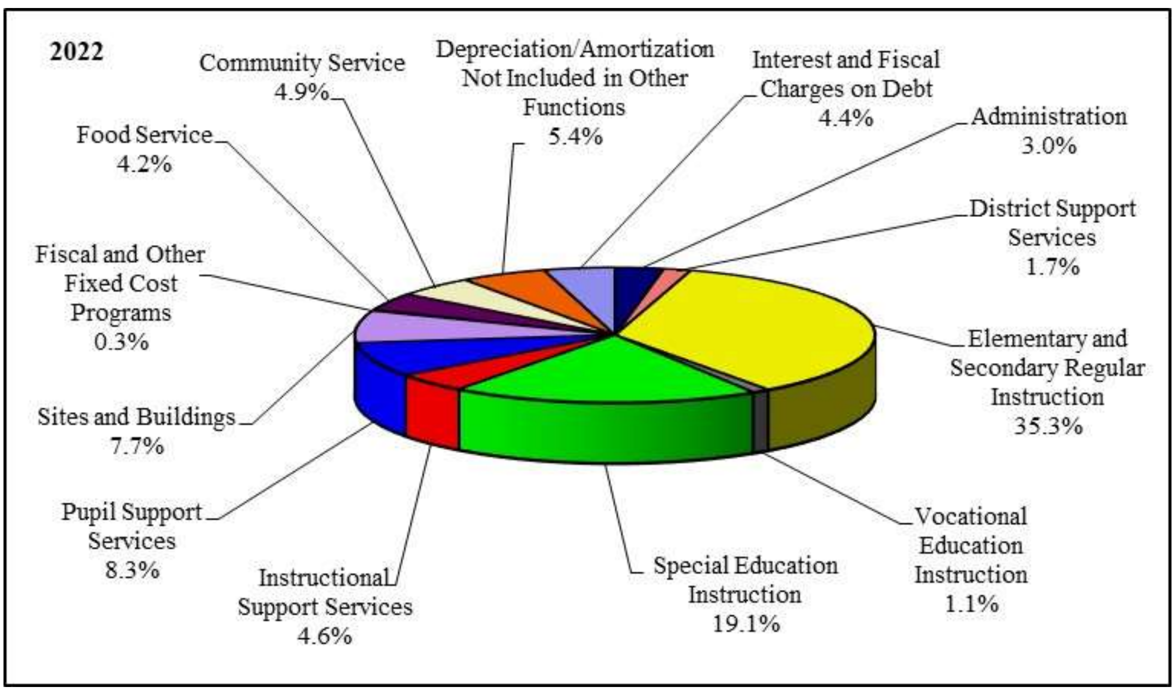
The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants.

Property taxes are generally the next largest source of funding. The level of revenue property tax sources provide is not only dependent on district taxpayers by way of operating and building referenda, but also by decisions made by the Legislature in the mix of state aid and local effort in a variety of funding formulas.

Figure B shows further analysis of these expense functions:

Figure B – Expenses for Fiscal Years 2023 and 2022





The District's expenses are predominately related to educating students. Programs (or functions), such as elementary and secondary regular instruction, vocational education instruction, special education instruction, and instructional support services, are directly related to classroom instruction, while the rest of the programs support instruction and other necessary costs to operate the District. The shift in expenses between programs and the decrease in elementary and secondary regular instruction when compared to prior year was largely due to changes in the TRA state-wide pension plan obligations.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District is also reflected in its governmental funds. Table 3 shows the change in total fund balances of each of the District's governmental funds:

Table 3
Governmental Fund Balances
as of June 30, 2023 and 2022

	2023	2022	Change
Major funds			
General	$ 50,730,527	$ 43,096,797	$ 7,633,730
Capital Projects – Building Construction	–	375,861	(375,861)
Debt Service	58,384,541	60,755,584	(2,371,043)
Nonmajor funds			
Food Service Special Revenue	2,501,194	2,383,004	118,190
Community Service Special Revenue	3,099,613	2,218,988	880,625
Total governmental funds	$ 114,715,875	$ 108,830,234	$ 5,885,641

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use, as it represents the portion of fund balance that has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's School Board.

At June 30, 2023, the District's governmental funds reported combined fund balances of $114,715,875, an increase of $5,885,641 in comparison with the prior year. Approximately 18.8 percent of this amount ($21,512,482) constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned to indicate that it is: 1) not in spendable form ($297,872), 2) restricted for particular purposes ($76,654,990), or 3) assigned for particular purposes ($16,250,531).

ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

Table 4
General Fund
Budget

	Original Budget	Final Budget	Change	Percent Change
Revenue	$ 92,442,036	$ 92,087,828	$ (354,208)	(0.4%)
Expenditures	$ 94,021,625	$ 90,471,166	$ (3,550,459)	(3.8%)

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. During the year, the District amended the budget for known significant changes in circumstances such as: updated enrollment estimates, legislative changes, additional funding received from grants or other local sources, staffing changes, employee contract settlements, insurance premium changes, special education tuition changes, or for new debt issued.

Table 5 summarizes the operating results of the General Fund:

Table 5
General Fund
Operating Results

		Over (Under) Final Budget		Over (Under) Prior Year	
	2023 Actual	Amount	Percent	Amount	Percent
Revenue and other financing sources	$ 95,529,861	$ 3,442,033	3.7%	$ 2,444,047	2.6%
Expenditures	87,896,131	(2,575,035)	(2.8%)	5,008,261	6.0%
Net change in fund balances	$ 7,633,730	$ 6,017,068		$ (2,564,214)	

The fund balance of the General Fund increased $7,633,730, compared to an increase of $1,616,662 approved in the final budget.

Several sources contributed to the favorable revenue and other financing sources variance over the amended projection. Other local sources (including investment earnings) were over budget by $2,293,796. State sources were over budget by $710,012, while federal sources were over projections by $164,569. The favorable variance in revenues was largely due to conservative budgeting and improved investment earnings. The increase in total revenue and other financing sources was largely in investment earnings, federal sources for one-time pandemic grants, and in state sources with funding improvements recognized in the current year.

Total General Fund expenditures for 2023 increased compared to the prior year, but were under budget as presented in Table 5. Spending was up, largely as anticipated, for inflationary increases and contractually approved salary and benefit improvements. Spending was less than anticipated, largely with open positions for personnel costs and delays in capital spending.

COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS

Capital Projects – Building Construction Fund

The Capital Projects – Building Construction Fund ended the year with a decrease in fund balance of $375,861, as the District completed the spending and closeout of the resources in this fund.

Debt Service Fund

The funding of debt service is controlled in accordance with each outstanding debt issue's financing plan. The Debt Service Fund expenditures and other financing uses exceeded revenues by $2,371,043 in the current year. The year-end fund balance of $58,384,541 at June 30, 2023, is restricted for bond refunding payments and future debt service. The District refunded $2,320,000 of outstanding bonds in the current year.

Other Governmental Funds

The Food Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing fund balance by $118,190, compared to a planned fund balance decrease of $473,292. Revenues were over budget with more participation than projected and conservative budgeting. Expenditures were more than projected with more capital spending than included in the budget.

The Community Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing fund balance by $880,625, compared to a planned fund balance decrease of $68,263. The variance to budget was primarily in revenues from other local sources due to increased program participation, and unanticipated utilization of pandemic-related federal funds. Conservative budgeting for investment earnings also caused revenues to exceed budget. Spending exceeded budget with more participation than projected.

Internal Service Funds

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis. The District currently maintains two internal service funds. These funds are used to account for the District's self-insured health and dental insurance functions.

Operating revenues for the internal service funds for fiscal 2023 totaled $11,456,847. This is an increase from the fiscal year 2022 operating revenue level of $11,306,791. Nonoperating revenues for investment earnings totaled $256,634, which is an increase from the fiscal year 2022 investment earnings of $10,715. Operating expenses totaled $12,052,303, which represents an increase from fiscal year 2022 operating expenditures of $10,642,749, due to an increase in health and dental benefit claims.

The net position balance for all internal service funds as of June 30, 2023 was $4,651,007, which represents a decrease of $338,822 from the prior year.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

Table 6 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation/amortization expense for fiscal years ended June 30, 2023 and 2022:

Table 6
Capital Assets

	2023	2022	Change
Land	$ 4,547,289	$ 4,214,035	$ 333,254
Construction in progress	662,390	9,137,546	(8,475,156)
Land improvements	9,918,799	8,609,309	1,309,490
Buildings	197,138,083	188,980,916	8,157,167
Furniture and equipment	13,397,421	12,637,408	760,013
Furniture and equipment – leased	511,791	511,791	–
Technology subscriptions	251,365	–	251,365
Less accumulated depreciation/amortization	(100,006,549)	(94,583,859)	(5,422,690)
Total	$ 126,420,589	$ 129,507,146	$ (3,086,557)
Depreciation/amortization expense	$ 5,422,690	$ 5,236,563	$ 186,127

By the end of 2023, the District had invested in a broad range of capital assets, including school buildings, athletic facilities, and other equipment for various instructional programs (see Table 6).

The changes presented in the table above reflect the ongoing activity and completion of projects at district sites during fiscal year 2023, including the activity of the Capital Projects – Building Construction Fund discussed on the previous page.

The District defines capital assets as those with an initial, individual cost of $5,000 or more, which benefit more than one fiscal year.

Additional details about capital assets can be found in the notes to basic financial statements.

Long-Term Liabilities

Table 7 illustrates the components of the District's long-term liabilities with changes from the prior year:

Table 7
Outstanding Long-Term Liabilities

	2023	2022	Change
General obligation bonds payable	$ 144,610,000	$ 155,015,000	$ (10,405,000)
Certificates of participation payable	10,985,000	11,715,000	(730,000)
Unamortized premium/discount	(8,916,067)	(10,196,053)	1,279,986
Lease liability	313,639	413,372	(99,733)
Subscription liability	206,255	–	206,255
Compensated absences payable	511,461	–	511,461
Severance benefits payable	1,514,165	803,669	710,496
Net pension liability	59,188,777	33,373,069	25,815,708
Net OPEB liability	–	609,719	(609,719)
Total	$ 208,413,230	$ 191,733,776	$ 16,679,454

The decreases in general obligation bonds payable, certificates of participation payable, and lease liability in the table above, are due to the planned repayment schedules reflecting principal payments occurring during fiscal year 2023. The District refunded $2,320,000 in general obligation bonds payable towards the existing debt. The District reported a liability with a new subscription liability agreement, accounting for the change in this category, in accordance with SBITAs guidance implemented in the current year.

The District completed a review of estimate methods for compensated absences payable and severance benefits payable contributing to the changes in these obligations. The differences in the net pension liability reflects the change in the District's proportionate share of the state-wide pension obligations for the PERA and the TRA. A new study was completed in the current year for OPEB obligations, which determined that the District's net OPEB liability became a net OPEB asset due to assumption and net position funding changes in the current year.

The state limits the amount of general obligation debt the District can issue to 15.0 percent of the market value of all taxable property within the District's corporate limits (see Table 8).

Table 8
Limitations on Debt

District's market value	$ 4,958,397,300
Limit rate	15.0%
Legal debt limit	$ 743,759,595

Additional details of the District's long-term debt activity can be found in the notes to basic financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of the voter-approved operating referendum, the District is dependent on the state of Minnesota for a majority of its revenue authority.

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The Legislature has added $275, or 4.00 percent, per pupil to the basic general education funding formula for fiscal year 2024, and an additional $143, or 2.00 percent, per pupil to the formula for fiscal year 2025.

The amount of funding a district receives is also dependent on the number of students it serves, meaning attracting and retaining students is critical to the District's financial well-being.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

These financial statements are 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. If you have questions about these statements, or need additional financial information, contact the Business Office, Independent School District No. 12, 4707 North Road, Circle Pines, Minnesota 55014-1898.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 12

Statement of Net Position
as of June 30, 2023
(With Partial Comparative Information as of June 30, 2022)

	Governmental Activities	
	2023	2022
Assets		
Cash and temporary investments	$ 72,526,097	$ 61,530,847
Receivables		
Current taxes	16,298,470	17,163,904
Delinquent taxes	270,004	250,221
Accounts and interest	742,404	371,041
Due from other governmental units	8,710,802	8,879,401
Due from post-employment benefits trust	1,021,287	1,217,717
Inventory	87,812	81,837
Prepaid items	308,516	195,045
Net OPEB asset	935,247	–
Restricted assets – temporarily restricted		
Cash and investments for future construction	–	913,680
Cash and investments for debt service	55,406,174	58,046,699
Interest receivable for debt service	346,734	343,885
Capital assets		
Not depreciated/amortized	5,209,679	13,351,581
Depreciated/amortized, net of accumulated depreciation/amortization	121,210,910	116,155,565
Total capital assets, net of accumulated depreciation/amortization	126,420,589	129,507,146
Total assets	283,074,136	278,501,423
Deferred outflows of resources		
Pension plan deferments	18,904,713	23,319,808
OPEB plan deferments	1,239,959	1,545,795
Total deferred outflows of resources	20,144,672	24,865,603
Total assets and deferred outflows of resources	$ 303,218,808	$ 303,367,026
Liabilities		
Salaries and compensated absences payable	$ 4,466,686	$ 4,636,894
Accounts and contracts payable	4,002,361	3,613,241
Accrued interest payable	1,045,564	1,083,032
Due to other governmental units	463,760	367,080
Claims incurred, but not reported	672,000	756,000
Unearned revenue	138,015	279,242
Long-term liabilities		
Due within one year	10,007,191	11,823,833
Due in more than one year	198,406,039	179,909,943
Total long-term liabilities	208,413,230	191,733,776
Total liabilities	219,201,616	202,469,265
Deferred inflows of resources		
Property taxes levied for subsequent year	26,389,059	25,333,701
Pension plan deferments	12,784,030	60,094,659
OPEB plan deferments	4,674,965	4,113,602
Total deferred inflows of resources	43,848,054	89,541,962
Net position		
Net investment in capital assets	45,451,762	41,830,688
Restricted for		
Capital asset acquisition and facilities maintenance	11,668,152	9,491,550
Debt service	1,079,650	1,082,715
Food service	2,501,194	2,383,004
Community service	3,105,332	2,224,006
Other purposes (state and other funding restrictions)	1,089,302	1,022,222
Unrestricted	(24,726,254)	(46,678,386)
Total net position	40,169,138	11,355,799
Total liabilities, deferred inflows of resources, and net position	$ 303,218,808	$ 303,367,026

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 12

Statement of Activities
Year Ended June 30, 2023
(With Partial Comparative Information for the Year Ended June 30, 2022)

	2023				2022
		Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	$ 2,436,265	$ –	$ –	$ (2,436,265)	$ (2,740,270)
District support services	2,013,186	33,320	–	(1,979,866)	(1,521,622)
Elementary and secondary regular instruction	27,996,467	1,139,437	484,755	(26,372,275)	(30,742,622)
Vocational education instruction	685,680	–	23,355	(662,325)	(976,105)
Special education instruction	15,688,515	122,500	16,452,825	886,810	(65,507)
Instructional support services	3,584,691	28,746	–	(3,555,945)	(4,255,983)
Pupil support services	8,060,107	–	–	(8,060,107)	(7,672,042)
Sites and buildings	9,026,155	–	–	(9,026,155)	(7,039,527)
Fiscal and other fixed cost programs	376,058	–	–	(376,058)	(315,490)
Food service	3,839,148	2,001,176	2,094,556	256,584	1,708,852
Community service	4,955,327	4,548,371	658,656	251,700	353,035
Depreciation/amortization not included in other functions	5,095,416	–	–	(5,095,416)	(4,976,798)
Interest and fiscal charges on debt	3,915,107	–	–	(3,915,107)	(4,054,810)
Total governmental activities	$ 87,672,122	$ 7,873,550	$ 19,714,147	(60,084,425)	(62,298,889)
	General revenue				
	Taxes				
	Property taxes levied for general purposes			15,913,573	16,161,962
	Property taxes levied for community service			654,960	677,591
	Property taxes levied for debt service			9,273,988	9,314,943
	General grants and aids			58,039,436	54,735,615
	Other general revenues			1,634,535	2,111,847
	Investment earnings			3,381,272	464,301
	Total general revenue			88,897,764	83,466,259
	Change in net position			28,813,339	21,167,370
	Net position – beginning			11,355,799	(9,811,571)
	Net position – ending			$ 40,169,138	$ 11,355,799

