

**Independent School District No. 750
ROCORI Schools
Cold Spring, Minnesota**

Basic Financial Statements

June 30, 2023



Independent School District No. 750
ROCORI Schools
Table of Contents

| | |
|--|----|
| Board of Education and Administration | 1 |
| Independent Auditor's Report | 2 |
| Management's Discussion and Analysis | 5 |
| Basic Financial Statements | |
| Government-Wide Financial Statements | |
| Statement of Net Position | 18 |
| Statement of Activities | 19 |
| Fund Financial Statements | |
| Balance Sheet – Governmental Funds | 20 |
| Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds | 21 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | 22 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds | 23 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund | 24 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Food Service Special Revenue Fund | 25 |
| Statement of Fiduciary Net Position | 26 |
| Statement of Changes in Fiduciary Net Position | 26 |
| Notes to Basic Financial Statements | 27 |
| Required Supplementary Information | |
| Schedule of Changes in Net OPEB Liability and Related Ratios | 66 |
| Schedule of Employer Contributions – OPEB | 68 |
| Schedule of Investment Returns | 70 |
| Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability General Employees Retirement Fund | 72 |
| Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability TRA Retirement Fund | 72 |
| Schedule of District Contributions General Employees Retirement Fund | 73 |
| Schedule of District Contributions TRA Retirement Fund | 73 |
| Notes to the Required Supplementary Information | 74 |
| Supplementary Information | |
| Combining Balance Sheet – Nonmajor Governmental Funds | 84 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds | 85 |
| Uniform Financial Accounting and Reporting Standards Compliance Table | 86 |
| Schedule of Expenditures of Federal Awards | 87 |

**Independent School District No. 750
ROCORI Schools
Table of Contents**

| | |
|--|----|
| Supplementary Information (Continued) | |
| Notes to the Schedule of Expenditures of Federal Awards | 88 |
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 89 |
| Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required By the Uniform Guidance | 91 |
| Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance | 94 |
| Minnesota Legal Compliance | 97 |

**Independent School District No. 750
ROCORI Schools
Board of Education and Administration
As of June 30, 2023**

| <u>Board of Education</u> | <u>Position</u> | <u>Term Expires</u> |
|---------------------------|-------------------------------|---------------------|
| Jennifer Bohnsack | Chairperson | December 31, 2026 |
| Lynn Schurman | Vice Chairperson | December 31, 2024 |
| Sunny Hesse | Clerk | December 31, 2024 |
| Kayla Nierenhausen | Treasurer | December 31, 2026 |
| Chuck Hentges | Director | December 31, 2024 |
| Matt Thompson | Director | December 31, 2026 |
| <u>Administration</u> | | |
| Dr. John Thein | Interim Superintendent | |
| Beth Downes | Director of Business Services | |

Independent Auditor's Report

To the School Board
Independent School District No. 750
ROCORI Schools
Cold Spring, Minnesota

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 750, Cold Spring, Minnesota, as of and for the year ended June 30, 2023, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 750, Cold Spring, Minnesota, as of June 30, 2023, and the respective changes in financial position, and the budgetary comparison for the General Fund and Food Service Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 750, Cold Spring, Minnesota, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The management of Independent School District No. 750 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

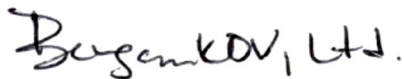
Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



St. Cloud, Minnesota
September 20, 2023

Independent School District No. 750 Management's Discussion and Analysis

This section of Independent School District No. 750 – ROCORI Schools' (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2023. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of a reporting model that is required by the Governmental Accounting Standards Board (GASB) Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999.

Financial Highlights

Key financial highlights for the 2022-2023 year include the following:

- Net position increased by \$4,741,641 for current year activity.
- Overall governmental fund revenues were \$38,254,641 while overall expenditures totaled \$37,289,447.
- General Fund balance increased \$844,416.
- General Fund unassigned fund balance increased \$354,922.

Overview of the Financial Statements

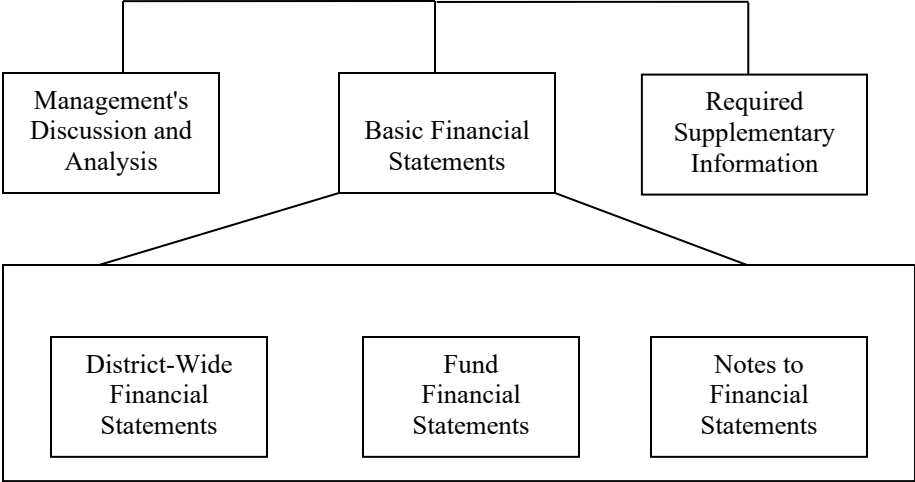
The financial section of the annual report consists of four parts – Independent Auditor's Report, Required Supplementary Information, which includes the MD&A (this section), the basic financial statements, and the supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements. The diagram on the following page shows how the various parts of this annual report are arranged and related to one another.

**Independent School District No. 750
Management's Discussion and Analysis**

Overview of the Financial Statements (Continued)



Summary < ----- > Detail

The major features of the District's financial statements, including the portion of the District's activities they cover, and the types of information they contain, are summarized on the next page. The remainder of the overview section of the MD&A highlights the structure and content of each of the statements.

**Independent School District No. 750
Management's Discussion and Analysis**

Overview of the Financial Statements (Continued)

| Basic Financial Statements | | | |
|--|--|--|--|
| | District Wide Statements | Governmental Funds | Fiduciary Fund |
| Scope | Entire District (except fiduciary funds) | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance. | Instances in which the District administers resources on behalf of someone else, such as funds set aside for future other post employment benefits (OPEB) payments |
| Required Financial Statements | <ul style="list-style-type: none"> ❖ Statement of Net Position ❖ Statement of Activities | <ul style="list-style-type: none"> ❖ Balance Sheet ❖ Statement of Revenues, Expenditures, and Changes in Fund Balances | <ul style="list-style-type: none"> ❖ Statement of Fiduciary Net Position ❖ Statement of Changes in Fiduciary Net Position |
| Accounting Basis and Measurement Focus | Accrual accounting and economic resources focus. | Modified accrual accounting and current financial focus. | Accrual accounting and economic resources focus |
| Type of Assets/Liability Information | All assets and liabilities, both financial and capital, short-term and long-term. | Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included. | All assets and liabilities, both short-term and long-term; funds to not currently contain capital assets, although they can. |
| Type of Inflow/Outflow Information | All revenues and expenses during year, regardless of when cash is received or paid. | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable. | All additions and dedications during the year, regardless of when cash is received or paid |

District-Wide Statements

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

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

Independent School District No. 750 Management's Discussion and Analysis

Overview of the Financial Statements (Continued)

District-Wide Statements (Continued)

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

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

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

Fund Financial Statements

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

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

All of the District's funds, except the OPEB Trust Fund, are governmental funds. Governmental funds generally focus on (1) 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 funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information following the governmental funds statements that explains the relationship (or differences) between them.

The OPEB Trust Fund is a fiduciary fund. The District is the trustee, or fiduciary, for assets that belong to others, such as money set aside to pay future OPEB liabilities. The District is responsible for ensuring that the assets in this 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 district-wide financial statements because the District cannot use these assets to finance its operations.

**Independent School District No. 750
Management's Discussion and Analysis**

Financial Analysis of the District as A Whole (District-Wide Financial Statements)

Net Position

The District's combined net position was \$2,696,191 on June 30, 2023 (see details in Table A-1). This is an increase of \$4,741,641 from \$(2,045,450), the beginning net position as shown in Table A-2.

Table A-1

| | 2021-2022 | 2022-2023 |
|----------------------------------|----------------|---------------|
| Current and other assets | \$ 15,736,658 | \$ 16,691,586 |
| Capital assets | 43,325,287 | 41,634,420 |
| Total assets | \$ 59,061,945 | \$ 58,326,006 |
| Deferred outflows of resources | \$ 7,482,418 | \$ 7,230,009 |
| Long-term liabilities | \$ 39,394,995 | \$ 47,195,787 |
| Other liabilities | 5,604,012 | 5,687,066 |
| Total liabilities | \$ 44,999,007 | \$ 52,882,853 |
| Deferred inflows of resources | \$ 23,590,806 | \$ 9,976,971 |
| Net position | | |
| Net investment in capital assets | \$ 16,305,507 | \$ 16,700,050 |
| Restricted for other purposes | 3,327,335 | 3,867,323 |
| Unrestricted | (21,678,292) | (17,871,182) |
| Total net position | \$ (2,045,450) | \$ 2,696,191 |

Change in Net Position

Current assets increased due to positive operations. There was a decrease in capital assets which resulted from a small year of additions in relation to annual depreciation. Long term liabilities increased due to the actuarial calculation for the net pension liability, which is offset by the decrease in deferred inflows of resources. A summary of the revenue and expense is presented in Table A-2 on the next page.

**Independent School District No. 750
Management's Discussion and Analysis**

Financial Analysis of the District as A Whole (District-Wide Financial Statements) (Continued)

Change in Net Position (Continued)

Table A-2

| | <u>2021-2022</u> | <u>2022-2023</u> |
|---|-----------------------|----------------------|
| Revenues | | |
| Program revenues | | |
| Charges for services | \$ 2,164,022 | \$ 2,879,986 |
| Operating grants and contributions | 9,903,724 | 9,887,055 |
| Capital grants and contributions | 8,182,632 | 609,843 |
| General revenues | | |
| Property taxes | 6,822,026 | 6,595,226 |
| Aids and payments from state and other | 17,362,558 | 17,928,127 |
| Other sources | 220,118 | 453,044 |
| | <u>\$ 44,655,080</u> | <u>\$ 38,353,281</u> |
| Expenses | | |
| Administration | \$ 1,983,430 | \$ 1,706,165 |
| District support services | 587,564 | 652,249 |
| Elementary and secondary regular instruction | 13,288,172 | 12,026,945 |
| Vocational instruction | 269,763 | 212,472 |
| Special education instruction | 4,915,280 | 4,971,529 |
| Instructional support services | 2,120,577 | 2,005,033 |
| Pupil support services | 2,813,076 | 2,864,495 |
| Site, buildings and equipment | 3,069,364 | 3,145,858 |
| Fiscal and other fixed cost programs | 110,648 | 132,153 |
| Food service | 1,681,272 | 1,868,084 |
| Community education and services | 1,462,331 | 1,610,981 |
| Unallocated depreciation | 1,411,035 | 1,649,992 |
| Interest and fiscal charges on long-term debt | 840,106 | 765,684 |
| | <u>34,552,618</u> | <u>33,611,640</u> |
| Total expenses | | |
| Change in net position | <u>10,102,462</u> | <u>4,741,641</u> |
| Net position- beginning | <u>(12,147,912)</u> | <u>(2,045,450)</u> |
| Net positon - ending | <u>\$ (2,045,450)</u> | <u>\$ 2,696,191</u> |

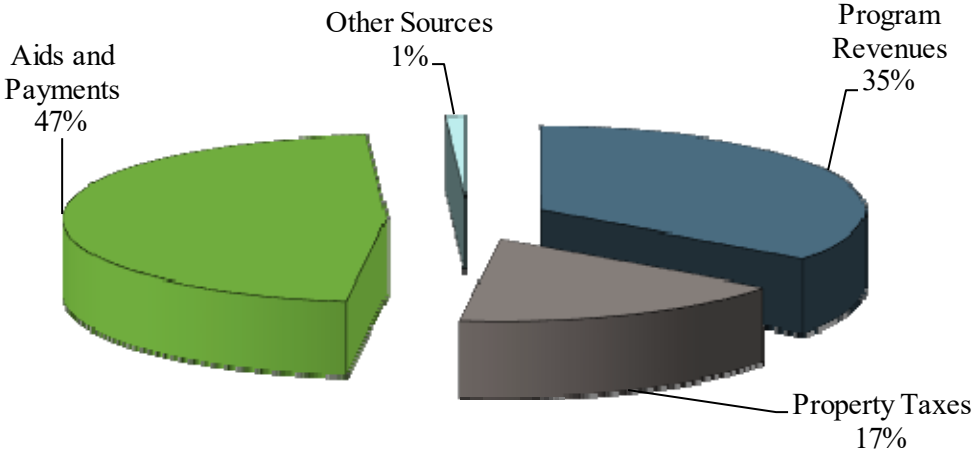
**Independent School District No. 750
Management's Discussion and Analysis**

Financial Analysis of the District as A Whole (District-Wide Financial Statements) (Continued)

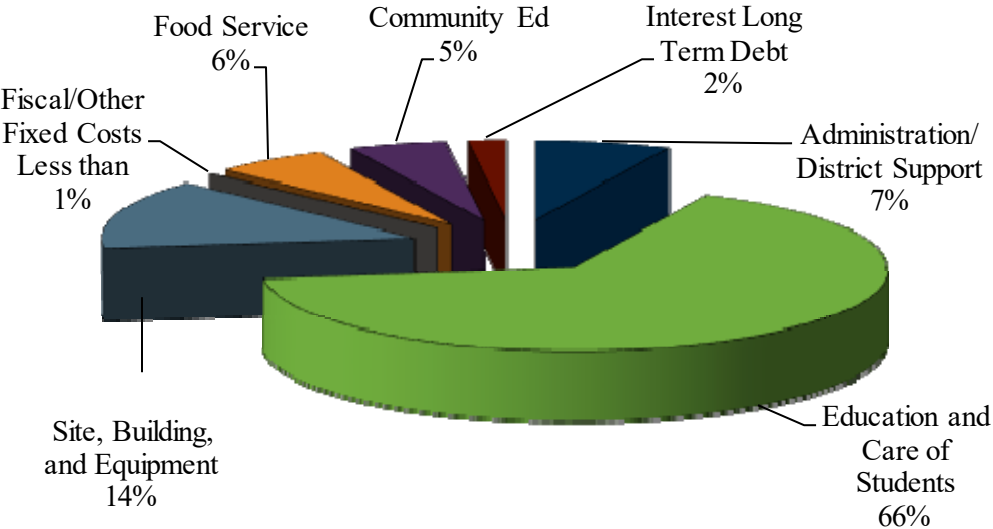
Change in Net Position (Continued)

The District's total revenue consisted of program revenues of \$13,376,884, property taxes of \$6,595,226, aid and payments from the state of \$17,928,127 and \$453,044 from investment income and other general revenues. Expenses totaling \$33,611,640 consisted mainly of regular, vocational, special education instruction costs and support services of \$22,080,474. Other areas of cost included: administrative services \$2,358,414, site, buildings, and equipment (including unallocated depreciation) \$4,795,850, fiscal, and other fixed cost program \$132,153, food service \$1,868,084, community education and services \$1,610,981 and interest and fiscal charges on long-term debt \$765,684.

