Independent School District No. 47
Sauk Rapids, Minnesota

Basic Financial Statements

June 30, 2023

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Independent School District No. 47
Board of Education and Administration
June 30, 2023

Board of Education	Position	Term Expires
Ryan Butkowski	Chairperson	December 31, 2024
Tracy Morse	Vice Chairperson	December 31, 2024
Lisa Loidolt	Clerk	December 31, 2026
Robyn Holthaus	Treasurer	December 31, 2026
Mark Hauck	Director	December 31, 2024
Jan Solarz	Director	December 31, 2024
Dan Johnson	Director	December 31, 2026

Administration	
Brad Bergstrom	Superintendent
Tracey Fiereck	Director of Business Services

Independent Auditor's Report

To the School Board
Independent School District No. 47
Sauk Rapids, 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. 47, Sauk Rapids, 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. 47, as of June 30, 2023, and the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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. 47 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. 47 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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management′s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information identified in the table of contents 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 October 27, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bergan KDV, Ltd.

St. Cloud, Minnesota
October 27, 2023

Independent School District No. 47
Management's Discussion and Analysis

This section of Independent School District No. 47, Sauk Rapids-Rice Public Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2023. Please read it in conjunction with the District's basic financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model required by GASB Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. GASB Statement No. 34 establishes reporting requirements that include basic financial statements, expanded disclosure, and supplemental information, including the MD&A (this section).

Comparative information between the current fiscal year and the prior fiscal year is presented in the MD&A.

Financial Summary

- The General Fund unassigned fund balance decreased by $2,082,858.
- The total fund balance of the General Fund decreased by $966,395.
- Net position increased by $10,938,221.
- Overall governmental fund revenues and other financing sources were $71,817,498 and expenditures and other financing uses were $77,473,198.
- The school board approved a plan during the 2018-2019 school year to restrict and set limits on the admission of non-resident students to the school district. Since 2020-2021, the district has been conducting annual reviews of enrollment and adjusting caps on a per-grade basis to ensure optimal resource allocation in each school building, all the while keeping class sizes within the desired range.

Overview of the Basic 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 several statements that present different views of the District:

- The first 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.
- 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.

Overview of the Basic Financial Statements (Continued)

- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data.

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, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

- Over time, increases, or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional 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 basic financial statements, the District's activities are shown in one category:

- Governmental Activities: Most of the District's basic services are included here, such as regular and special education, transportation, administration, food service, 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 resources 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.

Overview of the Basic Financial Statements (Continued)

Fund Financial Statements (Continued)

The District has two kinds of funds:

- Governmental Funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets 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.

- Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only by those to whom the assets belong. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

Overview of the Basic Financial Statements (Continued)

Net Position

The District's combined net position was $39,067,886 on June 30, 2023, (see details in Table A-1). This was an increase of $10,983,221 from June 30, 2022. The increase can mostly be found in capital assets as a result of the recently completed Pleasantview Elementary.

Statement of Net Position
As of June 30, 2023
Table A-1

	Governmental Activities		Percentage
	2023	2022	Change
Assets			
Total current assets	$ 53,652,992	$ 60,906,000	-11.91%
Total capital assets	105,492,360	99,740,238	5.77%
Total assets	159,145,352	160,646,238	-0.93%
Deferred Outflows of Resources	14,214,472	17,245,744	-17.58%
Total assets and deferred outflows of resources	$ 173,359,824	$ 177,891,982	-2.55%
Liabilities			
Current liabilities	$ 15,122,429	$ 11,848,763	27.63%
Long-term liabilities	100,148,819	90,858,144	10.23%
Total liabilities	115,271,248	102,706,907	12.23%
Deferred Inflows of Resources	19,020,690	47,100,410	-59.62%
Net Position			
Net investment in capital assets	46,470,806	41,404,255	12.24%
Restricted amounts	13,319,501	10,801,956	23.31%
Unrestricted amounts	(20,722,421)	(24,121,546)	-14.09%
Total net position	39,067,886	28,084,665	39.11%
Total liabilities, deferred inflows of resources, and net position	$ 173,359,824	$ 177,891,982	-2.55%

Overview of the Basic Financial Statements (Continued)

Change in Net Position

In Table A-2, Change in Net Position, operations are reported on a district-wide basis with no reference to funds.

Change in Net Position
Table A-2

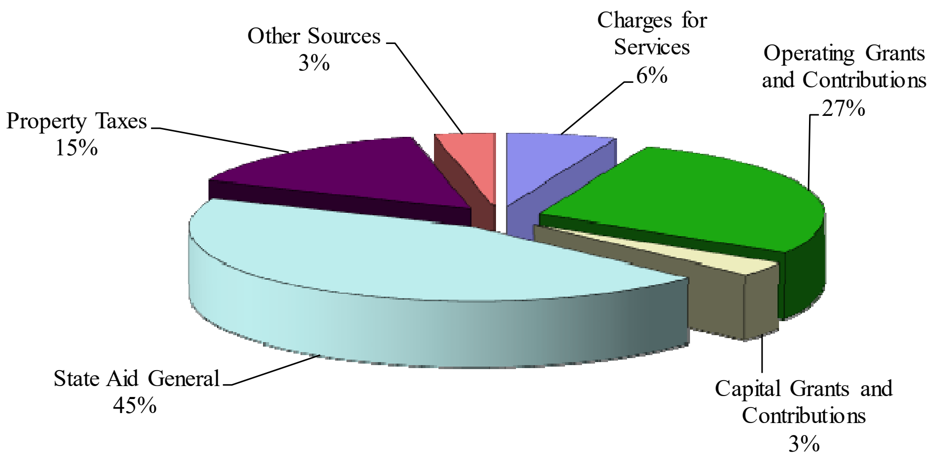
	Governmental Activities for the Fiscal Year Ended June 30, 2023	2022	Percentage Change
Revenues			
Program revenues			
Charges for services	$ 4,424,956	$ 3,504,656	26.26%
Operating grants and contributions	19,584,885	21,353,219	-8.28%
Capital grants and contributions	2,232,888	1,569,539	42.26%
General revenues			
Property taxes	10,903,261	10,456,395	4.27%
State aid-formula grants	31,909,173	30,953,938	3.09%
Other	741,206	376,864	96.68%
Investment income	1,487,021	152,809	873.12%
Gain on sale of assets	178,212	9,320	
Total revenues	71,461,602	68,376,740	4.51%
Expenditures			
Administration	$ 1,967,134	$ 2,059,957	-4.51%
District support services	2,241,105	1,969,960	13.76%
Elementary and secondary regular education	20,124,552	23,279,590	-13.55%
Vocational education instruction	644,611	542,366	18.85%
Special education instruction	12,508,835	13,011,048	-3.86%
Instructional support services	3,710,832	3,958,438	-6.26%
Pupil support services	5,080,040	5,186,204	-2.05%
Sites and buildings	8,486,482	7,661,707	10.76%
Fiscal and other fixed cost programs	236,177	207,224	13.97%
Food service	2,817,373	2,603,884	8.20%
Community service	1,561,798	1,666,642	-6.29%
Unallocated depreciation	29,970	30,277	-1.01%
Interest and fiscal charges on long-term debt	1,069,472	1,281,717	-16.56%
Total expenditures	60,478,381	63,459,014	-4.70%
Change in net position	10,983,221	4,917,726	123.34%
Beginning of year net position	28,084,665	23,166,939	21.23%
Ending of year net position	$ 39,067,886	$ 28,084,665	39.11%

Overview of the Basic Financial Statements (Continued)

Change in Net Position (Continued)

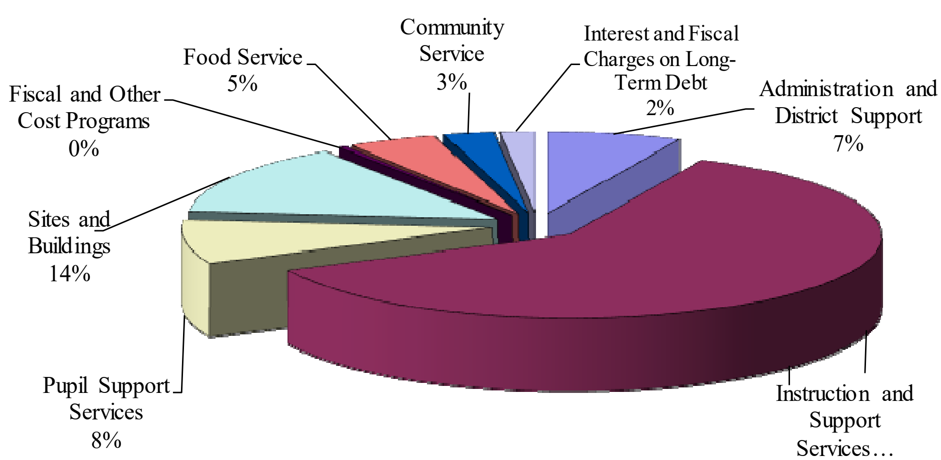
The District's total revenues were $71,461,602 for the year ended June 30, 2023. Property taxes and state aids accounted for 15% and 45%, respectively, of total revenues. For the fiscal year ending June 30, 2023, the overall percentage of revenue funds received from state aid has remained similar to the previous year (see Figure A-1).

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



The total costs of all programs and services were $60,478,381. Most of these costs are instruction and support services and pupil support services, 61% and 8%, respectively (see Figure A-2). The majority of District expenditures in operating areas are for human resources. Salaries and benefits make up approximately 75% of total expenditures. Many of the other operational costs are fixed costs, such as utilities and core supplies.