INDEPENDENT SCHOOL DISTRICT NO. 12

Balance Sheet
Governmental Funds
as of June 30, 2023
(With Partial Comparative Information as of June 30, 2022)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	$ 55,117,738	$ –	$ 6,198,707
Cash and investments held by trustee	–	–	55,406,174
Receivables			
Current taxes	10,367,442	–	5,532,118
Delinquent taxes	164,053	–	98,936
Accounts and interest	308,311	–	346,734
Due from other governmental units	8,523,587	–	1,241
Due from other funds	1,021,287	–	–
Inventory	–	–	–
Prepaid items	210,060	–	–
Total assets	$ 75,712,478	$ –	$ 67,583,910
Liabilities			
Salaries and compensated absences payable	$ 4,259,150	$ –	$ –
Accounts and contracts payable	3,447,047	–	2,800
Due to other governmental units	463,760	–	–
Unearned revenue	63,002	–	–
Due to other funds	–	–	–
Total liabilities	8,232,959	–	2,800
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	133,145	–	80,673
Property taxes levied for subsequent year	16,615,847	–	9,115,896
Total deferred inflows of resources	16,748,992	–	9,196,569
Fund balances			
Nonspendable	210,060	–	–
Restricted	12,757,454	–	58,384,541
Assigned	16,250,531	–	–
Unassigned	21,512,482	–	–
Total fund balances	50,730,527	–	58,384,541
Total liabilities, deferred inflows of resources, and fund balances	$ 75,712,478	$ –	$ 67,583,910

See notes to basic financial statements

Nonmajor Funds		Total Governmental Funds 2023		Total Governmental Funds 2022
$ 6,062,542	$	67,378,987	$	56,066,734
–		55,406,174		58,960,379
398,910		16,298,470		17,163,904
7,015		270,004		250,221
53,042		708,087		433,210
185,974		8,710,802		8,879,401
–		1,021,287		1,430,023
87,812		87,812		81,837
–		210,060		195,045
$ 6,795,295	$	150,091,683	$	143,460,754
$ 207,536	$	4,466,686	$	4,636,894
248,904		3,698,751		3,613,241
–		463,760		367,080
75,013		138,015		279,242
–		–		212,306
531,453		8,767,212		9,108,763
5,719		219,537		188,056
657,316		26,389,059		25,333,701
663,035		26,608,596		25,521,757
87,812		297,872		276,882
5,512,995		76,654,990		76,165,372
–		16,250,531		13,668,375
–		21,512,482		18,719,605
5,600,807		114,715,875		108,830,234
$ 6,795,295	$	150,091,683	$	143,460,754

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INDEPENDENT SCHOOL DISTRICT NO. 12

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2023
(With Partial Comparative Information as of June 30, 2022)

	2023	2022
Total fund balances – governmental funds	$ 114,715,875	$ 108,830,234
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	226,427,138	224,091,005
Accumulated depreciation/amortization	(100,006,549)	(94,583,859)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	4,651,007	4,989,829
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.		
General obligation bonds payable	(144,610,000)	(155,015,000)
Certificates of participation payable	(10,985,000)	(11,715,000)
Unamortized premium/discount	8,916,067	10,196,053
Lease liability	(313,639)	(413,372)
Subscription liability	(206,255)	–
Compensated absences payable	(511,461)	–
Severance benefits payable	(1,514,165)	(803,669)
Net pension liability	(59,188,777)	(33,373,069)
Net OPEB liability	–	(609,719)
The net OPEB asset reported in the Statement of Net Position does not require the use of current financial resources and is not reported in governmental funds.	935,247	–
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(1,045,564)	(1,083,032)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	18,904,713	23,319,808
Deferred outflows of resources – OPEB plan deferments	1,239,959	1,545,795
Deferred inflows of resources – pension plan deferments	(12,784,030)	(60,094,659)
Deferred inflows of resources – OPEB plan deferments	(4,674,965)	(4,113,602)
Deferred inflows of resources – unavailable revenue – delinquent taxes	219,537	188,056
Total net position – governmental activities	$ 40,169,138	$ 11,355,799

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 12

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2023
(With Partial Comparative Information for the Year Ended June 30, 2022)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	$ 15,893,303	$ –	$ 9,263,478
Investment earnings	1,715,934	4,890	1,134,953
Other	2,929,792	–	–
State sources	71,216,554	–	12,409
Federal sources	3,494,167	–	–
Total revenue	95,249,750	4,890	10,410,840
Expenditures			
Current			
Administration	3,236,606	–	–
District support services	1,877,960	–	–
Elementary and secondary regular instruction	37,929,995	–	–
Vocational education instruction	930,245	–	–
Special education instruction	19,902,421	–	–
Instructional support services	4,136,234	–	–
Pupil support services	8,341,691	–	–
Sites and buildings	9,994,372	–	–
Fiscal and other fixed cost programs	376,058	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	380,751	–
Debt service			
Principal	874,843	–	8,085,000
Interest and fiscal charges	295,706	–	2,376,883
Total expenditures	87,896,131	380,751	10,461,883
Excess (deficiency) of revenue over expenditures	7,353,619	(375,861)	(51,043)
Other financing sources (uses)			
Sale of capital assets	28,746	–	–
Debt issued	251,365	–	–
Refunding debt issued	–	–	–
Payment on refunded debt	–	–	(2,320,000)
Total other financing sources (uses)	280,111	–	(2,320,000)
Net change in fund balances	7,633,730	(375,861)	(2,371,043)
Fund balances			
Beginning of year	43,096,797	375,861	60,755,584
End of year	$ 50,730,527	$ –	$ 58,384,541

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds 2023	Total Governmental Funds 2022
$ 654,259	$ 25,811,040	$ 26,156,063
268,861	3,124,638	453,586
6,549,547	9,479,339	7,880,803
620,608	71,849,571	70,930,434
2,132,604	5,626,771	7,967,700
10,225,879	115,891,359	113,388,586
–	3,236,606	3,271,112
–	1,877,960	1,803,824
–	37,929,995	35,594,751
–	930,245	1,077,797
–	19,902,421	18,749,003
–	4,136,234	4,449,124
–	8,341,691	7,759,595
–	9,994,372	8,688,738
–	376,058	315,490
3,626,906	3,626,906	3,970,768
5,124,668	5,124,668	4,742,874
475,490	856,241	6,911,727
–	8,959,843	8,716,302
–	2,672,589	2,344,682
9,227,064	107,965,829	108,395,787
998,815	7,925,530	4,992,799
–	28,746	–
–	251,365	511,791
–	–	58,660,000
–	(2,320,000)	–
–	(2,039,889)	59,171,791
998,815	5,885,641	64,164,590
4,601,992	108,830,234	44,665,644
$ 5,600,807	$ 114,715,875	$ 108,830,234

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INDEPENDENT SCHOOL DISTRICT NO. 12

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2023
(With Partial Comparative Information for the Year Ended June 30, 2022)

	2023	2022
Total net change in fund balances – governmental funds	$ 5,885,641	$ 64,164,590
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	2,336,133	8,870,905
Depreciation expense	(5,422,690)	(5,236,563)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.	(338,822)	674,757
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.	(251,365)	(59,171,791)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	10,405,000	7,915,000
Certificates of participation payable	730,000	665,000
Financed purchases payable	–	37,883
Lease liability	99,733	98,419
Subscription liability	45,110	–
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	37,468	(363,251)
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.	(1,279,986)	(1,346,877)
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Compensated absences payable	(511,461)	–
Severance benefits payable	(710,496)	589,096
Net pension liability	(25,815,708)	21,476,934
Net OPEB liability/asset	1,544,966	(1,712,875)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	(4,415,095)	(8,309,400)
Deferred outflows of resources – OPEB plan deferments	(305,836)	397,625
Deferred inflows of resources – pension plan deferments	47,310,629	(9,293,847)
Deferred inflows of resources – OPEB plan deferments	(561,363)	1,713,332
Deferred inflows of resources – unavailable revenue – delinquent taxes	31,481	(1,567)
Change in net position – governmental activities	$ 28,813,339	$ 21,167,370

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 12

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2023

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	$ 16,067,767	$ 15,899,758	$ 15,893,303	$ (6,455)
Investment earnings	–	–	1,715,934	1,715,934
Other	2,376,430	2,351,930	2,929,792	577,862
State sources	70,932,790	70,506,542	71,216,554	710,012
Federal sources	3,065,049	3,329,598	3,494,167	164,569
Total revenue	92,442,036	92,087,828	95,249,750	3,161,922
Expenditures				
Current				
Administration	3,138,116	3,295,083	3,236,606	(58,477)
District support services	2,252,581	2,027,671	1,877,960	(149,711)
Elementary and secondary regular instruction	40,171,901	39,459,584	37,929,995	(1,529,589)
Vocational education instruction	985,437	901,079	930,245	29,166
Special education instruction	20,092,212	19,577,396	19,902,421	325,025
Instructional support services	4,401,171	4,445,602	4,136,234	(309,368)
Pupil support services	8,056,791	8,053,701	8,341,691	287,990
Sites and buildings	13,486,269	11,243,903	9,994,372	(1,249,531)
Fiscal and other fixed cost programs	370,000	412,500	376,058	(36,442)
Debt service				
Principal	767,166	767,166	874,843	107,677
Interest and fiscal charges	299,981	287,481	295,706	8,225
Total expenditures	94,021,625	90,471,166	87,896,131	(2,575,035)
Excess (deficiency) of revenue over expenditures	(1,579,589)	1,616,662	7,353,619	5,736,957
Other financing sources				
Sale of capital assets	–	–	28,746	28,746
Debt issued	–	–	251,365	251,365
Total other financing sources	–	–	280,111	280,111
Net change in fund balances	$ (1,579,589)	$ 1,616,662	7,633,730	$ 6,017,068
Fund balances				
Beginning of year			43,096,797	
End of year			$ 50,730,527	

INDEPENDENT SCHOOL DISTRICT NO. 12

Statement of Net Position
Proprietary Funds
Internal Service Funds
as of June 30, 2023
(With Partial Comparative Information as of June 30, 2022)

	2023	2022
Assets		
Current assets		
Cash and temporary investments	$ 5,147,110	$ 5,464,113
Receivables		
Accounts and interest	381,051	281,716
Prepaid items	98,456	–
Total current assets	5,626,617	5,745,829
Liabilities		
Current liabilities		
Accounts payable	303,610	–
Claims incurred, but not reported	672,000	756,000
Total current liabilities	975,610	756,000
Net position		
Unrestricted	$ 4,651,007	$ 4,989,829

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 12

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Internal Service Funds
Year Ended June 30, 2023
(With Partial Comparative Information for the Year Ended June 30, 2022)

	2023	2022
Operating revenue		
Charges for services	$ 11,456,847	$ 11,306,791
Operating expenses		
Health claims and fees	11,509,006	10,180,106
Dental claims and fees	543,297	462,643
Total operating expenses	12,052,303	10,642,749
Operating income (loss)	(595,456)	664,042
Nonoperating revenue		
Investment earnings	256,634	10,715
Change in net position	(338,822)	674,757
Net position		
Beginning of year	4,989,829	4,315,072
End of year	$ 4,651,007	$ 4,989,829

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INDEPENDENT SCHOOL DISTRICT NO. 12

Statement of Cash Flows
Proprietary Funds
Internal Service Funds
Year Ended June 30, 2023
(With Partial Comparative Information for the Year Ended June 30, 2022)

	2023	2022
Cash flows from operating activities		
Received from assessments made to other funds	$ 11,357,512	$ 9,760,040
Health claims and fees payments	(11,393,852)	(10,062,106)
Dental claims and fees payments	(537,297)	(476,807)
Net cash flows from operating activities	(573,637)	(778,873)
Cash flows from investing activities		
Interest received on investments	256,634	10,715
Net change in cash and cash equivalents	(317,003)	(768,158)
Cash and temporary investments		
Beginning of year	5,464,113	6,232,271
End of year	$ 5,147,110	$ 5,464,113
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	$ (595,456)	$ 664,042
Adjustment to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets and liabilities		
Accounts and interest receivable	(99,335)	(65,732)
Prepaid items	(98,456)	–
Accounts payable	303,610	–
Claims incurred, but not reported	(84,000)	103,836
Unearned revenue	–	(1,481,019)
Net cash flows from operating activities	$ (573,637)	$ (778,873)

INDEPENDENT SCHOOL DISTRICT NO. 12

Statement of Fiduciary Net Position
Post-Employment Benefits Trust Fund
as of June 30, 2023

Assets	
Cash and investments held by trustee	
Investments at fair value	
U.S. treasury securities	$ 1,372,121
Municipal bonds	99,555
Mortgage backed securities	66,075
U.S. agency securities	1,487,635
Corporate obligations	1,541,106
Equities	2,066,637
Real estate investment trusts	51,364
Mutual funds	2,980,627
Mutual funds – real assets	751,623
Total assets	10,416,743
Liabilities	
Due to other funds	1,021,287
Net position	
Restricted for OPEB	$ 9,395,456

Statement of Changes in Fiduciary Net Position
Post-Employment Benefits Trust Fund
Year Ended June 30, 2023

Additions	
Investment earnings	$ 642,186
Deductions	
Benefit payments	1,021,287
Administrative expenses	104,797
Total deductions	1,126,084
Change in net position	(483,898)
Net position	
Beginning of year	9,879,354
End of year	$ 9,395,456

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 12 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District serves pre-kindergarten through 12th-grade students attending the District either as a resident of the District or through an open enrollment options election. It is governed by a School Board elected by the voters of the District to four-year terms. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

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

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. Generally, the effect of material interfund activity has been removed from the government-wide financial statements. Transactions representing interfund services provided and used are not eliminated in the consolidation process to the government-wide financial statements.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

For capital assets that can be specifically identified with or allocated to functional areas, depreciation and amortization expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation and amortization expense is reported as "depreciation/amortization not included in other functions." Interest is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

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

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

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. For this purpose, the District generally considers revenues, including property taxes, to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Proceeds of long-term debt and acquisitions under leases and subscription-based information technology arrangements (SBITAs) are reported as other financing sources.

2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term obligations, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

The proprietary (internal service funds) are presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the internal service funds are consolidated into the governmental activities column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service funds is charges to customers (other district funds) for service. Operating expenses for the internal service funds include the cost of providing the services. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary funds are presented in the fiduciary fund financial statements by type. The District's only fiduciary fund is the Post-Employment Benefits Trust Fund. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as described earlier in these notes.

Description of Funds

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

Major Governmental Funds

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

Capital Projects – Building Construction Fund – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of general obligation debt principal, interest, and related costs. The regular debt service account is used for all general obligation debt service except for the financial activities of the other post-employment benefits (OPEB) debt service account. The OPEB debt service account is used for the taxable OPEB bond issues.

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is used primarily to record financial activities of the District's child nutrition program.

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

Proprietary Funds

Internal Service Funds – Internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District's internal service funds are used to account for dental and health insurance benefits offered by the District to its employees as a self-insured plan.

Fiduciary Fund

Post-Employment Benefits Trust Fund – The Post-Employment Benefits Trust Fund is used to administer resources received and held by the District as the trustee for others. The Post-Employment Benefits Trust Fund includes assets held in an irrevocable trust to fund post-employment insurance benefits of eligible employees.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting

The School Board adopts an annual budget for all governmental funds prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end.

Actual expenditures exceeded final budgeted appropriations for fiscal 2023 by $252,707 in the Food Service Special Revenue Fund, by $274,982 in the Community Service Special Revenue Fund, and by $4,890 in the Capital Projects – Building Construction Fund. These variances were funded by revenues in excess of budget and available fund balance.

F. Restricted Assets

Restricted assets are cash and cash equivalents and the related interest receivable whose use is limited by legal requirements, such as a bond indenture. Restricted assets are reported only in the government-wide financial statements. In the fund financial statements these assets have been reported as “cash and investments held by trustee” and within “accounts and interest receivable.”

G. Cash and Temporary Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Debt proceeds recorded in the Capital Projects – Building Construction Fund were not pooled, and earnings on these proceeds were allocated directly to the fund.

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. In the Debt Service Fund, an escrow account is established for future debt service related to the issuance of refunding bonds. In the Post-Employment Benefits Trust Fund, this represents assets contributed to an irrevocable trust established to finance the District’s liability for post-employment insurance benefits. Interest earned on these investments is allocated directly to the escrow accounts.

