INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
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ROSTER OF SCHOOL OFFICIALS
June 30, 2023

Ryan Walseth	Chairman
Misty Hempel	Vice-Chairman
Chris Melbye	Clerk
Michelle Westerman	Treasurer
Mike Spears	Director
Wayne Nomeland	Director
John Syvertson	Director
Tanya Monson-Ek	District Business Manager
Paula Henry	Superintendent (Effective through June 30, 2023)
Chris Mills	Superintendent (Effective beginning July 1, 2023)

BradyMartz

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Independent School District No. 564
Thief River Falls, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining information of the Independent School District No. 564, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 564, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our 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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining statements, schedule of changes in fund balances and compliance table as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis 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 combining statements, schedule of changes in fund balances, compliance table, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
Thief River Falls, Minnesota

November 16, 2023

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This section of Independent School District No. 564's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2023. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

For the year ending June 30, 2023, the District's unassigned fund balance decreased from $3,180,461 to $2,084,561 or a decrease of $1,095,900.

Overview of the Financial Statements

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, and supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's general fund budget for the year, and supplementary information that is presented for additional analysis.

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, liabilities, and deferred inflows/outflows of resources with the difference reported as net position. 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, liabilities, and deferred inflows/outflows of resources – is one way to measure the District's financial health or *position*.

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

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

- *Governmental activities*: All of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

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

The District has two kinds of funds:

Governmental funds: The District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you 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, reconciliations have been provided following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances to help explain the relationship (or differences) between the governmental funds and governmental activities.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and debt service fund, all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data is provided in the form of combining statements elsewhere in this report.

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 (consisting of an OPEB Trust Fund) 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.

Financial Analysis of the District as a Whole

Net Position

The District's combined net position was $2,651,979 on June 30, 2023 (see details in Table A-1). This was an increase of 235.6 percent from the prior year.

Table A-1
Statement of Net Position

	2023	2022	Total Percentage Change
Current and Other Assets	$ 15,191,377	$ 23,994,211	(36.7) %
Capital and Lease Assets	54,634,208	56,748,993	(3.7)
Total Assets	69,825,585	80,743,204	(13.5)
Deferred Outflows of Resources	5,122,148	6,268,294	(18.3)
Long-term Liabilities	54,297,309	53,487,410	1.5
Other Liabilities	5,881,606	12,126,674	(51.5)
Total Liabilities	60,178,915	65,614,084	(8.3)
Deferred Inflows of Resources	12,116,839	23,353,348	(48.1)
Net Position			
Net Investment in Capital and Lease Assets	16,777,680	17,330,744	(3.2)
Restricted	1,873,881	1,681,657	11.4
Unrestricted	(15,999,582)	(20,968,335)	23.7
Total Net Position	$ 2,651,979	$ (1,955,934)	235.6 %

Change in Net Position

Table A-2 presents the change in net position of the District.

Table A-2
Change in Net Position

	2023	2022	Total Percentage Change
Revenues			
Program Revenues			
Charges for Services	$ 1,245,260	$ 818,630	52.1 %
Operating Grants and Contributions	7,001,609	7,645,455	(8.4)
Capital Grants and Contributions	688,840	1,106,273	(37.7)
General Revenues			
Property Taxes	6,120,464	6,130,378	(0.2)
Unrestricted State Aid	14,919,672	14,931,452	(0.1)
Other Sources	1,080,152	443,052	143.8
Total Revenues	31,055,997	31,075,240	(0.1)
Expenses			
Administration	1,582,113	1,615,115	(2.0)
District Support Services	764,625	773,268	(1.1)
Elementary & Secondary Regular Instruction	7,165,849	9,803,264	(26.9)
Vocational Education Instruction	536,782	604,150	(11.2)
Special Education Instruction	4,059,441	4,138,605	(1.9)
Community Education and Services	926,639	852,045	8.8
Instructional Support Services	1,554,941	2,515,689	(38.2)
Pupil Support Services	3,243,686	2,628,033	23.4
Sites and Buildings	4,980,347	4,942,769	0.8
Fixed Costs	150,416	120,759	24.6
Interest on Long-Term Debt	1,028,746	1,530,239	(32.8)
Depreciation - Unallocated	454,499	454,500	(0.0)
Total Expenses	26,448,084	29,978,436	(11.8)
Change in Net Position	4,607,913	1,096,804	
Net Position - Beginning	(1,955,934)	(3,052,738)	35.9
Net Position - Ending	$ 2,651,979	$ (1,955,934)	235.6 %

The District’s total revenues were $31,055,997 for the year ended June 30, 2023. Property taxes and state aid payments accounted for 83 percent of total revenue for the year.

The total cost of all programs and services was $26,448,084. The District’s expenses are predominantly related to educating and caring for students.

Total revenues surpassed expenses, increasing net position $4,607,913 over last year. For the year ended June 30, 2023, the net effect of the District's deferred inflows and outflows of resources and net pension liability related to TRA and PERA increased net position by $3,266,170. For the year ended June 30, 2022, the net effect of the District's deferred inflows and outflows of resources and net pension liability related to TRA and PERA increased net position by $1,225,021.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Table A-3
Major Funds

	Fund Balance			Percentage Increase
	2023	2022	Increase (Decrease)	Percentage Increase (Decrease)
Governmental Funds				
General	$ 4,759,231	$ 5,103,697	$ (344,466)	(6.7) %
Debt Service Fund	925,205	9,581,664	(8,656,459)	(90.3)

The District's Debt Service fund's decrease in fund balance is due primarily to the 2013 GO Capital Appreciation Bond being called and paid off in 2023 for $6,089,458. The District will continue to monitor the fund balance levels and make budget reductions as necessary.

General Fund

The general fund includes the primary operations of the District in providing educational services to students from kindergarten through grade 12, including pupil transportation activities and capital outlay projects.

Table A-4 presents a summary of general fund revenue.

Table A-4
General Fund Revenue

	2023	2022	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources				
Property Taxes	$ 2,439,928	$ 2,622,619	$ (182,691)	(7.0) %
Interest Earnings	162,291	(24,849)	187,140	753.1
Other	1,048,856	758,247	290,609	38.3
State Sources	18,716,947	18,789,102	(72,155)	(0.4)
Federal Sources	2,012,630	2,685,745	(673,115)	(25.1)
Other	3,082	6,809	(3,727)	(54.7)
Total General Fund Revenue	$ 24,383,734	$ 24,837,673	$ (453,939)	(1.8) %

Total general fund revenue decreased by $453,939 or 1.8 percent from the previous year. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including excess levy referendum and the property tax shift, involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in revenue.