Figure A-2 District Expenses for Fiscal 2023



Overview of the Basic Financial Statements (Continued)

Change in Net Position (Continued)

The net cost of governmental activities is the total cost less program revenues applicable to each category. All governmental activities include not only funds received for the general operation of the District, but also include resources from the entrepreneurial-type funds of Food Service and Community Education. Funding for the general operation of the District is controlled by the State and the District does not have the latitude to allocate money received in Food Service or Community Education for the fiscal services to enhance general operation resources. Table A-3 presents these costs.

Net Cost of Governmental Activities
Table A-3

	Total Cost of Services		Total Percentage Change	Net Cost of Services		Total Percentage Change
	2023	2022	2023-2022	2023	2022	2023-2022
Administration	$ 1,967,134	$ 2,059,957	-4.51%	$ 1,967,134	$ 2,059,957	-4.51%
District Support Services	2,241,105	1,969,960	13.76%	2,241,105	1,961,728	14.24%
Elementary and Secondary Regular Education	20,124,552	23,279,590	-13.55%	15,160,793	17,866,974	-15.15%
Vocational Education Instruction	644,611	542,366	18.85%	572,475	452,599	26.49%
Special Education Instruction	12,508,835	13,011,048	-3.86%	1,169,636	2,826,072	-58.61%
Instructional Support Services	3,710,832	3,958,438	-6.26%	2,861,901	2,500,909	14.43%
Pupil Support Services	5,080,040	5,186,204	-2.05%	2,729,352	2,816,020	-3.08%
Sites and Buildings	8,486,482	7,661,707	10.76%	6,253,594	5,482,517	14.06%
Fiscal and Other Fixed Cost Programs	236,177	207,224	13.97%	236,177	207,224	13.97%
Food Service	2,817,373	2,603,884	8.20%	(173,451)	(817,307)	-78.78%
Community Service	1,561,798	1,666,642	-6.29%	117,494	362,913	-67.62%
Depreciation - Unallocated	29,970	30,277	-1.01%	29,970	30,277	-1.01%
Interest and Fiscal Charges on Long-Term Debt	1,069,472	1,281,717	-16.56%	1,069,472	1,281,717	-16.56%
Total	$ 60,478,381	$ 63,459,014	-4.70%	$ 34,235,652	$ 37,031,600	-7.55%

The decrease of total cost of services and net cost of services is primarily due to budget adjustments made for fiscal year 2023, in addition to reduction of costs related to the pandemic and pension adjustments. The School Board and Administration continue to ensure we are adjusting the budget to accommodate lower enrollment numbers.

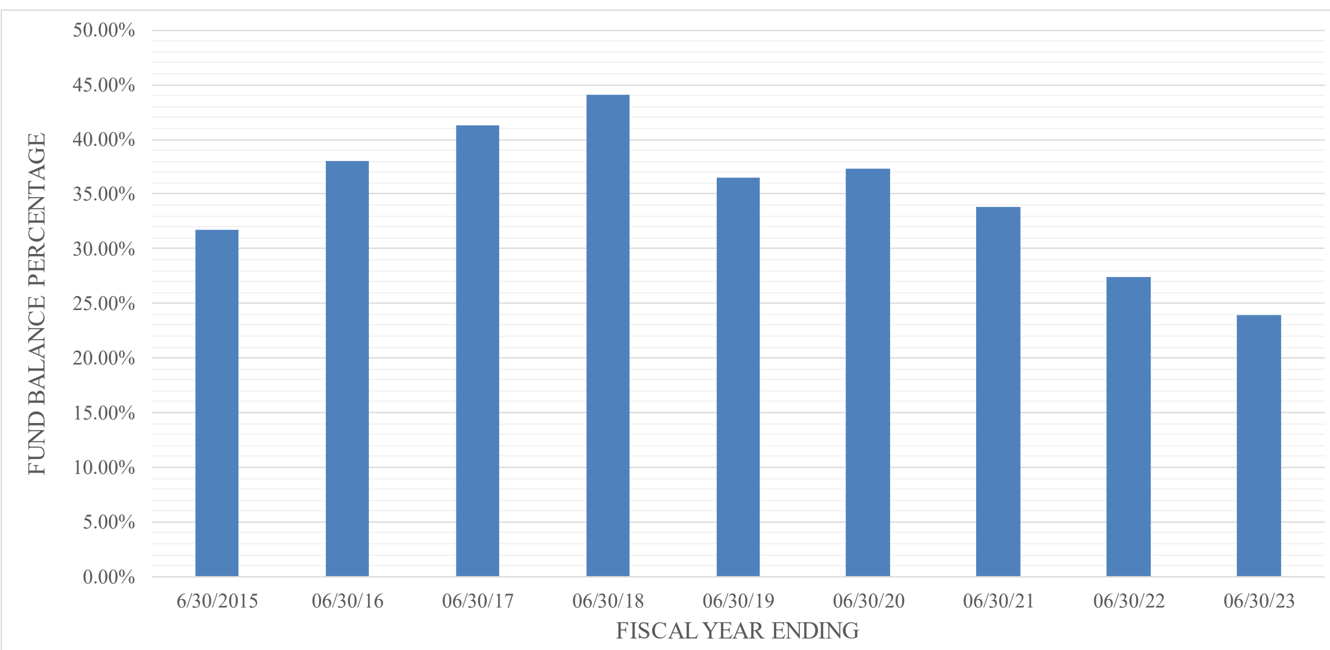
Overview of the Basic Financial Statements (Continued)

Fund Balance

The financial performance of the District as a whole is reflected in its governmental funds. As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $33,706,648, an overall decrease of $5,655,700. A large portion of the decrease seen during the year is related to the construction and substantial completion of Pleasantview Elementary School in the Capital Projects Fund. The General Fund decreased by $966,395, as a result of increasing expenditures and revenue increases that are not keeping pace with inflation. The Food Service fund balance increased by $334,421, this increase was the result of supply chain assistant funds, interest revenue and lack of staff to fill vacant positions. The Community Service fund had an increase to fund balance of $65,355, due to increase participation in community ed and summer rec programming. The Debt Service fund was stable, ending the year with an increase in fund balance of $153,178.

We continue to monitor our general unassigned fund balance. These dollars are the least restrictive funds available to the school district. In the year ending June 30, 2023, the District's unassigned fund balance decreased by $2,082,858. We currently have $14,533,300 available, or 23.92% of annual general fund expenditures (See Figure A-3).

Figure A-3 Unassigned Fund Balance



Overview of the Basic Financial Statements (Continued)

General Fund

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

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

Summary of General Fund Revenues
Table A-4

	June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2023	2022		
Local Sources				
Property taxes	$ 4,943,338	$ 4,570,306	$ 373,032	8.16%
Other	3,563,756	2,158,712	1,405,044	65.09%
State sources	47,433,855	46,185,396	1,248,459	2.70%
Federal sources	2,987,368	3,542,769	(555,401)	-15.68%
Sales and other conversion of assets	125,185	94,522	30,663	32.44%
Total General Fund revenue	$ 59,053,502	$ 56,551,705	$ 2,501,797	4.42%

Total General Fund revenue increased by $2,501,797, or 4.42%, from the previous year.

General fund revenue is received in two major categories as follows:

1. State Education Finance Appropriations
   a. General Education Aid – The largest share of the education finance appropriation, general education aid, is intended to provide the basic financial support for the education program and is enrollment driven.
   b. Categorical Aids – Categorical revenue formulas are used to meet costs of that program (i.e., special education) or promote certain types of programs (i.e., career and technical aid, staff development, operating capital, long-term facilities maintenance).
2. Property Tax Levies
   a. The largest share of the levy is from board-approved local optional revenue, which is also enrollment driven.

Overview of the Basic Financial Statements (Continued)

General Fund (Continued)

General Fund Expenditures are itemized in Table A-5:

Summary of General Fund Expenditures
Table A-5

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2023	June 30, 2022		
Salaries	$ 34,327,115	$ 34,380,211	$ (53,096)	-0.15%
Employee benefits	11,319,777	10,962,733	357,045	3.26%
Purchased services	8,150,918	7,425,669	725,249	9.77%
Supplies, material, and equipment	2,781,017	2,618,288	162,729	6.22%
Other expenditures	4,170,454	5,153,851	(983,397)	-19.08%
Total expenditures	$ 60,749,281	$ 60,540,752	$ 208,529	0.34%

General Fund expenditures in the current fiscal year rose by $208,529, representing a 0.34% increase compared to the previous year. The district experienced notable growth in expenses related to special education instruction and expenditures associated with sites, buildings, and utilities. In the preceding fiscal year, the district allocated a substantial portion of its budget to lease expenditures as part of the high school 1:1 initiative, enabling the utilization of specific COVID-related funding for technology enhancements.

Salaries expenses decreased due to the non-renewal or elimination of certain positions, while the district witnessed a rise in employee benefits costs. The District remains committed to exploring different approaches to mitigate the effects of increasing health insurance premiums, including a thorough examination of plan designs and an emphasis on employee education.

Purchased services and expenses related to supplies, materials, and equipment cover a broad range of expenditures. This includes fees for services, postage, utility bills, diesel and gasoline costs, property insurance, maintenance and repairs, leasing expenses, travel expenses, telephone bills, tuition fees, contracted transportation, instructional supplies, textbooks, as well as capital investments in equipment, technology, and building improvements.

Budgetary Highlights

During the year ended June 30, 2023, the District revised its operating budget one time. The original budget was adopted in March of 2022 (a budget must be in place prior to the beginning of the fiscal year on July 1). The final budget was adopted in January of 2023. The final budget encompasses known changes due to student enrollment, staffing levels, and other significant information items that are estimates. A similar revision is made each year for the same reasons.

Capital Assets and Debt Administration

Capital Assets

The District investment in capital assets for its governmental activities equates to $105,492,360 (net of accumulated depreciation/ amortization). This investment in capital assets includes land, buildings and systems, improvements, machinery, equipment and leased equipment (see Table A-6). Additional information on capital assets can be found in Note 3 of this report.