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments with an original maturity from the time of purchase by the District of three months or less to be cash equivalent. The Proprietary Fund’s equity in the government-wide cash and investment management pool is considered to be cash equivalent.

Investments are generally stated at fair value, except for investments in certain external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers’ acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less may also be reported at amortized cost. Guaranteed investment contract investments are valued on a cost-basis measure; and, therefore, are not subject to the fair value disclosure. Investment income is accrued at the Balance Sheet date.

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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; and Level 3 inputs are significant unobservable inputs.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

See Note 2 for the District's recurring fair value measurements as of year-end.

H. Receivables

When necessary, the District utilizes an allowance for uncollectible accounts to value its receivables. However, the District considers all of its current receivables to be collectible. The only receivables not expected to be fully collected within one year are property taxes receivable.

I. Inventories

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

J. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as expenses/expenditures at the time of consumption.

K. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes $515,440 of the property tax levy collectible in 2023 as revenue to the District in fiscal year 2022–2023. The remaining portion of the taxes collectible in 2023 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county generally remits taxes to the District at periodic intervals as they are collected.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources (unavailable revenue) in the fund financial statements because it is not known to be available to finance the operations of the District in the current year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Subscription-Based Information Technology Arrangements (SBITAs)

A SBITA is a contract that conveys control of the right to use another party's information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The District has entered into certain SBITAs for education, evaluation tracking, and other purposes. Capital assets associated with SBITAs are presented separately from other capital assets in Note 3 and are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets. When applicable, a subscription liability is reported in Note 4 to include the terms and related disclosures associated with any subscription liability.

M. Capital Assets

Capital assets that are purchased or constructed by the District are recorded at historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation. Leased capital assets are recorded based on the measurement of payments applicable to the lease term. SBITA capital assets are recorded based on the measurement of any subscription liability plus the payments due to a SBITA vendor at the commencement of the subscription term, including any applicable initial implementation costs as defined in the standard. The District defines capital assets as those with an initial, individual cost of $5,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, 5 to 20 years for furniture and equipment. Leased assets are amortized over the term of the lease or over the useful life of the applicable asset class previously described, if future ownership is anticipated. SBITAs are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets. Land and construction in progress are not depreciated.

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

N. 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. If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums or discounts on debt issuances are reported as other financing sources or uses, respectively.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Compensated Absences

Under the terms of collectively bargained contracts, eligible employees accrue vacation and sick leave at varying rates, portions of which may be carried over to future years. Employees are reimbursed for unused, accrued vacation to the limit specified in their labor contract or School Board policy upon termination. Unused sick leave enters into the calculation of severance benefits for some employees upon termination. Compensated absences are accrued when earned in the government-wide financial statements. Compensated absences are accrued in the governmental fund financial statements only to the extent they have been used or otherwise matured prior to year-end, due to employee termination or similar circumstances.

P. Severance Payable

The District provides lump sum severance benefits to eligible employees in accordance with provisions of certain collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. Severance benefits are calculated by converting a portion of an eligible employee's unused accumulated sick leave. Severance benefits for any individual cannot exceed one year's salary.

Members of certain employee groups may also elect to receive district matching contributions paid into a tax-deferred matching contribution plan established under Internal Revenue Code (IRC) Section 403(b). The amount of any severance benefits due to an individual is reduced by the total matching contributions made by the District to such a plan over the course of that individual's employment.

The amount of severance that is based on convertible sick leave is recorded as a liability in the government-wide financial statements as it is earned and it becomes probable that it will vest at some point in the future. Severance or retirement pay is accrued in the governmental fund financial statements only when it matures, due to employee termination or separation of service.

Q. State-Wide Pension Plans

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

The 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 Teachers Retirement Fund Association in 2015.

R. Other Post-Employment Benefits (OPEB) Plan

For purposes of measuring the net OPEB liability (asset), deferred outflows/inflows of resources, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, statements of financial position or balance sheets will sometimes report separate sections for deferred outflows or inflows of resources. These separate financial statement elements represent a consumption or acquisition of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) or an inflow of financial resources (revenue) until then.

The District reports deferred outflows and inflows of resources related to pensions and OPEB plans reported in the government-wide Statement of Net Position. These deferred outflows and inflows result from differences between expected and actual economic experience, changes in actuarial assumptions, net collective difference between projected and actual investment earnings, changes in proportion, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension and OPEB standards.

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, are 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.

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.

T. Net Position

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

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation/amortization, reduced by any outstanding debt attributable to acquire capital assets.

- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

- **Unrestricted Net Position** – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.

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

- **Committed** – Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board resolution, the District's superintendent of schools and executive director of business services are authorized to establish assignments of fund balance.

- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

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

When committed, assigned, or unassigned resources are available for use, it is the District's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

V. Risk Management and Self-Insurance

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

2. **Self-Insurance** – The District has established two internal service funds to account for and finance its self-insured risk of loss for respective employee dental and health insurance plans. Under these plans, the internal service funds provide coverage to participating employees and their dependents for various dental and healthcare costs as described in the plans.

   The District makes premium payments that include both employer and employee contributions to the internal service funds on behalf of program participants based on rates determined by insurance company estimates of monthly claims paid for each coverage class, plus the stop-loss health insurance premium costs and administrative service charges.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

District claim liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported. Because actual claim liabilities depend on complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing a claim liability does not necessarily result in an exact amount. Claim liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Changes in the balance of dental claim liabilities for the last two years were as follows:

	Balance – Beginning of Year	Charges and Changes in Estimates	Claim Payments	Balance – End of Year
2022	$ 18,164	$ 462,643	$ (476,807)	$ 4,000
2023	$ 4,000	$ 543,297	$ (537,297)	$ 10,000

Changes in the balance of health claim liabilities for the last two years were as follows:

	Balance – Beginning of Year	Charges and Changes in Estimates	Claim Payments	Balance – End of Year
2022	$ 634,000	$ 10,180,106	$ (10,062,106)	$ 752,000
2023	$ 752,000	$ 11,509,006	$ (11,599,006)	$ 662,000

W. 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 and disclosures in the financial statements during the reporting period. Actual results could differ from those estimates.

During the current year, the District reviewed procedures and methods to estimate liabilities for compensated absences. This review increased the District's estimated liabilities for compensated absences payable and severance benefits payable in the government-wide financial statements as disclosed in Note 4.

X. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total, but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the prior year, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Y. Change in Accounting Principle

During the year ended June 30, 2023, the District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). This statement provides guidance on the accounting and financial reporting for SBITAs for government end users. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. Certain amounts necessary to fully restate fiscal year 2022 financial information are not determinable; therefore, prior year comparative amounts have not been restated. The implementation of this new GASB statement in the current year resulted in the District reporting new capital assets and long-term debt for technology subscriptions, but did not change beginning net position in the government-wide financial statements in the current year. See Notes 3 and 4 for additional details on this change in the current year.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

Cash and investments at year-end consist of the following:

Petty cash	$	7,750
Investments		138,341,264
Total	$	138,349,014

Cash and investments are presented in the financial statements as follows:

Statement of Net Position		
Cash and temporary investments	$	72,526,097
Restricted assets – temporarily restricted		
Cash and investments for debt service		55,406,174
Statement of Fiduciary Net Position		
Cash and investments held by trustee –		
Post-Employment Benefits Trust Fund		10,416,743
Total	$	138,349,014

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the School Board, including checking accounts, savings accounts, and nonnegotiable certificates of deposit.

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

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

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The District's deposit policies do not further limit depository choices.

At year-end, due to the Districts utilization of sweep accounts, the carrying amount and bank balance of the District's deposits was $0. At year-end, all deposits were fully covered by federal deposit insurance, surety bonds, or collateral held by the District's agent in the District's name.

C. Investments

The District had the following investments at year-end:

	Credit Risk		Fair Value	Interest Rate Risk – Maturity Duration in Years				
Investment Type	Rating	Agency	Measurements	Less Than 1	1 to 5	6 to 10	Over 10	Total
U.S. treasury securities	N/A	N/A	Level 1	$ –	$ 499,750	$ 473,823	$ 398,548	$ 1,372,121
Municipal bonds	AA	S&P	Level 1	$ 99,555	$ –	$ –	$ –	99,555
Mortgage backed securities	AAA	S&P	Level 1	$ –	$ –	$ –	$ 66,075	66,075
U.S. agency securities	AA	S&P	Level 1	$ –	$ –	$ 133,721	$ 1,353,914	1,487,635
Corporate obligations	AA	S&P	Level 1	$ –	$ –	$ –	$ 128,554	128,554
Corporate obligations	A	S&P	Level 1	$ 100,952	$ 205,009	$ 115,874	$ 14,027	435,862
Corporate obligations	A	Moody's	Level 1	$ –	$ –	$ 60,432	$ 65,359	125,791
Corporate obligations	BBB	S&P	Level 1	$ –	$ 429,888	$ 156,994	$ 99,840	686,722
Corporate obligations	Baa	Moody's	Level 1	$ –	$ –	$ 164,177	$ –	164,177
Equities	N/R	N/A	Level 1					2,066,637
Guaranteed investment contract	N/R	N/A	N/A	$ –	$ 55,406,174	$ –	$ –	55,406,174
Investment pools/mutual funds								
Minnesota School District Liquid Asset Fund – Term Series	AAA	Fitch	Amortized Cost	$ 18,000,000	$ –	$ –	$ –	18,000,000
Minnesota School District Liquid Asset Fund	AAA	S&P	Amortized Cost					54,467,601
MNTrust Investment Shares Portfolio	AAA	S&P	Amortized Cost					48,861
Real estate investment trusts	N/R	N/A	Level 1					51,364
Mutual funds	AAA	S&P	Level 1					1,885
Mutual funds	N/R	N/A	Level 1					2,980,627
Mutual funds – real assets	N/R	N/A	Level 2					751,623
Total investments								$ 138,341,264

N/A – Not Applicable
N/R – Not Rated

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

The Minnesota School District Liquid Asset Fund (MSDLAF) and the MNTrust Investment Shares Portfolio are regulated by Minnesota Statutes and are external investment pools, which are not registered with the Securities and Exchange Commission. The District's investments in the MSDLAF and the MNTrust Investment Shares Portfolio are measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. For the MSDLAF, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice for the Liquid Class; the redemption notice period is 14 days for the MAX Class. MSDLAF term investments have a maturity of 60 days to one year and early withdrawal may result in substantial early redemption penalties. For the MNTrust investment pool, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice required.

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form and, therefore, are not subject to custodial credit risk disclosures. Although the District's investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5.0 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District's investment policies do not address concentration risk. At June 30, 2023, the District's investments include a guaranteed investment contract with Mass Mutual at 40.1 percent of the total portfolio that was issued as part of a refunding bond transaction.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. For assets held in the Post-Employment Benefits Trust Fund, the investment options available to the District are expanded to include the investment types specified in Minnesota Statutes § 356A.06, Subd. 7. The District's investment policies do not further restrict investing in specific financial instruments.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the current year ended is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated/amortized					
Land	$ 4,214,035	$ 333,254	$ –	$ –	$ 4,547,289
Construction in progress	9,137,546	1,116,446	–	(9,591,602)	662,390
Total capital assets, not depreciated/amortized	13,351,581	1,449,700	–	(9,591,602)	5,209,679
Capital assets, depreciated/amortized					
Land improvements	8,609,309	158,432	–	1,151,058	9,918,799
Buildings	188,980,916	33,597	–	8,123,570	197,138,083
Furniture and equipment	12,637,408	443,039	–	316,974	13,397,421
Furniture and equipment – leased	511,791	–	–	–	511,791
Technology subscriptions	–	251,365	–	–	251,365
Total capital assets, depreciated/amortized	210,739,424	886,433	–	9,591,602	221,217,459
Less accumulated depreciation/amortization for					
Land improvements	(4,190,846)	(370,395)	–	–	(4,561,241)
Buildings	(83,018,476)	(4,459,705)	–	–	(87,478,181)
Furniture and equipment	(7,272,179)	(418,346)	–	–	(7,690,525)
Furniture and equipment – leased	(102,358)	(102,358)	–	–	(204,716)
Technology subscriptions	–	(71,886)	–	–	(71,886)
Total accumulated depreciation/amortization	(94,583,859)	(5,422,690)	–	–	(100,006,549)
Net capital assets, depreciated/amortization	116,155,565	(4,536,257)	–	9,591,602	121,210,910
Total capital assets, net	$ 129,507,146	$ (3,086,557)	$ –	$ –	$ 126,420,589

Depreciation/amortization expense for the year was charged to the following governmental functions:

Administration	$ 6,995
District support services	67,870
Elementary and secondary regular instruction	148,130
Instructional support services	83,387
Pupil support services	19,081
Community service	1,811
Depreciation/amortization not included in other functions	5,095,416
Total depreciation/amortization expense	$ 5,422,690

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

The District currently has the following general obligation bonds payable outstanding:

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
2014A Capital Facilities Bonds	12/15/2014	2.000–4.000%	$ 2,880,000	02/01/2025	$ 760,000
2015A School Building Bonds	02/26/2015	1.050–4.010%	$ 73,385,000	02/01/2035	56,975,000
2016B Taxable OPEB Refunding Bonds	05/26/2016	1.500–3.050%	$ 11,250,000	02/01/2030	9,890,000
2019A School Building Bonds	02/07/2019	3.375–5.000%	$ 20,955,000	02/01/2039	18,325,000
2022A Taxable Refunding Bonds	02/09/2022	1.005–2.923%	$ 58,660,000	02/01/2039	58,660,000
Total general obligation bonds payable					$ 144,610,000

These bonds were issued to finance acquisition, construction, and/or improvements of capital facilities, to finance the retirement (refunding) of prior bond issues, or to finance OPEB obligations. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of these bonds. The annual future debt service levies authorized equal 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

With the exception of the 2015A School Building Bonds, all general obligation bonds are serial bonds, which require semi-annual payments of principal and/or interest from the date the bonds were issued. The Series 2015A School Building Bonds are capital appreciation bonds, which are issued at a discount and accrete to their face value at maturity. Interest expense is recognized through the annual amortization of the discount. All debt service payments are reported as principal payments on the governmental fund financial statements.

In February 2022, the District issued $58,660,000 of General Obligation Taxable Refunding Bonds, Series 2022A. The proceeds of the refunding bonds were used to the call the remaining bond proceeds of the 2014B Tax Abatement Bonds. In future years, the remaining refunding bond proceeds will be used to call the 2015A School Building Bonds and the 2019A School Building Bonds on their respective call dates. This refunding will reduce the District's total future debt service payments by $3,265,704 and will result in a present value savings of $2,662,121.

B. Certificates of Participation Payable

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
2016A Certificates of Participation	02/16/2016	2.000–3.000%	$ 4,520,000	02/01/2031	$ 2,610,000
2016C Certificates of Participation	05/26/2016	2.000–3.500%	$ 1,200,000	02/01/2031	735,000
2020A Certificates of Participation	10/22/2020	2.000–3.000%	$ 8,300,000	02/01/2040	7,640,000
Total certificates of participation					$ 10,985,000

These certificates of participation were issued to finance improvements at the District's school buildings. The certificates of participation are paid by the General Fund. The debt is secured by the original property purchased and includes terms that upon default all payments may become due and payable. The debtor also may repossess the property and seek full recovery of any losses upon default.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

C. Lease Liability

The District has obtained the use of certain copier equipment through a lease financing agreement. The total amount of underlying lease assets by major class and the related accumulated amortization is presented in Note 3 to the basic financial statements. Annual principal and interest on this agreement will be paid from the General Fund. The agreement is secured by the original property. The lessor also may repossess the property and seek full recovery of the losses upon default. The District currently has the following lease liability obligation outstanding:

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
AIS copier lease	07/01/2021	2.350%	$ 511,791	06/01/2026	$ 313,639

D. Subscription Liability

The District had entered into two agreements to finance the use of software, which call for annual principal and interest payments through June 2026. These agreements are paid by the General Fund. The total amount of the underlying technology subscriptions assets and the related accumulated amortization is presented in Note 3 to the basic financial statements.