Table A-5 presents a summary of general fund expenditures.

Table A-5
General Fund Expenditures

	2023	2022	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	$ 14,791,489	$ 15,279,944	$ (488,455)	(3.2) %
Employee Benefits	3,715,368	3,755,177	(39,809)	(1.1)
Purchased Services	2,028,499	1,979,183	49,316	2.5
Supplies and Materials	1,959,714	1,590,286	369,428	23.2
Capital Expenditures	1,723,263	2,698,661	(975,398)	(36.1)
Debt Service	331,803	470,895	(139,092)	(29.5)
Other Expenditures	152,665	259,447	(106,782)	(41.2)
Total General Fund Expenditures	$ 24,702,801	$ 26,033,593	$ (1,330,792)	(5.1) %

Capital expenditures decreased from the prior year due to purchases of approximately $600,000 in one-to-one devices for students in FY22. Salaries in FY23 also decreased due to budget cuts made by the District.

General Fund Budgetary Highlights

During the year the District revised its budget.

The District’s final budget for the general fund anticipated that expenditures and other financing uses would exceed revenues and other financing sources by $1,013,229. The actual results for the year show a deficit of $344,466.

Capital Assets and Debt Administration

Capital Assets

Note 3 to the financial statements presents an analysis of capital asset transactions occurring during the year ended June 30, 2023. Additions totaling $1,534,446 consisted of a remodel of the District Service Center, a new gym floor and portion of the roof at the high school, athletic equipment, flooring, roof and wall heaters, parking lots, kitchen equipment, a vehicle, and a bus. In FY23 the District did not have any disposals.

Long-Term Debt

At year-end, the District had $38,907,219 of long-term debt. This consisted of bonded indebtedness net of premiums and discounts of $38,609,049, financed purchases of $125,120, lease payable of $154,879, and severance payable of $18,171. Note 6 to the financial statements present details and payment provisions of these items.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- Results of future labor contract negotiations will affect expenditure levels. Salaries and benefits account for 74% of general fund expenditures.
- The District receives 63% of its revenue from state sources. The District is significantly impacted by the results of the financial health of the State of Minnesota. School Districts have been fortunate for the past several years to receive additional increases in the general education funding formula from the State. These increases, however, have not increased at the same rate as inflation.
- Future building repairs.
- Increased energy costs.
- Stability of student enrollment.
- The District has had two consecutive failed operating referendum attempts in the past few years, one in 2021 and the other in 2023; therefore, attempts to raise revenue for the District have failed. The District will be engaging in an extensive process of reviewing budgets in all departments and will be faced with significant budget reductions in the next several years, unless additional revenue is obtained.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Administration Offices, Independent School District No. 564, 230 LaBree Avenue South, Thief River Falls, MN 56701.

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
STATEMENT OF NET POSITION
June 30, 2023

ASSETS		
Cash and Investments	$	8,979,035
Property Taxes Receivable, Net of Allowance		3,013,172
Accounts Receivable		161,254
Due From Department of Education		1,790,638
Due From Federal Govt. - DOE		945,948
Prepaid Items		253,006
Inventory		48,324
Capital Assets		
Land, Construction in Process		861,515
Other Capital Assets, Net of Depreciation		53,620,196
Lease Assets		
Right to Use Assets, Net of Amortization		152,497
TOTAL ASSETS		69,825,585
DEFERRED OUTFLOWS OF RESOURCES		
Cost Sharing Defined Benefit Pension Plan		4,870,939
Other Postemployment Benefit Plan		251,209
TOTAL DEFERRED OUTFLOWS OF RESOURCES		5,122,148
LIABILITIES		
Accounts Payable		388,663
Due To Other MN School Districts		42,286
Due To Other Governments		167
Payroll Deductions		1,417,006
Unearned Revenue		7,711
Interest Payable		346,623
Vacation Payable		88,454
Long-Term Liabilities Due Within One Year		3,590,696
Long-Term Liabilities		
Bonds, Net Unamortized Premiums (Discounts)		38,609,049
Financed Purchases		125,120
Lease Payable		154,879
Severance Payable		18,171
Net Pension Liability		17,539,076
Net Other Postemployment Benefit Liability		1,441,710
Less Amounts Due Within One Year		(3,590,696)
Total Long-Term Liabilities		54,297,309
TOTAL LIABILITIES		60,178,915

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
STATEMENT OF NET POSITION - CONTINUED
June 30, 2023

DEFERRED INFLOWS OF RESOURCES	
Property Taxes Levied - Subs. Years	6,595,732
Cost Sharing Defined Benefit Pension Plan	4,822,050
Other Postemployment Benefit Plan	699,057
TOTAL DEFERRED INFLOWS OF RESOURCES	12,116,839
NET POSITION	
Net Investment in Capital and Lease Assets	16,777,680
Restricted for:	
Student Activities	275,199
Scholarships	23,466
Operating Capital	597,276
Medical Assistance	23,191
Food Service	557,607
Community Education	198,012
ECFE	40,335
School Readiness	115,933
Community Service	9,918
Permanent Fund - Non Expendable	25,000
Permanent Fund - Expendable	7,944
Unrestricted	(15,999,582)
TOTAL NET POSITION	$ 2,651,979

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
STATEMENT OF ACTIVITIES
For the 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) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES					
Administration	$ 1,582,113	$	$ 400,184	$ 281,266	$ (900,663)
District Support Services	764,625		322,044	12,324	(430,257)
Elementary & Secondary					
Regular Instruction	7,165,849	225,842	1,666,955	10,287	(5,262,765)
Vocational Education Instruction	536,782	397	244,435		(291,950)
Special Education Instruction	4,059,441		2,723,344		(1,336,097)
Community Education and Services	926,639	475,334	289,798		(161,507)
Instructional Support Services	1,554,941	67,424	350,915		(1,136,602)
Pupil Support Services	3,243,686	463,914	1,001,578		(1,778,194)
Sites and Buildings	4,980,347	12,349	2,356	384,963	(4,580,679)
Fixed Costs	150,416				(150,416)
Interest on Long-Term Debt	1,028,746				(1,028,746)
Depreciation - Unallocated	454,499				(454,499)
TOTAL GOVERNMENTAL ACTIVITIES	$ 26,448,084	$ 1,245,260	$ 7,001,609	$ 688,840	(17,512,375)