Capital Assets - Governmental Activities
Table A-6

	2023	2022	Percent Change 2023-2022
Land and land improvements	$ 12,075,348	$ 10,741,529	12.42%
Construction in progress	1,501,498	$ 34,760,176	-95.68%
Buildings	131,964,212	$ 93,279,274	41.47%
Equipment	9,810,320	$ 8,264,539	18.70%
Less accumulated depreciation/ amortization	(49,859,018)	(47,305,280)	5.40%
Total	$ 105,492,360	$ 99,740,238	5.77%

Long-Term Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of $59,692,812. Additional information on long-term debt can be found in Note 4 of this report.

Outstanding Long-Term Liabilities
Table A-7

	Total School District		Percent Change
	2023	2022	2022-2021
G. O. Bonds payable	$ 54,425,000	$ 58,665,000	-7.23%
Financed purchases from direct borrowing	1,583,159	1,180,804	34.07%
Lease liability	178,015	231,861	0.00%
Premium/issuance costs	3,248,087	3,915,751	-17.05%
Compensated absences and severance payable	258,551	380,714	-32.09%
Total	$ 59,692,812	$ 64,374,130	-7.27%

State Economic Factors and Next Year's Budget

- The budget for the 2023-2024 fiscal year was completed using the latest funding information available from the State Legislature at the time of the adoption of the budget, which occurred prior to completion of the 2023 legislative session.
- Inflation continues to outpace funding increases
- COVID-19 has and will continue to have a significant impact on budgets and expenditures.
- Anticipated increases in the cost of operation of all facilities were taken into consideration in the budget development process.
- A budget revision will be done mid-year to reflect all known and anticipated changes to the budget as of that date.

Additional Items

Within this audit report, an internal control audit finding pertains to the Sauk Rapids-Rice Middle School multi-purpose space project. While developing this project, the consultant hired by the district failed to incorporate prevailing wage requirements into the project specifications. This omission came to light during the audit fieldwork. Subsequently, following its discovery, the project was adjusted to include prevailing wage provisions for the contractors. In this case, the consultant will be held responsible for any potential liability to the district in the event of penalties imposed due to this omission.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Independent School District No. 47 Sauk Rapids-Rice Public Schools, Attention: Director of Business Services, 1833 Osauka Road, Sauk Rapids, Minnesota, 56379.

BASIC FINANCIAL STATEMENTS

Independent School District No. 47
Statement of Net Position
June 30, 2023

	Governmental Activities
Assets	
Cash and investments	$ 39,996,680
Current property taxes receivable	5,471,951
Delinquent property taxes receivable	188,648
Accounts receivable	43,619
Interest receivable	1,912
Due from Department of Education	4,805,068
Due from Federal Government through Department of Education	1,934,486
Due from other Minnesota school districts	981,090
Inventory	46,902
Prepaid items	182,636
Capital assets not being depreciated	
Land	2,473,698
Construction in progress	1,501,498
Capital assets less: accumulated depreciation	
Buildings	131,964,212
Land improvements	9,601,650
Equipment	9,530,681
Leased equipment	279,639
Less accumulated depreciation/ ammortization	(49,859,018)
Total assets	159,145,352
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	13,934,158
Deferred outflows of resources related to OPEB	280,314
Total deferred outflows of resources	14,214,472
Total assets and deferred outflows of resources	$ 173,359,824
Liabilities	
Accounts payable	$ 791,782
Contracts payable	1,582,140
Salaries and benefits payable	5,973,552
Interest payable	721,537
Due to other Minnesota school districts	450,000
Due to other governmental units	542
Unearned revenue	116,308
Bond principal payable, net of premium	
Payable within one year	4,510,000
Payable after one year	53,163,087
Lease liability	
Payable within one year	55,705
Payable after one year	122,310
Financed purchase from direct borrowing	
Payable within one year	728,931
Payable after one year	854,228
Compensated absences payable	
Payable within one year	191,932
Payable after one year	66,619
Total other post employment benefits (OPEB) liability	2,230,132
Net pension liability	43,712,443
Total liabilities	115,271,248
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	10,945,216
Deferred inflows of resources related to deferred charge on refunding	365,875
Deferred inflows of resources related to pensions	7,009,631
Deferred inflows of resources related to OPEB	699,968
Total deferred inflows of resources	19,020,690
Net Position	
Net investment in capital assets	46,470,806
Restricted for	
Debt service	804,132
Other purposes	12,515,369
Unrestricted	(20,722,421)
Total net position	39,067,886
Total liabilities, deferred inflows of resources, and net position	$ 173,359,824

Independent School District No. 47
Statement of Activities
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities					
Administration	$ 1,967,134	$ -	$ -	$ -	$ (1,967,134)
District support services	2,241,105	-	-	-	(2,241,105)
Elementary and secondary regular instruction	20,124,552	1,437,631	3,526,128	-	(15,160,793)
Vocational education instruction	644,611	1,685	70,451	-	(572,475)
Special education instruction	12,508,835	855,139	10,484,060	-	(1,169,636)
Instructional support services	3,710,832	-	848,931	-	(2,861,901)
Pupil support services	5,080,040	-	2,350,688	-	(2,729,352)
Sites and buildings	8,486,482	-	-	2,232,888	(6,253,594)
Fiscal and other fixed cost programs	236,177	-	-	-	(236,177)
Food service	2,817,373	1,144,403	1,846,421	-	173,451
Community education and services	1,561,798	986,098	458,206	-	(117,494)
Unallocated depreciation	29,970	-	-	-	(29,970)
Interest and fiscal charges on long-term debt	1,069,472	-	-	-	(1,069,472)
Total governmental activities	$ 60,478,381	$ 4,424,956	$ 19,584,885	$ 2,232,888	(34,235,652)

General revenues	
Taxes	
Property taxes, levied for general purposes	4,935,727
Property taxes, levied for community service	278,534
Property taxes, levied for debt service	5,689,000
State aid-formula grants	31,909,173
Other general revenues	741,206
Investment income	1,487,021
Gain of sale of assets	178,212
Total general revenues	45,218,873
Change in net position	10,983,221
Net position - beginning	28,084,665
Net position - ending	$ 39,067,886

Independent School District No. 47
Balance Sheet - Governmental Funds
June 30, 2023

	General	Debt Service	Capital Projects	Other Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments	$ 31,608,879	$ 4,351,893	$ 1,354,605	$ 2,681,303	$ 39,996,680
Current property taxes receivable	2,466,653	2,863,765	-	141,533	5,471,951
Delinquent property taxes receivable	80,312	102,184	-	6,152	188,648
Accounts receivable	5,185	-	-	38,434	43,619
Interest receivable	-	-	1,912	-	1,912
Due from Department of Education	4,706,328	56,875	-	41,865	4,805,068
Due from Federal Government through Department of Education	1,934,486	-	-	-	1,934,486
Due from other Minnesota school districts	810,736	-	-	170,354	981,090
Inventory	-	-	-	46,902	46,902
Prepaid items	174,599	-	-	8,037	182,636
Total assets	$ 41,787,178	$ 7,374,717	$ 1,356,517	$ 3,134,580	$ 53,652,992
Liabilities					
Accounts payable	$ 729,865	$ -	$ 33,701	$ 28,216	$ 791,782
Contracts payable	887,616	-	694,524	-	1,582,140
Salaries and benefits payable	5,727,844	-	-	245,708	5,973,552
Due to other Minnesota school districts	450,000	-	-	-	450,000
Due to other governmental units	542	-	-	-	542
Unearned revenue	61,676	-	-	54,632	116,308
Total liabilities	7,857,543	-	728,225	328,556	8,914,324
Deferred Inflows of Resources					
Unavailable revenue - delinquent property taxes	33,464	50,243	-	3,097	86,804
Property taxes levied for subsequent year's expenditures	4,792,035	5,850,495	-	302,686	10,945,216
Total deferred inflows of resources	4,825,499	5,900,738	-	305,783	11,032,020
Fund Balances					
Nonspendable	174,599	-	-	54,939	229,538
Restricted	10,012,031	1,473,979	628,292	2,445,302	14,559,604
Committed	2,087,662	-	-	-	2,087,662
Assigned	2,296,544	-	-	-	2,296,544
Unassigned	14,533,300	-	-	-	14,533,300
Total fund balances	29,104,136	1,473,979	628,292	2,500,241	33,706,648
Total liabilities, deferred inflows of resources, and fund balances	$ 41,787,178	$ 7,374,717	$ 1,356,517	$ 3,134,580	$ 53,652,992

See notes to basic financial statements.