2022-2023 Revenues - Table A-3



2022-2023 Expenses - Table A-4



**Independent School District No. 750
Management's Discussion and Analysis**

Financial Analysis of the District as A Whole (District-Wide Financial Statements) (Continued)

Change in Net Position (Continued)

The net cost of governmental activities is their total costs less program revenues applicable to each category. Table A-5 presents these costs.

Table A-5

| | Total Cost of Services | | | Net Cost of Services | | |
|---|------------------------|---------------|-------------------|----------------------|---------------|-------------------|
| | 2021-2022 | 2022-2023 | Percent Change | 2021-2022 | 2022-2023 | Percent Change |
| Administration | \$ 1,983,430 | \$ 1,706,165 | -14% | \$ 1,947,096 | \$ 1,658,736 | -15% |
| District support services | 587,564 | 652,249 | 11% | 587,564 | 652,249 | 11% |
| Elementary and secondary regular instruction | 13,288,172 | 12,026,945 | -9% | 10,754,489 | 9,390,421 | -13% |
| Vocational education instruction | 269,763 | 212,472 | -21% | 257,580 | 194,937 | -24% |
| Special education instruction | 4,915,280 | 4,971,529 | 1% | 1,461,105 | 752,513 | -48% |
| Instructional support services | 2,120,577 | 2,005,033 | -5% | 1,580,460 | 1,138,885 | -28% |
| Pupil support services | 2,813,076 | 2,864,495 | 2% | 1,207,752 | 1,268,181 | 5% |
| Sites and buildings | 3,069,364 | 3,145,858 | 2% | (5,101,269) | 2,535,865 | -150% |
| Fiscal and other fixed-cost programs | 110,648 | 132,153 | 19% | 110,648 | 132,153 | 19% |
| Food service | 1,681,272 | 1,868,084 | 11% | (791,333) | 41,732 | -105% |
| Community education and services | 1,462,331 | 1,610,981 | 10% | 37,007 | 53,408 | 44% |
| Unallocated depreciation | 1,411,035 | 1,649,992 | 17% | 1,411,035 | 1,649,992 | 17% |
| Interest and fiscal charges on Long term debt | 840,106 | 765,684 | -9% | 840,106 | 765,684 | -9% |
| Total expense | \$ 34,552,618 | \$ 33,611,640 | | \$ 14,302,240 | \$ 20,234,756 | |

Fund Balance

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$7,404,616. This is up \$981,313 from the June 30, 2022, combined fund balance total. The governmental funds experienced an overall increase because of positive operations in all the funds, but mostly in the general fund due to conservative estimates for interest and miscellaneous revenues. The District has also intentionally built up fund balance for the curriculum and long-term maintenance cycles, which have peaks and valleys in their purchasing timelines.

Revenue and Expenditures

Revenues and other financing sources of the District's governmental funds totaled \$38,275,733. Total expenditures and other financing uses were \$37,294,420. A summary of the revenues and expenditures reported on the governmental fund financial statements appears in Table A-6 on the following page.

**Independent School District No. 750
Management's Discussion and Analysis**

Financial Analysis of the District as A Whole (District-Wide Financial Statements) (Continued)

Revenues and Expenditures – Governmental Funds

Table A-6

| | Revenue | Expenditures | Net Other Financing Sources | Fund Balance Increase (Decrease) |
|--------------|----------------------|----------------------|-----------------------------------|--|
| General | \$ 31,931,407 | \$ 31,098,137 | \$ 11,146 | \$ 844,416 |
| Debt service | 2,399,527 | 2,384,357 | - | 15,170 |
| Food service | 1,863,806 | 1,797,918 | - | 65,888 |
| Other funds | 2,059,901 | 2,009,035 | 4,973 | 55,839 |
| Total | \$ 38,254,641 | \$ 37,289,447 | \$ 16,119 | \$ 981,313 |

General Fund Budgetary Highlights

During the year ended June 30, 2023, the District revised its operating budget in January. The revision is necessary because when the initial budget is prepared and adopted (a budget must be in place prior to the beginning of the fiscal year on July 1) details of student enrollments, staffing levels and other significant information items are estimates. When these items become known, the budget is then revised. A similar revision is made each year for the same reasons.

The District's final General Fund budget anticipated that expenditures would exceed revenues and other financing sources by \$314,740. The actual result was \$844,416 revenues over expenditures and other financing sources/uses. Revenues were over budget by \$416,742, or 1.3%, due to conservative budgets for interest and other local revenues. Expenditures were \$103,888, or 0.3%, under budget.

Capital Assets and Debt Administration

Capital Assets

The District decreased capital assets by a net of \$1,690,867. Depreciation of \$1,826,430 was offset against new additions of \$135,881. The detail of capital assets can be found in Note 3 to the financial statements.

Long-Term Debt

At year-end, the District had \$26,918,003 of long-term debt. This consisted of bonded indebtedness of \$24,700,000, an unamortized bond premium of \$1,675,952, financed purchase agreements of \$433,565, lease liability of \$31,074 and compensated absences of \$77,412. Detail regarding long-term debt can be found in Note 5 to the financial statements.

Independent School District No. 750 Management's Discussion and Analysis

Factors Bearing on the District's Future

- The ROCORI District is in a pattern of stabilization and growth after experiencing declining enrollment for more than a decade. The District continues to experience a decline in resident students while the open enrollment population has steadily increased the past five years. The District had been holding at about 2,000 students, but from 2015 through 2023 the District has increased to approximately 2,350 students and is projecting 2,350 for the 2024 school year. Given the open enrollment trend, the District has capped enrollment by grade level based on the building capacity limits.
- The political environment at the state level has a significant effect on future finances. The State Legislature sets the amount of basic revenue Minnesota school districts are able to secure from foundation aid payments and through various levies. Because state revenues are the single most important source of District operating funds, developments at the state level have a significant influence on the financial condition of the District. Over the last three legislative sessions, several significant financial bills were enacted into law. The District has seen positive effects from local optional revenue and integration aid. The 2016 legislative session offered a shift from health and safety and deferred maintenance aid to long term facilities maintenance revenue, which has provided ROCORI with funding resources that have not previously been available.
- The State Legislature has increased the foundation formula for several fiscal years. The State Legislature approved increases to the general funding formula, increasing by 2% to 2.5% each year for the past nine fiscal years. The increase for 2024 will be 4%. The District is hopeful that the increase to the formula and increased enrollment for the 2024 fiscal year will allow the general fund unassigned fund balance to continue to grow, while providing contract increases to all employees.
- In addition to changes to the basic formula, the State Legislature has created a new funding formula for special education expenditures. Historically expenditures had been funded on a current year basis, but beginning with fiscal year 2016, state special education aids were based on prior fiscal year costs. While this change has increased overall funding, it does cause a potential cash flow and fund balance issue as contract settlement increases and inflationary costs are recognized before the revenue increase is seen. While most of the funding is based on prior year data, tuition billing for nonresident students continues to follow current year costs. The State Legislature has increased the cross-subsidy aid percentage for 2024; cross subsidy is the amount of program costs not covered by direct program aid. Because of the unknown variables of tuition billing and the change in the cross-subsidy percentage, the District continues to budget conservatively for state special education funding.
- The District stabilized the General Fund expenditures for retiree insurance obligations through the implementation of a \$4,500,000 bond. This allows the district a tool to fund Other Post-Employment Benefits (OPEB) obligations. The funds have been placed into an irrevocable trust with the express purpose of helping meet the OPEB obligations.

Independent School District No. 750 Management's Discussion and Analysis

Factors Bearing on the District's Future (Continued)

- The District strategic roadmap provides a planning process to more clearly and directly focus the efforts and energy of the District. The roadmap continues to have financial implications regarding priorities in allocation and distribution of resources for short and long-term planning. The roadmap directs resources toward key efforts in student learning, culture shift, professional learning communities, reputation management, and funding and facilities.
- Over the past several years, a number of positions have been established in the ROCORI School District. These positions were based on the District's referendum campaign promise to the community to bring a more specific focus in reading and math skills. The positions have been developed with the goal of helping teachers more directly meet the needs of students in the ROCORI District. The District wants to use data appropriately to identify and serve students. It is important to be able to use data and information to more directly meet student needs. The District continues to monitor, evaluate, and adjust these positions and assignments in effort to most efficiently provide the services, students, and staff need.
- In response to the Covid pandemic several acts have been signed into law to provide funding to help Minnesota schools to return to, and maintain, safe in-person learning for all students. The District received and spent \$853,343 of this aid in 2022 and \$906,843 in 2023. Spending ranged from safety equipment like masks and cleaning supplies, to technology items including hot spots for families, one to one devices for distance learning and classroom interactive displays, to funding additional staff to provide distance learning. The District will receive approximately \$1.03 million in additional funding during the 2024 school year.

Contacting the District's Financial Management

This report is designed to provide the District's citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or would like additional information, contact the District Office at 534 N 5th Avenue, Cold Spring, Minnesota 56320.

(THIS PAGE LEFT BLANK INTENTIONALLY)

BASIC FINANCIAL STATEMENTS

Independent School District No. 750
ROCORI Schools
Statement of Net Position
June 30, 2023

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Cash and investments | \$ 9,656,280 |
| Current property taxes receivable | 3,155,168 |
| Delinquent property taxes receivable | 20,054 |
| Accounts receivable | 132,586 |
| Due from Department of Education | 3,043,613 |
| Due from Federal Government through Department of Education | 258,886 |
| Due from other Minnesota school districts | 208,976 |
| Due from other governmental units | 10,732 |
| Inventory | 30,809 |
| Prepaid items | 174,482 |
| Capital assets | |
| Capital assets not being depreciated | |
| Land | 1,085,737 |
| Other capital assets, net | |
| Land improvements | 9,632,391 |
| Buildings | 29,790,916 |
| Equipment | 1,095,193 |
| Leased equipment | 30,183 |
| Total assets | 58,326,006 |
| Deferred Outflows of Resources | |
| Deferred outflows of resources related to pensions | 7,111,289 |
| Deferred outflows of resources related to other post employment benefits | 118,720 |
| Total deferred outflows of resources | 7,230,009 |
| Total assets and deferred outflows of resources | \$ 65,556,015 |
| Liabilities | |
| Accounts payable | \$ 111,664 |
| Salaries and benefits payable | 2,475,982 |
| Interest payable | 362,291 |
| Due to other Minnesota school districts | 129,142 |
| Due to other governmental units | 161 |
| Unearned revenue | 246,162 |
| Bond principal payable, net of premiums | |
| Payable within one year | 1,840,000 |
| Payable after one year | 24,535,952 |
| Lease liability | |
| Payable within one year | 16,589 |
| Payable after one year | 14,485 |
| Financed purchase agreements payable | |
| Payable within one year | 433,565 |
| Compensated absences payable | |
| Payable within one year | 71,510 |
| Payable after one year | 5,902 |
| Net pension liability | 21,188,647 |
| Net other post employment benefit (OPEB) liability | 1,450,801 |
| Total liabilities | 52,882,853 |
| Deferred Inflows of Resources | |
| Property taxes levied for subsequent year's expenditures | 6,303,805 |
| Deferred inflows of resources related to OPEB | 336,311 |
| Deferred inflows of resources related to pensions | 3,336,855 |
| Total deferred inflows of resources | 9,976,971 |
| Net Position | |
| Net investment in capital assets | 16,700,050 |
| Restricted | |
| Debt service | 264,488 |
| Other purposes | 3,602,835 |
| Unrestricted | (17,871,182) |
| Total net position | 2,696,191 |
| Total liabilities, deferred inflows of resources, and net position | \$ 65,556,015 |

See notes to basic financial statements.