GENERAL REVENUES	
Taxes	
Property Taxes, Levied for General Purposes	2,452,803
Property Taxes, Levied for Community Education and Services	154,566
Property Taxes, Levied for Debt Services	3,282,402
Property Taxes, Levied for OPEB Debt Services	230,693
Unrestricted State Aid	14,919,672
Unrestricted Investment Earnings	372,103
Other General Revenue	708,049
TOTAL GENERAL REVENUES	22,120,288
Change in Net Position	4,607,913
Net Position - Beginning	(1,955,934)
Net Position - Ending	$ 2,651,979

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2023

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	$ 4,875,580	$ 3,024,198	$ 1,079,257	$ 8,979,035
Current Property Taxes Receivable	949,451	1,868,958	149,005	2,967,414
Delinquent Property Taxes Receivable	23,718	104,476	19,564	147,758
Accounts Receivable	130,735		30,519	161,254
Due From Department of Education	1,691,453	66,059	33,126	1,790,638
Due From Federal Govt. - DOE	803,887		142,061	945,948
Prepaid Items	253,006			253,006
Inventory			48,324	48,324
TOTAL ASSETS	$ 8,727,830	$ 5,063,691	$ 1,501,856	$ 15,293,377
LIABILITIES				
Accounts Payable	$ 376,159	$	$ 12,504	$ 388,663
Due To Other MN School Districts	42,286			42,286
Due To Other Governments	167			167
Payroll Deductions	1,356,497		60,509	1,417,006
Unearned Revenue			7,711	7,711
TOTAL LIABILITIES	1,775,109		80,724	1,855,833
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Delinquent Taxes	23,718	104,476	19,564	147,758
Property Taxes Levied - Subs. Years	2,169,772	4,034,010	391,950	6,595,732
TOTAL DEFERRED INFLOWS OF RESOURCES	2,193,490	4,138,486	411,514	6,743,490
FUND BALANCES				
Fund Balance:				
Nonspendable: Prepaid	253,006			253,006
Nonspendable: Inventory			48,324	48,324
Nonspendable: Scholarships			25,000	25,000
Restricted for Student Activities	275,199			275,199
Restricted for Operating Capital	597,276			597,276
Restricted for Food Service			509,283	509,283
Restricted for School Readiness			115,933	115,933
Restricted for Community Education			198,012	198,012
Restricted for ECFE			40,335	40,335
Restricted for Community Service			9,918	9,918
Restricted for OPEB Debt Service			54,869	54,869
Restricted for Debt Service		925,205		925,205
Restricted for Scholarships	23,466		7,944	31,410
Restricted for Medical Assistance	23,191			23,191
Committed for Severance	18,171			18,171
Assigned for Technology	1,448,986			1,448,986
Assigned for Improvements	35,375			35,375
Unassigned	2,084,561			2,084,561
TOTAL FUND BALANCES	4,759,231	925,205	1,009,618	6,694,054
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 8,727,830	$ 5,063,691	$ 1,501,856	$ 15,293,377

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2023

Total fund balances - governmental funds	$ 6,694,054
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	
Cost of capital assets	94,825,933
Less accumulated depreciation	(40,344,222)
Lease assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	
Cost of lease assets	463,010
Less accumulated amortization	(310,513)
Deferred outflows of resources relating to the cost sharing defined benefit plans and other postemployment benefits in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	5,122,148
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
Bonds	(38,025,000)
Financed purchases	(125,120)
Unamortized premiums (discounts)	(584,049)
Severance payable	(18,171)
Lease payable	(154,879)
Net Pension Liability	(17,539,076)
Net other postemployment benefit liability	(1,441,710)
Deferred inflows of resources relating to the cost sharing defined benefit plans and other postemployment benefits in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	(5,521,107)
Vacation payable is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(88,454)
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds.	147,758
An allowance has been set up for taxes receivable in the government-wide financial statements.	(102,000)
Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the debt service fund.	(346,623)
Net position - governmental activities	$ 2,651,979

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Local Property Tax Levies	$ 2,439,928	$ 3,263,993	$ 382,642	$ 6,086,563
Other Local & County Revenues	1,211,147	173,999	526,522	1,911,668
Revenue From State Sources	18,716,947	660,590	259,156	19,636,693
Revenue From Federal Sources	2,012,630		826,069	2,838,699
Sale/Other Conversion of Asset	3,082		462,745	465,827
TOTAL REVENUES	24,383,734	4,098,582	2,457,134	30,939,450
EXPENDITURES				
Current				
Administration	1,587,689			1,587,689
District Support Services	597,040			597,040
Elementary & Secondary Regular Instruction	10,471,598			10,471,598
Vocational Education Instruction	531,341			531,341
Special Education Instruction	4,057,109			4,057,109
Community Education and Services			921,397	921,397
Instructional Support Services	1,443,111			1,443,111
Pupil Support Services	1,620,656		1,243,419	2,864,075
Sites and Buildings	2,188,775			2,188,775
Fixed Costs	150,416			150,416
Debt Service				
Principal	309,483	9,234,458	220,000	9,763,941
Interest and Other Fees	22,320	3,520,583	13,630	3,556,533
Capital Outlay	1,723,263		34,458	1,757,721
TOTAL EXPENDITURES	24,702,801	12,755,041	2,432,904	39,890,746
Revenues Over (Under) Expenditures	(319,067)	(8,656,459)	24,230	(8,951,296)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Asset	2,601			2,601
Transfers In			28,000	28,000
Transfers Out	(28,000)			(28,000)
TOTAL OTHER FINANCING SOURCES (USES)	(25,399)		28,000	2,601
Net Change in Fund Balances	(344,466)	(8,656,459)	52,230	(8,948,695)
Fund Balances - Beginning	5,103,697	9,581,664	957,388	15,642,749
Fund Balances - Ending	$ 4,759,231	$ 925,205	$ 1,009,618	$ 6,694,054

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Total net change in fund balances - governmental funds	$ (8,948,695)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense.	
Capital outlays	1,534,446
Depreciation	(3,483,082)
Amortization Expense	(166,149)
Payment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.	9,763,941
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 the 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. Also, governmental funds report the effect of premiums and discounts when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	2,527,786
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	33,902
Change in net pension liability.	(7,208,417)
Change in deferred outflows and inflows of resources related to net pension liability.	10,474,587
Changes in deferred outflows and inflows of resources related to other postemployment benefit liability.	(229,817)
Recognition of additional pension expense and grant revenue for the District's proportionate share of the State of Minnesota's contribution to the PERA and TRA.	
In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid.)	
Vacation payable	7,012
Other postemployment benefits	303,936
Severance payable	(1,537)
Change in net position - governmental activities	$ 4,607,913

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2023

	OPEB Trust Fund
ASSETS	
Investments	$ 1,028,063
TOTAL ASSETS	1,028,063
LIABILITIES	
Accounts Payable	64,421
TOTAL LIABILITIES	64,421
NET POSITION	
Held in Trust for OPEB	963,642
TOTAL LIABILITIES AND NET POSITION	$ 1,028,063

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2023

	OPEB Trust Fund
ADDITIONS	
Investment Earnings:	
Interest	$ 12,188
TOTAL ADDITIONS	12,188
DEDUCTIONS	
Benefits	64,421
TOTAL DEDUCTIONS	64,421
Change in Net Position	(52,233)
Net Position Held in Trust for OPEB - Beginning	1,015,875
Net Position Held in Trust for OPEB - Ending	$ 963,642

See Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 564 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The District's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the District is considered to be financially accountable.