Independent School District No. 47
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2023

Total fund balances - governmental funds	$ 33,706,648
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	155,351,378
Less accumulated depreciation	(49,859,018)
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	(54,425,000)
Lease payable	(178,015)
Financed purchase from direct borrowing payable	(1,583,159)
Unamortized premium	(3,248,087)
Compensated absences payable	(258,551)
Total OPEB liability	(2,230,132)
Net pension liability	(43,712,443)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.	
Deferred outflows of resources related to pensions	13,934,158
Deferred inflows of resources related to pensions	(7,009,631)
Deferred outflows of resources related to OPEB	280,314
Deferred inflows of resources related to OPEB	(699,968)
Deferred charges are not recognized in the governmental funds but amortized over the life of the debt in the Statement of Activities.	(365,875)
Delinquent property taxes receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	86,804
Governmental funds do not report a liability for accrued interest on bonds and capital leases until due and payable.	(721,537)
Total net position - governmental activities	$ 39,067,886

Independent School District No. 47
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2023

	General	Debt Service	Capital Projects	Other Nonmajor Funds	Total Governmental Funds
Revenues					
Local property taxes	$ 4,943,338	$ 5,690,844	$ -	$ 279,055	$ 10,913,237
Other local and county revenues	3,563,756	94,776	895,132	1,090,948	5,644,612
Revenue from state sources	47,433,855	569,213	-	498,671	48,501,739
Revenue from federal sources	2,987,368	-	-	1,771,240	4,758,608
Sales and other conversion of assets	125,185	-	-	1,144,733	1,269,918
Total revenues	59,053,502	6,354,833	895,132	4,784,647	71,088,114
Expenditures					
Current					
Administration	2,118,570	-	-	-	2,118,570
District support services	2,108,706	-	-	-	2,108,706
Elementary and secondary regular instruction	23,423,555	-	-	-	23,423,555
Vocational education instruction	765,388	-	-	-	765,388
Special education instruction	13,767,053	-	-	-	13,767,053
Instructional support services	3,808,617	-	-	-	3,808,617
Pupil support services	5,328,070	-	-	-	5,328,070
Sites and buildings	5,360,551	-	401,330	-	5,761,881
Fiscal and other fixed cost programs	236,177	-	-	-	236,177
Food service	-	-	-	2,676,059	2,676,059
Community education and services	-	-	-	1,680,569	1,680,569
Capital outlay					
Elementary and secondary regular instruction	72,072	-	-	-	72,072
Special education instruction	3,228	-	-	-	3,228
Instructional support services	609,827	-	-	-	609,827
Pupil support services	14,436	-	-	-	14,436
Sites and buildings	2,920,358	-	5,736,061	-	8,656,419
Food service	-	-	-	24,527	24,527
Community education and services	-	-	-	3,716	3,716
Debt service					
Principal	202,663	4,240,000	-	-	4,442,663
Interest and fiscal charges	10,010	1,961,655	-	-	1,971,665
Total expenditures	60,749,281	6,201,655	6,137,391	4,384,871	77,473,198
Excess of revenues over (under) expenditures	(1,695,779)	153,178	(5,242,259)	399,776	(6,385,084)
Other Financing Sources (Uses)					
Proceeds from sale of assets	178,212	-	-	-	178,212
Issuance of financed purchase	551,172	-	-	-	551,172
Total other financing sources (uses)	729,384	-	-	-	729,384
Net change in fund balances	(966,395)	153,178	(5,242,259)	399,776	(5,655,700)
Fund Balances					
Beginning of year	30,070,531	1,320,801	5,870,551	2,100,465	39,362,348
End of year	$ 29,104,136	$ 1,473,979	$ 628,292	$ 2,500,241	$ 33,706,648

Independent School District No. 47
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	$ (5,655,700)
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 or amortization expense.	
Capital outlays	9,667,065
Depreciation and amortization expense	(3,914,943)
Compensated absences are recognized as paid in the governmental funds but recognized as the loss is incurred in the Statement of Activities.	122,163
OPEB are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(90,339)
Principal payments on long-term debt are recognized as expenditures in the governmental funds but an increase in the net position in the Statement of Activities.	4,442,663
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.	88,179
Bond premiums and deferred charges on refunding's are amortized on the Statement of Activities, whereas governmental funds record the entire amount at the time of issuance.	814,014
Proceeds from the issuance of long-term debt are recognized as an other financing source in the governmental funds but as a liability on the Statement of Net Position.	(551,172)
Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	6,071,267
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.	(9,976)
Change in net position - governmental activities	$ 10,983,221

Independent School District No. 47
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 4,757,969	$ 4,754,188	$ 4,943,338	$ 189,150
Other local and county revenues	1,722,528	2,111,371	3,563,756	1,452,385
Revenue from state sources	45,138,280	46,722,878	47,433,855	710,977
Revenue from federal sources	1,895,890	2,903,135	2,987,368	84,233
Sales and other conversion of assets	50,000	96,644	125,185	28,541
Total revenues	53,564,667	56,588,216	59,053,502	2,465,286
Expenditures				
Current				
Administration	1,920,268	2,122,517	2,118,570	(3,947)
District support services	2,109,774	2,136,710	2,108,706	(28,004)
Elementary and secondary regular instruction	22,277,575	22,837,901	23,423,555	585,654
Vocational education instruction	897,385	645,284	765,388	120,104
Special education instruction	12,806,208	13,273,501	13,767,053	493,552
Instructional support services	3,574,987	3,700,845	3,808,617	107,772
Pupil support services	5,165,325	5,220,288	5,328,070	107,782
Sites and buildings	5,172,101	5,835,700	5,360,551	(475,149)
Fiscal and other fixed cost programs	345,000	425,024	236,177	(188,847)
Capital outlay				
District support services	3,000	-	-	-
Elementary and secondary regular instruction	55,000	51,522	72,072	20,550
Special education instruction	74,436	74,436	3,228	(71,208)
Instructional support services	100,000	100,000	609,827	509,827
Pupil support services	22,000	22,000	14,436	(7,564)
Sites and buildings	1,441,466	3,867,429	2,920,358	(947,071)
Debt service				
Principal	246,817	202,663	202,663	-
Interest and fiscal charges	2,961	10,010	10,010	-
Total expenditures	56,214,303	60,525,830	60,749,281	223,451
Excess of revenues over (under) expenditures	(2,649,636)	(3,937,614)	(1,695,779)	2,241,835
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	178,212	178,212
Issuances of leases and financed purchases	-	-	551,172	551,172
Total other financing sources (uses)	-	-	729,384	729,384
Net change in fund balances	$ (2,649,636)	$ (3,937,614)	(966,395)	$ 2,971,219
Fund Balances				
Beginning of year			30,070,531	
End of year			$ 29,104,136	

Independent School District No. 47
Statement of Fiduciary Net Position
June 30, 2023

	Custodial Fund	Private Purpose Trust Fund
Assets		
Current		
Cash and cash equivalents	$ 56,576	$ 32,843
Due from other governments	1,250	-
Total assets	57,826	32,843
Liabilities		
Accounts payable	16,750	-
Net position		
Restricted for student activities	4,091	-
Restricted for grants	30,835	-
Restricted scholarships	6,150	32,843
Total net position	$ 41,076	$ 32,843

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

	Custodial Fund	Private Purpose Trust Fund
Additions		
Program revenues	$ 25,944	$ -
Contributions	19,100	-
Investment income	-	7
Total additions	45,044	7
Deductions		
Program expense	28,118	-
Scholarships	15,650	-
Total deductions	43,768	-
Change in net position	1,276	7
Net Position		
Beginning of year	39,800	32,836
End of year	$ 41,076	$ 32,843

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

The basic 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 funds. The fiduciary funds are only reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position at the fund financial statement level.

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

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

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

C. Measurement Focus and Basis of Accounting

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

1. Revenue Recognition

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

2. Recording of Expenditures

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

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

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 and state loan principal, interest, and related costs.

Capital Projects Fund – This fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by bond issue.

Nonmajor Funds:

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

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

Fiduciary Funds:

Custodial Fund – This fund is used to account for resources received and held by the District for student activities, scholarships, and grants.

Trust Fund – This fund is used to account for resources received and held by the District in a trustee capacity to be used in making scholarship awards.

D. Deposits and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

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

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

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

In accordance with GASB Statement No. 79, the various MSDLAF and MNTrust securities, and mutual funds are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF Liquid Shares, MNTrust shares, or the mutual funds. 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.

E. Property Tax Receivable

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

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 the fiscal year 2023. The remaining portion of the levy will be recognized when measurable and available.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Inventories

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

H. Prepaid Items

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

I. Property Taxes

The District levies its property tax during the month of December. December 28 is the last day the District can certify a tax levy to the County Auditor. Such taxes become a lien on January 1. The property tax is recorded as revenue when it becomes measurable and available. Benton County is the collecting agency for the levy and remit(s) 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 basic financial statements.

J. Capital Assets

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

Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

L. Deferred Outflows/Inflows of Resources

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

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 five 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. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred inflows of resources related to pensions is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years. Deferred inflows of resources related to OPEB is recorded on the government wide statements for various estimate differences that will be amortized and recognized over future years.

M. Long-Term Obligations

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Compensated Absences

The District compensates various full-time classified employees upon termination of employment for unused vacation time. The accumulated liability for unpaid vacation benefits was $258,551 as of June 30, 2023. Vacation benefits expected to be paid within one year are recorded as a current obligation.

District classified employees are entitled to sick leave at various rates for each month of full-time service. 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.

Certain classified employees who have 15 years of continuous service of at least 1,000 work hours a year with the District and have attained the age of 55 years receive severance pay based on 50% of unused sick leave of the maximum of 120 days.

Certain clerical employees who have at least 15 years of continuous service of at least 1,000 work hours a year with the District receive severance pay equal to 50% of the maximum of 120 days of an employee's unused accumulated sick leave days.

Certain custodians who have at least 20 years of continuous service of at least 1,000 work hours a year with the District receive severance pay equal to 50% of the maximum of 120 days of an employee's unused accumulated sick leave days.

The accumulated liability for compensated absences based on sick leave was $83,274 as of June 30, 2023.

O. Severance Benefits

Certain certified and classified employees, including school administration, are eligible for severance pay upon retirement.

Certain administrators who have nine years of continuous service in the District are entitled to severance pay equal to a percentage of one half of one year's pay.

During the year ended June 30, 2023, the District paid out a total of $46,663 in severance benefits to the four participants eligible to receive benefits.

P. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the additions to/deductions 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. 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.

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 various levels of spending constraints.

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

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

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

- Assigned Fund Balances – These are amounts that are constrained by the District's intent to be used for specific purposes that are neither restricted nor committed. Assignments may be made by a majority vote of the School Board. The board also delegates the power to assign fund balances to the District's Business Manager.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Fund Equity (Continued)

- Minimum Fund Balance Policy – The District will strive to maintain a minimum unassigned General Fund balance of 15% of the annual budget.