Independent School District No. 750
ROCORI Schools
Statement of Activities
Year Ended June 30, 2023

| Functions/Programs | Program Revenues | | | | Net (Expense) |
|---|----------------------|-------------------------|---|--|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenues and Changes in Net Position |
| Governmental activities | | | | | Governmental Activities |
| Administration | \$ 1,706,165 | \$ 47,429 | \$ - | \$ - | \$ (1,658,736) |
| District support services | 652,249 | - | - | - | (652,249) |
| Elementary and secondary regular instruction | 12,026,945 | 832,192 | 1,804,332 | - | (9,390,421) |
| Vocational education instruction | 212,472 | 1,982 | 15,553 | - | (194,937) |
| Special education instruction | 4,971,529 | 53,972 | 4,165,044 | - | (752,513) |
| Instructional support services | 2,005,033 | 97,180 | 768,968 | - | (1,138,885) |
| Pupil support services | 2,864,495 | - | 1,596,314 | - | (1,268,181) |
| Sites, buildings, and equipment | 3,145,858 | 150 | - | 609,843 | (2,535,865) |
| Fiscal and other fixed cost programs | 132,153 | - | - | - | (132,153) |
| Food service | 1,868,084 | 698,486 | 1,127,866 | - | (41,732) |
| Community education and services | 1,610,981 | 1,148,595 | 408,978 | - | (53,408) |
| Unallocated depreciation | 1,649,992 | - | - | - | (1,649,992) |
| Interest and fiscal charges on long-term debt | 765,684 | - | - | - | (765,684) |
| Total governmental activities | \$ 33,611,640 | \$ 2,879,986 | \$ 9,887,055 | \$ 609,843 | (20,234,756) |
| General revenues | | | | | |
| Taxes | | | | | |
| | | | | | 4,062,105 |
| | | | | | 148,035 |
| | | | | | 2,385,086 |
| | | | | | 17,928,127 |
| | | | | | 216,198 |
| | | | | | 236,846 |
| | | | | | <u>24,976,397</u> |
| | | | | | 4,741,641 |
| | | | | | <u>(2,045,450)</u> |
| | | | | | <u>\$ 2,696,191</u> |

See notes to basic financial statements.

Independent School District No. 750
ROCORI Schools
Balance Sheet - Governmental Funds
June 30, 2023

| | General | Debt Service | Food Service | Nonmajor Funds | Total Governmental Funds |
|--|----------------------|---------------------|---------------------|-------------------|--------------------------------|
| Assets | | | | | |
| Cash and investments | \$ 5,620,836 | \$ 1,562,774 | \$ 1,749,943 | \$ 722,727 | \$ 9,656,280 |
| Current property taxes receivable | 1,843,420 | 1,072,455 | - | 239,293 | 3,155,168 |
| Delinquent property taxes receivable | 11,819 | 6,742 | - | 1,493 | 20,054 |
| Accounts receivable | 132,586 | - | - | - | 132,586 |
| Due from Department of Education | 2,984,988 | 32,510 | - | 26,115 | 3,043,613 |
| Due from Federal Government through Department of Education | 258,886 | - | - | - | 258,886 |
| Due from other Minnesota school districts | 200,215 | - | - | 8,761 | 208,976 |
| Due from other governmental units | 10,732 | - | - | - | 10,732 |
| Inventory | - | - | 30,809 | - | 30,809 |
| Prepaid items | 169,937 | - | 4,545 | - | 174,482 |
| Total assets | \$ 11,233,419 | \$ 2,674,481 | \$ 1,785,297 | \$ 998,389 | \$ 16,691,586 |
| Liabilities | | | | | |
| Accounts payable | \$ 96,306 | \$ - | \$ 12,947 | \$ 2,411 | \$ 111,664 |
| Salaries and benefits payable | 2,411,788 | - | 1,889 | 62,305 | 2,475,982 |
| Due to other Minnesota school districts | 129,142 | - | - | - | 129,142 |
| Due to other governmental units | 161 | - | - | - | 161 |
| Unearned revenue | 14,775 | - | 40,719 | 190,668 | 246,162 |
| Total liabilities | 2,652,172 | - | 55,555 | 255,384 | 2,963,111 |
| Deferred Inflows of Resources | | | | | |
| Unavailable revenue - delinquent property taxes | 11,819 | 6,742 | - | 1,493 | 20,054 |
| Property taxes levied for subsequent year's expenditures | 3,682,669 | 2,123,716 | - | 497,420 | 6,303,805 |
| Total deferred inflows of resources | 3,694,488 | 2,130,458 | - | 498,913 | 6,323,859 |
| Fund Balances | | | | | |
| Nonspendable | 169,937 | - | 35,354 | - | 205,291 |
| Restricted | 1,625,778 | 544,023 | 1,694,388 | 321,836 | 4,186,025 |
| Committed | 208,857 | - | - | - | 208,857 |
| Assigned | 611,068 | - | - | - | 611,068 |
| Unassigned | 2,271,119 | - | - | (77,744) | 2,193,375 |
| Total fund balances | 4,886,759 | 544,023 | 1,729,742 | 244,092 | 7,404,616 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 11,233,419 | \$ 2,674,481 | \$ 1,785,297 | \$ 998,389 | \$ 16,691,586 |

Independent School District No. 750
ROCORI Schools
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2023

| | |
|--|----------------------------|
| Total fund balances - governmental funds | \$ 7,404,616 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. | |
| Cost of capital assets | 70,368,114 |
| Less accumulated depreciation and amortization | (28,733,694) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. | |
| Long-term liabilities at year-end consist of: | |
| Bond principal payable, net of premiums | (26,375,952) |
| Lease liability | (31,074) |
| Financed purchase agreements payable | (433,565) |
| Compensated absences payable | (77,412) |
| Net pension liability | (21,188,647) |
| Net OPEB liability | (1,450,801) |
| Deferred outflows of resources and deferred inflows of resources are created as a result of differences in timing and estimates related to pension and OPEB that are not recognized in the governmental funds. | |
| Deferred outflows of resources related to pensions | 7,111,289 |
| Deferred inflows of resources related to pensions | (3,336,855) |
| Deferred outflows of resources related to OPEB | 118,720 |
| Deferred inflows of resources related to OPEB | (336,311) |
| Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. | |
| | 20,054 |
| Governmental funds do not report a liability for accrued interest on bonds and financed purchase agreements until due and payable. | |
| | <u>(362,291)</u> |
| Total net position - governmental activities | <u><u>\$ 2,696,191</u></u> |

Independent School District No. 750
ROCORI Schools
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2023

| | General | Debt Service | Food Service | Nonmajor Funds | Total Governmental Funds |
|--|---------------------|-------------------|---------------------|-------------------|--------------------------------|
| Revenues | | | | | |
| Local property taxes | \$ 4,062,042 | \$ 2,048,733 | \$ - | \$ 485,123 | \$ 6,595,898 |
| Other local and county revenues | 1,424,866 | 25,652 | 39,202 | 1,161,329 | 2,651,049 |
| Revenue from state sources | 24,793,188 | 325,142 | 132,829 | 227,276 | 25,478,435 |
| Revenue from federal sources | 1,470,353 | - | 994,990 | 186,173 | 2,651,516 |
| Sales and other conversion of assets | 180,958 | - | 696,785 | - | 877,743 |
| Total revenues | <u>31,931,407</u> | <u>2,399,527</u> | <u>1,863,806</u> | <u>2,059,901</u> | <u>38,254,641</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Administration | 1,875,083 | - | - | - | 1,875,083 |
| District support services | 612,954 | - | - | - | 612,954 |
| Elementary and secondary regular instruction | 14,102,532 | - | - | - | 14,102,532 |
| Vocational education instruction | 247,688 | - | - | - | 247,688 |
| Special education instruction | 5,386,945 | - | - | - | 5,386,945 |
| Instructional support services | 1,905,618 | - | - | - | 1,905,618 |
| Pupil support services | 2,958,745 | - | - | - | 2,958,745 |
| Sites, buildings, and equipment | 2,679,966 | - | - | - | 2,679,966 |
| Fiscal and other fixed cost programs | 132,153 | - | - | - | 132,153 |
| Food service | - | - | 1,787,618 | - | 1,787,618 |
| Community education and services | - | - | - | 1,667,332 | 1,667,332 |
| Capital outlay | | | | | |
| District support services | 4,127 | - | - | - | 4,127 |
| Elementary and secondary regular instruction | 108,992 | - | - | - | 108,992 |
| Vocational education instruction | 4,995 | - | - | - | 4,995 |
| Instructional support services | 228,051 | - | - | - | 228,051 |
| Sites, buildings, and equipment | 398,046 | - | - | - | 398,046 |
| Food service | - | - | 10,300 | - | 10,300 |
| Debt service | | | | | |
| Principal | 448,541 | 1,475,000 | - | 295,000 | 2,218,541 |
| Interest and fiscal charges | 3,701 | 909,357 | - | 46,703 | 959,761 |
| Total expenditures | <u>31,098,137</u> | <u>2,384,357</u> | <u>1,797,918</u> | <u>2,009,035</u> | <u>37,289,447</u> |
| Excess of revenues over expenditures | 833,270 | 15,170 | 65,888 | 50,866 | 965,194 |
| Other Financing Sources (Uses) | | | | | |
| Insurance recovery | 16,119 | - | - | - | 16,119 |
| Transfers in | - | - | - | 4,973 | 4,973 |
| Transfers out | (4,973) | - | - | - | (4,973) |
| Total other financing sources (uses) | <u>11,146</u> | <u>-</u> | <u>-</u> | <u>4,973</u> | <u>16,119</u> |
| Net change in fund balances | 844,416 | 15,170 | 65,888 | 55,839 | 981,313 |
| Fund Balances | | | | | |
| Beginning of year | <u>4,042,343</u> | <u>528,853</u> | <u>1,663,854</u> | <u>188,253</u> | <u>6,423,303</u> |
| End of year | <u>\$ 4,886,759</u> | <u>\$ 544,023</u> | <u>\$ 1,729,742</u> | <u>\$ 244,092</u> | <u>\$ 7,404,616</u> |

**Independent School District No. 750
 ROCORI Schools
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances to the
 Statement of Activities - Governmental Funds
 Year Ended June 30, 2023**

Net change in fund balances - total governmental funds \$ 981,313

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation and amortization expense.

| | |
|---------------------------------------|-------------|
| Capital outlays | 135,881 |
| Depreciation and amortization expense | (1,826,430) |
| Disposal of capital assets | (318) |

Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities. 2,218,541

Governmental funds report bond premiums as an other financing source at the time of issuance. Premiums are reported as a liability in the government-wide financial statements and amortized over the life of the bond. 162,984

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. 46,230

Governmental funds recognize pension contributions as expenditures at the time of payment in the funds whereas the Statement of Activities factors in items related to pension on a full accrual perspective. 2,970,020

Governmental funds recognize OPEB contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to OPEB on a full accrual perspective. 22,999

Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. (672)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus, requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 31,093

Change in net position - governmental activities \$ 4,741,641

Independent School District No. 750
ROCORI Schools
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2023

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Over (Under) |
|--|-------------------|-------------------|---------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Local property taxes | \$ 3,932,180 | \$ 4,020,180 | \$ 4,062,042 | \$ 41,862 |
| Other local and county revenues | 1,066,920 | 1,081,920 | 1,424,866 | 342,946 |
| Revenue from state sources | 24,486,605 | 24,689,865 | 24,793,188 | 103,323 |
| Revenue from federal sources | 1,241,130 | 1,566,200 | 1,470,353 | (95,847) |
| Sales and other conversion of assets | 156,500 | 156,500 | 180,958 | 24,458 |
| Total revenues | <u>30,883,335</u> | <u>31,514,665</u> | <u>31,931,407</u> | <u>416,742</u> |
| Expenditures | | | | |
| Current | | | | |
| Administration | 1,798,719 | 1,797,751 | 1,875,083 | 77,332 |
| District support services | 659,453 | 673,006 | 612,954 | (60,052) |
| Elementary and secondary regular instruction | 13,894,373 | 13,856,601 | 14,102,532 | 245,931 |
| Vocational education instruction | 204,675 | 238,716 | 247,688 | 8,972 |
| Special education instruction | 5,479,910 | 5,411,190 | 5,386,945 | (24,245) |
| Instructional support services | 1,602,023 | 2,020,503 | 1,905,618 | (114,885) |
| Pupil support services | 3,084,748 | 3,193,330 | 2,958,745 | (234,585) |
| Sites, buildings, and equipment | 2,539,394 | 2,618,528 | 2,679,966 | 61,438 |
| Fiscal and other fixed cost programs | 195,850 | 231,850 | 132,153 | (99,697) |
| Capital outlay | | | | |
| Administration | 250 | 250 | - | (250) |
| District support services | 1,000 | 1,000 | 4,127 | 3,127 |
| Elementary and secondary regular instruction | 103,500 | 101,500 | 108,992 | 7,492 |
| Vocational education instruction | - | - | 4,995 | 4,995 |
| Instructional support services | 635,000 | 635,000 | 228,051 | (406,949) |
| Sites, buildings, and equipment | 406,800 | 422,800 | 398,046 | (24,754) |
| Debt service | | | | |
| Principal | - | - | 448,541 | 448,541 |
| Interest and fiscal charges | - | - | 3,701 | 3,701 |
| Total expenditures | <u>30,605,695</u> | <u>31,202,025</u> | <u>31,098,137</u> | <u>(103,888)</u> |
| Excess of revenues over expenditures | 277,640 | 312,640 | 833,270 | 520,630 |
| Other Financing Sources (Uses) | | | | |
| Insurance recovery | 2,100 | 2,100 | 16,119 | 14,019 |
| Transfers out | - | - | (4,973) | (4,973) |
| Total other financing sources (uses) | <u>2,100</u> | <u>2,100</u> | <u>11,146</u> | <u>9,046</u> |
| Net change in fund balances | <u>\$ 279,740</u> | <u>\$ 314,740</u> | 844,416 | <u>\$ 529,676</u> |
| Fund Balances | | | | |
| Beginning of year | | | <u>4,042,343</u> | |
| End of year | | | <u>\$ 4,886,759</u> | |

Independent School District No. 750
ROCORI Schools
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - Food Service Special Revenue Fund
Year Ended June 30, 2023