Component units are legally separated entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally dependent upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the District.

C. Basic Financial Statement Presentation

The district-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.

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

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function.

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

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The district-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 or related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for advance amounts recognized in accordance with a statutory "tax shift". Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

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:

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 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 fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within one year.

Recording of Expenditures – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

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

Description of Funds

The existence of the various District funds has been established by the State of Minnesota, Department of Education. Each fund is accounted for as an independent entity. A description of the major funds included in this report are as follows:

Major Governmental Funds

General Fund – Accounts for all financial resources and transactions except those required to be accounted for in other funds including pupil transportation and capital outlay activities, which were previously (prior to July 1, 1996) accounted for in separate special revenue funds.

Debt Service Fund – Accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Nonmajor Governmental Funds

Special Revenue Funds:

Food Service Fund – Accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches, or snacks in connection with school activities.

Community Service Fund – Accounts for all resources designated for programs other than those for elementary and secondary students.

OPEB Debt Service – Accounts for the accumulation of resources for, and the payment of, OPEB bond principal, interest and related costs.

Permanent Fund – Accounts for all resources designated for specified purposes, which supports the District's programs.

Fiduciary Fund

OPEB Trust Fund – Accounts used for reporting resources set aside and held in an irrevocable trust arrangement for postemployment benefits.

E. Specific Account Information

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

Investments are carried at fair value. The District considers certificates of deposit to be cash.

When fair value measurements are required, various data is used in determining those values. Assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

Level 1: Quoted market prices in active markets for identical assets or liabilities
Level 2: Observed market based inputs or unobservable inputs that are corroborated by market data
Level 3: Unobservable market inputs that are not corroborated by market data

Taxes Receivable – Taxes receivable represents taxes levied in 2022 which are not payable until 2023, net of the amount received prior to June 30.

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

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

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as unavailable revenue (property taxes levied for subsequent years).

The majority of the revenue in the general fund is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between property taxes and state aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift."

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred in the fund based financial statements because it is not known to be available to finance the operations of the District in the current year. The allowance for uncollectible taxes is $102,000.

<u>Accounts Receivable</u> – Accounts receivable is carried at invoice amount less an estimate made for uncollectible accounts. The allowance for uncollectible accounts receivable was zero based on historical performance. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

<u>Inventory</u> – Inventory is recorded using the consumption method of accounting and consists of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method. Surplus commodities are stated at standardized costs, as determined by the Department of Agriculture.

<u>Prepaid Items</u> – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

<u>Capital Assets</u> – Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The District maintains a threshold level of $5,000 or more for capitalizing capital assets. Expenditures for major additions and improvements that extend the useful lives of property and equipment are capitalized. Routine expenditures for repairs and maintenance are charged to expense as incurred.

Capital assets are recorded in the district-wide financial statements, but are not reported in the fund financial statements. 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 purposes. 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, if any.

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.

<u>Leases</u> – The determination of whether an arrangement contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the District has control of the right to use asset. Control includes the right to obtain present service capacity and the right to determine the nature and manner of use of the underlying asset, as specified in the contract.

Leases with an initial lease term of more than 12 months, or that contain an option to purchase that the District is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the District uses its incremental borrowing rate based on the information available at the lease commencement date. The District has made an accounting policy election to use a risk free rate based on US Treasury T-bill rate as of the lease commencement. The District accounts for lease agreements with lease and non-lease components together as a single lease component for all underlying classes of assets.

The District continues to record rent expense for short term leases on a straight-line basis over the lease term. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the District is reasonable certain to exercise.

The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

The District's lease agreements do not include any material residual value guarantees or restrictive covenants.

The District is a lessor for a noncancellable lease of a building. The District recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term.

Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases. The District has made an accounting policy election to use a risk free rate based on US Treasury T-bill rate as of the lease commencement.

- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

<u>Vacation Payable</u> – It is the District's policy to permit employees to accumulate earned but unused vacation. All vacation pay is accrued when incurred in the district-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

<u>Long-Term Obligations</u> – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Existing bonded debt is reported at the face value of remaining indebtedness. For any new indebtedness that may be issued in the future, bond premiums and discounts will be deferred and amortized over the life of the bonds using the effective interest method. Bonds payable will be reported net of the applicable bond premium or discount. Bond issuance costs will be expensed in the period incurred.

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 from the actual debt proceeds received, are reported as debt service expenditures.

<u>Other Postemployment Benefits (OPEB)</u> – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Retiree Benefits Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments

and participating interest-earning investment contracts that have a maturity at the time of the purchase of one year or less, which are reported at cost. Postemployment healthcare expenditures have been funded through contributions to an irrevocable trust and on a pay as you go basis in the future.

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 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.

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, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resource (expense/ expenditure) until then. The District has two items that qualify for reporting in this category named *Cost Sharing Defined Benefit Pension Plan* and *Other Postemployment Benefits* which represents actuarial differences within PERA and TRA pension plans and other postemployment benefit plans as well as amounts paid to the plans after the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has four types of items, one of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item, *property taxes levied – subs. years,* is reported as a deferred inflow of resources for both the Balance Sheet – Governmental Funds and the Statement of Net Position as these amounts represent property tax revenue levied for a subsequent period. The third item, *Cost Sharing Defined Benefit Pension Plan*, represents actuarial differences within PERA and TRA pension plans. The last item, *Other Postemployment Benefits* represents changes in OPEB.

Net Position – Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Net Position Flow Assumption – Sometimes the government will fund outlays for particular purpose for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance – The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable – Consists of amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted – Consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions and administered by the Minnesota Department of Education.

Committed – Consists of amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

Assigned – Consists of amounts a government intends to use for a specific purpose. These constraints are established by the Board of Education and/or management. The Board of Education delegates the power to assign fund balances to the Business Manager.