Issue	Issue Date	Rate	Face/Par Value	Maturity	Outstanding
FastBridge subscription	07/01/2022	4.26%	$ 108,537	06/30/2025	$ 71,605
eduCLIMBER subscription	03/01/2023	4.26%	$ 142,828	06/30/2026	134,650
					$ 206,255

E. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including compensated absences, severance benefits, pensions, and OPEB. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed primarily from the General Fund. The District has also established a Post-Employment Benefits Trust Fund to finance OPEB obligations.

District employees participate in two state-wide, cost-sharing, multiple-employer plans administered by the PERA and the TRA. The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans for the current year:

Pension Plans	Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
State-wide, multiple-employer – PERA	$ 14,002,618	$ 4,718,421	$ 583,182	$ 1,734,284
State-wide, multiple-employer – TRA	45,186,159	14,186,292	12,200,848	(14,178,234)
Total	$ 59,188,777	$ 18,904,713	$ 12,784,030	$ (12,443,950)

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

F. Minimum Debt Payments

Minimum annual principal and interest payments to maturity for general obligation bonds payable, certificates of participation payable, lease liability, and subscription liability are as follows:

Year Ending June 30,	General Obligation Bonds Payable Principal	General Obligation Bonds Payable Interest	Certificates of Participation Payable Principal	Certificates of Participation Payable Interest	Lease Liability Principal	Lease Liability Interest	Subscription Liability Principal	Subscription Liability Interest
2024	$ 8,220,000	$ 2,243,323	$ 750,000	$ 266,031	$ 102,102	$ 6,275	$ 79,287	$ 3,684
2025	71,250,000	2,136,291	770,000	245,856	104,527	3,850	79,778	5,409
2026	7,490,000	1,410,592	790,000	225,131	107,010	1,367	47,190	2,010
2027	7,285,000	1,281,337	815,000	202,331	–	–	–	–
2028	7,425,000	1,146,205	835,000	177,431	–	–	–	–
2029–2033	30,990,000	3,511,416	3,555,000	569,006	–	–	–	–
2034–2038	11,205,000	677,005	2,430,000	254,881	–	–	–	–
2039–2040	745,000	21,776	1,040,000	32,613	–	–	–	–
	$ 144,610,000	$ 12,427,945	$ 10,985,000	$ 1,973,280	$ 313,639	$ 11,492	$ 206,255	$ 11,103

G. Changes in Long-Term Liabilities

	Balance – Beginning of Year	Additions	Retirements	Balance – End of Year	Due Within One Year
General obligation bonds payable	$ 155,015,000	$ –	$ 10,405,000	$ 144,610,000	$ 8,220,000
Certificates of participation payable	11,715,000	–	730,000	10,985,000	750,000
Unamortized premium/discount	(10,196,053)	–	(1,279,986)	(8,916,067)	–
Lease liability	413,372	–	99,733	313,639	102,102
Subscription liability	–	251,365	45,110	206,255	79,287
Compensated absences payable	–	957,289	445,828	511,461	511,461
Severance benefits payable	803,669	1,054,837	344,341	1,514,165	344,341
Net pension liability	33,373,069	30,957,408	5,141,700	59,188,777	–
Net OPEB liability*	609,719	883,544	1,493,263	–	–
	$ 191,733,776	$ 34,104,443	$ 17,424,989	$ 208,413,230	$ 10,007,191

* See Note 7 for more information on the change from a net OPEB liability to a net OPEB asset in the current year.

NOTE 5 – FUND BALANCES

The following is a breakdown of equity components of governmental funds, which are defined earlier in the report. When applicable, certain restrictions, which have an accumulated deficit balance at June 30 are included in unassigned fund balance in the District's financial statements in accordance with accounting principles generally accepted in the United States of America. A description of these deficit balance restrictions is included below, when applicable, since the District has specific authority to future resources for such deficits. At year-end, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable				
Inventory	$ –	$ –	$ 87,812	$ 87,812
Prepaid items	210,060	–	–	210,060
Total nonspendable	210,060	–	87,812	297,872
Restricted for				
Student activities	130,990	–	–	130,990
Operating capital	4,333,699	–	–	4,333,699
Safe schools levy	262,880	–	–	262,880
Long-term facilities maintenance	7,334,453	–	–	7,334,453
Medical Assistance	695,432	–	–	695,432
Bond refundings	–	55,752,908	–	55,752,908
Debt service	–	2,631,633	–	2,631,633
Food service	–	–	2,413,382	2,413,382
Community education programs	–	–	2,168,878	2,168,878
Early childhood family education programs	–	–	675,605	675,605
School readiness	–	–	214,686	214,686
Community service	–	–	40,444	40,444
Total restricted	12,757,454	58,384,541	5,512,995	76,654,990
Assigned for				
Learner activities	281,562	–	–	281,562
Alternative compensation	635,698	–	–	635,698
District projects	4,843,823	–	–	4,843,823
Budget carryover	823,309	–	–	823,309
Class size reduction	2,658,947	–	–	2,658,947
Technology	3,850,476	–	–	3,850,476
Special education	1,043,491	–	–	1,043,491
Severance benefits payable	2,025,626	–	–	2,025,626
Concessions	20,367	–	–	20,367
Sponsorships and advertising	67,232	–	–	67,232
Total assigned	16,250,531	–	–	16,250,531
Unassigned				
Disabled accessibility restricted account deficit	(140,000)	–	–	(140,000)
Unassigned	21,652,482	–	–	21,652,482
Total unassigned	21,512,482	–	–	21,512,482
Total	$ 50,730,527	$ 58,384,541	$ 5,600,807	$ 114,715,875

NOTE 5 – FUND BALANCES (CONTINUED)

Minimum Fund Balance Policy – The School Board has formally adopted a fund balance policy regarding maintaining a minimum fund balance for the General Fund. The policy states that the District will strive to maintain a minimum unrestricted fund balance (consisting of assigned and unassigned fund balances) of 8.33 percent of the annual budget. At year-end the District continues to meet the goal of this policy.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

The District participates in the following cost-sharing, multiple-employer defined benefit pension plans administered by the PERA and the TRA. The PERA's and the TRA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes. The PERA's and the TRA's defined benefit pension plans are tax qualified plans under Section 401(a) of the IRC.

1. General Employees Retirement Fund (GERF)

The PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

Certain full-time and part-time employees of the District other than teachers are covered by the GERF. GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Teachers Retirement Association (TRA)

The 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. The TRA is a separate statutory entity, administered by a Board of Trustees. The Board of Trustees consists of four active members, one retired member, and three statutory officials.

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

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

B. Benefits Provided

The PERA and the TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statutes and can only be modified by the State Legislature.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. 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.

1. GERF Benefits

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

Benefit increases are provided to benefit recipients each January. The post-retirement increase is equal to 50.0 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.0 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase, will receive the full increase. For 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.

2. TRA Benefits

The 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 Statutes 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 the 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.

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

Tier I Benefits

Step-Rate Formula	Percentage per Year
Basic Plan	
First 10 years of service	2.2 %
All years after	2.7 %
Coordinated Plan	
First 10 years if service years are up to July 1, 2006	1.2 %
First 10 years if service years are July 1, 2006 or after	1.4 %
All other years of service if service years are up to July 1, 2006	1.7 %
All other years of service if service years are July 1, 2006 or after	1.9 %

With these provisions:

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

(b) Three percent per year early retirement reduction factor for all years under normal retirement age.

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

Tier II Benefits

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

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

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2023 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2023, were $1,003,385. The District's contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

Minnesota Statutes, Chapter 354 sets the rates for employer and employee contributions. Rates for each fiscal year were:

	Year Ended June 30,					
	2021		2022		2023	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic Plan	11.00 %	12.13 %	11.00 %	12.34 %	11.00 %	12.55 %
Coordinated Plan	7.50 %	8.13 %	7.50 %	8.34 %	7.50 %	8.55 %

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2023, were $3,093,803. The District's contributions were equal to the required contributions for each year as set by state statutes.

The following is a reconciliation of employer contributions in the TRA's Annual Comprehensive Financial Report Statement of Changes in Fiduciary Net Position to the employer contributions used in the Schedule of Employer and Nonemployer Pension Allocations:

	in thousands
Employer contributions reported in the TRA's Annual Comprehensive Financial Report Statement of Changes in Fiduciary Net Position	$ 482,679
Add employer contributions not related to future contribution efforts	(2,178)
Deduct the TRA's contributions not included in allocation	(572)
Total employer contributions	479,929
Total nonemployer contributions	35,590
Total contributions reported in the Schedule of Employer and Nonemployer 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. The TRA has rounded percentage amounts to the nearest ten thousandths.

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2023, the District reported a liability of $14,002,618 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 nonemployer 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 $410,553. 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 the 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 the PERA's participating employers. The District's proportionate share was 0.1768 percent at the end of the measurement period and 0.1742 percent for the beginning of the period.

District's proportionate share of the net pension liability	$ 14,002,618
State's proportionate share of the net pension liability associated with the District	$ 410,553

For the year ended June 30, 2023, the District recognized pension expense of $1,672,938 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional $61,346 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of $16 million to the GERF.

At June 30, 2023, the District reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 116,960	$ 148,326
Changes in actuarial assumptions	3,123,850	60,140
Net collective difference between projected and actual investment earnings	350,869	–
Changes in proportion	123,357	374,716
District's contributions to the GERF subsequent to the measurement date	1,003,385	–
Total	$ 4,718,421	$ 583,182

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

The $1,003,385 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 ending June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2024	$ 1,119,988
2025	$ 1,137,786
2026	$ (392,248)
2027	$ 1,266,328

2. TRA Pension Costs

At June 30, 2023, the District reported a liability of $45,186,159 for its proportionate share of the TRA's 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 the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Minneapolis School District. The District's proportionate share was 0.5643 percent at the end of the measurement period and 0.5926 percent for the beginning of the period.

The pension liability amount reflected a reduction due to direct aid provided to the 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 the net pension liability	$ 45,186,159
State's proportionate share of the net pension liability associated with the District	$ 3,350,689

For the year ended June 30, 2023, the District recognized negative pension expense of $14,638,964. It also recognized $460,730 as an increase to pension expense for the support provided by direct aid.

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

At 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 economic experience	$ 684,589	$ 416,729
Changes in actuarial assumptions	7,601,677	10,333,313
Net collective difference between projected and actual investment earnings on pension plan investments	491,634	–
Changes in proportion	2,314,589	1,450,806
District's contributions to the TRA subsequent to the measurement date	3,093,803	–
Total	$ 14,186,292	$ 12,200,848

A total of $3,093,803 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2024	$ (7,440,513)
2025	$ 645,342
2026	$ 53,972
2027	$ 5,807,396
2028	$ (174,556)

E. Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of the PERA and the TRA, 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 weighing the expected future rates of return by the target asset allocation percentages.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.50 %	5.10 %
International equity	16.50	5.30 %
Private markets	25.00	5.90 %
Fixed income	25.00	0.75 %
Total	100.00 %	

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (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 and the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.25%	2.50%
Wage growth rate		2.85% before July 1, 2028, and 3.25% thereafter
Projected salary increase	3.00%	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% thereafter
Investment rate of return	6.50%	7.00%

1. GERF

The long-term rate of return on pension plan investments used in the determination of the total liability is 6.50 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.50 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the GERF Plan range in annual increments from 10.25 percent after one year of service to 3.00 percent after 27 years of service.

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

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

2. TRA

Salary increases were based on a service-related table.

Mortality Assumptions Used in Valuation of Total Pension Liability	
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 and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 Scale.
Post-disability	RP-2014 Disabled Retiree Mortality Table, without adjustment.

Cost of living benefit increases after retirement for retirees are assumed to be 1.00 percent for January 2019 through January 2023, then increasing by 0.10 percent each year, up to 1.50 percent annually.

Actuarial assumptions for the TRA Plan were based on the results of actuarial experience studies. The most recent experience study in the TRA Plan was completed in 2019, with economic assumptions updated in 2019.

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

The following changes in actuarial assumptions occurred in 2022:

1. **GERF**

   CHANGES IN ACTUARIAL ASSUMPTIONS

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

2. **TRA**

   CHANGES IN ACTUARIAL ASSUMPTIONS

   - None.

G. Discount Rate

1. **GERF**

   The discount rate used to measure the total pension liability in 2022 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF 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.

2. **TRA**

   The discount rate used to measure the total pension liability was 7.00 percent. 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.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (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 on the preceding page, 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	Current Discount Rate	1% Increase in Discount Rate
GERF discount rate	5.50%	6.50%	7.50%
District's proportionate share of the GERF net pension liability	$ 22,117,869	$ 14,002,618	$ 7,346,860
TRA discount rate	6.00%	7.00%	8.00%
District's proportionate share of the TRA net pension liability	$ 71,233,519	$ 45,186,159	$ 23,835,445

I. Pension Plan Fiduciary Net Position

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

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

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

The District provides post-employment benefits to certain eligible employees through the OPEB Plan, a single-employer defined benefit plan administered by the District. Management of the plan is vested with the School Board of the District. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements.

The District administers a defined benefit Post-Employment Benefits Trust Fund. The assets of the plan are reported in the District's financial report in the Post-Employment Benefits Trust Fund, established by the District to finance these obligations. The plan assets may be used only for the payment of benefits of the plan, in accordance with the terms of the plan. The plan does not issue a publicly available financial report.

B. Benefits Provided

All retirees of the District upon retirement have the option under state law to continue their medical insurance coverage through the District. For members of certain employee groups, the District pays for all or part of the eligible retiree's premiums for medical and/or dental insurance from the time of retirement until the employee reaches the age of eligibility for Medicare. Benefits paid by the District differ by bargaining unit and date of hire, with some contracts specifying a certain dollar amount per month, and some covering premium costs as defined within each collective bargaining agreement. Retirees not eligible for these district-paid premium benefits must pay the full district premium rate for their coverage.

The District is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees until the retiree reaches Medicare eligibility, whether the premiums are paid by the District or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the District's younger and statistically healthier active employees.

C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District has established the Post-Employment Benefits Trust Fund to finance these obligations.

D. Membership

Membership in the plan consisted of the following as of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	36
Active plan members	811
Total members	847

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

E. Net OPEB Liability (Asset) of the District

The District's net OPEB liability (asset) was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of July 1, 2022. The components of the net OPEB liability (asset) of the District at year-end were as follows:

Total OPEB liability	$ 8,460,209
Plan fiduciary net position	(9,395,456)
District's net OPEB liability (asset)	$ (935,247)
Plan fiduciary net position as a percentage of the total OPEB liability	111.05%

F. Actuarial Method and Assumptions

The total OPEB liability was determined by an actuarial study using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	5.00%
Expected long-term investment return	6.10%
20-year municipal bond yield	3.90%
Inflation rate	2.50%
Salary increases	Service graded table
Medical trend rate	6.25% grading to 5.00% over 6 years, and then to 4.00% over the next 48 years

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.

The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

The District's policy in regard to the allocation of invested assets is established and may be amended by the School Board by a majority vote of its members. It is the policy of the School Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes allowable under state statutes.

The long-term expected rate of return on OPEB Plan investments was set based on the plan's target investment allocation described below, along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic equity	36.00 %	7.90 %
Fixed income	46.00 %	4.10 %
International equity	12.00 %	7.30 %
Real estate	6.00 %	8.10 %
Total portfolio	100.00 %	6.10 %

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 6.50 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

H. Discount Rate

The discount rate used to measure the total OPEB liability was 5.00 percent. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. The contribution and benefit payment history, as well as the funding policy have also been considered. The District discount rate used in the prior measurement date was 4.40 percent.