- Stabilization Arrangement – Fiscal stabilization funds in the amount of at least 3% of the prior year total General Fund expenditures shall be established by the Business Manager to protect the system from sudden shortfalls in revenue and to cover unanticipated expenditures. These stabilization funds may also be used to cover adverse financial or economic circumstances as they occur. These funds are reported as unassigned.

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, 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 basic 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. Budgetary control for the Capital Project Fund is accomplished through the use of project controls.
4. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

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

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a policy in place to address custodial credit risk for deposits, stating deposit type securities shall be collateralized as required by *Minnesota Statutes* § 118A. As of June 30, 2023, the District's bank balance was not exposed to custodial credit risk. It was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name. The District's deposits had a book balance as listed below.

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

Pooled deposits	
Certificates of deposit	$ 1,780,000
Nonpooled deposits	
Cash equivalents	8,305,525
Total	$ 10,085,525

B. Investments

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

Pooled Investments	Credit Rating	Fair Value
MN Trust Investment Shares		$ 849
MDSLAF + Liquid Class	AAAm	13,092,404
MSDLAF + MAX Class	AAAm	15,409,356
Total pooled investments		$ 28,502,609

Non-Pooled Investments	Credit Rating	Fair Value	Investment Maturities Less than 1 year
Mutual funds	AAA	$ 500,000	$ 500,000
US Treasury Security	AAA	996,950	996,950
Total non-pooled investments		$ 1,496,950	$ 1,496,950

NOTE 2 – DEPOSITS AND INVESTMENTS

B. Investments (Continued)

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* §§ 118A.04 and 118A.05 limit investments to the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy indicates the District may invest in those instruments specified in those Statutes. As of June 30, 2023, the District's investments were rated as noted in the table on the previous page.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments should be diversified to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. The District has an investment policy in place that addresses concentration of credit risk, stating the District shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, and maturities. However, it places no specific limit on the amount the District may invest in any one issuer.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The District's investment policy addresses interest rate risk, stating investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles. Furthermore, investment maturities shall be scheduled to coincide with projected District cash flow needs and shall provide for stability of income and reasonable liquidity.

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 addresses custodial credit risk for investments, stating all investment securities shall be held in third party safekeeping by an institution designated as custodial agent.

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

- $996,950 of investments are valued using a matrix pricing model (Level 2 inputs)

C. Deposits and Investments

The following is a summary of total deposits and investments:

Deposits (Note 2.A.)	$ 10,085,525
Pooled investments (Note 2.B.)	28,502,609
Non-pooled investments (Note 2.B)	1,496,950
Petty cash	1,015
Total deposits and investments	$ 40,086,099

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments (Continued)

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

Statement of Net Position	
Cash and investments	$ 39,996,680
Statement of Fiduciary Net Position	
Cash and cash equivalents	
Custodial Fund	56,576
Private Purpose Trust Fund	32,843
Total deposits and investments	$ 40,086,099

NOTE 3 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 2,473,698	$ -	$ -	$ 2,473,698
Construction in progress	34,760,176	8,688,253	41,946,931	1,501,498
Total capital assets not being depreciated	37,233,874	8,688,253	41,946,931	3,975,196
Other capital assets				
Buildings	93,279,274	40,046,143	1,361,205	131,964,212
Land improvements	8,267,831	1,333,819	-	9,601,650
Equipment	7,984,900	1,545,781	-	9,530,681
Leased equipment	279,639	-	-	279,639
Total other capital assets at historical cost	109,811,644	42,925,743	1,361,205	151,376,182
Less accumulated depreciation for				
Buildings	37,682,929	2,545,722	1,361,205	38,867,446
Land improvements	5,529,480	384,546	-	5,914,026
Equipment	4,064,907	928,747	-	4,993,654
Less accumulated amortization for Leased equipment	27,964	55,928	-	83,892
Total accumulated Depreciation and amortization	47,305,280	3,914,943	1,361,205	49,859,018
Total other capital assets, net	62,506,364	39,010,800	-	101,517,164
Governmental activities capital assets, net	$ 99,740,238	$ 47,699,053	$ 41,946,931	$ 105,492,360

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Depreciation and amortization expense of $3,914,943 for the year ended June 30, 2023, was charged to the following governmental functions:

Administration	$ 7,053
District support services	36,967
Elementary and secondary regular instruction	503,047
Special education	5,360
Instructional support services	192,582
Pupil support services	59,420
Food service	51,117
Sites and buildings	3,029,427
Unallocated	29,970
Total depreciation/amortization	$ 3,914,943

NOTE 4 – 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						
2015A School Building Refunding Bonds	11/03/15	4.00%-5.00%	$ 38,340,000	02/01/26	$ 13,685,000	$ 4,335,000
2020A School Building	02/06/20	2.00%-4.00%	35,810,000	02/01/40	35,810,000	-
2020B School Building	07/16/20	2.00%-4.00%	5,375,000	02/01/36	4,930,000	175,000
Financed purchase from direct borrowing					1,583,159	728,931
Lease liability					178,015	55,705
Unamortized Premium					3,248,087	-
Compensated absences Payable					258,551	191,932
Total all long-term liabilities					$ 59,692,812	$ 5,486,568

The long-term bond, financed purchases, and lease liabilities listed above were issued to finance acquisition and construction of capital facilities or to refinance (refund) previous bond issues. Other long-term liabilities, such as compensated absences payable, lease liabilities and financed purchase from direct borrowing are typically liquidated through the General Fund.

NOTE 4 – LONG-TERM DEBT (CONTINUED)

B. Minimum Debt Payments for Bonds and Loans

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

Year Ending June 30,	G.O. Bonds Principal	G.O. Bonds Interest	G.O. Bonds Total
2024	$ 4,510,000	$ 1,749,481	$ 6,259,481
2025	4,795,000	1,525,731	6,320,731
2026	5,100,000	1,288,381	6,388,381
2027	2,380,000	1,084,381	3,464,381
2028	2,560,000	989,181	3,549,181
2029-2033	14,175,000	3,567,407	17,742,407
2034-2038	14,980,000	1,828,163	16,808,163
2039-2040	5,925,000	230,625	6,155,625
Total	$ 54,425,000	$ 12,263,350	$ 66,688,350

Year Ending June 30,	Financed Purchases from Direct Borrowing Principal	Financed Purchases from Direct Borrowing Interest	Lease Liability Principal	Lease Liability Interest
2024	$ 728,931	$ 1,488	$ 55,706	$ 5,190
2025	578,641	-	57,629	3,266
2026	137,793	-	59,619	1,279
2027	137,794	-	5,061	14
Total	$ 1,583,159	$ 1,488	$ 178,015	$ 9,749

C. Financed Purchases from Direct Borrowing

On May 21, 2020, the District entered into a financed purchase agreement for the acquisition of technology equipment. The agreement obligation and corresponding equipment totaled $597,438. The agreement includes annual principal and interest payments of $151,778.

On March 1, 2022, the District entered into a financed purchase agreement for the acquisition of technology equipment. The agreement obligation and corresponding equipment totaled $1,481,696. The agreement includes first year principal payment of $600,000 and then annual principal payments of $440,848.

On May 15, 2023, the District entered into a financed purchase agreement for the acquisition of technology equipment. The agreement obligation and corresponding equipment totaled $551,172. The agreement includes annual principal and interest payments of $137,793.

NOTE 4 – LONG-TERM DEBT (CONTINUED)

D. Lease Liability

On July 21, 2021, the District entered into an agreement with MARCO for technology equipment. The lease agreement includes monthly principal and interest payments of $5,075 for the term of the agreement. The lease agreement expires on July 22, 2026.

E. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. Bonds	$ 58,665,000	$ -	$ 4,240,000	$ 54,425,000
Financed purchases from direct borrowing	1,180,804	551,172	148,817	1,583,159
Lease liability	231,861	-	53,846	178,015
Premium	3,915,751	-	667,664	3,248,087
Compensated absences Payable	380,714	216,179	338,342	258,551
Total long-term liabilities	$ 64,374,130	$ 767,351	$ 5,448,669	$ 59,692,812

NOTE 5 – 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.

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balance

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

	General Fund	Debt Service	Capital Projects	Other Nonmajor Funds	Total
Nonspendable for					
Inventory	$ -	$ -	$ -	$ 46,902	$ 46,902
Prepaid items	174,599	-	-	8,037	182,636
Total nonspendable	174,599	-	-	54,939	229,538
Restricted/reserved for					
Student Activity	366,062	-	-	-	366,062
Scholarship	11,073	-	-	-	11,073
Staff Development	157	-	-	-	157
Teacher Development and Evaluation	20,320	-	-	-	20,320
Area Learning Center	67,811	-	-	-	67,811
Operating Capital	7,115,049	-	-	-	7,115,049
Gifted and Talented	79,187	-	-	-	79,187
Achievement and Integration	18,039	-	-	-	18,039
Safe Schools - Crime Levy	126,354	-	-	-	126,354
Long-Term Facilities Maintenance	1,751,760	-	-	-	1,751,760
Medical Assistance	456,219	-	-	-	456,219
Community Education	-	-	-	290,147	290,147
Early Childhood and Family Education	-	-	-	174,421	174,421
School Readiness	-	-	-	121,358	121,358
Adult Basic Education	-	-	-	100,365	100,365
Restricted for					
Food Service	-	-	-	1,647,011	1,647,011
Community Service	-	-	-	112,000	112,000
Debt Service	-	1,473,979	-	-	1,473,979
Capital Projects	-	-	628,292	-	628,292
Total restricted/reserved	10,012,031	1,473,979	628,292	2,445,302	14,559,604
Committed for					
Separation benefits	2,087,662	-	-	-	2,087,662
Assigned for					
Budget carryover	1,511,670	-	-	-	1,511,670
Capital	494,235	-	-	-	494,235
Student activities	290,639	-	-	-	290,639
Total assigned	2,296,544	-	-	-	2,296,544
Unassigned	14,533,300	-	-	-	14,533,300
Total fund balance	$ 29,104,136	$ 1,473,979	$ 628,292	$ 2,500,241	$ 33,706,648

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balance (Continued)

Nonspendable for Inventory – A portion of the fund balance has been spent on inventory and is not available for other uses.