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Over (Under) |
|--------------------------------------|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Other local and county revenues | \$ - | \$ - | \$ 39,202 | \$ 39,202 |
| Revenue from state sources | 155,160 | 129,100 | 132,829 | 3,729 |
| Revenue from federal sources | 719,200 | 965,130 | 994,990 | 29,860 |
| Sales and other conversion of assets | 813,200 | 701,800 | 696,785 | (5,015) |
| Total revenues | <u>1,687,560</u> | <u>1,796,030</u> | <u>1,863,806</u> | <u>67,776</u> |
| Expenditures | | | | |
| Current | | | | |
| Food service | 1,875,800 | 1,897,780 | 1,787,618 | (110,162) |
| Capital outlay | | | | |
| Food service | - | 30,000 | 10,300 | (19,700) |
| Total expenditures | <u>1,875,800</u> | <u>1,927,780</u> | <u>1,797,918</u> | <u>(129,862)</u> |
| Net change in fund balances | <u>\$ (188,240)</u> | <u>\$ (131,750)</u> | 65,888 | <u>\$ 197,638</u> |
| Fund Balances | | | | |
| Beginning of year | | | <u>1,663,854</u> | |
| End of year | | | <u>\$ 1,729,742</u> | |

**Independent School District No. 750
ROCORI Schools
Statement of Fiduciary Net Position
June 30, 2023**

| | OPEB Trust Fund |
|------------------------------------|--------------------|
| Assets | |
| Current | |
| Investments | |
| Brokered money markets | \$ 3,850 |
| Negotiable certificates of deposit | 173,596 |
| U.S Treasury Bonds | 509,627 |
| U.S Treasury Notes | 242,960 |
| Total assets | \$ 930,033 |
| Liabilities | |
| Accounts payable | \$ 91,533 |
| Net Position | |
| Restricted for OPEB | \$ 838,500 |

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

| | OPEB Trust Fund |
|--|--------------------|
| Additions | |
| Interest revenue | \$ 15,220 |
| Deductions | |
| Health insurance expense | 91,533 |
| Fees | 250 |
| Total deductions | 91,783 |
| Change in net position | (76,563) |
| Net Position Held in Trust for OPEB | |
| Beginning of year | 915,063 |
| End of year | \$ 838,500 |

Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

B. Basic Financial Statement Information

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

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

Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation expense relating to assets that serve multiple functions is presented as unallocated depreciation in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

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

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

C. Measurement Focus and Basis of Accounting

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

1. Revenue Recognition

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

2. Recording of Expenditures

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

The District applies restricted resources first when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available. Further, the District applies unrestricted funds in this order if various levels of unrestricted fund balances exist: committed, assigned, and unassigned.

Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds:

Major Funds:

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

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

Food Service Special Revenue Fund – This fund is used to account for food service revenues and expenditures. Local, state, and federal revenues are received in this fund to specifically support the Food Service Program.

Nonmajor Funds:

Community Service Special Revenue Fund – This fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education, or other similar services. The District receipts property tax and local and state revenues that were received for these specific purposes in this fund.

Post Employment Benefits Debt Service Fund – This fund is used to record levy proceeds and the payments of G.O. Taxable OPEB Bonds, principal, interest, and related costs.

Fiduciary Fund:

OPEB Trust Fund – This fund is used to account for financial resources held by the District in a trustee capacity to be used by the District to pay OPEB benefits to employees.

D. Deposits and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are recorded in the General Fund.

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

Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

The District's total cash and investments are comprised of two major components, each with its own set of legal and contractual provisions.

District Governmental Funds

Cash and investments at June 30, 2023, were comprised of deposits and shares in the Minnesota School District Liquid Asset Fund (MSDLAF), including MSDLAF + Max. In accordance with GASB Statement No. 79, the various MSDLAF shares are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF. Investments in the MSDLAF + Max must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions.

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

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

OPEB Trust Fund

These funds represent investments administered by the District's OPEB Trust Fund investment managers. As of June 30, 2023, they were comprised of MNTrust money markets, a negotiable certificate of deposit, and U.S. Treasuries. There are no restrictions or limitations on withdrawals from MNTrust. In accordance with GASB Statement No. 79, the shares in MNTrust are valued at amortized cost, which approximates fair value.

Minnesota Statutes authorize the OPEB Trust Fund to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, corporate bonds, common stock, and foreign stock of the highest quality, mutual funds, repurchase and reverse agreements, commercial paper of the highest quality with a maturity no longer than 270 days and in the State Board of Investments. Investments are stated at fair value.

E. Property Tax Receivable

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

Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Property Taxes Levied for Subsequent Year's Expenditures

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

G. Inventories

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

H. Prepaid Items

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

I. Property Taxes

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

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

J. Capital Assets

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

Capital assets are defined by the District as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of three years. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation.

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

Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 50 years for land improvements and buildings and 5 to 15 years for equipment.

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

K. Right-to-Use Lease Assets

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

Key estimates and judgments related to leases include (1) the discount rate, (2) lease term, (3) lease payments, and (4) amortization.

The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City determines its estimated borrowing rate.

L. Deferred Outflows/Inflows of Resources

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

Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statement of Financial Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four types of items which qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. Deferred inflows of resources related to pensions and OPEB are recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

M. Long-Term Obligations

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

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

N. Compensated Absences

The District compensates certain employees upon termination of employment for unused vacation. Vacation days are to be used by September 1 of the next school year and are not cumulative for classified employees and principals. Administrative employees' and the Superintendent's vacation days are to be used by July 1 of the next school year and are not cumulative.

District regular employees are entitled to sick leave at various rates based on employee classification and related contracts. All employees receive sick leave based on the number of hours worked. The maximum number of hours that may be accumulated is based on individual contracts. Employees are not compensated for unused sick leave upon termination of employment, unless taken in conjunction with severance pay as described in Note 1.O. Sick leave pay is shown as an expenditure in the year paid.

Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Compensated Absences (Continued)

Beginning July 1, 2005, the District started making matching contributions to 403(b) accounts for all licensed staff. The contribution amounts vary depending on the individual's employment group. Any amount contributed by the District to an individual's 403(b) account will be deducted from the total compensated absence and severance amounts paid out. All licensed staff hired after July 1, 2005, will only be eligible for the 403(b) matching program and not the existing severance pay plans.

Compensated absences payable, as reported in the Statement of Net Position, consists of the severance payments available to eligible employees based on their unused sick leave. See Note 1.O. In addition, unused vacation time is reported as compensated absences payable for eligible employees.

O. Severance

Teachers hired on or before July 1, 2005, are eligible for the accumulation of severance pay at the rate of 5 days for each year of full-time teaching in the District up to a maximum of 50 days subject to a proration formula. In addition, teachers are eligible to receive as severance pay, upon retirement, the amount obtained by multiplying one-third of the unused number of sick leave days, not to exceed 50 days, times teachers' daily rate of pay. Severance shall be paid by contributing 100% of the amount to a health care savings plan.

P. Pensions

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

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

Q. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District 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, the District recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2023.

S. Fund Equity

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- **Nonspendable Fund Balances** – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include amounts set aside for inventory and prepaid items.
- **Restricted Fund Balances** – These amounts are subject to externally enforceable legal restrictions by either a) creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.
- **Committed Fund Balances** – These amounts are to be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority. The District's highest level of decision making authority is the School Board. The formal action to establish or modify a commitment is through a resolution.
- **Assigned Fund Balances** – The School Board delegates the Superintendent and the Director of Business Services the power to assign balances for specific purposes. Amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances.
- **Unassigned Fund Balances** – These are amounts that have not been restricted, committed, or assigned to a specific purpose in the General Fund. Other funds may also report a negative unassigned fund balance if the total nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

The District's target General Fund balance is a minimum of 6% to 8% of the annual operating budget.

**Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Net Position

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

U. Use of Estimates

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

V. Budgetary Information

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

District Governmental Funds

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

**Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements**

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

District Governmental Funds (Continued)

Custodial Credit Risk – Deposits: For deposits, this is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District has a deposit policy that requires the District's deposits to be collateralized as required by *Minnesota Statutes* § 118A.03 for any amount exceeding Federal Deposit Insurance Corporation (FDIC), SAIF, BIF, FCUA, or other federal deposit coverage. As of June 30, 2023, the District's bank balances were not exposed to custodial credit risk because they were fully insured through FDIC and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

As of June 30, 2023, the District's governmental funds had the following deposits:

| | |
|----------|--------------|
| Checking | \$ 434,369 |
| Savings | 1,140,790 |
| | \$ 1,575,159 |
| Total | \$ 1,575,159 |

B. Deposits

District Governmental Funds

As of June 30, 2023, the District's governmental funds had the following investments:

| Pooled | Rating | Maturities Less than 1 Year |
|--------------------|--------|-----------------------------------|
| MSDLAF | AAAm | \$ 64,957 |
| MSDLAF + Max Class | AAAm | 8,016,164 |
| | | \$ 8,081,121 |
| Total | | \$ 8,081,121 |

Interest Rate Risk: This is the risk related to managing exposure to fair value arising from increasing interest rates. The District's investment policy states their investments should be managed in a manner to attain a market rate of return through various economic and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy requires investments to be in instruments specified in *Minnesota Statutes* §§ 118A.04 and 118A.05. As of June 30, 2023, the District's governmental fund investments were rated by S&P and Moody's as noted in the previous table.

**Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements**

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Deposits (Continued)

District Governmental Funds (Continued)

Concentration of Credit Risk: This relates to the limit on the amount the District may invest in any one issuer. The District's policy states the District should diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities.

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

OPEB Trust Fund

As of June 30, 2023, the District's OPEB Trust Fund had the following investments:

| <u>Investment</u> | <u>Maturities</u> | | <u>Total</u> |
|------------------------------------|-------------------------|-------------------|-------------------|
| | <u>Less than 1 Year</u> | <u>1-3 Years</u> | |
| MNTrust Money Market | \$ 3,850 | \$ - | \$ 3,850 |
| Negotiable Certificates of Deposit | - | 173,596 | 173,596 |
| US Treasury Bonds | 509,627 | - | 509,627 |
| US Treasury Notes | - | 242,960 | 242,960 |
| Total investments | <u>\$ 513,477</u> | <u>\$ 416,556</u> | <u>\$ 930,033</u> |

Credit Risk: As of June 30, 2023, the District's OPEB Trust Fund investments in the MNTrust Money Market Account were rated AAAM and the investments in U.S. Treasuries were rated AAA by S&P. The negotiable certificate of deposit was unrated.

Concentration of Credit Risk: As of June 30, 2023, more than 5% of the Trust's investments were in brokered certificates of deposit such as Great Midwest Bank CD (18.67%).

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

- \$752,587 are valued using a quoted market price (Level 1 inputs)
- \$173,596 are valued using a matrix pricing model (Level 2 inputs)

**Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements**

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments

The following is a summary of deposits and investments as of June 30, 2023:

| | |
|--------------------------------|-----------------------------|
| District governmental funds | |
| Deposits (Note 2.A.) | \$ 1,575,159 |
| Investments pooled (Note 2.B.) | 8,081,121 |
| OPEB Trust Fund | |
| Investments (Note 2.B.) | <u>930,033</u> |
| Total deposits and investments | <u><u>\$ 10,586,313</u></u> |

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

| | |
|-------------------------------------|-----------------------------|
| Statement of Net Position | |
| Cash and investments | \$ 9,656,280 |
| Statement of Fiduciary Net Position | |
| Investments | |
| Brokered money markets | \$ 3,850 |
| Negotiable certificate of deposit | 173,596 |
| US Treasury Bonds | 509,627 |
| US Treasury Notes | <u>242,960</u> |
| Total deposits and investments | <u><u>\$ 10,586,313</u></u> |

**Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements**

NOTE 3 – CAPITAL ASSETS

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

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|-----------------------|------------------|---------------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 1,085,737 | \$ - | \$ - | \$ 1,085,737 |
| Other capital assets | | | | |
| Land improvements | 11,814,135 | 33,731 | - | 11,847,866 |
| Buildings | 54,094,598 | - | - | 54,094,598 |
| Equipment | 3,299,973 | 102,150 | 125,027 | 3,277,096 |
| Leased equipment | 62,817 | - | - | 62,817 |
| Total other capital assets at historical cost | <u>69,271,523</u> | <u>135,881</u> | <u>125,027</u> | <u>69,282,377</u> |
| Less accumulated depreciation for | | | | |
| Land improvements | 1,856,526 | 358,949 | - | 2,215,475 |
| Buildings | 23,010,644 | 1,293,038 | - | 24,303,682 |
| Equipment | 2,148,486 | 158,126 | 124,709 | 2,181,903 |
| Less accumulated amortization for | | | | |
| Leased equipment | 16,317 | 16,317 | - | 32,634 |
| Total accumulated depreciation and amortization | <u>27,031,973</u> | <u>1,826,430</u> | <u>124,709</u> | <u>28,733,694</u> |
| Total other capital assets, net | <u>42,239,550</u> | <u>(1,690,549)</u> | <u>318</u> | <u>40,548,683</u> |
| Governmental activities, capital assets, net | <u>\$ 43,325,287</u> | <u>\$ (1,690,549)</u> | <u>\$ 318</u> | <u>\$ 41,634,420</u> |

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

| | |
|--|---------------------|
| Elementary and secondary regular instruction | \$ 23,969 |
| Instructional support services | 68,436 |
| Sites and buildings | 61,683 |
| Food service | 22,350 |
| Unallocated | <u>1,649,992</u> |
| Total depreciation/amortization expense | <u>\$ 1,826,430</u> |

NOTE 4 – INTERFUND ACTIVITY

The District transferred \$4,973 from the General Fund to the Community Service Fund to match preschool screening teachers' salaries.

**Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements**

NOTE 5 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

| | Issue Date | Interest Rates | Original Issue | Final Maturity | Principal Outstanding | Due Within One Year |
|---|---------------|-------------------|-------------------|-------------------|--------------------------|------------------------|
| Long-term liabilities | | | | | | |
| G.O. bonds | | | | | | |
| G.O. Refunding | | | | | | |
| Bonds, 2016A | 04/20/16 | 2.00% | \$ 2,075,000 | 02/01/27 | \$ 885,000 | \$ 215,000 |
| G.O. OPEB Refunding | | | | | | |
| Bonds, 2016B | 10/05/16 | 1.3%-3.0% | 3,460,000 | 02/01/29 | 1,900,000 | 300,000 |
| G.O. Refunding Building | | | | | | |
| Bonds, 2017A | 05/18/17 | 2.0%-5.0% | 23,080,000 | 02/01/34 | 18,525,000 | 1,080,000 |
| G.O. Facilities Maintenance and Tax Abatement | | | | | | |
| Bonds, 2019A | 06/13/19 | 3.0%-5.0% | 4,050,000 | 02/01/34 | 3,390,000 | 245,000 |
| Unamortized bond premium | | | | | 1,675,952 | - |
| Lease liability | | | | | 31,074 | 16,589 |
| Financed purchase agreements from direct borrowing | | | | | 433,565 | 433,565 |
| Compensated absences | | | | | 77,412 | 71,510 |
| | | | | | <u>\$ 26,918,003</u> | <u>\$ 2,361,664</u> |
| Total | | | | | | |

The long-term bond liabilities listed above were issued to fund OPEB, finance acquisition and construction of capital facilities. Other long-term liabilities, such as compensated absences, OPEB and pensions are typically liquidated through the General Fund.

B. Minimum Debt Payments for Long-Term Liabilities

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

| Year Ending June 30, | G.O. Bonds | | |
|-------------------------|----------------------|---------------------|----------------------|
| | Principal | Interest | Total |
| 2024 | \$ 1,840,000 | \$ 877,504 | \$ 2,717,504 |
| 2025 | 1,905,000 | 801,104 | 2,706,104 |
| 2026 | 1,970,000 | 721,754 | 2,691,754 |
| 2027 | 2,040,000 | 639,139 | 2,679,139 |
| 2028 | 2,150,000 | 552,849 | 2,702,849 |
| 2029-2033 | 12,130,000 | 1,551,649 | 13,681,649 |
| 2034 | 2,665,000 | 79,950 | 2,744,950 |
| | <u>\$ 24,700,000</u> | <u>\$ 5,223,949</u> | <u>\$ 29,923,949</u> |
| Total | | | |

**Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements**

NOTE 5 – LONG-TERM DEBT (CONTINUED)

B. Minimum Debt Payments for Long-Term Liabilities (Continued)

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

| Year Ending June 30, | Lease Liability | | |
|-------------------------|------------------|-----------------|------------------|
| | Principal | Interest | Total |
| 2024 | \$ 16,589 | \$ 932 | \$ 17,521 |
| 2025 | 12,381 | 436 | 12,817 |
| 2026 | 2,104 | 32 | 2,136 |
| Total | <u>\$ 31,074</u> | <u>\$ 1,400</u> | <u>\$ 32,474</u> |

Minimum annual principal and interest payments required to retire financed purchase agreements:

| Year Ending June 30, | Financed Purchase Agreements | | |
|-------------------------|------------------------------|-----------------|-------------------|
| | Principal | Interest | Total |
| 2024 | <u>\$ 433,565</u> | <u>\$ 1,157</u> | <u>\$ 434,722</u> |

C. Changes in Long-Term Liabilities

| | Beginning Balance | Additions | Reductions | Ending Balance |
|------------------------------|----------------------|-------------------|---------------------|----------------------|
| Long-term liabilities | | | | |
| G.O. bonds | \$ 26,470,000 | \$ - | \$ 1,770,000 | \$ 24,700,000 |
| Unamortized bond premium | 1,838,936 | - | 162,984 | 1,675,952 |
| Financed purchase agreements | 866,000 | - | 432,435 | 433,565 |
| Lease liability | 47,180 | - | 16,106 | 31,074 |
| Compensated absences | 129,988 | 189,324 | 241,900 | 77,412 |
| Total long-term liabilities | <u>\$ 29,352,104</u> | <u>\$ 189,324</u> | <u>\$ 2,623,425</u> | <u>\$ 26,918,003</u> |

D. Lease Liabilities

On July 19, 2019, the District entered into a lease agreement for copiers. The obligation totaled \$23,526. The agreement includes monthly principal and interest payments of \$392 per month for 60 months.

On September 8, 2020, the District entered into a lease agreement for copiers. The obligation totaled \$64,080. The agreement includes semiannual principal and interest payments of \$1,068 per month for 60 months.

E. Financed Purchase Agreements from Direct Borrowing

On July 15, 2020, the District entered into a financed purchase agreement for MacBooks for staff members. The obligation totaled \$191,400. The agreement includes semiannual principal and interest payments of \$49,558 through 2024.

Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements

NOTE 5 – LONG-TERM DEBT (CONTINUED)

E. Financed Purchase Agreements from Direct Borrowing (Continued)

On October 10, 2020, the District entered into a financed purchase agreement for MacBooks for students. The obligation totaled \$1,207,450. The agreement includes semiannual principal and interest payments of \$301,863 through 2024.

On June 12, 2021, the District entered into a financed purchase agreement for iPads. The obligation totaled \$249,900. The agreement includes monthly principal and interest payments of \$83,300 through 2024.

NOTE 6 – FUND BALANCES/NET POSITION

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

Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances

Fund balances are classified below to reflect the limitations and restrictions of the respective funds.

| | General Fund | Debt Service | Food Service | Nonmajor Funds | Total |
|---|----------------------------|--------------------------|----------------------------|--------------------------|----------------------------|
| Nonspendable | | | | | |
| Inventory | \$ - | \$ - | \$ 30,809 | \$ - | \$ 30,809 |
| Prepaid Items | 169,937 | - | 4,545 | - | 174,482 |
| Total nonspendable | <u>169,937</u> | <u>-</u> | <u>35,354</u> | <u>-</u> | <u>205,291</u> |
| Restricted for | | | | | |
| Student Activities | 138,409 | - | - | - | 138,409 |
| Operating Capital | 509,408 | - | - | - | 509,408 |
| Safe Schools Levy | 28,274 | - | - | - | 28,274 |
| Long-Term Facilities Maintenance (LTFM) | 848,797 | - | - | - | 848,797 |
| Medical Assistance | 100,890 | - | - | - | 100,890 |
| Debt Service | - | 544,023 | - | 74,977 | 619,000 |
| Community Education | - | - | - | 241,410 | 241,410 |
| Adult Basic Education | - | - | - | 5,449 | 5,449 |
| Food Service | - | - | 1,694,388 | - | 1,694,388 |
| Total restricted | <u>1,625,778</u> | <u>544,023</u> | <u>1,694,388</u> | <u>321,836</u> | <u>4,186,025</u> |
| Committed for | | | | | |
| Separation/Retirement Benefits | 208,857 | - | - | - | 208,857 |
| Assigned for | | | | | |
| Staff Development - Curriculum | 80,883 | - | - | - | 80,883 |
| Staff Development - District | 18,257 | - | - | - | 18,257 |
| Building Activities | 168,639 | - | - | - | 168,639 |
| Quality Compensation | 106,499 | - | - | - | 106,499 |
| Targeted Services | 109,100 | - | - | - | 109,100 |
| Technology | 127,690 | - | - | - | 127,690 |
| Total assigned | <u>611,068</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>611,068</u> |
| Unassigned for | | | | | |
| General Purposes | 2,271,119 | - | - | - | 2,271,119 |
| Community Service* | - | - | - | (1,177) | (1,177) |
| School Readiness* | - | - | - | (51,643) | (51,643) |
| Early Childhood and Family Education* | - | - | - | (24,924) | (24,924) |
| Total unassigned | <u>2,271,119</u> | <u>-</u> | <u>-</u> | <u>(77,744)</u> | <u>2,193,375</u> |
| Total fund balance | <u><u>\$ 4,886,759</u></u> | <u><u>\$ 544,023</u></u> | <u><u>\$ 1,729,742</u></u> | <u><u>\$ 244,092</u></u> | <u><u>\$ 7,404,616</u></u> |

* Negative restricted fund balances have been reclassified as unassigned.

Nonspendable for Inventory – This balance represents a portion of the fund balance that is not available since the amounts have already been spent on inventory.

Nonspendable for Prepaid Items – This balance represents a portion of the fund balance that is not available since the amounts have already been spent by the District on expenses for the next year.

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

Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

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

Restricted/Reserved for Safe Schools Levy – The unspent resources available from the safe schools levy must be restricted in this account for future use.

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

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

Restricted/Reserved for Debt Service – This balance represents the balances of the Debt Service Fund and the Post Employment Benefits Debt Service Fund available for future debt principal and interest payments.

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

Restricted/Reserved for Adult Basic Education – This account will represent the balance of carryover monies for all activity involving adult basic education.

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

Committed for Separation/Retirement Benefits – This balance represents resources segregated from the unassigned fund balance for retirement benefits, including compensated absences and OPEB (as defined in GASB Statements Nos. 16 and 75).

Assigned Fund Balances – These balances represent amounts segregated from the unassigned fund balance for various purposes as determined by the Superintendent and the Director of Business Services in accordance with the District's Fund Balance Policy.

Unassigned for Community Service – This balance represents the remaining fund balance of the Community Service Fund not set aside for other purposes. Balance is a deficit at year end.

Unassigned for School Readiness – This balance represents the resources available to provide for services for school readiness programs (*Minnesota Statutes* § 124D.16). Balance is a deficit at year end.

**Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements**

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

Unassigned for Early Childhood and Family Education – This balance represents the resources available to provide for services for early childhood and family education programming. Balance is a deficit at year end.

B. Net Position

Net position restricted for other purposes on the Statement of Net Position is comprised of the total positive net position of the Food Service and Community Service Funds and the total positive position of the restricted fund balance portion of the General Fund.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans. Total pension expense for the year ended June 30, 2023, was (\$1,332,738). The components of pension expense are noted in the following plan summaries.

The General Fund typically liquidates the Liability related to the pensions.

Teachers' Retirement Association

A. Plan Description

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

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

B. Benefits Provided

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

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

**Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier I Benefits

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

With these provisions:

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

Tier II Benefits

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

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

**Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier II Benefits (Continued)

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

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

C. Contribution Rate

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

| | June 30, 2021 | | June 30, 2022 | | June 30, 2023 | |
|-------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | <u>Employee</u> | <u>Employer</u> | <u>Employee</u> | <u>Employer</u> | <u>Employee</u> | <u>Employer</u> |
| Basic | 11.0% | 12.13% | 11.0% | 12.34% | 11.0% | 12.55% |
| Coordinated | 7.5% | 8.13% | 7.5% | 8.34% | 7.5% | 8.55% |

**Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

C. Contribution Rate (Continued)

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

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

Amounts reported in the allocation schedules may not precisely agree with financial statement amounts or actuarial valuations due to the number of decimal places used in the allocations. TRA has rounded percentage amounts to the nearest ten thousandths.

**Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

| | |
|---------------------------|--|
| Valuation date | July 1, 2022 |
| Measurement date | June 30, 2022 |
| Experience study | June 28, 2019 (demographic and economic assumptions) |
| Actuarial cost method | Entry Age Normal |
| Actuarial assumptions | |
| Investment rate of return | 7.00% |
| Price inflation | 2.50% |
| Wage growth rate | 2.85% before July 1, 2028, and 3.25% after June 30, 2028. |
| Projected salary increase | 2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% after June 30, 2028. |
| Cost of living adjustment | 1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually. |

Mortality Assumptions

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

**Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

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

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

Changes in actuarial assumptions since the 2021 valuation:

- None

E. Discount Rate

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

**Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability

On June 30, 2023, the District reported a liability of \$16,191,106 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.2022% at the end of the measurement period and 0.1913% for the beginning of the year.

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

| | |
|---|---------------|
| District's proportionate share of net pension liability | \$ 16,191,106 |
| State's proportionate share of the net pension liability associated with the District | 1,200,745 |

For the year ended June 30, 2023, the District recognized pension expense of (\$2,146,186). Included in this amount, the District recognized \$165,106 as pension expense for the support provided by direct aid.

On June 30, 2023, the District had deferred resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 224,741 | \$ 133,350 |
| Net difference between projected and actual earnings on plan investments | 738,568 | - |
| Changes of assumptions | 2,453,863 | 3,134,904 |
| Changes in proportion | 737,574 | - |
| Contributions to TRA subsequent to the measurement date | 1,078,413 | - |
| Total | \$ 5,233,159 | \$ 3,268,254 |

The \$1,078,413 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

**Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

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

| Year Ended June 30, | Pension Expense Amount |
|------------------------|------------------------------|
| 2024 | \$ (2,378,097) |
| 2025 | 627,092 |
| 2026 | 351,460 |
| 2027 | 2,195,118 |
| 2028 | 90,919 |
| Total | \$ 886,492 |

G. Pension Liability Sensitivity

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

| District proportionate share of NPL | | |
|---|------------------------------------|---|
| 1% Decrease in Discount Rate (6.0%) | Current Discount Rate (7.0%) | 1% Increase in Discount Rate (8.0%) |
| \$ 25,524,398 | \$ 16,191,106 | \$ 8,540,718 |

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

H. Pension Plan Fiduciary Net Position

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

**Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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

B. Benefits Provided

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

General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2023 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2022, were \$371,854. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2023, the District reported a liability of \$4,997,541 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$146,626.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0631% at the end of the measurement period and 0.0591% for the beginning of the period.

| | |
|--|----------------------------|
| District's proportionate share of net pension liability | \$ 4,997,541 |
| State of Minnesota's proportionate share of the net pension liability associated with the District | <u>146,626</u> |
| Total | <u><u>\$ 5,144,167</u></u> |

For the year ended June 30, 2023, the District recognized pension expense of \$813,448 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized \$21,909 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

**Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

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

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual economic experience | \$ 41,743 | \$ 49,918 |
| Changes in actuarial assumptions | 1,061,502 | 18,683 |
| Net collective difference between projected and actual investments earnings | 192,184 | - |
| Change in proportion | 210,847 | - |
| Contributions paid to PERA subsequent to the measurement date | <u>371,854</u> | <u>-</u> |
| Total | <u>\$ 1,878,130</u> | <u>\$ 68,601</u> |

The \$371,854 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended June 30,</u> | <u>Pension Expense</u> |
|--------------------------------|----------------------------|
| 2024 | \$ 546,733 |
| 2025 | 515,200 |
| 2026 | (76,211) |
| 2027 | <u>451,953</u> |
| Total | <u>\$ 1,437,675</u> |

**Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Long-Term Expected Return on Investment

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

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

F. Actuarial Methods and Assumptions

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

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

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

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

**Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Assumptions (Continued)

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

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

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

G. Discount Rate

The discount rate used to measure the total pension liability in 2022 was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

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

| | 1% Decrease in Discount Rate (5.5%) | Current Discount Rate (6.5%) | 1% Increase in Discount Rate (7.5%) |
|---|---|------------------------------------|---|
| District's proportionate share of the PERA net pension liability | \$ 7,893,878 | \$ 4,997,541 | \$ 2,622,098 |

**Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

I. Pension Plan Fiduciary Net Position

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

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District's defined benefit OPEB plan provides a single-employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. It is the District's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees.