I. Changes in the Net OPEB Liability (Asset)

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a-b)
Beginning balance	$ 10,489,073	$ 9,879,354	$ 609,719
Changes for the year			
Service cost	324,663	–	324,663
Interest	453,578	–	453,578
Assumption changes	(986,253)	–	(986,253)
Projected investment earnings	–	602,642	(602,642)
Differences between expected and actual experience	(799,565)	39,544	(839,109)
Benefit payments	(1,021,287)	(1,021,287)	–
Administrative expenses	–	(104,797)	104,797
Total net changes	(2,028,864)	(483,898)	(1,544,966)
Ending balance	$ 8,460,209	$ 9,395,456	$ (935,247)

Assumption changes since the prior measurement date include the following:

- The expected long-term rate of return was changed from 5.60 percent to 6.10 percent.
- The discount rate was changed from 4.40 percent to 5.00 percent.
- The healthcare trend rates, mortality tables, salary increase rates for nonteachers, retiree plan participation percentage for future retirees who will be eligible to receive a subsidy, and withdrawal rates were updated.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

J. Net OPEB Liability (Asset) Sensitivity to Discount and Healthcare Cost Trend Rate Changes

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

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
OPEB discount rate	4.00%	5.00%	6.00%
Net OPEB liability (asset)	$ (533,294)	$ (935,247)	$ (1,332,423)

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

	1% Decrease in Healthcare Trend Rate	Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
OPEB medical trend rate	5.25% grading to 4.00% , then 3.00%	6.25% grading to 5.00%, then 4.00%	7.25% grading to 6.00%, then 5.00%
Net OPEB liability (asset)	$ (1,627,098)	$ (935,247)	$ (158,395)

K. OPEB Expense and Related Deferred Outflows of Resources and Deferred Inflows of Resources

For the current year ended, the District recognized negative OPEB expense of $677,767. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 603,758	$ 1,684,918
Changes in actuarial assumptions	161,686	2,990,047
Difference between projected and actual investment earnings	474,515	–
Total	$ 1,239,959	$ 4,674,965

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

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

Year Ending June 30,	OPEB Expense Amount
2024	$ (956,036)
2025	$ (975,901)
2026	$ (650,672)
2027	$ (288,373)
2028	$ (308,839)
Thereafter	$ (255,185)

NOTE 8 – FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan, which is classified as a cafeteria plan under § 125 of the IRC (the Plan). All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pretax dollars withheld from payroll checks to the Plan for healthcare and dependent care benefits. Payments are made from the Plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant.

Before the beginning of the Plan year, which is from January 1 to December 31, each participant designates a total amount of pretax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the Plan, whether or not such contributions have been made.

The Plan is administered by an independent contract administrator for child care and medical expense reimbursements. The flexible benefit plan is included in the financial statements within the District's General Fund.

All property of the Plan and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the Plan are equal to those of general creditors of the District in an amount equal to eligible healthcare and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 9 – INTERFUND BALANCES AND TRANSACTIONS

Interfund Receivables and Payables

At year-end, the General Fund reported a balance of $1,021,287 due from the Post-Employment Benefits Trust Fund, representing the amount due from the trust for allowable OPEB expenditures.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. Construction Contracts

At June 30, 2023, the District had commitments totaling $625,374 under various construction contacts for which work was not yet completed.

B. Federal and State Programs

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

C. Legal Claims

The District had the usual and customary types of miscellaneous legal claims pending at year-end, mostly of a minor nature and usually covered by insurance carried for that purpose. Although the outcomes of these lawsuits are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 12

Public Employees Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2023

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the 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 as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.2024%	$ 9,507,738	$ –	$ 9,507,738	$ 10,611,491	89.60%	78.70%
06/30/2016	06/30/2015	0.2006%	$ 10,396,133	$ –	$ 10,396,133	$ 11,593,173	89.67%	78.20%
06/30/2017	06/30/2016	0.2015%	$ 16,360,801	$ 213,645	$ 16,574,446	$ 12,632,427	129.51%	68.90%
06/30/2018	06/30/2017	0.1864%	$ 11,899,654	$ 149,640	$ 12,049,294	$ 12,010,668	99.08%	75.90%
06/30/2019	06/30/2018	0.1877%	$ 10,412,828	$ 341,635	$ 10,754,463	$ 12,618,394	82.52%	79.50%
06/30/2020	06/30/2019	0.1838%	$ 10,161,891	$ 315,820	$ 10,477,711	$ 13,001,278	78.16%	80.20%
06/30/2021	06/30/2020	0.1867%	$ 11,193,519	$ 345,066	$ 11,538,585	$ 13,312,198	84.08%	79.10%
06/30/2022	06/30/2021	0.1742%	$ 7,439,121	$ 227,150	$ 7,666,271	$ 12,545,719	59.30%	87.00%
06/30/2023	06/30/2022	0.1768%	$ 14,002,618	$ 410,553	$ 14,413,171	$ 13,245,095	105.72%	76.70%

Public Employees Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2023

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 869,488	$ 869,488	$ –	$ 11,593,173	7.50%
06/30/2016	$ 947,432	$ 947,432	$ –	$ 12,632,427	7.50%
06/30/2017	$ 900,642	$ 900,642	$ –	$ 12,010,668	7.50%
06/30/2018	$ 946,410	$ 946,410	$ –	$ 12,618,394	7.50%
06/30/2019	$ 975,225	$ 975,225	$ –	$ 13,001,278	7.50%
06/30/2020	$ 998,417	$ 998,417	$ –	$ 13,312,198	7.50%
06/30/2021	$ 940,506	$ 940,506	$ –	$ 12,545,719	7.50%
06/30/2022	$ 993,029	$ 993,029	$ –	$ 13,245,095	7.50%
06/30/2023	$ 1,003,385	$ 1,003,385	$ –	$ 13,377,786	7.50%

Note: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 12

Teachers Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2023

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the 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 as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.6402%	$ 29,499,955	$ 2,075,170	$ 31,575,125	$ 29,224,786	100.94%	81.50%
06/30/2016	06/30/2015	0.6139%	$ 37,975,786	$ 4,658,088	$ 42,633,874	$ 31,472,905	120.66%	76.80%
06/30/2017	06/30/2016	0.6907%	$164,748,429	$ 16,535,829	$181,284,258	$ 35,929,587	458.53%	44.88%
06/30/2018	06/30/2017	0.5438%	$108,552,344	$ 10,493,980	$119,046,324	$ 29,274,943	370.80%	51.57%
06/30/2019	06/30/2018	0.6098%	$ 38,301,148	$ 3,598,550	$ 41,899,698	$ 33,693,440	113.68%	78.07%
06/30/2020	06/30/2019	0.5898%	$ 37,593,976	$ 3,326,977	$ 40,920,953	$ 33,487,311	112.26%	78.21%
06/30/2021	06/30/2020	0.5909%	$ 43,656,484	$ 3,658,430	$ 47,314,914	$ 34,337,666	127.14%	75.48%
06/30/2022	06/30/2021	0.5926%	$ 25,933,948	$ 2,187,309	$ 28,121,257	$ 35,456,241	73.14%	86.63%
06/30/2023	06/30/2022	0.5643%	$ 45,186,159	$ 3,350,689	$ 48,536,848	$ 34,879,548	129.55%	76.17%

Teachers Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2023

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 2,360,458	$ 2,360,458	$ –	$ 31,472,905	7.50%
06/30/2016	$ 2,694,719	$ 2,694,719	$ –	$ 35,929,587	7.50%
06/30/2017	$ 2,196,141	$ 2,196,141	$ –	$ 29,274,943	7.50%
06/30/2018	$ 2,526,625	$ 2,526,625	$ –	$ 33,693,440	7.50%
06/30/2019	$ 2,581,926	$ 2,581,926	$ –	$ 33,487,311	7.71%
06/30/2020	$ 2,719,482	$ 2,719,482	$ –	$ 34,337,666	7.92%
06/30/2021	$ 2,882,684	$ 2,882,684	$ –	$ 35,456,241	8.13%
06/30/2022	$ 2,909,077	$ 2,909,077	$ –	$ 34,879,548	8.34%
06/30/2023	$ 3,093,803	$ 3,093,803	$ –	$ 36,194,081	8.55%

Note: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

Other Post-Employment Benefits Plan
Schedule of Changes in the District's Net
OPEB Liability (Asset) and Related Ratios
Year Ended June 30, 2023

	District Fiscal Year-End Date						
	2017	2018	2019	2020	2021	2022	2023
Total OPEB liability							
Service cost	$ 621,966	$ 607,690	$ 475,502	$ 547,306	$ 575,927	$ 511,882	$ 324,663
Interest	621,006	643,634	690,406	437,598	391,922	377,439	453,578
Assumption changes	–	(285,979)	(3,073,593)	323,378	(1,140,825)	(375,579)	(986,253)
Differences between expected and actual experience	–	–	(2,665,547)	–	1,056,578	–	(799,565)
Benefit payments	(705,560)	(647,485)	(1,038,162)	(497,027)	(619,456)	(1,217,717)	(1,021,287)
Net change in total OPEB liability	537,412	317,860	(5,611,394)	811,255	264,146	(703,975)	(2,028,864)
Total OPEB liability – beginning of year	14,873,769	15,411,181	15,729,041	10,117,647	10,928,902	11,193,048	10,489,073
Total OPEB liability – end of year	15,411,181	15,729,041	10,117,647	10,928,902	11,193,048	10,489,073	8,460,209
Plan fiduciary net position							
Contributions	297,212	217,523	–	–	–	–	–
Projected investment earnings	713,401	740,415	651,228	579,546	561,959	688,587	602,642
Differences between expected and actual experience	–	–	13,194	(99,386)	1,447,390	(1,775,384)	39,544
Benefit payments	(705,560)	(647,485)	(1,038,162)	(497,027)	(619,456)	(1,217,717)	(1,021,287)
Administrative expenses	(88,519)	(103,777)	(110,163)	(109,482)	(112,484)	(112,336)	(104,797)
Net change in plan fiduciary net position	216,534	206,676	(483,903)	(126,349)	1,277,409	(2,416,850)	(483,898)
Plan fiduciary net position – beginning	11,205,837	11,422,371	11,629,047	11,145,144	11,018,795	12,296,204	9,879,354
Plan fiduciary net position – ending	11,422,371	11,629,047	11,145,144	11,018,795	12,296,204	9,879,354	9,395,456
Net OPEB liability (asset)	$ 3,988,810	$ 4,099,994	$ (1,027,497)	$ (89,893)	$ (1,103,156)	$ 609,719	$ (935,247)
Plan fiduciary net position as a percentage of the total OPEB liability	74.12%	73.93%	110.16%	100.82%	109.86%	94.19%	111.05%
Covered-employee payroll	$41,070,427	$42,302,540	$41,070,343	$42,302,453	$45,404,716	$46,766,858	$45,782,807
Net OPEB liability (asset) as a percentage of covered-employee payroll	9.71%	9.69%	(2.50%)	(0.21%)	(2.43%)	1.30%	(2.04%)

Note: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 12

Other Post-Employment Benefits Plan
Schedule of Investment Returns
Year Ended June 30, 2023

District Fiscal Year-End Date	Annual Money-Weighted Rate of Return, Net of Investment Expense
2017	6.40 %
2018	6.50 %
2019	5.70 %
2020	4.30 %
2021	18.20 %
2022	(8.80) %
2023	6.50 %

Note: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

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PERA – GENERAL EMPLOYEES RETIREMENT FUND

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2020 CHANGES IN PLAN PROVISIONS

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023, and zero percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- 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 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, 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 MP-2018 to 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 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2019 CHANGES IN PLAN PROVISIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 CHANGES IN PLAN PROVISIONS

- The state's contribution for the Minneapolis Employees Retirement Fund equals $16.0 million in 2017 and 2018, and $6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21.0 million to $31.0 million in calendar years 2019 to 2031. The state's contribution changed from $16.0 million to $6.0 million in calendar years 2019 to 2031.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Retirement Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892.0 million. Upon consolidation, state and employer contributions were revised; the state's contribution of $6.0 million, which meets the special funding situation definition, was due September 2015.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

TEACHERS RETIREMENT ASSOCIATION (TRA)

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

- The cost of living adjustment (COLA) was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit, are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.50 percent if the funded ratio was at least 90.00 percent for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return assumption was changed from 8.50 percent to 7.50 percent.
- The single discount rate changed from 5.12 percent to 7.50 percent.

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The COLA was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the CSA loads. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years, followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate changed from 4.66 percent to 5.12 percent.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

- The Duluth Teachers Retirement Fund Association was merged into the TRA on June 30, 2015.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The annual COLA for the June 30, 2015 valuation assumed 2.00 percent. The prior year valuation used 2.00 percent, with an increase to 2.50 percent commencing in 2034.
- The discount rate used to measure the total pension liability was 8.00 percent. This is a decrease from the discount rate at the prior measurement date of 8.25 percent.

OTHER POST-EMPLOYMENT BENEFITS PLAN

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The expected long-term rate of return was changed from 5.60 percent to 6.10 percent.
- The discount rate was changed from 4.40 percent to 5.00 percent.
- The healthcare trend rates, mortality tables, salary increase rates for nonteachers, retiree plan participation percentage for future retirees who will be eligible to receive a subsidy, and withdrawal rates were updated.

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The expected long-term investment return was changed from 5.10 percent to 5.60 percent.
- The discount rate was changed from 3.40 percent to 4.40 percent.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The expected long-term investment return was changed from 5.20 percent to 5.10 percent.
- The discount rate was changed from 3.50 percent to 3.40 percent.
- The healthcare trend rates, mortality tables, salary increase rates, retiree plan participation percentage for future retirees who will be eligible to receive a subsidy, and the percentage of future married retirees electing spouse coverage were updated.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The expected long-term investment return was changed from 5.60 percent to 5.20 percent.
- The discount rate was changed from 4.20 percent to 3.50 percent.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The expected long-term investment return was changed from 5.80 percent to 5.60 percent.
- The discount rate was changed from 4.40 percent to 4.20 percent.
- The healthcare trend rates, including the trend of lump sums payable to the Health Reimbursement Account, and the mortality tables were updated.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The expected long-term investment return was changed from 6.00 percent to 5.80 percent.
- The discount rate was changed from 4.10 percent to 4.40 percent.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.00 percent to 4.10 percent.
- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from RP-2000 projected to 2014 with Scale BB, to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.
- The withdrawal table for all employees and the retirement table for only employees eligible to retire under the Rule of 90 were also updated.

SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 12

Nonmajor Governmental Funds
Combining Balance Sheet
as of June 30, 2023

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	$ 2,583,188	$ 3,479,354	$ 6,062,542
Receivables			
Current taxes	–	398,910	398,910
Delinquent taxes	–	7,015	7,015
Accounts and interest	53,042	–	53,042
Due from other governmental units	–	185,974	185,974
Inventory	87,812	–	87,812
Total assets	$ 2,724,042	$ 4,071,253	$ 6,795,295
Liabilities			
Salaries and compensated absences payable	$ 4,022	$ 203,514	$ 207,536
Accounts and contracts payable	143,813	105,091	248,904
Unearned revenue	75,013	–	75,013
Total liabilities	222,848	308,605	531,453
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	–	5,719	5,719
Property taxes levied for subsequent year	–	657,316	657,316
Total deferred inflows of resources	–	663,035	663,035
Fund balances			
Nonspendable	87,812	–	87,812
Restricted	2,413,382	3,099,613	5,512,995
Total fund balances	2,501,194	3,099,613	5,600,807
Total liabilities, deferred inflows of resources, and fund balances	$ 2,724,042	$ 4,071,253	$ 6,795,295

INDEPENDENT SCHOOL DISTRICT NO. 12

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2023

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	$ –	$ 654,259	$ 654,259
Investment earnings	121,202	147,659	268,861
Other	2,001,176	4,548,371	6,549,547
State sources	161,059	459,549	620,608
Federal sources	1,933,497	199,107	2,132,604
Total revenue	4,216,934	6,008,945	10,225,879
Expenditures			
Current			
Food service	3,626,906	–	3,626,906
Community service	–	5,124,668	5,124,668
Capital outlay	471,838	3,652	475,490
Total expenditures	4,098,744	5,128,320	9,227,064
Net change in fund balances	118,190	880,625	998,815
Fund balances			
Beginning of year	2,383,004	2,218,988	4,601,992
End of year	$ 2,501,194	$ 3,099,613	$ 5,600,807