Nonspendable for Prepaid Items – A portion of the fund balance has been spent on prepaid items and is not available for other uses.

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

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

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

Restricted/Reserved for Teacher Development and Evaluation – This balance represents resources available for teacher development and evaluation uses listed in *Minnesota Statutes* § 122A.40, subd. 8 or 122A.41, subd. 5.

Restricted/Reserved for Area Learning Center – This balance represents resources available in the General Fund to be used for the Area Learning Center.

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 Gifted and Talented – The part of general education aid revenue for the gifted and talented program that is unspent at years end must be reserved in this Balance Sheet account.

Restricted/Reserved for Achievement and Integration Revenue – This balance represents unspent resources available from the achievement and integration program.

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).

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balance (Continued)

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

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

Restricted/Reserved for School Readiness – This balance represents the resources available to provide for services for school readiness programs. Related to Finance Code 344, School Readiness *Minnesota Statutes* § 124D.16.

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

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

Restricted for Community Service – This balance represents the remaining aggregate resources for community service programs after other restrictions are removed.

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

Restricted/Reserved for Capital Projects – This balance represents available resources in the Capital Projects Fund for projects.

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

Assigned for Budget Carryover – This balance represents amounts segregated from unrestricted funds for unspent budget amounts.

Assigned for Capital – This balance represents amounts segregated from unrestricted funds for capital improvements.

Assigned for Student Activities – This balance represents the aggregate activity for student accounts under School Board control.

B. Net Position

Net position restricted for other purposes is comprised of the General Fund positive restricted balances and Special Revenue Funds balances adjusted to net position.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans. Total pension expense for the year ended June 30, 2023, was ($2,733,149). The components of pension expense are noted in the following plan summaries.

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

Teachers' Retirement Association

A. Plan Description

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

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier 1 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.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association (Continued)

B. Benefits Provided (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.

Tier II Benefits

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	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.0%	12.13%	11.0%	12.34%	11.0%	12.55%
Coordinated	7.5%	8.13%	7.5%	8.34%	7.5%	8.55%

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

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	(572)
Total employer contributions	479,929
Total non-employer contributions	35,590
Total contributions reported in *Schedule of Employer and Non-Employer Allocations*	$ 515,519

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

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

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

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

Teachers' Retirement Association (Continued)

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

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

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

Changes in actuarial assumptions since the 2021 valuation:

- None

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

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability

On June 30, 2023, the District reported a liability of $33,527,281 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 0.4187% at the end of the measurement period and 0.4176% 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	$ 33,527,281
State's proportionate share of the net pension liability associated with the District	2,486,311

For the year ended June 30, 2023, the District recognized pension expense of $(4,322,639). Included in this amount, the District recognized $341,875 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	$ 483,565	$ 289,407
Net difference between projected and actual earnings on plan investments	945,117	-
Changes of assumptions	5,356,658	6,571,438
Changes in proportion	1,419,658	-
Contributions to TRA subsequent to the measurement date	2,201,952	-
Total	$ 10,406,950	$ 6,860,845

The $2,201,952 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.

NOTE 6 – 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	$ (4,850,941)
2025	1,205,337
2026	490,462
2027	4,467,632
2028	31,663
Total	$ 1,344,153

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%)
$ 52,853,933	$ 33,527,281	$ 17,685,453

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.

NOTE 6 – 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 plan administered by PERA. PERA's defined benefit pension plan is established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plan is tax qualified plan under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

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

B. Benefits Provided

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

General Employees Plan Benefits

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

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.

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

Public Employees' Retirement Association (Continued)

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2023 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2023, were $749,662. 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 $10,185,162 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 $298,666.

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 0.1286% at the end of the measurement period and 0.1266% for the beginning of the period.

School's proportionate share of net pension liability	$ 10,185,162
State of Minnesota's proportionate share of the net pension liability associated with the School	298,666
Total	$ 10,483,828

For the year ended June 30, 2023, the District recognized pension expense of $1,589,490 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized $44,628 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.

NOTE 6 – 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 85,074	$ 106,753
Changes in actuarial assumptions	2,270,321	39,269
Net collective difference between projected and actual investments earnings	217,201	-
Change in proportion	204,950	2,764
Contributions paid to PERA subsequent to the measurement date	749,662	-
Total	$ 3,527,208	$ 148,786

The $749,662 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Expense Amount
2024	$ 975,173
2025	1,015,549
2026	(283,056)
2027	921,094
Total	$ 2,628,760

NOTE 6 – 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:

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

F. Actuarial Methods and Assumptions

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

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

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

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

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

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

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)
The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund

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	$ 16,087,998	$ 10,185,162	$ 5,343,927

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

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

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

B. Benefits Paid

Teachers who apply for early retirement shall remain eligible to receive certain health insurance benefits until the end of the school year in which the teacher becomes Medicare eligible. The first access eligible age is 55 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	15
Active employees	625
Total	640

D. Contributions

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with Blue Cross Blue Shield. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2023, the District contributed $167,473 to the plan.

NOTE 7 – 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 following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

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

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

The discount rate is based on the 20-year Municipal Bond Yield of 3.80%.

Changes in Assumptions

- The health care trend rates, mortality tables, salary increase rates for non-teachers, and withdrawal rates were updated.
- The discount rate was changed from 2.10% to 3.80%.

F. Total OPEB Liability

The District's total OPEB liability of $2,230,132 was measured as of July 1, 2022, and was determined by an actuarial valuation as of July 1, 2022.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability (Continued)

Changes in the total OPEB liability are as follows:

	Total OPEB Liability
Balances at July 1, 2021	$ 2,802,202
Changes for the year	
Service cost	190,212
Interest	60,155
Assumption changes	(159,915)
Differences between expected and actual economic experience	(566,311)
Plan changes	160,877
Benefit payments	(257,088)
Net changes	(572,070)
Balances at July 1, 2022	$ 2,230,132

G. OPEB Liability Sensitivity

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

Total OPEB Liability/(Asset)		
1% Decrease in Discount Rate (2.8%)	Current Discount Rate (3.8%)	1% Increase in Dicount Rate (4.8%)
$ 2,351,965	$ 2,230,132	$ 2,111,994

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity (Continued)

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

Total OPEB Liability/(Asset)		
1% decrease (5.50% decreasing to 4.0%)	Current (6.50% decreasing to 5.0%)	1% increase (7.50% decreasing to 6.0%)
$ 2,032,945	$ 2,230,132	$ 2,461,553

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

For the year ended June 30, 2023, the District recognized OPEB expense of $257,812. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 53,027	$ 137,070
Liability losses	59,814	
Liability gains	-	562,898
Contributions made subsequent to the measurement date	167,473	-
Total	$ 280,314	$ 699,968

$167,473 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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

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

Year Ending June 30,	Total
2024	$ (153,436)
2025	(77,027)
2026	(77,027)
2027	(77,038)
2028	(98,855)
Thereafter	(103,744)
Total	$ (587,127)

NOTE 9 – COMMITMENTS

Project	Contractor	Contract Amount	Expensed to Date	Commitment
MS Wall Phase #3	Various	$ 558,000	$ 349,449	$ 208,551
MS Multipurpose space	Various	2,299,624	521,623	1,778,001
Rice Boiler	Various	1,117,400	598,951	518,449
Total commitments		$ 3,975,024	$ 1,470,023	$ 2,505,001

NOTE 10 – CONTINGENCY

The District is a defendant in a lawsuit. The likelihood of loss is unknown. The resolution of this matter should not have a material adverse effect on the financial condition of the District.

REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 47
Schedule of Changes in Total OPEB Liability
and Related Ratios

	June 30, 2019	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Total OPEB Liability						
Service cost	$ 169,713	$ 164,965	$ 169,914	$ 237,465	$ 255,075	$ 190,212
Interest	79,222	82,468	72,765	79,128	67,763	60,155
Differenced between expected and actual experience	-	(464,939)	-	104,679	-	(566,311)
Changes of assumptions	-	6,505	-	48,099	34,250	(159,915)
Plan changes	-	-	-	362,967	-	160,877
Benefit payments	(143,798)	(153,718)	(127,090)	(229,766)	(245,120)	(257,088)
Net change in total OPEB liability	105,137	(364,719)	115,589	602,572	111,968	(572,070)
Beginning of year	2,231,655	2,336,792	1,972,073	2,087,662	2,690,234	2,802,202
End of year	$ 2,336,792	$ 1,972,073	$ 2,087,662	$ 2,690,234	$ 2,802,202	$ 2,230,132
Covered payroll	$ 24,683,536	$ 27,747,444	$ 28,579,867	$ 32,053,466	$ 33,015,070	$ 32,718,546
Total OPEB liability as a percentage of covered-employee payroll	9.5%	7.1%	7.3%	8.4%	8.5%	6.8%