B. Benefits Provided

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

C. Members

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

| | |
|--|-------------------|
| Inactive employees or beneficiaries currently receiving benefits | 17 |
| Active employees | <u>309</u> |
| Total | <u><u>326</u></u> |

D. Contributions

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Teachers hired prior to July 1, 2010, and not electing District contributions to the post-retirement health care savings plan also receive full premium toward single medical insurance until Medicare eligible. Contribution requirements are established by the District, based on the contract terms with its health insurance provider. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2023, the District contributed \$162,169 to the plan.

**Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements**

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2022, using the Entry Age Level Percentage of Pay actuarial cost-method and the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

| | |
|---------------------------------|---|
| Investment rate of return | 2.25%, net of investment expense |
| Salary increases | Service graded table |
| Inflation | 2.50% |
| Healthcare cost trend increases | 6.25% in 2023, grading to 5.0% over six years and then to 4.0% over the next 48 years. |
| Mortality Assumption | Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale. |

The following changes in actuarial assumptions and plan provisions occurred in the District's year-end June 30, 2023:

- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.
- The discount rate was changed from 3.70% to 3.75%.

The discount rate used to measure the total OPEB liability was 3.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements**

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

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

| Asset Class | Final Target Allocation | Long-Term Expected Real Rate of Return |
|--------------|----------------------------|--|
| Fixed income | 80 % | N/A |
| Cash | 20 | N/A |
| Total | 100 % | 2.25 % |

The details of the investments and the investment policy are described in Note 2 of the District's financial statements. The annual money-weighted rate of return on investments for the prior year was estimated to be 1.7%. The money weighed rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements**

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability

Changes in the total OPEB liability are as follows:

| | Total OPEB Liability (a) | Fiduciary Net Position (b) | Net OPEB Liability (a)-(b) |
|--|-----------------------------------|-------------------------------------|-------------------------------------|
| Balances at July 1, 2022 | \$ 2,394,434 | \$ 915,063 | \$ 1,479,371 |
| Changes for the year | | | |
| Service cost | 125,986 | - | 125,986 |
| Interest cost | 88,605 | - | 88,605 |
| Assumption changes | 38,794 | - | 38,794 |
| Differences between expected and actual economic experience | (104,815) | (5,368) | (99,447) |
| Employer contributions | - | 162,169 | (162,169) |
| Projected investment return | - | 20,589 | (20,589) |
| Benefit payments | (253,702) | (253,702) | - |
| Administrative expense | - | (250) | 250 |
| Net changes | (105,132) | (76,562) | (28,570) |
| Balances at June 30, 2023 | \$ 2,289,302 | \$ 838,501 | \$ 1,450,801 |

H. OPEB Liability Sensitivity

The following presents the District's net OPEB liability calculated using the discount rate of 3.75% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

| | 1% Decrease in Discount Rate (2.75%) | Current Discount Rate (3.75%) | 1% Increase in Discount Rate (4.75%) |
|--------------------|--|-------------------------------------|--|
| Net OPEB Liability | \$ 1,548,671 | \$ 1,450,801 | \$ 1,354,954 |

**Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements**

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

H. OPEB Liability Sensitivity (Continued)

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

| | 1% decrease (5.25% decreasing to 4.0% then 3.0%) | Current (6.25% decreasing to 5.0% then 4.0%) | 1% increase (7.25% decreasing to 6.0% then 5.0%) |
|--------------------|---|---|---|
| Net OPEB Liability | \$ 1,295,409 | \$ 1,450,801 | \$ 1,628,543 |

Note the 6.25% healthcare cost trend rate has been incrementally reduced from the initial rate of 6.5%.

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$139,170. As of June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-------------------------|--------------------------------------|-------------------------------------|
| Investment gains/losses | \$ 37,462 | \$ - |
| Liability gains/losses | 12,886 | 200,667 |
| Changes of assumptions | 68,372 | 135,644 |
| Total | \$ 118,720 | \$ 336,311 |

**Independent School District No. 750
ROCORI Schools
Notes to Basic Financial Statements**

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

**I. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB (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, | Total |
|-------------------------|--------------|
| 2024 | \$ (57,044) |
| 2025 | (47,808) |
| 2026 | (57,841) |
| 2027 | (36,037) |
| 2028 | (9,432) |
| Thereafter | (9,429) |
| Total | \$ (217,591) |

J. Payable from the OPEB Plan

As of June 30, 2023, the OPEB plan reported a payable of \$91,533 to the District. The amount is reported as a payable on the OPEB Trust Fund Statement of Fiduciary Net Position.

REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 750
ROCORI Schools
Schedule of Changes in Net OPEB Liability
and Related Ratios

| | <u>June 30, 2023</u> | <u>June 30, 2022</u> | <u>June 30, 2021</u> | <u>June 30, 2020</u> |
|---|----------------------|----------------------|----------------------|----------------------|
| Total OPEB Liability | | | | |
| Service cost | \$ 125,986 | \$ 120,324 | \$ 147,216 | \$ 144,659 |
| Interest | 88,605 | 53,708 | 71,028 | 87,686 |
| Differenced between expected and actual experience | (104,815) | - | (221,655) | - |
| Changes of assumptions | 38,794 | (166,062) | (35,219) | 71,484 |
| Plan changes | - | (56,913) | (88,632) | - |
| Benefit payments | <u>(253,702)</u> | <u>(242,168)</u> | <u>(254,821)</u> | <u>(228,733)</u> |
| Net change in total OPEB liability | <u>(105,132)</u> | <u>(291,111)</u> | <u>(382,083)</u> | <u>75,096</u> |
| Beginning of year | <u>2,394,434</u> | <u>2,685,545</u> | <u>3,067,628</u> | <u>2,992,532</u> |
| End of year | <u>\$ 2,289,302</u> | <u>\$ 2,394,434</u> | <u>\$ 2,685,545</u> | <u>\$ 3,067,628</u> |
| Plan Fiduciary Net Pension (FNP) | | | | |
| Employer contributions | \$ 162,169 | \$ 144,554 | \$ 156,093 | \$ 136,535 |
| Projected investment income | 20,589 | 23,477 | 12,503 | 13,269 |
| Differences between expected and actual experience | (5,368) | (53,959) | (6,789) | 9,614 |
| Benefit payments | (253,702) | (242,168) | (254,821) | (228,733) |
| Administrative expense | <u>(250)</u> | <u>(250)</u> | <u>(250)</u> | <u>(250)</u> |
| Net change in plan fiduciary net position | <u>(76,562)</u> | <u>(128,346)</u> | <u>(93,264)</u> | <u>(69,565)</u> |
| Beginning of year | <u>915,063</u> | <u>1,043,409</u> | <u>1,136,673</u> | <u>1,206,238</u> |
| End of year | <u>\$ 838,501</u> | <u>\$ 915,063</u> | <u>\$ 1,043,409</u> | <u>\$ 1,136,673</u> |
| Net OPEB liability | <u>\$ 1,450,801</u> | <u>\$ 1,479,371</u> | <u>\$ 1,642,136</u> | <u>\$ 1,930,955</u> |
| Plan FNP as a percentage of the total OPEB liability | 36.63% | 38.22% | 38.85% | 37.05% |
| Covered-employee payroll | \$ 16,269,437 | \$ 14,641,039 | \$ 14,214,600 | \$ 13,543,052 |
| Net OPEB liability as a percentage of covered-employee payroll | 8.92% | 10.10% | 11.55% | 14.26% |

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

| <u>June 30, 2019</u> | <u>June 30, 2018</u> | <u>June 30, 2017</u> |
|----------------------|----------------------|----------------------|
| \$ 127,759 | \$ 128,899 | \$ 133,504 |
| 96,754 | 91,261 | 97,437 |
| 45,116 | - | - |
| 15,709 | (51,289) | - |
| - | - | - |
| <u>(374,270)</u> | <u>(432,651)</u> | <u>(460,999)</u> |
| <u>(88,932)</u> | <u>(263,780)</u> | <u>(230,058)</u> |
| <u>3,081,464</u> | <u>3,345,244</u> | <u>3,575,302</u> |
| <u>\$ 2,992,532</u> | <u>\$ 3,081,464</u> | <u>\$ 3,345,244</u> |
| | | |
| \$ 229,944 | \$ 231,988 | \$ 304,110 |
| 14,804 | 16,824 | 18,240 |
| (9,819) | 503 | 10,148 |
| (374,270) | (432,651) | (460,999) |
| <u>(250)</u> | <u>(250)</u> | <u>(250)</u> |
| <u>(139,591)</u> | <u>(183,586)</u> | <u>(128,751)</u> |
| <u>1,345,829</u> | <u>1,529,415</u> | <u>1,658,166</u> |
| <u>\$ 1,206,238</u> | <u>\$ 1,345,829</u> | <u>\$ 1,529,415</u> |
| | | |
| <u>\$ 1,786,294</u> | <u>\$ 1,735,635</u> | <u>\$ 1,815,829</u> |
| | | |
| 40.31% | 43.67% | 45.72% |
| \$ 13,148,594 | \$ 11,492,059 | \$ 11,157,339 |
| | | |
| 13.59% | 15.10% | 16.27% |

Independent School District No. 750
ROCORI Schools
Schedule of Employer Contributions - OPEB

| | <u>June 30, 2023</u> | <u>June 30, 2022</u> | <u>June 30, 2021</u> | <u>June 30, 2020</u> |
|--|----------------------|----------------------|----------------------|----------------------|
| Actuarially determined contribution | \$ 162,169 | \$ 144,554 | \$ 156,093 | \$ 136,535 |
| Contributions in relation to the actuarially determined contribution | <u>162,169</u> | <u>144,554</u> | <u>156,093</u> | <u>136,535</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | <u>\$ 16,269,437</u> | <u>\$ 14,641,039</u> | <u>\$ 14,214,600</u> | <u>\$ 13,543,052</u> |
| Contributions as a percentage of covered-employee payroll | 1.00% | 0.99% | 1.10% | 1.01% |

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

| <u>June 30, 2019</u> | <u>June 30, 2018</u> | <u>June 30, 2017</u> |
|----------------------|----------------------|----------------------|
| \$ 229,944 | \$ 231,988 | \$ 304,110 |
| <u>229,944</u> | <u>231,988</u> | <u>304,110</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>\$ 13,148,594</u> | <u>\$ 11,492,059</u> | <u>\$ 11,157,339</u> |
| 1.75% | 2.02% | 2.73% |

Independent School District No. 750
ROCORI Schools
Schedule of Investment Returns

| | <u>June 30, 2023</u> | <u>June 30, 2022</u> | <u>June 30, 2021</u> | <u>June 30, 2020</u> |
|--|----------------------|----------------------|----------------------|----------------------|
| Annual money-weighted rate of return, net of investment expense | 1.70% | -2.90% | 0.50% | 1.90% |

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

| <u>June 30, 2019</u> | <u>June 30, 2018</u> | <u>June 30, 2017</u> |
|----------------------|----------------------|----------------------|
| 0.35% | 1.09% | 1.68% |

**Independent School District No. 750
ROCORI Schools
Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund**

| For Fiscal Year Ended June 30, | District's Proportion of the Net Pension Liability (Asset) | District's Proportionate Share of the Net Pension Liability (Asset) | District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability | District's Proportionate Share of the State of Minnesota's Share of the Net Pension of Liability | District's Covered- Employee Payroll | District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|--------------------------------------|---|--|--|---|---|---|--|
| 2014 | 0.0540% | \$ 2,536,649 | \$ - | \$ 2,536,649 | \$ 2,833,103 | 89.5% | 78.8% |
| 2015 | 0.0500% | 2,591,260 | - | 2,591,260 | 2,892,480 | 89.6% | 78.2% |
| 2016 | 0.0520% | 4,222,142 | 55,165 | 4,277,307 | 3,225,653 | 130.9% | 68.9% |
| 2017 | 0.0534% | 3,409,021 | 42,855 | 3,451,876 | 3,439,280 | 99.1% | 75.9% |
| 2018 | 0.0535% | 2,967,961 | 97,434 | 3,065,395 | 3,597,613 | 82.5% | 79.5% |
| 2019 | 0.0544% | 3,007,654 | 93,496 | 3,101,150 | 3,850,480 | 78.1% | 80.2% |
| 2020 | 0.0580% | 3,477,365 | 107,071 | 3,584,436 | 4,133,120 | 84.1% | 79.1% |
| 2021 | 0.0591% | 2,523,835 | 77,067 | 2,600,902 | 4,251,173 | 59.4% | 87.0% |
| 2022 | 0.0631% | 4,997,541 | 146,626 | 5,144,167 | 4,729,573 | 105.7% | 76.7% |