INDEPENDENT SCHOOL DISTRICT NO. 12

General Fund
Comparative Balance Sheet
as of June 30, 2023 and 2022

	2023	2022
Assets		
Cash and temporary investments	$ 55,117,738	$ 45,572,884
Receivables		
Current taxes	10,367,442	10,605,815
Delinquent taxes	164,053	151,659
Accounts and interest	308,311	54,496
Due from other governmental units	8,523,587	8,534,632
Due from other funds	1,021,287	1,430,023
Prepaid items	210,060	195,045
Total assets	$ 75,712,478	$ 66,544,554
Liabilities		
Salaries and compensated absences payable	$ 4,259,150	$ 4,441,012
Accounts and contracts payable	3,447,047	3,112,355
Due to other governmental units	463,760	367,080
Unearned revenue	63,002	59,291
Total liabilities	8,232,959	7,979,738
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	133,145	112,875
Property taxes levied for subsequent year	16,615,847	15,355,144
Total deferred inflows of resources	16,748,992	15,468,019
Fund balances		
Nonspendable for prepaid items	210,060	195,045
Restricted for student activities	130,990	160,022
Restricted for operating capital	4,333,699	3,245,404
Restricted for safe schools levy	262,880	269,309
Restricted for long-term facilities maintenance	7,334,453	6,246,146
Restricted for Medical Assistance	695,432	592,891
Assigned for learner activities	281,562	302,853
Assigned for alternative compensation	635,698	717,042
Assigned for district projects	4,843,823	3,127,890
Assigned for budget carryover	823,309	766,254
Assigned for class size reduction	2,658,947	1,608,271
Assigned for technology	3,850,476	3,971,512
Assigned for special education	1,043,491	500,000
Assigned for severance benefits payable	2,025,626	803,669
Assigned for special education maintenance of effort	–	1,171,863
Assigned for concessions	20,367	18,632
Assigned for sponsorships and advertising	67,232	70,670
Assigned for net OPEB liability	–	609,719
Unassigned – disabled accessibility restricted account deficit	(140,000)	(112,595)
Unassigned	21,652,482	18,832,200
Total fund balances	50,730,527	43,096,797
Total liabilities, deferred inflows of resources, and fund balances	$ 75,712,478	$ 66,544,554

INDEPENDENT SCHOOL DISTRICT NO. 12

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023			2022
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 15,899,758	$ 15,893,303	$ (6,455)	$ 16,160,853
Investment earnings	–	1,715,934	1,715,934	91,528
Other	2,351,930	2,929,792	577,862	3,425,774
State sources	70,506,542	71,216,554	710,012	70,336,036
Federal sources	3,329,598	3,494,167	164,569	2,559,832
Total revenue	92,087,828	95,249,750	3,161,922	92,574,023
Expenditures				
Current				
Administration				
Salaries	2,200,472	2,219,606	19,134	2,231,578
Employee benefits	879,837	881,581	1,744	851,634
Purchased services	63,470	42,941	(20,529)	62,406
Supplies and materials	72,214	24,892	(47,322)	64,941
Capital expenditures	1,820	–	(1,820)	–
Other expenditures	77,270	67,586	(9,684)	60,553
Total administration	3,295,083	3,236,606	(58,477)	3,271,112
District support services				
Salaries	938,416	943,759	5,343	975,553
Employee benefits	428,751	449,275	20,524	452,660
Purchased services	437,020	413,498	(23,522)	215,402
Supplies and materials	111,120	48,863	(62,257)	140,411
Capital expenditures	99,088	6,650	(92,438)	9,213
Other expenditures	13,276	15,915	2,639	10,585
Total district support services	2,027,671	1,877,960	(149,711)	1,803,824
Elementary and secondary regular instruction				
Salaries	24,664,364	23,903,744	(760,620)	22,570,606
Employee benefits	10,517,502	9,737,930	(779,572)	9,563,980
Purchased services	2,298,636	1,734,614	(564,022)	1,599,309
Supplies and materials	1,695,070	1,984,060	288,990	1,062,039
Capital expenditures	107,212	388,977	281,765	590,651
Other expenditures	176,800	180,670	3,870	208,166
Total elementary and secondary regular instruction	39,459,584	37,929,995	(1,529,589)	35,594,751

(continued)

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023			2022
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	479,436	506,046	26,610	497,703
Employee benefits	168,882	192,368	23,486	202,373
Purchased services	173,860	161,222	(12,638)	294,996
Supplies and materials	76,901	67,460	(9,441)	69,175
Capital expenditures	–	–	–	10,000
Other expenditures	2,000	3,149	1,149	3,550
Total vocational education instruction	901,079	930,245	29,166	1,077,797
Special education instruction				
Salaries	12,632,468	12,466,677	(165,791)	12,239,089
Employee benefits	4,903,564	4,676,820	(226,744)	4,585,752
Purchased services	1,895,960	2,530,782	634,822	1,763,164
Supplies and materials	75,404	160,027	84,623	89,402
Other expenditures	70,000	68,115	(1,885)	71,596
Total special education instruction	19,577,396	19,902,421	325,025	18,749,003
Instructional support services				
Salaries	2,415,475	2,182,391	(233,084)	2,306,953
Employee benefits	870,513	743,275	(127,238)	829,460
Purchased services	323,978	156,358	(167,620)	258,431
Supplies and materials	703,836	959,135	255,299	809,231
Capital expenditures	100,000	84,935	(15,065)	236,517
Other expenditures	31,800	10,140	(21,660)	8,532
Total instructional support services	4,445,602	4,136,234	(309,368)	4,449,124
Pupil support services				
Salaries	1,089,585	1,067,418	(22,167)	949,014
Employee benefits	363,725	358,530	(5,195)	288,483
Purchased services	6,117,589	6,629,009	511,420	5,961,103
Supplies and materials	476,988	280,393	(196,595)	554,359
Other expenditures	5,814	6,341	527	6,636
Total pupil support services	8,053,701	8,341,691	287,990	7,759,595

(continued)

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023			2022
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	2,965,995	2,944,153	(21,842)	2,758,582
Employee benefits	1,449,981	1,357,873	(92,108)	1,315,034
Purchased services	3,054,949	2,916,963	(137,986)	2,707,680
Supplies and materials	506,986	654,934	147,948	468,412
Capital expenditures	3,235,218	2,090,650	(1,144,568)	1,407,425
Other expenditures	30,774	29,799	(975)	31,605
Total sites and buildings	11,243,903	9,994,372	(1,249,531)	8,688,738
Fiscal and other fixed cost programs				
Purchased services	412,500	376,058	(36,442)	315,490
Debt service				
Principal	767,166	874,843	107,677	801,302
Interest and fiscal charges	287,481	295,706	8,225	377,134
Total debt service	1,054,647	1,170,549	115,902	1,178,436
Total expenditures	90,471,166	87,896,131	(2,575,035)	82,887,870
Excess of revenue over expenditures	1,616,662	7,353,619	5,736,957	9,686,153
Other financing sources				
Sale of capital assets	–	28,746	28,746	–
Debt issued	–	251,365	251,365	511,791
Total other financing sources	–	280,111	280,111	511,791
Net change in fund balances	$ 1,616,662	7,633,730	$ 6,017,068	10,197,944
Fund balances				
Beginning of year		43,096,797		32,898,853
End of year		$ 50,730,527		$ 43,096,797

INDEPENDENT SCHOOL DISTRICT NO. 12

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2023 and 2022

	2023	2022
Assets		
Cash and temporary investments	$ 2,583,188	$ 2,383,981
Receivables		
Accounts and interest	53,042	34,829
Due from other governmental units	–	170,245
Inventory	87,812	81,837
Total assets	$ 2,724,042	$ 2,670,892
Liabilities		
Salaries and compensated absences payable	$ 4,022	$ 5,533
Accounts and contracts payable	143,813	71,544
Unearned revenue	75,013	210,811
Total liabilities	222,848	287,888
Fund balances		
Nonspendable for inventory	87,812	81,837
Restricted for food service	2,413,382	2,301,167
Total fund balances	2,501,194	2,383,004
Total liabilities and fund balances	$ 2,724,042	$ 2,670,892

INDEPENDENT SCHOOL DISTRICT NO. 12

Food Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023			2022
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ –	$ 121,202	$ 121,202	$ 2,565
Other – primarily meal sales	1,809,300	2,001,176	191,876	433,718
State sources	147,200	161,059	13,859	165,561
Federal sources	1,416,245	1,933,497	517,252	4,958,185
Total revenue	3,372,745	4,216,934	844,189	5,560,029
Expenditures				
Current				
Salaries	1,199,708	1,162,083	(37,625)	1,238,970
Employee benefits	477,464	443,184	(34,280)	465,738
Purchased services	142,720	236,894	94,174	93,661
Supplies and materials	1,766,145	1,772,554	6,409	2,160,016
Other expenditures	10,000	12,191	2,191	12,383
Capital outlay	250,000	471,838	221,838	–
Total expenditures	3,846,037	4,098,744	252,707	3,970,768
Net change in fund balances	$ (473,292)	118,190	$ 591,482	1,589,261
Fund balances				
Beginning of year		2,383,004		793,743
End of year		$ 2,501,194		$ 2,383,004

INDEPENDENT SCHOOL DISTRICT NO. 12

Community Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2023 and 2022

	2023	2022
Assets		
Cash and temporary investments	$ 3,479,354	$ 2,573,069
Receivables		
Current taxes	398,910	432,643
Delinquent taxes	7,015	6,501
Due from other governmental units	185,974	173,414
Total assets	$ 4,071,253	$ 3,185,627
Liabilities		
Salaries and compensated absences payable	$ 203,514	$ 190,349
Accounts and contracts payable	105,091	103,829
Unearned revenue	–	9,140
Total liabilities	308,605	303,318
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	5,719	5,018
Property taxes levied for subsequent year	657,316	658,303
Total deferred inflows of resources	663,035	663,321
Fund balances		
Restricted for community education programs	2,168,878	1,417,187
Restricted for early childhood family education programs	675,605	547,798
Restricted for school readiness	214,686	214,991
Restricted for community service	40,444	39,012
Total fund balances	3,099,613	2,218,988
Total liabilities, deferred inflows of resources, and fund balances	$ 4,071,253	$ 3,185,627

INDEPENDENT SCHOOL DISTRICT NO. 12

Community Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023			2022
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 658,152	$ 654,259	$ (3,893)	$ 677,623
Investment earnings	–	147,659	147,659	3,711
Other – primarily tuition and fees	3,668,000	4,548,371	880,371	4,021,311
State sources	458,923	459,549	626	417,725
Federal sources	–	199,107	199,107	449,683
Total revenue	4,785,075	6,008,945	1,223,870	5,570,053
Expenditures				
Current				
Salaries	3,035,354	3,105,262	69,908	2,922,548
Employee benefits	862,047	811,578	(50,469)	825,999
Purchased services	751,899	1,023,698	271,799	812,932
Supplies and materials	164,161	182,052	17,891	179,207
Other expenditures	2,626	2,078	(548)	2,188
Capital outlay	37,251	3,652	(33,599)	29,275
Total expenditures	4,853,338	5,128,320	274,982	4,772,149
Net change in fund balances	$ (68,263)	880,625	$ 948,888	797,904
Fund balances				
Beginning of year		2,218,988		1,421,084
End of year		$ 3,099,613		$ 2,218,988

INDEPENDENT SCHOOL DISTRICT NO. 12

Capital Projects – Building Construction Fund
Comparative Balance Sheet
as of June 30, 2023 and 2022

	2023	2022
Assets		
Cash and investments held by trustee	$ –	$ 913,680
Liabilities		
Accounts and contracts payable	$ –	$ 325,513
Due to other funds	–	212,306
Total liabilities	–	537,819
Fund balances		
Restricted for projects funded by certificates of participation	–	375,861
Total liabilities and fund balances	$ –	$ 913,680

INDEPENDENT SCHOOL DISTRICT NO. 12

Capital Projects – Building Construction Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023			2022
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ –	$ 4,890	$ 4,890	$ 2,007
Expenditures				
Capital outlay				
Purchased services	–	–	–	396,322
Supplies and materials	–	–	–	138,267
Capital expenditures	375,861	380,751	4,890	6,347,863
Total expenditures	375,861	380,751	4,890	6,882,452
Net change in fund balances	$ (375,861)	(375,861)	$ –	(6,880,445)
Fund balances				
Beginning of year		375,861		7,256,306
End of year		$ –		$ 375,861

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Debt Service Fund
Balance Sheet by Account
as of June 30, 2023
(With Comparative Totals as of June 30, 2022)

	Regular Debt Service Account	OPEB Debt Service Account	Totals 2023	Totals 2022
Assets				
Cash and temporary investments	$ 5,392,435	$ 806,272	$ 6,198,707	$ 5,536,800
Cash and investments held by trustee	55,406,174	–	55,406,174	58,046,699
Receivables				
Current taxes	4,524,237	1,007,881	5,532,118	6,125,446
Delinquent taxes	92,231	6,705	98,936	92,061
Accounts and interest	346,734	–	346,734	343,885
Due from other governmental units	1,235	6	1,241	1,110
Total assets	$ 65,763,046	$ 1,820,864	$ 67,583,910	$ 70,146,001
Liabilities				
Accounts and contracts payable	$ 2,800	$ –	$ 2,800	$ –
Deferred inflows of resources				
Unavailable revenue – delinquent taxes	75,195	5,478	80,673	70,163
Property taxes levied for subsequent year	7,455,104	1,660,792	9,115,896	9,320,254
Total deferred inflows of resources	7,530,299	1,666,270	9,196,569	9,390,417
Fund balances				
Restricted for bond refundings	55,752,908	–	55,752,908	58,390,584
Restricted for debt service	2,477,039	154,594	2,631,633	2,365,000
Total fund balances	58,229,947	154,594	58,384,541	60,755,584
Total liabilities, deferred inflows of resources, and fund balances	$ 65,763,046	$ 1,820,864	$ 67,583,910	$ 70,146,001

INDEPENDENT SCHOOL DISTRICT NO. 12

Debt Service Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account
Budget and Actual
Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023			
		Actual		
	Budget	Regular Debt Service Account	OPEB Debt Service Account	Total
Revenue				
Local sources				
Property taxes	$ 9,319,819	$ 8,654,088	$ 609,390	$ 9,263,478
Investment earnings	–	1,106,996	27,957	1,134,953
State sources	–	12,347	62	12,409
Total revenue	9,319,819	9,773,431	637,409	10,410,840
Expenditures				
Debt service				
Principal	8,085,000	7,740,000	345,000	8,085,000
Interest	2,368,133	2,091,974	276,159	2,368,133
Fiscal charges and other	18,000	7,750	1,000	8,750
Total expenditures	10,471,133	9,839,724	622,159	10,461,883
Excess (deficiency) of revenue over expenditures	(1,151,314)	(66,293)	15,250	(51,043)
Other financing sources (uses)				
Refunding debt issued	–	–	–	–
Payment on refunded debt	(2,320,000)	(2,320,000)	–	(2,320,000)
Total other financing sources (uses)	(2,320,000)	(2,320,000)	–	(2,320,000)
Net change in fund balance	$ (3,471,314)	(2,386,293)	15,250	(2,371,043)
Fund balances				
Beginning of year		60,616,240	139,344	60,755,584
End of year		$ 58,229,947	$ 154,594	$ 58,384,541

	2022
Over (Under) Budget	Actual
$ (56,341)	$ 9,317,587
1,134,953	353,775
12,409	11,112
1,091,021	9,682,474
–	7,915,000
–	1,381,039
(9,250)	586,509
(9,250)	9,882,548
1,100,271	(200,074)
–	58,660,000
–	–
–	58,660,000
$ 1,100,271	58,459,926
	2,295,658
	$ 60,755,584

Internal Service Funds
Combining Statement of Net Position
as of June 30, 2023
(With Comparative Totals as of June 30, 2022)

	Health Benefits Self-Insurance	Dental Self-Insurance	Totals 2023	Totals 2022
Assets				
Current assets				
Cash and temporary investments	$ 4,875,163	$ 271,947	$ 5,147,110	$ 5,464,113
Receivables				
Accounts and interest	381,051	–	381,051	281,716
Prepaid items	98,456	–	98,456	–
Total current assets	5,354,670	271,947	5,626,617	5,745,829
Liabilities				
Current liabilities				
Accounts payable	303,610	–	303,610	–
Claims incurred, but not reported	662,000	10,000	672,000	756,000
Total current liabilities	965,610	10,000	975,610	756,000
Net position				
Unrestricted	$ 4,389,060	$ 261,947	$ 4,651,007	$ 4,989,829

Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	Health Benefits Self-Insurance	Dental Self-Insurance	Totals 2023	Totals 2022
Operating revenue				
Charges for services	$ 10,998,821	$ 458,026	$ 11,456,847	$ 11,306,791
Operating expenses				
Health claims and fees	11,509,006	–	11,509,006	10,180,106
Dental claims and fees	–	543,297	543,297	462,643
Total operating expenses	11,509,006	543,297	12,052,303	10,642,749
Operating income (loss)	(510,185)	(85,271)	(595,456)	664,042
Nonoperating revenue				
Investment earnings	241,783	14,851	256,634	10,715
Change in net position	(268,402)	(70,420)	(338,822)	674,757
Net position				
Beginning of year	4,657,462	332,367	4,989,829	4,315,072
End of year	$ 4,389,060	$ 261,947	$ 4,651,007	$ 4,989,829