Unassigned – Consists of amounts that are available for any purpose; positive amounts are reported only in the general fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted resources, and then use unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the District's policy to use resources in the following order: 1) committed, 2) assigned and 3) unassigned.

The District's goal is to maintain an unrestricted general fund balance, defined as the total of the committed and unassigned fund balance categories, of not less than 10 percent and not more than 25 percent with the optimal fund balance of 15 percent of the general fund's current annual operating expenditure budget.

F. 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 and the reported amounts of revenues and expenses during the reporting period. Ultimate results could differ from those estimates.

NOTE 2 DEPOSITS AND INVESTMENTS

The District maintains a cash account at its depository bank. Investments are carried at fair value. The District considers certificates of deposit to be cash.

The pooled cash and investment account is comprised of the following:

	Governmental Activities	Fiduciary Fund	Total
Cash	$ 424,046	$	$ 424,046
Investments	8,554,989	1,028,063	9,583,052
Total	$ 8,979,035	$ 1,028,063	$ 10,007,098

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

Investments	Fair Value	Investment Maturities (in Years) <1
Minnesota School District Liquid Asset Fund	$ 84,351	$ 84,351
MnTrust	9,498,701	9,498,701
Total Investments by Fair Value Level	$ 9,583,052	$ 9,583,052

Investments	Fair Value Level 1	Fair Value Level 2	Total
Minnesota School District Liquid Asset Fund	$ 84,351	$	$ 84,351
MnTrust	9,498,701		9,498,701
Total Investments by Fair Value Level	$ 9,583,052	$	$ 9,583,052

The Minnesota School District Liquid Asset Fund and the MnTrust are common law trusts organized and existing under the laws of the State of Minnesota, in accordance with the provisions of the Minnesota Joint Powers Act. The general objective of the Fund is to provide a high yield for the participants while maintaining liquidity and preserving capital by investing only in instruments authorized by Minnesota Statutes, which govern the temporary investment of School District monies. In addition, the fixed rate/fixed term portion of the program is also structured with safety of principal as the major objective.

The Minnesota School District Liquid Asset Fund and the MnTrust are an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under 2a7. The fair value of the position is the same as the value of the pool shares.

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The District may invest idle funds as authorized in Minnesota Statutes, as follows:

(a) Direct obligations or obligations guaranteed or insured issues by the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.

(b) General obligations and revenue obligations of any state or local government with taxing powers rated "A" and "AA", respectively, and general obligations of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and rated "A" or better.
(c) Commercial paper issued by United States corporations or their Canadian subsidiaries, rated in the highest quality by at least two rating agencies, and maturing in 270 days or less.
(d) Time deposits that are fully insured by the FDIC or bankers acceptances of U.S. banks.
(e) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
(f) Repurchase or reverse repurchase agreements with banks that are qualified as a "depository" of public funds of the government entity, any other financial institution which is a member of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
(g) Guaranteed investment contracts (GIC's) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories, or in the top three rating categories for long-term GIC's issued by Minnesota banks.
(h) Securities lending agreements with financial institutions having its principal executive office in Minnesota and meeting the qualifications described in (f) above.

The Minnesota School District Liquid Asset Fund is rated AAAm by Standard & Poor's, while the MnTrust is rated Aaa by Moody's Investors Services.

<u>Concentration of Credit Risk</u> - The District places no limit on the amount the District may invest in any one issuer.

<u>Custodial Credit Risk - Deposits</u> – The District does not have a formal custodial credit risk policy. In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the District's board, all of which are members of the Federal Reserve System. Minnesota Statutes require that all district deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. As of June 30, 2023, the District was not exposed to custodial credit risk.

<u>Custodial Credit Risk - Investments</u> - The investment in the Minnesota School District Liquid Asset Fund and the MnTrust are not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement 40.

NOTE 3 CAPITAL ASSETS

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

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	$ 861,515	$	$	$ 861,515
Construction in Progress	146,935		146,935	
Total Capital Assets, Not Being Depreciated	1,008,450		146,935	861,515
Capital Assets, Being Depreciated:				
Land Improvements	3,127,092	76,683		3,203,775
Buildings	82,304,465	1,447,819		83,752,284
Equipment	6,851,480	156,879		7,008,359
Total Capital Assets, Being Depreciated	92,283,037	1,681,381		93,964,418
Less Accumulated Depreciation For:				
Land Improvements	1,085,694	127,062		1,212,756
Buildings	31,132,149	2,799,772		33,931,921
Equipment	4,643,297	556,248		5,199,545
Total Accumulated Depreciation	36,861,140	3,483,082		40,344,222
Total Capital Assets, Being Depreciated, Net	55,421,897	(1,801,701)		53,620,196
Governmental Activities Capital Assets, Net	$ 56,430,347	$ (1,801,701)	$ 146,935	$ 54,481,711

In the statement of activities, depreciation was charged to the following governmental functions:

Elementary & Secondary Regular Instruction	$ 42,606
Vocational Education Instruction	4,608
Special Education Instruction	2,332
Instructional Support	1,295
Pupil Support Services	250,985
Sites and Buildings	2,726,757
	3,028,583
Unallocated	454,499
Total Depreciation Expense	$ 3,483,082

NOTE 4 DEFINED BENEFIT PENSION PLANS- STATEWIDE

Substantially, all employees of the District are required by state law to belong to pension plans administered by Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA), all of which are administered on a statewide basis.

Disclosures relating to these plans follow:

A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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

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

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

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for a Coordinated Plan member is 1.2% for each of the first ten 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 will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of 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 June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2023, were $343,980. The District's contributions were equal to the required contributions as set by state statute.

Pension Costs – At June 30, 2023, the District reported a liability of $4,831,220 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 $141,663.

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 0.0610% at the end of the measurement period and 0.0637% for the beginning of the period.

District's proportionate share of net pension liability	$	4,831,220
State of Minnesota's proportionate share of the net pension liability associated with the District		141,663
Total	$	4,972,883

For the year ended June 30, 2023, the District recognized pension expense of $511,160 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $21,168 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense for the annual $16 million contribution.

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

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual economic experience	$	40,355	$	54,020
Difference between projected and actual investment earnings		15,151		-
Changes in actuarial assumptions		1,140,326		21,066
Changes in proportion		14,333		164,295
Contributions paid to PERA subsequent to the measurement date		343,980		
Total	$	1,554,145	$	239,381

$343,980 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30		Pension Expense Amount
2024	$	373,333
2025		379,266
2026		(218,728)
2027		436,913

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.50%	5.10%
Private Markets	25.00%	5.90%
Fixed Income	25.00%	0.75%
International Equity	16.50%	5.30%

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 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent. Benefit increases after retirement are assumed to be 1.25 percent.