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

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

| For Fiscal Year Ended June 30, | District's Proportion of the Net Pension Liability (Asset) | District's Proportionate Share of the Net Pension Liability (Asset) | District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability | District's Proportionate Share of the State of Minnesota's Share of the Net Pension of Liability | District's Covered- Employee Payroll | District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|--------------------------------------|---|--|--|---|---|---|--|
| 2014 | 0.1775% | \$ 8,179,072 | \$ 575,427 | \$ 8,754,499 | \$ 8,101,857 | 101.0% | 81.5% |
| 2015 | 0.1632% | 10,095,534 | 1,238,192 | 11,333,726 | 8,283,160 | 121.9% | 76.8% |
| 2016 | 0.1708% | 40,739,875 | 4,088,266 | 44,828,141 | 8,886,520 | 458.4% | 44.9% |
| 2017 | 0.1816% | 36,250,654 | 3,505,032 | 39,755,686 | 9,777,973 | 370.7% | 51.6% |
| 2018 | 0.1850% | 11,619,732 | 1,091,810 | 12,711,542 | 10,221,320 | 113.7% | 78.1% |
| 2019 | 0.1869% | 11,913,045 | 1,054,061 | 12,967,106 | 10,609,001 | 112.3% | 78.2% |
| 2020 | 0.1886% | 13,934,021 | 1,167,681 | 15,101,702 | 10,962,386 | 127.1% | 75.5% |
| 2021 | 0.1913% | 8,371,860 | 705,957 | 9,077,817 | 11,450,135 | 73.1% | 86.6% |
| 2022 | 0.2022% | 16,191,106 | 1,200,745 | 17,391,851 | 12,498,897 | 129.5% | 76.2% |

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

**Independent School District No. 750
ROCORI Schools
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years**

| For Fiscal Year Ended June 30, | Statutorily Required Contribution | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | District's Covered- Employee Payroll | Contributions as a Percentage of Covered- Employee Payroll |
|-----------------------------------|---|---|--|---|--|
| 2014 | \$ 205,400 | \$ 205,400 | \$ - | \$ 2,833,103 | 7.25% |
| 2015 | 216,936 | 216,936 | - | 2,892,480 | 7.50% |
| 2016 | 241,924 | 241,924 | - | 3,225,653 | 7.50% |
| 2017 | 257,946 | 257,946 | - | 3,439,280 | 7.50% |
| 2018 | 269,821 | 269,821 | - | 3,597,613 | 7.50% |
| 2019 | 288,786 | 288,786 | - | 3,850,480 | 7.50% |
| 2020 | 309,984 | 309,984 | - | 4,133,120 | 7.50% |
| 2021 | 318,838 | 318,838 | - | 4,251,173 | 7.50% |
| 2022 | 354,718 | 354,718 | - | 4,729,573 | 7.50% |
| 2023 | 371,854 | 371,854 | - | 4,958,053 | 7.50% |

**Schedule of District Contributions
TRA Retirement Fund
Last Ten Years**

| For Fiscal Year Ended June 30, | Statutorily Required Contribution | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | District's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|-----------------------------------|---|---|--|----------------------------------|--|
| 2014 | \$ 567,130 | \$ 567,130 | \$ - | \$ 8,101,857 | 7.00% |
| 2015 | 621,237 | 621,237 | - | 8,283,160 | 7.50% |
| 2016 | 666,489 | 666,489 | - | 8,886,520 | 7.50% |
| 2017 | 733,348 | 733,348 | - | 9,777,973 | 7.50% |
| 2018 | 766,599 | 766,599 | - | 10,221,320 | 7.50% |
| 2019 | 817,954 | 817,954 | - | 10,609,001 | 7.71% |
| 2020 | 868,221 | 868,221 | - | 10,962,386 | 7.92% |
| 2021 | 930,896 | 930,896 | - | 11,450,135 | 8.13% |
| 2022 | 1,042,408 | 1,042,408 | - | 12,498,897 | 8.34% |
| 2023 | 1,078,413 | 1,078,413 | - | 12,613,018 | 8.55% |

Independent School District No. 750
ROCORI Schools
Notes to the Required Supplementary Information

TRA Retirement Fund

2022 Changes

Changes in Actuarial Assumptions

- None

2021 Changes

Changes in Actuarial Assumptions

- The investment return assumption was changed from 7.5% to 7.0%.

2020 Changes

Changes in Actuarial Assumptions

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

2019 Changes

Changes in Actuarial Assumptions

- None

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was increased to 7.5% from 5.12%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.

Independent School District No. 750
ROCORI Schools
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2018 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- The employer contribution rate is increased each July 1 over the next 6 years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes

Changes in Actuarial Assumptions

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

2016 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.

Independent School District No. 750
ROCORI Schools
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2016 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

2015 Changes

Changes of Benefit Terms

- The DTRFA was merged into TRA on June 30, 2015.

Changes in Actuarial Assumptions

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

Independent School District No. 750
ROCORI Schools
Notes to the Required Supplementary Information

General Employees Fund

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Independent School District No. 750
ROCORI Schools
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2020 Changes (Continued)

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

Independent School District No. 750
ROCORI Schools
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2017 Changes (Continued)

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

Independent School District No. 750
ROCORI Schools
Notes to the Required Supplementary Information

Other Post Employment Benefit

2023 Changes

Changes in Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.
- The discount rate was changed from 3.70% to 3.75%.

2022 Changes

Changes in Actuarial Assumptions

- The long-term investment rate of return was changed from 1.10% to 2.25%.
- The discount rate was changed from 2.00% to 3.70%.

Changes in Plan Provisions

- The grandfathered administrators and principals with post-employment accounts held at the District to pay for medical expenses in retirement had that post-employment benefit converted to a lump sum paid to a Health Care Savings Plan in the 2021-2022 fiscal year. The portion of the post-employment lump sum due to accumulated unused sick leave days will be recorded under GASB 16, while the portion based on years of service, in the formula, will be reflected under GASB 75.

2021 Changes

Changes in Actuarial Assumptions

- The health care trend rates, mortality tables, and salary increase rates were updated.
- The discount rate was changed from 2.3% to 2.0%.

Changes in Plan Provisions

- Annual matching contribution amounts and the lifetime matching contribution maximum for teachers were both increased.

2020 Changes

Changes in Actuarial Assumptions

- For the fiscal year ending June 30, 2019: The health care trend rates and mortality tables were updated. Additionally, all post-65 retirees were assumed to have Medicare as their primary insurance.
- For the fiscal year ending June 30, 2020: The discount rate was changed from 2.90% to 2.30%.

Independent School District No. 750
ROCORI Schools
Notes to the Required Supplementary Information

Other Post Employment Benefit (Continued)

2019 Changes

Changes in Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- All post-age 65 retirees on one of the District's medical plans are assumed to have Medicare as their primary insurance so no implicit rate medical subsidy applies. As of July 1, 2016, a post-age 65 retiree on one of the District's medical plans was assumed not to have Medicare so an implicit rate subsidy was valued for five years.
- The discount rate changed from 3.20% to 2.90%.

2018 Changes

Changes in Actuarial Assumptions

- The discount rate changed from 2.80% to 3.20%.

(THIS PAGE LEFT BLANK INTENTIONALLY)

SUPPLEMENTARY INFORMATION

Independent School District No. 750
ROCORI Schools
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2023

| | Community Service Special Revenue | Post Employment Benefits Debt Service | Total Nonmajor Funds |
|--|---|--|-------------------------|
| Assets | | | |
| Cash and investments | \$ 472,403 | \$ 250,324 | \$ 722,727 |
| Current property taxes receivable | 76,457 | 162,836 | 239,293 |
| Delinquent property taxes receivable | 456 | 1,037 | 1,493 |
| Due from Department of Education | 25,810 | 305 | 26,115 |
| Due from other Minnesota school districts | 8,761 | - | 8,761 |
| | <u>8,761</u> | <u>-</u> | <u>8,761</u> |
| Total assets | <u>\$ 583,887</u> | <u>\$ 414,502</u> | <u>\$ 998,389</u> |
| Liabilities | | | |
| Accounts payable | \$ 2,411 | \$ - | \$ 2,411 |
| Salaries and benefits payable | 62,305 | - | 62,305 |
| Unearned revenue | 190,668 | - | 190,668 |
| Total liabilities | <u>255,384</u> | <u>-</u> | <u>255,384</u> |
| Deferred Inflows of Resources | | | |
| Unavailable revenue - delinquent property taxes | 456 | 1,037 | 1,493 |
| Property taxes levied for subsequent year's expenditures | 158,932 | 338,488 | 497,420 |
| Total deferred inflows of resources | <u>159,388</u> | <u>339,525</u> | <u>498,913</u> |
| Fund Balances | | | |
| Restricted | 246,859 | 74,977 | 321,836 |
| Unassigned | (77,744) | - | (77,744) |
| Total fund balances | <u>169,115</u> | <u>74,977</u> | <u>244,092</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 583,887</u> | <u>\$ 414,502</u> | <u>\$ 998,389</u> |

Independent School District No. 750
ROCORI Schools
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2023

| | Community Service Special Revenue | Post Employment Benefits Debt Service | Total Nonmajor Funds |
|---|---|--|-------------------------|
| Revenues | | | |
| Local property taxes | \$ 148,065 | \$ 337,058 | \$ 485,123 |
| Other local and county revenues | 1,156,596 | 4,733 | 1,161,329 |
| Revenue from state sources | 224,224 | 3,052 | 227,276 |
| Revenue from federal sources | 186,173 | - | 186,173 |
| Total revenues | <u>1,715,058</u> | <u>344,843</u> | <u>2,059,901</u> |
| Expenditures | | | |
| Current | | | |
| Community education and services | 1,667,332 | - | 1,667,332 |
| Debt service | | | |
| Principal | - | 295,000 | 295,000 |
| Interest and fiscal charges | - | 46,703 | 46,703 |
| Total expenditures | <u>1,667,332</u> | <u>341,703</u> | <u>2,009,035</u> |
| Excess of revenues over expenditures | 47,726 | 3,140 | 50,866 |
| Other Financing Sources | | | |
| Transfers in | <u>4,973</u> | - | <u>4,973</u> |
| Net change in fund balances | 52,699 | 3,140 | 55,839 |
| Fund Balances | | | |
| Beginning of year | <u>116,416</u> | <u>71,837</u> | <u>188,253</u> |
| End of year | <u>\$ 169,115</u> | <u>\$ 74,977</u> | <u>\$ 244,092</u> |