INDEPENDENT SCHOOL DISTRICT NO. 12

Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	Health Benefits Self-Insurance	Dental Self-Insurance	Totals 2023	Totals 2022
Cash flows from operating activities				
Received from assessments made to other funds	$ 10,899,486	$ 458,026	$ 11,357,512	$ 9,760,040
Health claims and fees payments	(11,393,852)	–	(11,393,852)	(10,062,106)
Dental claims and fees payments	–	(537,297)	(537,297)	(476,807)
Net cash flows from operating activities	(494,366)	(79,271)	(573,637)	(778,873)
Cash flows from investing activities				
Interest received on investments	241,783	14,851	256,634	10,715
Net change in cash and cash equivalents	(252,583)	(64,420)	(317,003)	(768,158)
Cash and temporary investments				
Beginning of year	5,127,746	336,367	5,464,113	6,232,271
End of year	$ 4,875,163	$ 271,947	$ 5,147,110	$ 5,464,113
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	$ (510,185)	$ (85,271)	$ (595,456)	$ 664,042
Adjustment to reconcile operating income (loss) to net cash flows from operating activities				
Changes in assets and liabilities				
Accounts and interest receivable	(99,335)	–	(99,335)	(65,732)
Prepaid items	(98,456)	–	(98,456)	–
Accounts payable	303,610	–	303,610	–
Claims incurred, but not reported	(90,000)	6,000	(84,000)	103,836
Unearned revenue	–	–	–	(1,481,019)
Net cash flows from operating activities	$ (494,366)	$ (79,271)	$ (573,637)	$ (778,873)

OTHER DISTRICT INFORMATION

(UNAUDITED)

INDEPENDENT SCHOOL DISTRICT NO. 12

Changes in and Components of Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2014	2015	2016	2017
Changes in net position – governmental activities				
Expenses				
Administration	$ 2,939,148	$ 3,053,108	$ 3,215,420	$ 4,339,111
District support services	3,298,489	3,544,069	3,516,007	4,067,576
Elementary and secondary regular instruction	28,911,845	31,705,124	33,215,546	50,028,053
Vocational education instruction	722,923	692,861	795,229	967,130
Special education instruction	14,522,294	15,792,250	17,552,161	23,909,549
Instructional support services	2,087,731	2,425,659	2,380,984	2,944,421
Pupil support services	6,228,303	6,501,927	6,508,758	7,124,878
Sites and buildings	6,562,439	7,035,863	5,687,353	7,450,111
Fiscal and other fixed cost programs	213,203	228,124	380,958	230,873
Food service	3,022,469	3,076,840	3,180,165	3,346,776
Community service	3,275,780	3,102,767	3,521,728	4,464,764
Depreciation/amortization not included in other functions	3,196,968	3,213,380	3,648,481	3,252,183
Interest and fiscal charges	1,872,940	3,399,739	3,250,044	3,647,286
Total expenses	76,854,532	83,771,711	86,852,834	115,772,711
Revenues				
Program revenues				
Charges for services	5,929,044	5,808,928	6,379,371	6,210,480
Operating grants and contributions	13,013,393	15,103,012	15,433,397	16,397,531
General revenues				
Property taxes	13,089,226	16,925,342	16,626,909	17,107,604
General grants and aids	49,253,332	47,753,060	49,450,433	52,565,301
Investment earnings and other	843,133	1,198,366	1,449,369	2,395,945
Total revenues	82,128,128	86,788,708	89,339,479	94,676,861
Change in net position	$ 5,273,596	$ 3,016,997	$ 2,486,645	$ (21,095,850)
Components of net position – governmental activities				
Net investment in capital assets	$ 25,342,179	$ 27,366,979	$ 31,815,679	$ 29,790,809
Restricted	3,459,014	3,472,472	3,145,795	3,416,948
Unrestricted	(3,271,496)	(47,663,240)	(49,298,618)	(73,406,107)
Total net position	$ 25,529,697	$ (16,823,789)	$ (14,337,144)	$ (40,198,350)

Note 1: The change in “tax shift,” as approved in legislation, impacted the amount of tax revenue recognized in fiscal year 2014. Changes in the amount of revenue recognized, due to the tax shift, are offset by an adjustment to state aid payments by an equal amount.

Note 2: The District implemented GASB Statement No. 68 in fiscal 2015. The District reported a change in accounting principle as a result of implementing this standard, that decreased unrestricted net position by $45,370,483.

Note 3: In fiscal 2017, the District reported a prior period adjustment and a change in accounting principle as required with the new standards, that decreased net position by a combined total of $4,765,356.

Note 4: The District implemented GASB Statement No. 84 in fiscal 2020. The District reported a change in accounting principle as a result of implementing this standard, that increased unrestricted net position by $155,195.

2018	2019	2020	2021	2022	2023
$ 3,896,144	$ 2,320,139	$ 3,475,205	$ 3,990,923	$ 2,740,270	$ 2,436,265
3,545,262	3,307,931	3,521,744	1,507,029	1,551,255	2,013,186
43,262,744	21,428,949	36,828,963	37,464,548	32,421,316	27,996,467
1,060,852	688,735	1,022,428	1,163,439	1,010,157	685,680
22,406,193	14,612,480	20,782,804	19,273,374	17,530,375	15,688,515
2,772,236	1,761,107	2,368,975	5,315,340	4,255,983	3,584,691
7,391,101	7,142,282	6,827,030	6,709,885	7,672,042	8,060,107
7,083,908	7,619,549	7,874,536	6,424,138	7,039,527	9,026,155
242,979	261,422	273,901	298,296	315,490	376,058
3,299,840	3,195,028	3,394,870	3,196,521	3,848,612	3,839,148
4,627,273	4,284,247	4,792,378	4,256,675	4,535,684	4,955,327
4,013,919	4,295,107	4,215,358	4,278,316	4,976,798	5,095,416
3,034,689	3,472,948	3,088,339	3,247,971	4,054,810	3,915,107
106,637,140	74,389,924	98,466,531	97,126,455	91,952,319	87,672,122
6,745,449	7,185,689	5,681,840	3,849,973	5,768,956	7,873,550
16,840,789	17,240,617	20,401,762	22,525,651	23,884,474	19,714,147
15,985,460	17,994,243	24,409,668	25,758,108	26,154,496	25,842,521
51,971,877	50,334,809	54,064,056	56,682,845	54,735,615	58,039,436
2,217,483	2,695,231	2,798,970	1,467,114	2,576,148	5,015,807
93,761,058	95,450,589	107,356,296	110,283,691	113,119,689	116,485,461
$ (12,876,082)	$ 21,060,665	$ 8,889,765	$ 13,157,236	$ 21,167,370	$ 28,813,339
$ 32,315,862	$ 31,559,639	$ 34,579,960	$ 38,539,157	$ 41,830,688	$ 45,451,762
2,314,291	5,731,631	7,879,104	11,422,521	16,203,497	19,443,630
(87,704,585)	(69,305,037)	(65,427,871)	(59,773,249)	(46,678,386)	(24,726,254)
$ (53,074,432)	$ (32,013,767)	$ (22,968,807)	$ (9,811,571)	$ 11,355,799	$ 40,169,138

INDEPENDENT SCHOOL DISTRICT NO. 12

Operating Funds Expenditures by Function (1) (4)
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Instruction (2)	Community Education and Services
2014	$ 2,831,232	$ 3,412,791	$ 44,837,578	$ 3,275,780
	3.84%	4.63%	60.83%	4.44%
2015	3,083,550	3,530,458	48,907,948	3,139,213
	3.84%	4.40%	60.98%	3.91%
2016	3,122,090	3,419,808	51,745,950	3,505,727
	3.75%	4.11%	62.21%	4.21%
2017	3,185,216	3,485,707	51,441,990	3,937,369
	3.84%	4.20%	61.94%	4.74%
2018	3,154,461	3,354,201	53,296,575	4,339,696
	3.60%	3.83%	60.88%	4.96%
2019	3,204,342	3,481,885	53,957,549	4,729,226
	3.70%	4.02%	62.36%	5.47%
2020	3,308,145	3,497,703	55,506,569	4,805,165
	3.70%	3.92%	62.15%	5.38%
2021	3,349,613	1,825,898	56,695,290	4,282,064
	3.73%	2.03%	63.06%	4.76%
2022	3,271,112	1,803,824	55,421,551	4,772,149
	3.57%	1.97%	60.48%	5.21%
2023	3,236,606	1,877,960	58,762,661	5,128,320
	3.33%	1.93%	60.50%	5.28%

(1) Operating funds include the General Fund, Food Service Special Revenue Fund, and Community Service Special Revenue Fund.

(2) Includes elementary and secondary regular, vocational education, and special education instruction.

(3) Includes food service.

(4) Capital expenditures are included by function.

Instructional Support Services	Pupil Support Services (3)	Sites and Buildings	Debt Service, Fiscal, and Other Fixed Cost Programs	Total
$ 2,060,042	$ 9,217,576	$ 7,074,976	$ 1,006,978	$ 73,716,953
2.79%	12.50%	9.60%	1.37%	100.00%
2,454,988	9,574,192	8,374,178	1,144,093	80,208,620
3.06%	11.94%	10.44%	1.43%	100.00%
2,472,550	9,647,051	8,212,068	1,061,342	83,186,586
2.97%	11.60%	9.87%	1.28%	100.00%
2,266,139	9,810,225	7,623,124	1,291,385	83,041,155
2.73%	11.81%	9.18%	1.56%	100.00%
2,369,486	10,363,428	9,403,919	1,259,012	87,540,778
2.71%	11.84%	10.74%	1.44%	100.00%
2,278,271	10,758,476	7,333,568	781,010	86,524,327
2.63%	12.44%	8.48%	0.90%	100.00%
2,274,251	10,317,706	8,816,363	790,959	89,316,861
2.55%	11.54%	9.87%	0.89%	100.00%
4,501,438	9,901,689	8,543,301	813,354	89,912,647
5.01%	11.01%	9.50%	0.90%	100.00%
4,449,124	11,730,363	8,688,738	1,493,926	91,630,787
4.86%	12.80%	9.48%	1.63%	100.00%
4,136,234	12,440,435	9,994,372	1,546,607	97,123,195
4.26%	12.81%	10.29%	1.60%	100.00%

INDEPENDENT SCHOOL DISTRICT NO. 12

Operating Funds Revenue by Source (1)
Last Ten Fiscal Years

Year Ended June 30,	Local Property Tax Levies	Other Local and County Revenues (3)	Revenue From State Sources (2)	Revenue From Federal Sources	Total
2014	$ 5,460,386	$ 6,770,754	$ 59,030,112	$ 3,117,008	$ 74,378,260
	7.34%	9.10%	79.37%	4.19%	100.00%
2015	10,383,775	7,099,972	59,953,457	2,811,204	80,248,408
	12.94%	8.85%	74.71%	3.50%	100.00%
2016	9,524,448	7,555,965	62,099,432	2,783,238	81,963,083
	11.62%	9.22%	75.76%	3.40%	100.00%
2017	10,209,771	8,123,299	64,012,192	2,677,799	85,023,061
	12.01%	9.55%	75.29%	3.15%	100.00%
2018	10,135,339	8,713,687	65,879,861	2,960,008	87,688,895
	11.56%	9.94%	75.12%	3.38%	100.00%
2019	10,960,274	9,485,169	67,447,666	2,819,496	90,712,605
	12.08%	10.46%	74.35%	3.11%	100.00%
2020	15,465,160	7,555,183	70,838,649	3,601,530	97,460,522
	15.87%	7.75%	72.68%	3.70%	100.00%
2021	16,102,488	5,239,937	70,924,120	8,165,997	100,432,542
	16.03%	5.22%	70.62%	8.13%	100.00%
2022	16,838,476	7,978,607	70,919,322	7,967,700	103,704,105
	16.24%	7.69%	68.39%	7.68%	100.00%
2023	16,547,562	11,464,134	71,837,162	5,626,771	105,475,629
	15.69%	10.87%	68.11%	5.33%	100.00%

(1) Operating funds include the General Fund, Food Service Special Revenue Fund, and Community Service Special Revenue Fund.

(2) The revenue formula allocation between levy revenue and state aids is established annually by state statutes. The change in the allocation percentage would not impact total revenues. The change in "tax shift," as approved in legislation, impacted the amount of tax revenue recognized in fiscal year 2014. Changes in the amount of revenue recognized, due to the tax shift, are offset by an adjustment to state aid payments by an equal amount.

(3) Includes interest earnings.

INDEPENDENT SCHOOL DISTRICT NO. 12

Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Tax Collection Year	Assessor's Estimated Market Value	Tax Capacity	Percent Net Tax Capacity to Estimated Market Value
2014	$ 2,326,717,800	$ 26,178,760	1.13 %
2015	2,625,259,600	29,814,881	1.14
2016	2,686,977,500	30,542,292	1.14
2017	2,880,559,100	33,172,805	1.15
2018	3,136,397,900	35,862,266	1.14
2019	3,360,382,600	38,536,228	1.15
2020	3,653,032,759	42,110,317	1.15
2021	3,921,509,724	45,479,432	1.16
2022	4,098,165,558	47,053,418	1.15
2023	4,958,397,300	56,098,974	1.13

Note: A portion of the tax levy is spread on market value and a portion on tax capacity.

Source: Anoka County

INDEPENDENT SCHOOL DISTRICT NO. 12

School Tax Levies and Tax Rates by Fund
Last Ten Fiscal Years

	Year Collectible	General Fund	Community Service Special Revenue Fund	Debt Service Fund	Total
Levies	2014	$ 9,885,301	$ 413,876	$ 6,605,581	$ 16,904,758
	2015	8,931,629	438,563	7,140,214	16,510,406
	2016	9,712,724	424,596	6,943,646	17,080,966
	2017	9,528,279	581,697	5,912,128	16,022,104
	2018	10,306,995	595,941	7,104,641	18,007,577
	2019	14,708,976	633,096	8,898,626	24,240,698
	2020	15,267,321	645,126	9,676,278	25,588,725
	2021	15,839,284	678,902	9,332,954	25,851,140
	2022	16,079,159	658,303	9,320,254	26,057,716
	2023	17,131,287	657,316	9,115,896	26,904,499
Tax Capacity Rate (1)	2014	20.495	1.568	24.123	46.186
	2015	11.190	1.454	23.918	36.562
	2016	12.520	1.379	22.527	36.426
	2017	10.255	1.817	17.025	29.097
	2018	13.061	1.636	20.273	34.970
	2019	10.780	1.644	23.560	35.984
	2020	9.660	1.514	22.885	34.059
	2021	9.791	1.477	20.304	31.572
	2022	9.914	1.396	19.764	31.074
	2023	8.193	1.143	15.852	25.188
Market Value Rate	2014	0.16261	–	–	0.16261
	2015	0.16627	–	–	0.16627
	2016	0.18997	–	–	0.18997
	2017	0.17495	–	–	0.17495
	2018	0.15137	–	–	0.15137
	2019	0.28318	–	–	0.28318
	2020	0.25716	–	–	0.25716
	2021	0.24786	–	–	0.24786
	2022	0.23695	–	–	0.23695
	2023	0.21941	–	–	0.21941

(1) Tax capacity rate is a percent of the adjusted net tax capacity. A property's net tax capacity is determined by multiplying its taxable market value by a state determined class rate. Class rates vary by property type and change periodically based on state legislation.

Source: Anoka County

INDEPENDENT SCHOOL DISTRICT NO. 12

Student Enrollment
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (for Students Served or Tuition Paid) Handicapped and Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	Total Pupil Units
2014	61.17	369.37	2,851.50	3,079.34	6,361.38	7,397.63
2015	89.99	430.93	2,832.85	3,039.80	6,393.57	7,001.54
2016	101.92	380.16	2,871.49	3,034.89	6,388.46	6,995.41
2017	101.10	400.69	2,884.30	3,112.85	6,498.94	7,121.51
2018	99.10	416.77	2,959.73	3,084.57	6,560.17	7,177.08
2019	123.46	400.02	2,979.66	3,072.79	6,575.93	7,190.45
2020	122.59	440.45	2,993.68	3,097.59	6,654.31	7,273.83
2021	129.07	350.16	2,934.89	3,074.24	6,488.36	7,103.21
2022	138.24	416.43	2,901.47	3,027.05	6,483.19	7,088.59
2023	146.20	381.04	3,000.31	2,941.87	6,469.42	7,057.82

Note 1: Student enrollment numbers are estimated for the most recent fiscal year.