Salary growth assumptions range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years.

Mortality rates are based on the Pub-2010 General Employee Mortality Table.

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

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

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

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

Discount Rate – The discount rate used to measure the total pension liability in 2022 was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Sensitivity Analysis - NPL at Different Discount Rates		
1% Decrease (5.5%)	Current (6.5%)	1% Increase (7.5%)
$ 7,631,165	$ 4,831,220	$ 2,534,833

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

B. TEACHERS RETIREMENT ASSOCIATION

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 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 the State of Minnesota.

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

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

Tier I Benefits:

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

With these provisions:

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

or

Tier II Benefits:

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for Coordinated members and 2.7 percent per year for Basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated members and 2.7 percent 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 benefit calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

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

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

<u>Contribution Rate</u> – Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal years 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	11.00%	12.13%	11.00%	12.34%	11.00%	12.55%
Coordinated	7.50%	8.13%	7.50%	8.34%	7.50%	8.55%

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

Employer contributions reported in TRA's ACFR		*in thousands*
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.

Actuarial Methods and 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	1.00% for January 2019 through January 2023, then increasing by 0.10% each year up to 1.50% annually

Mortality Assumption

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 projection uses the MP-2015 scale.
Post-disability	RP-2014 disabled retiree mortality table, without adjustment.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Geometric Mean)
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Private Markets	25.00%	5.90%
Fixed Income	25.00%	0.75%

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2023 is 6 years. The "Difference Between Expected and Actual Experience" and "Changes of Assumptions" and "Changes in Proportion" use the amortization period of 6 years in the schedule presented. The amortization period for "Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments" is 5 years as required by GASB 68.

<u>Changes in actuarial assumptions since the 2021 valuation</u>: None

<u>Discount Rate</u> - The discount rate used to measure the total pension liability was 7.00 percent. The discount rate used to measure the TPL at the Prior Measurement Date was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2022 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

<u>Net Pension Liability</u> - On June 30, 2023, the District reported a liability of $12,707,856 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 0.1587% at the end of the measurement period and 0.1739% 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	$	12,707,856
State's proportionate share of the net pension liability associated with the District	$	942,571

For the year ended June 30, 2023, the District recognized pension expense of ($3,591,359). It also recognized $129,606 as an increase to 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	$ 199,749	$ 122,616
Net difference between projected and actual earnings on plan inv.		54,747
Changes in actuarial assumptions	2,230,761	2,970,531
Changes in proportion		1,434,775
Contributions paid to TRA subsequent to the measurement date	886,284	
Total	$ 3,316,794	$ 4,582,669

$886,284 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 ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Year Ending June 30	Pension Expense Amount
2024	$ (3,035,880)
2025	(34,641)
2026	(264,446)
2027	1,437,212
2028	(254,404)

Pension Liability Sensitivity - The following presents the net pension liability calculated using the discount rate of 7.0 percent as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0 percent) or one percentage higher (8.0 percent) than the current rate.

Sensitivity Analysis - NPL at Different Discount Rates		
1% Decrease (6.0%)	Current (7.0%)	1% Increase (8.0%)
$ 20,033,244	$ 12,707,856	$ 6,703,323

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

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

The District recognized total pension expense of ($3,080,199) for all of the pension plans in which it participates.

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS

Plan Description – The District's Plan is a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The authority and requirement to provide these benefits is established in Minnesota Statutes

Section 471.61, Subd. 2b. The benefit levels, employee contributions and employer contributions are governed by the District and can be amended by the District through the District's collective bargaining agreements with employee groups.

Benefits Provided – The District provides healthcare benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan.

Funding Policy – Retirees and their spouses contribute to the healthcare plan at the same rate as District employees. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. The District provides postemployment healthcare benefits to qualifying retirees.

The District may contribute the actuarially determined contribution (ADC), an amount actuarially determined in accordance with parameters of GASB Statement 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The pay as you go cost for OPEB benefits is $149,792. The annual employer contributions were $71,028 and $78,764 was the implicit subsidy. These costs are recognized as an expense when claims or premiums are paid. The General Fund paid for $85,371 of 22-23 cost and transferred $64,421 from the OPEB trust fund.

Employees Covered by Benefit Term – At June 30, 2023, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	9
Active plan members	270
	279

Net OPEB Liability – The District's net OPEB liability of $1,441,710 was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2022.

Actuarial Assumptions – The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5 percent
Salary increases	service graded table
Investment rate	4.0 percent (net of investment expenses)
Healthcare cost trend rates	6.25 percent in 2022 grading to 5 percent over 6 years and then 4 percent over 48 years

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Cash	5%	4.00%
Fixed Income	95%	5.00%
Total	100%	5.00%

Discount Rate – The discount rate used to measure the total OPEB liability was 4.1 percent. The projection of cash flows was used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 6/30/2022	$ 2,761,520	$ 1,015,874	$ 1,745,646
Changes for the year:			
Service Cost	133,551		133,551
Interest Cost	107,193		107,193
Assumption Changes	1,756		1,756
Employer Contributions		85,371	(85,371)
Projected Investment Return		50,794	(50,794)
Differences between Expected and Actual Experience	(448,876)	(38,355)	(410,521)
Benefit Payments	(149,792)	(149,792)	
Administrative Expenses		(250)	250
Net changes	(356,168)	(52,232)	(303,936)
Balances at 6/30/2023	$ 2,405,352	$ 963,642	$ 1,441,710

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.1 percent) or one percentage point higher (5.1 percent) than the current rate:

	District Total OPEB Liability	
1% Decrease (3.1%)	Current (4.1%)	1% Increase (5.1%)
$ 1,571,843	$ 1,441,710	$ 1,313,054

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.25 percent decreasing to 4.0 percent over 6 years) or one percentage point higher (7.25 percent decreasing to 6.0 percent over 6 years) than the current healthcare cost trend rates:

District Healthcare Cost Trend Rates		
(5.25% decreasing to 4.00% then 3.00%)	(6.25% decreasing to 5.00% then 4.00%)	(7.25% decreasing to 6.00% then 5.00%)
$ 1,229,276	$ 1,441,710	$ 1,685,532

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 $123,351. 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
Differences between Expected and Actual Experience	$ 154,485	$ 510,820
Investment Losses/Gains	60,363	
Changes in Assumptions	36,361	188,237
Total	$ 251,209	$ 699,057

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

Year Ending June 30	OPEB Expense Amount
2024	$ (173,565)
2025	(43,187)
2026	(55,220)
2027	(101,354)
2028	(74,522)