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

Independent School District No. 47
Schedule of District's and Non-Employer Proportionate Share (if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.1105%	$ 5,190,736	$ -	$ 5,190,736	$ 5,802,469	89.46%	78.75%
2015	0.1073%	5,560,843	-	5,560,843	6,200,133	89.69%	78.19%
2016	0.1065%	8,647,272	112,946	8,760,218	6,610,693	130.81%	68.91%
2017	0.1188%	7,584,114	95,394	7,679,508	7,655,773	99.06%	75.90%
2018	0.1150%	6,379,729	209,139	6,588,868	7,727,947	82.55%	79.53%
2019	0.1221%	6,750,635	209,824	6,960,459	8,644,427	78.09%	80.23%
2020	0.1219%	7,308,462	225,261	7,533,723	8,690,467	84.10%	79.06%
2021	0.1266%	5,406,387	165,143	5,571,530	9,113,200	59.32%	87.00%
2022	0.1286%	10,185,162	298,666	10,483,828	9,634,600	105.71%	76.67%

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 Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.3506%	$ 16,155,396	$ 1,136,619	$ 17,292,015	$ 16,002,214	100.96%	81.50%
2015	0.3383%	20,927,201	2,566,950	23,494,151	17,170,227	121.88%	76.77%
2016	0.3499%	83,459,499	8,376,703	91,836,202	18,202,280	458.51%	44.88%
2017	0.3734%	74,537,413	7,205,374	81,742,787	20,099,040	370.85%	51.57%
2018	0.3878%	24,357,470	2,288,270	26,645,740	21,424,627	113.69%	78.07%
2019	0.4028%	25,674,557	2,271,879	27,946,436	22,870,558	112.26%	78.21%
2020	0.4110%	30,365,231	2,544,449	32,909,680	23,882,689	127.14%	75.48%
2021	0.4176%	18,275,425	1,541,259	19,816,684	24,987,737	73.14%	86.63%
2022	0.4187%	33,527,281	2,486,311	36,013,592	25,880,731	129.55%	76.17%

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

Independent School District No. 47
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 Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 420,679	$ 420,679	$ -	$ 5,802,469	7.25%
2015	465,010	465,010	-	6,200,133	7.50%
2016	495,802	495,802	-	6,610,693	7.50%
2017	574,183	574,183	-	7,655,773	7.50%
2018	579,596	579,596	-	7,727,947	7.50%
2019	648,332	648,332	-	8,644,427	7.50%
2020	651,785	651,785	-	8,690,467	7.50%
2021	683,490	683,490	-	9,113,200	7.50%
2022	722,595	722,595	-	9,634,600	7.50%
2023	749,662	749,662	-	9,995,493	7.50%

Schedule of District Contributions
TRA Retirement Funds
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	$ 1,120,155	$ 1,120,155	$ -	$ 16,002,214	7.00%
2015	1,287,767	1,287,767	-	17,170,227	7.50%
2016	1,365,171	1,365,171	-	18,202,280	7.50%
2017	1,507,428	1,507,428	-	20,099,040	7.50%
2018	1,606,847	1,606,847	-	21,424,627	7.50%
2019	1,763,320	1,763,320	-	22,870,558	7.71%
2020	1,891,509	1,891,509	-	23,882,689	7.92%
2021	2,031,503	2,031,503	-	24,987,737	8.13%
2022	2,158,453	2,158,453	-	25,880,731	8.34%
2023	2,201,952	2,201,952	-	25,753,825	8.55%

TRA Retirement Fund

2022 Changes
Changes in Actuarial Assumptions
- None

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

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

2019 Changes
Changes in Actuarial Assumptions
- None

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

TRA Retirement Fund (Continued)

2017 Changes
Changes in Actuarial Assumptions
- The discount rate was increased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes
Changes in Actuarial Assumptions
- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

TRA Retirement Fund (Continued)

2015 Changes

Changes of Benefit Terms

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

Changes in Actuarial Assumptions

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

Independent School District No. 47
Notes to the Required Supplementary Information

General Employees Fund

2022 Changes
Changes in Actuarial Assumptions
- The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.

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

2021 Changes
Changes in Actuarial Assumptions
- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions
- There have been no changes since the prior valuation.

2020 Changes
Changes in Actuarial Assumptions
- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changes as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retires electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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

Independent School District No. 47
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

General Employees Fund (Continued)

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

Changes in Plan Provisions
- There have been no changes since the prior valuation.

2015 Changes
Changes in Actuarial Assumptions
- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

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

Independent School District No. 47
Notes to the Required Supplementary Information

Other Post Employment Benefit

2022 Changes
Changes in Assumptions
- The health care trend rates, mortality tables, salary increase rates for non-teachers, and withdrawal rates were updated.
- The discount rate was changed from 2.10% to 3.80%.

Changes in Benefits
- An Early Retirement Incentive was added for teachers who retire after January 1, 2023 and prior to July 1, 2024 who have attained age 55 with at least 25 years of service. Eligible retirees receive a lump sum of $17,900 less the annual Article XXV Section 25.3 HCSP catch-up contribution made to their health care savings plan.

2021 Changes
Changes in Assumptions
- The discount rate was changed from 2.40% to 2.10%.

2020 Changes
Changes in 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-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.50% to 2.40%.

Changes in Benefits
- An Early Retirement Incentive was offered to teachers who retire after January 1, 2020, and prior to July 1, 2022, who have attained age 55 with at least 25 years of service. Eligible retirees receive a lump sum of $20,000 paid to a Health Care Savings Plan.

2019 Changes
Changes in Assumptions
- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from 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.
- The discount rate was changed from 3.40% to 3.50%.

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SUPPLEMENTARY INFORMATION

Independent School District No. 47
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2023

	Special Revenue Funds		Total
	Food Service	Community Service	Nonmajor Funds
Assets			
Cash and investments	$ 1,727,184	$ 954,119	$ 2,681,303
Current property taxes receivable	-	141,533	141,533
Delinquent property taxes receivable	-	6,152	6,152
Accounts receivable	38,434	-	38,434
Due from Department of Education	-	41,865	41,865
Due from other Minnesota school districts	-	170,354	170,354
Inventory	46,902	-	46,902
Prepaid items	8,037	-	8,037
Total assets	$ 1,820,557	$ 1,314,023	$ 3,134,580
Liabilities			
Accounts payable	$ -	$ 28,216	$ 28,216
Salaries and benefits payable	63,975	181,733	245,708
Unearned revenue	54,632	-	54,632
Total liabilities	118,607	209,949	328,556
Deferred Inflows of Resources			
Unavailable revenue - delinquent property taxes	-	3,097	3,097
Property taxes levied for subsequent year's expenditures	-	302,686	302,686
Total deferred inflows of resources	-	305,783	305,783
Fund Balances			
Nonspendable	54,939	-	54,939
Restricted	1,647,011	798,291	2,445,302
Total fund balances	1,701,950	798,291	2,500,241
Total liabilities, deferred inflows of resources, and fund balances	$ 1,820,557	$ 1,314,023	$ 3,134,580

Independent School District No. 47
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2023

	Special Revenue Funds		Total
	Food Service	Community Service	Nonmajor Funds
Revenues			
Local property taxes	$ -	$ 279,055	$ 279,055
Other local and county revenues	44,183	1,046,765	1,090,948
Revenue from state sources	92,125	406,546	498,671
Revenue from federal sources	1,754,296	16,944	1,771,240
Sales and other conversion of assets	1,144,403	330	1,144,733
Total revenues	3,035,007	1,749,640	4,784,647
Expenditures			
Current			
Food service	2,676,059	-	2,676,059
Community education and services	-	1,680,569	1,680,569
Capital outlay			
Food service	24,527	-	24,527
Community education and services	-	3,716	3,716
Total expenditures	2,700,586	1,684,285	4,384,871
Net change in fund balances	334,421	65,355	399,776
Fund Balances			
Beginning of year	1,367,529	732,936	2,100,465
End of year	$ 1,701,950	$ 798,291	$ 2,500,241

Independent School District No. 47
Uniform Financial Accounting And Reporting Standards
Compliance Table
Year Ended June 30, 2023

	Audit	UFARS	Audit-UFARS
01 GENERAL FUND			
Total revenue	$ 59,053,502	$ 59,053,503	$ (1)
Total expenditures	60,749,281	60,749,282	(1)
Nonspendable:			
4.60 Nonspendable fund balance	174,599	174,599	-
Restricted/reserved:			
4.01 Student Activities	366,062	366,060	2
4.02 Scholarships	11,073	11,073	-
4.03 Staff Development	157	157	-
4.07 Capital Projects Levy	-	-	-
4.08 Cooperative Programs	-	-	-
4.13 Project Funded by COP	-	-	-
4.14 Operating Debt	-	-	-
4.16 Levy Reduction	-	-	-
4.17 Taconite Building Maintenance	-	-	-
4.24 Operating Capital	7,115,049	7,115,048	1
4.26 $25 Taconite	-	-	-
4.27 Disabled Accessibility	-	-	-
4.28 Learning and Development	-	-	-
4.34 Area Learning Center	67,811	67,811	-
4.35 Contracted Alternative Programs	-	-	-
4.36 State Approved Alternative Program	-	-	-
4.38 Gifted and Talented	79,187	79,187	-
4.40 Teacher Development and Evaluation	20,320	20,320	-
4.41 Basic Skills Programs	-	-	-
4.45 Career Technical Programs	-	-	-
4.48 Achievement and Integration Revenue	18,039	18,039	-
4.49 Safe School Crime	126,354	126,354	-
4.51 QZAB payments	-	-	-
4.52 OPEB liabilities not held in trust	-	-	-
4.53 Unfunded Severance and Retirement Levy	-	-	-
4.59 Basic Skills Extended Time	-	-	-
4.67 Long-term Facilities Maintenance	1,751,760	1,751,760	-
Restricted:			
4.72 Medical Assistance	456,219	456,218	1
4.64 Restricted fund balance	-	-	-
4.75 Title VII - Impact Aid	-	-	-
4.76 Payments in Lieu of Taxes	-	-	-
Committed:			
4.18 Separation benefits	2,087,662	2,087,662	-
4.61 Committed	-	-	-
Assigned:			
4.62 Assigned fund balance	2,296,544	2,296,546	(2)
Unassigned			
4.22 Unassigned fund balance (net position)	14,533,300	14,533,301	(1)
02 FOOD SERVICES FUND			
Total revenue	$ 3,035,007	$ 3,035,008	$ (1)
Total expenditures	2,700,586	2,700,587	(1)
Nonspendable:			
4.60 Nonspendable fund balance	54,939	54,939	-
Restricted/reserved:			
4.52 OPEB Liabilities not Held in Trust	-	-	-
Restricted:			
4.64 Restricted fund balance	1,647,011	1,647,009	2
Unassigned:			
4.63 Unassigned fund balance	-	-	-
04 COMMUNITY SERVICE FUND			
Total revenue	$ 1,749,640	$ 1,749,637	$ 3
Total expenditures	1,684,285	1,684,282	3
Nonspendable:			
4.60 Nonspendable fund balance	-	-	-
Restricted/reserved:			
4.26 $25 Taconite	-	-	-
4.31 Community Education	290,147	290,147	-
4.32 ECFE	174,421	174,421	-
4.40 Teacher Development and Evaluation	-	-	-
4.44 School Readiness	121,358	121,358	-
4.47 Adult Basic Education	100,365	100,365	-
4.52 OPEB Liabilities not Held in Trust	-	-	-
Restricted:			
4.64 Restricted fund balance	112,000	111,997	3
Unassigned:			
4.63 Unassigned fund balance	-	-	-