**Independent School District No. 750
ROCORI Schools
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2023**

| | Audit | UFARS | Audit-UFARS | | Audit | UFARS | Audit-UFARS |
|---|---------------|---------------|-------------|--|-------|-------|-------------|
| 01 GENERAL FUND | | | | | | | |
| Total revenue | \$ 31,931,407 | \$ 31,931,410 | \$ (3) | | | | |
| Total expenditures | 31,098,137 | 31,098,136 | 1 | | | | |
| <i>Nonspendable:</i> | | | | | | | |
| 4.60 Nonspendable fund balance | 169,937 | 169,937 | - | | | | |
| <i>Restricted/Reserved:</i> | | | | | | | |
| 4.01 Student Activities | 138,409 | 138,409 | - | | | | |
| 4.02 Scholarships | - | - | - | | | | |
| 4.03 Staff Development | - | - | - | | | | |
| 4.07 Capital Projects Levy | - | - | - | | | | |
| 4.08 Cooperative Programs | - | - | - | | | | |
| 4.13 Building Projects Funded by COP/LP | - | - | - | | | | |
| 4.14 Operating Debt | - | - | - | | | | |
| 4.16 Levy Reduction | - | - | - | | | | |
| 4.17 Taconite Building Maintenance | - | - | - | | | | |
| 4.24 Operating Capital | 509,408 | 509,408 | - | | | | |
| 4.26 \$25 Taconite | - | - | - | | | | |
| 4.27 Disabled Accessibility | - | - | - | | | | |
| 4.28 Learning and Development | - | - | - | | | | |
| 4.34 Area Learning Center | - | - | - | | | | |
| 4.35 Contracted Alternative Programs | - | - | - | | | | |
| 4.36 State Approved Alternative Program | - | - | - | | | | |
| 4.38 Gifted and Talented | - | - | - | | | | |
| 4.40 Teacher Development and Evaluation | - | - | - | | | | |
| 4.41 Basic Skills Programs | - | - | - | | | | |
| 4.48 Achievement and Integration Revenue | - | - | - | | | | |
| 4.49 Safe School Crime | 28,274 | 28,274 | - | | | | |
| 4.51 QZAB payments | - | - | - | | | | |
| 4.52 OPEB Liabilities not Held in Trust | - | - | - | | | | |
| 4.53 Unfunded Severance and Retirement Levy | - | - | - | | | | |
| 4.59 Basic Skills Extended Time | - | - | - | | | | |
| 4.67 Long-Term Facilities Maintenance | 848,797 | 848,797 | - | | | | |
| <i>Restricted:</i> | | | | | | | |
| 4.72 Medical Assistance | 100,890 | 100,890 | - | | | | |
| 4.64 Restricted fund balance | - | - | - | | | | |
| 4.75 Title VII - Impact Aid | - | - | - | | | | |
| 4.76 Payments in Lieu of Taxes | - | - | - | | | | |
| <i>Committed:</i> | | | | | | | |
| 4.18 Committed for separation | 208,857 | 208,857 | - | | | | |
| 4.61 Committed | - | - | - | | | | |
| <i>Assigned:</i> | | | | | | | |
| 4.62 Assigned fund balance | 611,068 | 611,067 | 1 | | | | |
| <i>Unassigned:</i> | | | | | | | |
| 4.22 Unassigned fund balance (net position) | 2,271,119 | 2,271,121 | (2) | | | | |
| 02 FOOD SERVICE FUND | | | | | | | |
| Total revenue | \$ 1,863,806 | \$ 1,863,805 | \$ 1 | | | | |
| Total expenditures | 1,797,918 | 1,797,919 | (1) | | | | |
| <i>Nonspendable:</i> | | | | | | | |
| 4.60 Nonspendable fund balance | 35,354 | 35,354 | - | | | | |
| <i>Restricted/Reserved:</i> | | | | | | | |
| 4.52 OPEB liabilities not held in trust | - | - | - | | | | |
| <i>Restricted:</i> | | | | | | | |
| 4.64 Restricted fund balance | 1,694,388 | 1,694,387 | 1 | | | | |
| <i>Unassigned:</i> | | | | | | | |
| 4.63 Unassigned fund balance | - | - | - | | | | |
| 04 COMMUNITY SERVICE FUND | | | | | | | |
| Total revenue | \$ 1,715,058 | \$ 1,715,059 | \$ (1) | | | | |
| Total expenditures | 1,667,332 | 1,667,331 | 1 | | | | |
| <i>Nonspendable:</i> | | | | | | | |
| 4.60 Nonspendable fund balance | - | - | - | | | | |
| <i>Restricted/Reserved:</i> | | | | | | | |
| 4.26 \$25 Taconite | - | - | - | | | | |
| 4.31 Community Education | 241,410 | 241,410 | - | | | | |
| 4.32 ECFE | (24,924) | (24,924) | - | | | | |
| 4.40 Teacher Development and Evaluations | - | - | - | | | | |
| 4.44 School Readiness | (51,643) | (51,643) | - | | | | |
| 4.47 Adult Basic Education | 5,449 | 5,449 | - | | | | |
| 4.52 OPEB Liabilities not Held in Trust | - | - | - | | | | |
| <i>Restricted:</i> | | | | | | | |
| 4.64 Restricted fund balance | - | - | - | | | | |
| <i>Unassigned:</i> | | | | | | | |
| 4.63 Unassigned fund balance | (1,177) | (1,177) | - | | | | |
| 06 BUILDING AND CONSTRUCTION FUND | | | | | | | |
| Total revenue | \$ - | \$ - | \$ - | | | | |
| Total expenditures | - | - | - | | | | |
| <i>Nonspendable:</i> | | | | | | | |
| 4.60 Nonspendable Fund Balance | - | - | - | | | | |
| <i>Restricted/Reserved:</i> | | | | | | | |
| 4.07 Capital Projects Levy | - | - | - | | | | |
| 4.13 Building Projects Funded by COP | - | - | - | | | | |
| 4.67 LTFM | - | - | - | | | | |
| <i>Restricted:</i> | | | | | | | |
| 4.64 Restricted fund balance | - | - | - | | | | |
| <i>Unassigned:</i> | | | | | | | |
| 4.63 Unassigned fund balance | - | - | - | | | | |
| 07 DEBT SERVICE FUND | | | | | | | |
| Total revenue | \$ 2,399,527 | \$ 2,399,528 | \$ (1) | | | | |
| Total expenditures | 2,384,357 | 2,384,356 | 1 | | | | |
| <i>Nonspendable:</i> | | | | | | | |
| 4.60 Nonspendable fund balance | - | - | - | | | | |
| <i>Restricted/Reserved:</i> | | | | | | | |
| 4.25 Bond refunding | - | - | - | | | | |
| 4.33 Maximum effort loan aid | - | - | - | | | | |
| 4.51 QZAB payments | - | - | - | | | | |
| 4.67 Long-Term Facilities Maintenance | - | - | - | | | | |
| <i>Restricted:</i> | | | | | | | |
| 4.64 Restricted fund balance | 544,023 | 544,023 | - | | | | |
| <i>Unassigned:</i> | | | | | | | |
| 4.63 Unassigned fund balance | - | - | - | | | | |
| 08 TRUST FUND | | | | | | | |
| Total revenue | \$ - | \$ - | \$ - | | | | |
| Total expenditures | - | - | - | | | | |
| <i>Restricted/Reserved:</i> | | | | | | | |
| 4.01 Student Activities | - | - | - | | | | |
| 4.02 Scholarships | - | - | - | | | | |
| 4.22 Net position | - | - | - | | | | |
| 18 CUSTODIAL FUND | | | | | | | |
| Total revenue | \$ - | \$ - | \$ - | | | | |
| Total expenditures | - | - | - | | | | |
| <i>Restricted/Reserved:</i> | | | | | | | |
| 4.01 Student Activities | - | - | - | | | | |
| 4.02 Scholarships | - | - | - | | | | |
| 4.48 Achievement and Integration Revenue | - | - | - | | | | |
| 4.64 Restricted fund balance | - | - | - | | | | |
| 20 INTERNAL SERVICE FUND | | | | | | | |
| Total revenue | \$ - | \$ - | \$ - | | | | |
| Total expenditures | - | - | - | | | | |
| <i>Unassigned:</i> | | | | | | | |
| 4.22 Net position | - | - | - | | | | |
| 25 OPEB REVOCABLE TRUST | | | | | | | |
| Total revenue | \$ - | \$ - | \$ - | | | | |
| Total expenditures | - | - | - | | | | |
| <i>Unassigned:</i> | | | | | | | |
| 4.22 Net position | - | - | - | | | | |
| 45 OPEB IRREVOCABLE TRUST | | | | | | | |
| Total revenue | \$ 15,220 | \$ 15,221 | \$ (1) | | | | |
| Total expenditures | 91,783 | 91,783 | - | | | | |
| <i>Unassigned:</i> | | | | | | | |
| 4.22 Net position | 838,500 | 838,501 | (1) | | | | |
| 47 OPEB DEBT SERVICE | | | | | | | |
| Total revenue | \$ 344,843 | \$ 344,843 | \$ - | | | | |
| Total expenditures | 341,703 | 341,705 | (2) | | | | |
| <i>Nonspendable:</i> | | | | | | | |
| 4.60 Nonspendable fund balance | - | - | - | | | | |
| <i>Restricted:</i> | | | | | | | |
| 4.25 Bond refundings | - | - | - | | | | |
| 4.64 Restricted fund balance | 74,977 | 74,977 | - | | | | |
| <i>Unassigned:</i> | | | | | | | |
| 4.63 Unassigned fund balance | - | - | - | | | | |

**Independent School District No. 750
ROCORI Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023**

| Federal Funding Source | Federal Assistance Listing Number | Pass Through Entity | Grant Name | Expenditures |
|---|-----------------------------------|---|--|---------------------|
| Department of Agriculture | 10.553 | Minnesota Department of Education | School Breakfast Program | \$ 202,557 |
| Department of Agriculture | 10.555 | Minnesota Department of Education | Commodities Programs (Noncash Assistance) | 113,310 |
| Department of Agriculture | 10.555 | Minnesota Department of Education | Child Nutrition Type A Lunch | 527,893 |
| Department of Agriculture | 10.555C | Minnesota Department of Education | COVID-19 - Child Nutrition Type A Lunch | 44,974 |
| Department of Agriculture | 10.559 | Minnesota Department of Education | Summer Food Service | 80,605 |
| | | | Total Child Nutrition Cluster | <u>969,339</u> |
| Department of Agriculture | 10.558 | Minnesota Department of Education | Child and Adult Care Food Program | 25,650 |
| Department of Agriculture | 10.649C | Minnesota Department of Education | COVID-19 - P-EBT Administrative Costs Grants | 628 |
| Department of Treasury | 21.027 | Minnesota Department of Education | COVID-19 - Coronavirus State and Local Fiscal Recovery Funds | 32,361 |
| Department of Education | 84.010 | Minnesota Department of Education | Title I Grants to Local Education Agencies | 104,358 |
| Department of Education | 84.027 | Benton Stearns Education District | Individuals with Disabilities Education Act (IDEA) Part B Section 611 | 275,000 |
| Department of Education | 84.027 | Benton Stearns Education District | Coordinated Early Intervening Services | 45,576 |
| Department of Education | 84.027X | Benton Stearns Education District | COVID-19 - ARP Individuals with Disabilities Education Act | 39,995 |
| Department of Education | 84.027X | Benton Stearns Education District | COVID-19 - ARP Individuals with Disabilities Education Act - Coordinated Early Intervention Services | 7,972 |
| Department of Education | 84.173 | Benton Stearns Education District | Special Education Preschool Grants | 9,100 |
| Department of Education | 84.173X | Benton Stearns Education District | COVID-19 - ARP Individuals with Disabilities Education Act - Preschool Grants for Children with Disabilities | 6,904 |
| | | | Total Special Education Cluster | <u>384,547</u> |
| Department of Education | 84.048A | Wright Technical Center District No. 966 | Career and Technical Education Basic Grants to States | 10,643 |
| Department of Education | 84.365 | Minnesota Department of Education | English Language Acquisition State Grants | 20,600 |
| Department of Education | 84.367 | Minnesota Department of Education | Supporting Effective Instruction State Grants | 36,743 |
| Department of Education | 84.424 | Minnesota Department of Education | Student Support and Academic Enrichment | 16,983 |
| Department of Education | 84.425D | Minnesota Department of Education | COVID-19 - Elementary and Secondary School Emergency Relief Fund | 363,740 |
| Department of Education | 84.425U | Minnesota Department of Education | COVID-19 - American Rescue Plan - Elementary and Secondary Schools Emergency Relief Fund | 543,103 |
| | | | Total Education Stabilization Fund | <u>906,843</u> |
| Department of Health and Human Services | 93.323 | Minnesota Department of Education | COVID-19 - Minnesota COVID-19 Testing Program | 57,000 |
| Department of Health and Human Services | 93.575 | Minnesota Department of Human Services | COVID-19 - Child Care and Development Block Grant | 75,973 |
| Department of Homeland Security | 97.036 | State of Minnesota | Disaster Grants - Public Assistance | 9,846 |
| | | | Total Federal Expenditures | <u>\$ 2,651,514</u> |

See notes to schedule of expenditures of federal awards.

Independent School District No. 750
ROCORI Schools
Notes to Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – PASS-THROUGH GRANT NUMBERS

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

NOTE 4 – INVENTORY

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

NOTE 5 – INDIRECT COST RATE

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

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

To the School Board
Independent School District No. 750
ROCORI Schools
Cold Spring, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 750, Cold Spring, Minnesota, as of and for the year ending June 30, 2023, and the related notes to financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 20, 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified a certain deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance that we consider to be a significant deficiency in internal control which is listed as audit finding 2023-001.

Report on Compliance and Other Matters

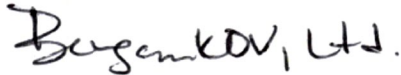
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

District's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



St. Cloud, Minnesota
September 20, 2023

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

Independent Auditor's Report

To the School Board
Independent School District No. 750
ROCORI Schools
Cold Spring, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of Independent School District No. 750, Cold Spring, Minnesota with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2023. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance.

In our opinion, Independent School District No. 750 complied, in all material respects, with the types of compliance requirements referred to that could have a direct and material effect its major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over 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.

BergankDV, Ltd.

St. Cloud, Minnesota
September 20, 2023

**Independent School District No. 750
 ROCORI Schools
 Schedule of Findings and Questioned Costs
 in Accordance with the Uniform Guidance**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

| | |
|----------------------------------|--|
| Type of auditor's report issued: | We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP). |
|----------------------------------|--|

Internal control over financial reporting:

- | | |
|--|--|
| <ul style="list-style-type: none"> • Material weakness(es) identified? • Significant deficiency(ies) identified? | <p>No</p> <p>Yes, Audit Finding 2023-001</p> |
|--|--|

| | |
|---|----|
| Noncompliance material to financial statements noted? | No |
|---|----|

Federal Awards

| | |
|---|------------|
| Type of auditor's report issued on compliance for major programs: | Unmodified |
|---|------------|

Internal control over major programs:

- | | |
|--|--------------------------------|
| <ul style="list-style-type: none"> • Material weakness(es) identified? • Significant deficiency(ies) identified? | <p>No</p> <p>None reported</p> |
|--|--------------------------------|

| | |
|---|----|
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516? | No |
|---|----|

Identification of Major Programs

| | |
|-------------------------------------|------------------------------|
| Assistance Listing No.: | 84.425D, 84.425U |
| Name of Federal Program or Cluster: | Education Stabilization Fund |

| | |
|--|-----------|
| Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
|--|-----------|

| | |
|--|-----|
| Auditee qualified as low risk auditee? | Yes |
|--|-----|

**Independent School District No. 750
ROCORI Schools
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 2023-001 – Lack of Segregation of Accounting Duties

Criteria:

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

Condition:

During the year ended June 30, 2023, the District had a lack of segregation of accounting duties due to a limited number of office employees. The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Management is aware of this condition and has taken certain steps to compensate for the lack of segregation. However, due to the small accounting staff needed to handle all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Due to this reason, management has determined a complete segregation of accounting duties is impractical to correct. However, management, along with the School Board, must remain aware of this situation and should continually monitor the accounting system, including changes that occur.

Context:

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

Effect or Potential Effect:

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

Cause:

There are a limited number of office employees.

Recommendation:

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

**Independent School District No. 750
ROCORI Schools
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2023-001 – Lack of Segregation of Accounting Duties (Continued)

Responsible Official's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
Internal control is always a consideration when duties within the District Office are assigned. Steps are being taken to have more internal control in receipting deposits and issuing payments. The District Office will review the job duties of the office staff to improve the internal controls of the District.
3. Official Responsible for Ensuring CAP
Kevin Enerson, Superintendent, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is ongoing.
5. Plan to Monitor Completion of CAP
The School Board will be monitoring this CAP.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None

Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 750
ROCORI Schools
Cold Spring, 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. 750, Cold Spring, Minnesota, as of and for the year ended June 30, 2023, and the related notes to financial statements, and have issued our report thereon dated September 20, 2023.

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

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

BergankDV, Ltd.

St. Cloud, Minnesota
September 20, 2023