Note 2: ADM is weighted as follows in computing pupil units:

	Pre-Kindergarten	Handicapped Kindergarten	Half-Day Kindergarten	Full-Day Kindergarten	Elementary 1–3	Elementary 4–6	Secondary
Fiscal 2014	1.250	1.000	0.612	0.612	1.115	1.060	1.300
Fiscal 2015 through 2023	1.000	1.000	0.550	1.000	1.000	1.000	1.200

Source: Minnesota Department of Education student reporting system

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SINGLE AUDIT AND OTHER REQUIRED REPORTS

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INDEPENDENT SCHOOL DISTRICT NO. 12

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal ALN	Federal Expenditures		
U.S. Department of Agriculture				
Passed through Minnesota Department of Education				
Child nutrition cluster				
School Breakfast Program	10.553		$ 188,443	
National School Lunch Program	10.555		1,740,090	
Special Milk Program for Children	10.556		1,799	
Summer Food Service Program for Children	10.559		3,164	
Total child nutrition cluster				$ 1,933,496
COVID-19 – Pandemic EBT Administrative Costs	10.649			3,135
U.S. Department of the Treasury				
Passed through Minnesota Department of Education				
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027			328,720
U.S. Department of Education				
Direct				
Indian Education Grants to Local Educational Agencies	84.060			21,552
Passed through Minnesota Department of Education				
Title I Grants to Local Educational Agencies	84.010			384,227
Special education cluster				
Special Education Grants to States	84.027	$ 824,970		
COVID-19 – Special Education Grants to States	84.027	222,442		
Total ALN 84.027			1,047,412	
Special Education Preschool Grants	84.173	44,876		
COVID-19 – Special Education Preschool Grants	84.173	16,292		
Total ALN 84.173			61,168	
Total special education cluster				1,108,580
Special Education – Grants for Infants and Families	84.181			29,372
English Language Acquisition State Grants	84.365			23,987
Supporting Effective Instruction State Grants	84.367			70,850
Education Stabilization Fund				
COVID-19 – American Rescue Plan – Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U		1,377,762	
COVID-19 – American Rescue Plan – Elementary and Secondary School Emergency Relief – Homeless Children and Youth Fund	84.425W		10,116	
Total ALN 84.425				1,387,878
Passed through Intermediate School District No. 916				
Career and Technical Education – Basic Grants to States	84.048			11,659
U.S. Department of Health and Human Services				
Passed through Minnesota Department of Education				
COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			160,915
Passed through Minnesota Department of Human Services				
Child Care and Development Fund cluster				
COVID-19 – Child Care and Development Block Grant	93.575			162,400
Total federal awards				$ 5,626,771

Note 1: The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the District's basic financial statements.

Note 2: The pass-through entities listed above use the same federal Assistance Listing Numbers (ALN) as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.

Note 3: The District did not elect to use the 10 percent de minimis indirect cost rate.

Note 4: The District had $256,200 of noncash assistance included in the National School Lunch Program, federal ALN 10.555.

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

To the School Board and Management of
Independent School District No. 12
Circle Pines, 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. 12 (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 6, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

(continued)

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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*.

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 report is not suitable for any other purpose.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
November 6, 2023

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

To the School Board and Management of
Independent School District No. 12
Circle Pines, Minnesota

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

QUALIFIED AND UNMODIFIED OPINIONS

We have audited Independent School District No. 12's (the District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

QUALIFIED OPINION ON SPECIAL EDUCATION CLUSTER (INCLUDING COVID-19 FUNDING) – FEDERAL ALN 84.027 AND 84.173 AND COVID-19 – CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS – FEDERAL ALN 21.027

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Special Education Cluster (Including COVID-19 Funding) – Federal ALN 84.027 and 84.173 and COVID-19 – Coronavirus State and Local Fiscal Recovery Funds – Federal ALN 21.027 for the year ended June 30, 2023.

UNMODIFIED OPINION ON EACH OF THE OTHER MAJOR FEDERAL PROGRAMS

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2023.

(continued)

BASIS FOR QUALIFIED AND UNMODIFIED OPINIONS

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

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

MATTER(S) GIVING RISE TO QUALIFIED OPINION ON SPECIAL EDUCATION CLUSTER (INCLUDING COVID-19 FUNDING) – FEDERAL ALN 84.027 AND 84.173 AND COVID-19 – CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS – FEDERAL ALN 21.027

As described in the accompanying Schedule of Findings and Questioned Costs in finding 2023-001, the District did not comply with requirements regarding procurement, suspension, and debarment for the Special Education Cluster (Including COVID-19 Funding) – Federal ALN 84.027 and 84.173 and COVID-19 – Coronavirus State and Local Fiscal Recovery Funds – Federal ALN 21.027.

Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to these programs.

RESPONSIBILITIES OF MANAGEMENT FOR COMPLIANCE

Management is responsible for compliance with the requirements referred to on the previous page 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 on the previous page occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to on the previous page 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.

(continued)

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

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

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to on the previous page 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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section on the previous page, 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a material weakness.

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding 2023-001 to be a material weakness.

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.

(continued)

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance finding identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
November 6, 2023

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INDEPENDENT AUDITOR'S REPORT

ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of
Independent School District No. 12
Circle Pines, 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. 12 (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 6, 2023.

MINNESOTA LEGAL COMPLIANCE

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards 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.

PURPOSE OF THIS REPORT

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

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
November 6, 2023

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Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

A. SUMMARY OF AUDIT RESULTS

This summary is formatted to provide federal granting agencies and pass-through agencies answers to specific questions regarding the audit of federal awards.

Financial Statements

What type of auditor's report is issued?	X	Unmodified	
	___	Qualified	
	___	Adverse	
	___	Disclaimer	
Internal control over financial reporting:			
Material weakness(es) identified?	___ Yes		X No
Significant deficiency(ies) identified?	___ Yes		X None reported
Noncompliance material to the financial statements noted?	___ Yes		X No

Federal Awards

Internal controls over major federal award programs:		
Material weakness(es) identified?	X Yes	___ No
Significant deficiency(ies) identified?	___ Yes	X None reported

Type of auditor's report issued on compliance for major programs?

U.S. Department of the Treasury – COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	Qualified
U.S. Department of Education – Special education cluster	Qualified
U.S. Department of Education – COVID-19 – Education Stabilization Fund	Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	X Yes	___ No

Programs tested as major programs:

Program or Cluster(s)	Federal ALN
U.S. Department of the Treasury –	
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027
U.S. Department of Education – Special education cluster consisting of:	
Special Education Grants to States	84.027
COVID-19 – Special Education Grants to States	84.027
Special Education Preschool Grants	84.173
COVID-19 – Special Education Preschool Grants	84.173
U.S. Department of Education – Education Stabilization Fund consisting of:	
COVID-19 – American Rescue Plan – Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U
COVID-19 – American Rescue Plan – Elementary and Secondary School Emergency Relief – Homeless Children and Youth Fund	84.425W

Threshold for distinguishing type A and B programs.	$ 750,000	
Does the auditee qualify as a low-risk auditee?	X Yes	___ No

B. FINANCIAL STATEMENT FINDINGS IN INTERNAL CONTROL OVER FINANCIAL REPORTING

None.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE AND MATERIAL NONCOMPLIANCE – U.S. DEPARTMENT OF EDUCATION, PASSED THROUGH MINNESOTA DEPARTMENT OF EDUCATION, SPECIAL EDUCATION CLUSTER (INCLUDING COVID-19 FUNDING) – FEDERAL ALN 84.027 AND 84.173 AND – U.S. DEPARTMENT OF THE TREASURY, PASSED THROUGH MINNESOTA DEPARTMENT OF EDUCATION, COVID-19 – CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS – FEDERAL ALN 21.027

2023-001 Internal Control Over Compliance and Material Noncompliance With Federal Procurement, Suspension, and Debarment Requirements

Criteria – 2 CFR § 180.425-430 and 2 CFR § 200.318-327 requires Independent School District No. 12 (the District) to establish and maintain effective internal control over compliance with requirements applicable to federal program expenditures, including procurement, suspension, and debarment requirements applicable to the special education cluster and coronavirus state and local fiscal recovery funds federal programs.

Condition – During our audit, we noted the District did not have sufficient controls in place resulting in material noncompliance within its special education cluster and coronavirus state and local fiscal recovery funds federal programs to ensure compliance with federal procurement requirements related to methods of procurement and to assure that it was not contracting for goods or services with parties that are suspended or debarred, or whose principals are suspended or debarred from participating in contracts involving the expenditures of federal program funds.

Questioned Costs – None.

Context – For three of three vendors exceeding the micro-purchase threshold, the District did not document procurement policy and Uniform Guidance requirements related to methods of procurement and a proper documentation of suspension and debarment testing was not maintained to ensure compliance with this requirement in the current year. This was not a statistically valid sample.

Repeat Finding – This is a current year finding.

Cause – This was an oversight by district personnel, due in part, to staff turnover.

Effect – Noncompliance with procurement, suspension, and debarment requirements could result in the District expending federal funds inappropriately or utilizing vendors that are not eligible to be parties to such transactions, which could be viewed as a violation of the award agreement.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE AND MATERIAL NONCOMPLIANCE – U.S. DEPARTMENT OF EDUCATION, PASSED THROUGH MINNESOTA DEPARTMENT OF EDUCATION, SPECIAL EDUCATION CLUSTER (INCLUDING COVID-19 FUNDING) – FEDERAL ALN 84.027 AND 84.173 AND – U.S. DEPARTMENT OF THE TREASURY, PASSED THROUGH MINNESOTA DEPARTMENT OF EDUCATION, COVID-19 – CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS – FEDERAL ALN 21.027 (CONTINUED)

2023-001 Internal Control Over Compliance and Material Noncompliance With Federal Procurement, Suspension, and Debarment Requirements (continued)

Recommendation – We recommend that the District review its internal control procedures relating to procurement, suspension, and debarment for the special education cluster and coronavirus state and local fiscal recovery funds federal programs. Internal controls over compliance should be in place to ensure compliance with federal procurement procedures, including awarding and documenting contracts based on sealed bids or quotations for the purchase of goods or services exceeding applicable federal dollar thresholds. Internal controls over compliance should also include verification that any vendor with which the District contracts for goods or services exceeding $25,000 is not listed as suspended or debarred on the federal Excluded Parties List System website.

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding. The District intends to review its policies and procedures relating to procurement, suspension, and debarment for its federal programs to ensure compliance with the Uniform Guidance in the future. The District has separately issued a Corrective Action Plan related to this finding.

D. MINNESOTA LEGAL COMPLIANCE FINDINGS

None.

INDEPENDENT SCHOOL DISTRICT NO. 12

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2023

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		$ 95,249,750	$ 95,249,750	$ –
Total expenditures		$ 87,896,131	$ 87,896,131	$ –
Nonspendable				
460	Nonspendable fund balance	$ 210,060	$ 210,060	$ –
Restricted				
401	Student activities	$ 130,990	$ 130,990	$ –
402	Scholarships	$ –	$ –	$ –
403	Staff development	$ –	$ –	$ –
407	Capital projects levy	$ –	$ –	$ –
408	Cooperative revenue	$ –	$ –	$ –
413	Projects funded by COP	$ –	$ –	$ –
414	Operating debt	$ –	$ –	$ –
416	Levy reduction	$ –	$ –	$ –
417	Taconite building maintenance	$ –	$ –	$ –
424	Operating capital	$ 4,333,699	$ 4,333,699	$ –
426	$25 taconite	$ –	$ –	$ –
427	Disabled accessibility	$ (140,000)	$ (140,000)	$ –
428	Learning and development	$ –	$ –	$ –
434	Area learning center	$ –	$ –	$ –
435	Contracted alternative programs	$ –	$ –	$ –
436	State approved alternative program	$ –	$ –	$ –
438	Gifted and talented	$ –	$ –	$ –
440	Teacher development and evaluation	$ –	$ –	$ –
441	Basic skills programs	$ –	$ –	$ –
448	Achievement and integration	$ –	$ –	$ –
449	Safe schools levy	$ 262,880	$ 262,880	$ –
451	QZAB payments	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
453	Unfunded severance and retirement levy	$ –	$ –	$ –
459	Basic skills extended time	$ –	$ –	$ –
467	Long-term facilities maintenance	$ 7,334,453	$ 7,334,453	$ –
472	Medical Assistance	$ 695,432	$ 695,432	$ –
464	Restricted fund balance	$ –	$ –	$ –
475	Title VII – Impact Aid	$ –	$ –	$ –
476	PILT	$ –	$ –	$ –
Committed				
418	Committed for separation	$ –	$ –	$ –
461	Committed fund balance	$ –	$ –	$ –
Assigned				
462	Assigned fund balance	$ 16,250,531	$ 16,250,531	$ –
Unassigned				
422	Unassigned fund balance	$ 21,652,482	$ 21,652,482	$ –
Food Service				
Total revenue		$ 4,216,934	$ 4,216,934	$ –
Total expenditures		$ 4,098,744	$ 4,098,744	$ –
Nonspendable				
460	Nonspendable fund balance	$ 87,812	$ 87,812	$ –
Restricted				
452	OPEB liability not in trust	$ –	$ –	$ –
464	Restricted fund balance	$ 2,413,382	$ 2,413,382	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Community Service				
Total revenue		$ 6,008,945	$ 6,008,947	$ (2)
Total expenditures		$ 5,128,320	$ 5,128,320	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
426	$25 taconite	$ –	$ –	$ –
431	Community education	$ 2,168,878	$ 2,168,878	$ –
432	ECFE	$ 675,605	$ 675,605	$ –
440	Teacher development and evaluation	$ –	$ –	$ –
444	School readiness	$ 214,686	$ 214,686	$ –
447	Adult basic education	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
464	Restricted fund balance	$ 40,444	$ 40,444	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

INDEPENDENT SCHOOL DISTRICT NO. 12

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2023

		Audit	UFARS	Audit – UFARS
Building Construction				
Total revenue		$ 4,890	$ 4,890	$ –
Total expenditures		$ 380,751	$ 380,751	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
407	Capital projects levy	$ –	$ –	$ –
413	Projects funded by COP	$ –	$ –	$ –
467	Long-term facilities maintenance	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Debt Service				
Total revenue		$ 9,773,431	$ 9,773,431	$ –
Total expenditures		$ 9,839,724	$ 9,839,724	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
425	Bond refundings	$ 55,752,908	$ 55,752,908	$ –
433	Maximum effort loan	$ –	$ –	$ –
451	QZAB payments	$ –	$ –	$ –
467	Long-term facilities maintenance	$ –	$ –	$ –
464	Restricted fund balance	$ 2,477,039	$ 2,477,039	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Trust				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
401	Student activities	$ –	$ –	$ –
402	Scholarships	$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
Custodial Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
401	Student activities	$ –	$ –	$ –
402	Scholarships	$ –	$ –	$ –
448	Achievement and integration	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
Internal Service				
Total revenue		$ 11,713,481	$ 11,713,481	$ –
Total expenditures		$ 12,052,303	$ 12,052,303	$ –
422	Net position	$ 4,651,007	$ 4,651,007	$ –
OPEB Revocable Trust Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
OPEB Irrevocable Trust Fund				
Total revenue		$ 642,186	$ 642,186	$ –
Total expenditures		$ 1,126,084	$ 1,126,084	$ –
422	Net position	$ 9,395,456	$ 9,395,456	$ –
OPEB Debt Service Fund				
Total revenue		$ 637,409	$ 637,409	$ –
Total expenditures		$ 622,159	$ 622,159	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
425	Bond refundings	$ –	$ –	$ –
464	Restricted fund balance	$ 154,594	$ 154,594	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

Note: Statutory restricted deficits, if any, are reported in unassigned fund balances in the financial statements in accordance with accounting principles generally accepted in the United States of America.

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