	Audit	UFARS	Audit-UFARS
06 BUILDING CONSTRUCTION FUND			
Total revenue	$ 895,132	$ 895,135	$ (3)
Total expenditures	6,137,391	6,137,392	(1)
Nonspendable:			
4.60 Nonspendable fund balance	-	-	-
Restricted/reserved:			
4.07 Capital Projects Levy	-	-	-
4.13 Building Projects Funded by COP/LP	-	-	-
4.67 LTFM	-	-	-
Restricted:			
4.64 Restricted fund balance	628,292	628,293	(1)
Unassigned:			
4.63 Unassigned fund balance	-	-	-
07 DEBT SERVICE FUND			
Total revenue	$ 6,354,833	$ 6,354,833	$ -
Total expenditures	6,201,655	6,201,656	(1)
Nonspendable:			
4.60 Nonspendable fund balance	-	-	-
Restricted/reserved:			
4.25 Bond refunding	-	-	-
4.33 Maximum effort loan aid	-	-	-
4.51 QZAB payments	-	-	-
4.67 LTFM	-	-	-
Restricted:			
4.64 Restricted fund balance	1,473,979	1,473,979	-
Unassigned:			
4.63 Unassigned fund balance	-	-	-
08 TRUST FUND			
Total revenue	$ 7	$ 7	$ -
Total expenditures	-	-	-
4.01 Student Activities	-	-	-
4.02 Scholarships	32,843	32,843	-
4.22 Net Position	-	-	-
18 CUSTODIAL FUND			
Total revenue	$ 45,044	$ 45,044	$ -
Total expenditures	43,768	43,768	-
4.01 Student Activities	4,091	4,092	(1)
4.02 Scholarships	6,150	6,150	-
4.48 Achievement & Integration	-	-	-
4.64 Restricted Fund Balance	30,835	30,834	1
20 INTERNAL SERVICE FUND			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
4.22 Net Position	-	-	-
25 OPEB REVOCABLE TRUST			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
4.22 Net Position	-	-	-
45 OPEB IRREVOCABLE TRUST			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
4.22 Net Position	-	-	-
47 OPEB DEBT SERVICE			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Nonspendable:			
4.60 Nonspendable fund balance	-	-	-
Restricted:			
4.25 Bond refundings	-	-	-
4.64 Restricted fund balance	-	-	-
Unassigned:			
4.63 Unassigned fund balance	-	-	-

Independent School District No. 47
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Grant Name	Federal Assistance Listing Number	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education		
Child Nutrition Cluster		
Commodities Programs	10.555	$ 209,704
School Breakfast	10.553	343,158
Special Milk	10.556	3,141
COVID 19 - Supply Chain Assistance	10.555C	80,634
National School Lunch	10.555	1,117,659
Total Child Nutrition Cluster and U.S. Department of Agriculture		1,754,296
U.S. Department of Treasury		
Through Minnesota Department of Education		
COVID-19 - ARP Summer Academic Enrichment and Mental Health	21.027	65,015
COVID-19 - Pandemic Enrollment Loss	21.027	97,223
COVID-19 - ARP Adult Basic Education	21.027	907
Total Coronavirus Relief Funds and U.S. Department of Treasury		163,145
U.S. Department of Education		
Through Minnesota Department of Education		
Title I, Part A	84.010	405,650
Title II, Part A - Improving Teacher Quality	84.367	85,139
Title IV, Part A	84.186	31,775
Education Stabilization Fund		
COVID 19 - Expanded Summer Learning - ESSER	84.425D	14,249
COVID 19 - Elementary and Secondary School Education Relief (ESSER) Fund	84.425D	13,787
COVID 19 - Elementary and Secondary School Education Relief (ESSER II) Fund	84.425D	916,099
COVID 19 - Elementary and Secondary School Education Relief (ESSER III) Fund	84.425U	10,000
COVID 19 - Elementary and Secondary School Education Relief (ESSER III) Learning Loss	84.425U	318,755
COVID 19 - Learning Recovery - Lost Instructional Time	84.425U	193,737
Total Education Stabilization Fund		1,466,627
Through Benton-Stearns Education District		
Special Education Cluster		
Special Education	84.027	534,403
Early Childhood Special Education	84.173	8,937
IDEA Part B Section 611 Mandatory Coordinated Early Intervening Services (cluster)	84.027	66,835
COVID 19 - ARP IDEA Part B - Section 611	84.027X	120,625
COVID 19 - ARP IDEA Part B CEIS - Mandatory	84.027X	26,232
COVID 19 - ARP IDEA Part B - Section 619	84.173X	18,019
Total Special Education Cluster		775,051
Through Wright Technical Center		
Carl Perkins	84.048A	52,402
Total U.S. Department of Education		2,816,644
Total Federal Expenditures		$ 4,734,085

See notes to schedule of expenditures of federal awards.

Independent School District No. 47
Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – PASS-THROUGH GRANT NUMBERS

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

NOTE 4 – INVENTORY

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

NOTE 5 – INDIRECT COST RATE

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

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. 47
Sauk Rapids, 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. 47, Sauk Rapids, Minnesota, as of and for the year ending June 30, 2023, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 27, 2023.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Finding and Questioned Costs in Accordance with the Uniform Guidance to be a significant deficiency, Audit Finding 2023-001.

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(s) to the findings identified in our audit and described in the accompanying Schedule of Finding and Questioned Costs in Accordance with the Uniform Guidance. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

Bergan KDV, Ltd.

St. Cloud, Minnesota
October 27, 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. 47
Sauk Rapids, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Independent School District No. 47's, Sauk Rapids, Minnesota, compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the District complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

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

Report on Internal Control over Compliance (Continued)
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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2023-002, to be a significant deficiency.

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.

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

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

Bergan KDV, Ltd.

St. Cloud, Minnesota
October 27, 2023

Independent School District No. 47
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes, Audit Finding 2023-002
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No

Identification of Major Programs

Federal Assistance Listing No.:	84.027, 84.173, 84.027X, 84.173X
Name of Federal Program or Cluster:	Special Education Cluster
Federal Assistance Listing No.:	84.425D, 84.425U
Name of Federal Program or Cluster:	Education Stabilization Funds
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. 47
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS:

Audit Finding 2023-001

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

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

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

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

Responsible Official's Response:

CORRECTIVE ACTION PLAN (CAP):

1. <u>Explanation of Disagreement with Audit Finding</u>
   There is no disagreement with the audit finding.

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

Independent School District No. 47
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS: (CONTINUED)

Audit Finding 2023-001 (Continued)

CORRECTIVE ACTION PLAN (CAP): (CONTINUED)

3. Official Responsible for Ensuring CAP
   Brad Bergstrom, 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 responsible to monitor the ongoing progress towards the completion of the CAP by approving the policies brought forth by Administration and review of the annual audit.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

Audit Finding 2023-002

Criteria or Specific Requirement:
Internal controls that assure all construction contracts entered into with federal awards have prevailing wage requirements.

Condition:
We selected a construction contract to test for prevailing wage requirements noting that this project had not met these requirements as prevailing wage verbiage was not included in the contract.

Context:
Construction contracts not following prevailing wage requirements could have been accepted.

Effect or Potential Effect:
Prevailing wage requirements could have not been met and would impact the amount of federal funding the District receives or the use of it on projects.

Cause:
The District did not oversee that prevailing wage requirements were included in contracts.

Recommendation:
Ensure the prevailing wage requirement are included in all construction contracts paid for with federal funds.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS: (CONTINUED)

Audit Finding 2023-002 (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
   Change orders have been issued for the construction project, and contractors will be paid prevailing wages for the entire project. Internal control measures have been adjusted to identify construction projects funded by federal resources and to guarantee that project specifications include the necessary components for prevailing wages.

3. Official Responsible for Ensuring CAP
   Bradley Bergstrom is the official responsible for ensuring the corrective action of the deficiency.

4. Planned Completion Date for CAP
   Completed.

5. Plan to Monitor Completion of CAP
   The Director of Business Services will be monitoring the CAP.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None.

Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 47
Sauk Rapids, 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. 47, Sauk Rapids, Minnesota, as of and for the year ended June 30, 2023, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 27, 2023.

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

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

BerganKDV, Ltd.

St. Cloud, Minnesota
October 27, 2023