NOTE 6 LONG-TERM LIABILITIES

The long-term debt obligations outstanding at year-end and changes in long-term debt are summarized as follows:

Summary of Long-Term Debt

Primary Government:	Beginning Balance	Additions	Retired	Ending Balance	Due Within One Year
GO Cap Appr Bonds 2013A	$ 6,089,458	$	$ 6,089,458	$	$
GO Refunding Bonds	41,390,000		3,365,000	38,025,000	3,465,000
Unamortized Discount	(64,469)		(64,469)		
Unamortized Premium	762,636		178,587	584,049	
Total Bonds	48,177,625		9,568,576	38,609,049	3,465,000
Financed Purchases	268,142		143,022	125,120	82,599
Lease Payable	321,340		166,461	154,879	43,097
Accrued Interest Payable	2,391,305		2,391,305		
Severance Payable	16,634	1,537		18,171	
Total Long-Term Liabilities	$ 51,175,046	$ 1,537	$ 12,269,364	$ 38,907,219	$ 3,590,696

The District's interest expense for the year ended June 30, 2023, was $1,028,746.

Severance payable and lease payable are generally liquidated by the general fund.

A. General Obligation Bonds

Description	Date of Issue	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 6/30/2023
Capital Appreciation Bond	2013			$ 6,089,458	$ 6,089,458	$
GO Crossover Refunding	2016	2.0-2.5%	2024/33	9,965,000	70,000	9,895,000
GO Crossover Refunding	2020	2.08-3.00%	2024/30	9,665,000	235,000	9,430,000
GO Refunding	2020	1.55-1.7%	2024/25	12,675,000	2,760,000	4,780,000
GO Refunding	2021	0.86-1.57%	2024/32	9,110,000		9,110,000
GO Refunding	2021	3.0-4.0%	2024/26	4,440,000	80,000	4,360,000
GO OPEB Refunding	2016	2.05-2.15%	2024/25	1,300,000	220,000	450,000
						$ 38,025,000

Annual debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2024	$ 3,465,000	$ 831,894
2025	3,595,000	773,825
2026	3,795,000	679,131
2027	4,040,000	548,799
2028	4,190,000	463,125
2029-2033	18,940,000	1,153,785
	$ 38,025,000	$ 4,450,559

B. Financed Purchases

The District has entered into financed purchase agreements to finance the purchase of 15 buses valued at $1,488,340.

The future obligations as of June 30, 2023, are as follows:

Year Ending June 30	Principal	Interest
2024	$ 82,599	$ 2,997
2025	42,521	893
	$ 125,120	$ 3,890

NOTE 7 LEASE PAYABLE

The District is a lessee for noncancellable leases of buildings and equipment. The District leases copy machines at its school locations in Thief River Falls. The term of the lease is for a period of 60 months, terminating on December 31, 2026, with a monthly payment of $3,828. The District also leases for use of the Ralph Englestad Arena facilities within the City of Thief River Falls. The term of the lease is for a period of five years, terminating on August 31, 2023, with an annual payment of $127,713.

The following is the total lease expense for the year ended June 30, 2023:

Lease expense	Year Ending 6/30/2023
Amortization expense by class of underlying asset	
Copy Machine	$ 43,571
Building	122,578
Total amortization expense	166,149
Interest on lease liabilities	3,660
Variable lease expense	
Total	$ 169,809

The following is a schedule of activity in leased assets and the lease liability for the year ended June 30, 2023:

Lease Assets	Beginning of Year	Additions	Modifications & Remeasurements	Subtractions	End of Year	Amounts Due Within One Year
Copy Machine	$ 217,853	$	$	$	$ 217,853	
Building	245,156				245,156	
	463,009				463,009	
Less: Accumulated Amortization						
Copy Machine	(21,785)	(43,571)			(65,356)	
Building	(122,578)	(122,578)			(245,156)	
	(144,363)	(166,149)			(310,512)	
Total Lease Assets, net	$ 318,646	$ (166,149)	$	$	$ 152,497	
Lease Liabilities	$ 321,340	$	$	$ (166,461)	$ 154,879	$ (43,097)

The following is a schedule by years of future minimum payments required under the leases:

Year Ending June 30,	Principal	Interest	Total Payments
2024	$ 43,097	$ 2,839	$ 45,936
2025	44,011	1,925	45,936
2026	44,944	992	45,936
2027	22,827	133	22,960
Total	$ 154,879	$ 5,889	$ 160,768

NOTE 8 SEVERANCE PAY

The District has several severance pay plans for various groups of employees. The plans call for employees to be paid for unused portions of their sick leave upon termination of employment. At June 30, 2023, the estimated liability under these plans was $18,171.

NOTE 9 INTERFUND TRANSFERS

Transfer In	Transfer Out	Amount
Nonmajor Governmental	General	$28,000

The purpose of the transfer is to cover current year operating costs in the community service fund.

NOTE 10 CONTINGENCIES

The District receives significant financial assistance from numerous federal, state, and local governmental agencies in the form of grants and aids. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2023.

NOTE 11 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; injuries to employees; natural disasters and workers compensation. The District purchases commercial insurance coverage for such risks.

The District has joined together with other school districts in Minnesota in the Northwest Service Cooperative's Minimum Premium Funding Plan (Plan). The Plan is a public entity risk pool established as a health insurance purchasing pool for its members. The agreement for the formation of the Plan provides that the Plan will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of $300,000. The pool and its members purchase reinsurance, currently with a $300,000 specific stop loss attachment point and 110% aggregate stop loss attachment point. If the assets of the Plan were to be exhausted, members would not be responsible for the Plan's liabilities. The Northwest Service Cooperative retains the risk of the Plan's liabilities.

There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 12 NEW PRONOUNCEMENTS

GASB Statement No. 99, *Omnibus 2022,* provides guidance on the following accounting matters:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62,* provides guidance on accounting and financial reporting requirements for accounting changes and error corrections. Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences,* provides guidance on the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Management has not yet determined what effect these statements will have on the entity's financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
For the Year Ended June 30, 2023

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
REVENUES				
Local Property Tax Levies	$ 2,430,447	$ 2,448,430	$ 2,439,928	$ (8,502)
Other Local & County Revenues	676,916	874,316	1,211,147	336,831
Revenue From State Sources	18,823,608	18,661,863	18,716,947	55,084
Revenue From Federal Sources	1,076,938	1,912,747	2,012,630	99,883
Sale/Other Conversion of Asset	3,000	3,000	3,082	82
TOTAL REVENUES	23,010,909	23,900,356	24,383,734	483,378
EXPENDITURES				
Current				
Administration	1,692,671	1,644,572	1,587,689	(56,883)
District Support Services	615,951	603,792	597,040	(6,752)
Elementary & Secondary				
Regular Instruction	10,168,774	10,471,128	10,471,598	470
Vocational Education Instruction	559,474	516,225	531,341	15,116
Special Education Instruction	3,918,163	4,151,741	4,057,109	(94,632)
Instructional Support Services	1,167,566	1,236,820	1,443,111	206,291
Pupil Support Services	1,657,643	1,650,772	1,620,656	(30,116)
Sites and Buildings	2,397,942	2,171,180	2,188,775	17,595
Fixed Costs	130,700	216,700	150,416	(66,284)
Debt Service				
Principal	143,022	279,098	309,483	30,385
Interest	7,295	7,295	22,320	15,025
Capital Outlay	1,136,672	1,936,262	1,723,263	(212,999)
TOTAL EXPENDITURES	23,595,873	24,885,585	24,702,801	(182,784)
Revenues Under Expenditures	(584,964)	(985,229)	(319,067)	666,162
OTHER FINANCING SOURCES (USES)				
Sale of Capital Asset			2,601	2,601
Transfer Out		(28,000)	(28,000)	
TOTAL OTHER FINANCING SOURCES (USES)		(28,000)	(25,399)	2,601
Net Change in Fund Balances	(584,964)	(1,013,229)	(344,466)	668,763
Fund Balances - Beginning	5,103,697	5,103,697	5,103,697	
Fund Balances - Ending	$ 4,518,733	$ 4,090,468	$ 4,759,231	$ 668,763

See Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 YEARS

	2017	2018	2019	2020	2021	2022	2023
Total OPEB Liability							
Service Cost	$ 197,265	$ 190,780	$ 136,417	$ 157,177	$ 192,077	$ 154,028	$ 133,551
Interest	94,723	93,635	104,547	80,289	66,226	62,809	107,193
Assumption Changes		(67,610)	30,284	89,562	(100,437)	(207,030)	1,756
Plan Changes			34,354				
Differences Between Expected and Actual Experience			(820,545)		308,973		(448,876)
Benefit Payments	(374,435)	(273,548)	(205,108)	(160,377)	(224,735)	(169,415)	(149,792)
Net Change in Total OPEB Liability	(82,447)	(56,743)	(720,051)	166,651	242,104	(159,608)	(356,168)
Total OPEB Liability - Beginning	3,371,614	3,289,167	3,232,424	2,512,373	2,679,024	2,921,128	2,761,520
Total OPEB Liability Ending (a)	$ 3,289,167	$ 3,232,424	$ 2,512,373	$ 2,679,024	$ 2,921,128	$ 2,761,520	$ 2,405,352
Plan Fiduciary Net Position							
Contributions - Employer	$ 205,581	$ 160,062	$ 133,943	$ 84,052	$ 134,689	$ 106,043	$ 85,371
Projected Investment Return	13,218	17,739	37,762	28,696	27,386	43,708	50,794
Differences Between Expected and Actual Experience		(9,841)	(29,409)	(6,685)	14,501	(56,902)	(38,355)
Benefit Payments	(374,435)	(273,548)	(205,108)	(160,377)	(224,735)	(169,415)	(149,792)
Administrative Expenses	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Net Change in Plan Fiduciary Net Position	(155,886)	(105,838)	(63,062)	(54,564)	(48,409)	(76,816)	(52,232)
Plan Fiduciary Net Position - Beginning	1,520,449	1,364,563	1,258,725	1,195,663	1,141,099	1,092,690	1,015,874
Plan Fiduciary Net Position - Ending (b)	$ 1,364,563	$ 1,258,725	$ 1,195,663	$ 1,141,099	$ 1,092,690	$ 1,015,874	$ 963,642
District's Net OPEB Liability - Ending (a) - (b)	$ 1,924,604	$ 1,973,699	$ 1,316,710	$ 1,537,925	$ 1,828,438	$ 1,745,646	$ 1,441,710
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	41.49%	38.94%	47.59%	42.59%	37.41%	36.79%	40.06%
Covered Payroll	$ 13,281,098	$ 13,679,531	$ 13,720,751	$ 14,132,373	$ 14,360,278	$ 14,791,086	$ 14,041,880
District's Net OPEB Liability as a Percentage of Covered Payroll	14.49%	14.43%	9.60%	10.88%	12.73%	11.80%	10.27%

The District implemented GASB No. 75 for the fiscal year ended June 30, 2017. Information from prior years is not available.

See Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
SCHEDULE OF DISTRICT CONTRIBUTIONS
LAST 10 YEARS

	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
PERA						
	2015	$ 299,328	$ 299,328	$	$ 4,038,246	7.41 %
	2016	322,973	322,973		4,301,849	7.51
	2017	341,032	341,032		4,539,716	7.51
	2018	346,292	346,292		4,616,820	7.50
	2019	341,749	341,749		4,556,651	7.50
	2020	350,599	350,599		4,674,646	7.50
	2021	345,160	345,160		4,582,888	7.53
	2022	345,783	345,783		4,590,798	7.53
	2023	343,980	343,980		4,573,280	7.52
TRA						
	2015	$ 686,991	$ 686,991	$	$ 9,159,858	7.50 %
	2016	699,319	699,319		9,324,269	7.50
	2017	717,255	717,255		9,563,356	7.50
	2018	726,547	726,547		9,685,923	7.50
	2019	763,227	763,227		9,898,648	7.71
	2020	801,117	801,117		10,115,011	7.92
	2021	849,722	849,722		10,450,494	8.13
	2022	914,205	914,205		10,932,301	8.36
	2023	886,284	886,284		10,339,795	8.57

The amounts presented for each fiscal year were determined as of the District's year end which is June 30th.
The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for the prior years are not available.

See Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
SCHEDULE OF DISTRICT'S SHARE OF NET PENSION LIABILITY
LAST 10 YEARS

Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the District (if Applicable)	Total	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
PERA							
2014	0.0705 %	$ 3,311,737	$	$ 3,311,737	$ 3,738,454	88.59 %	78.70 %
2015	0.0687	3,560,391		3,560,391	4,038,246	88.17	78.19
2016	0.0692	5,618,697	73,378	5,692,075	4,301,849	130.61	68.90
2017	0.0705	4,500,673	56,557	4,557,230	4,539,716	99.14	75.90
2018	0.0688	3,816,742	125,272	3,942,014	4,616,820	82.67	79.53
2019	0.0645	3,566,061	110,829	3,676,890	4,556,651	78.26	80.23
2020	0.0654	3,921,029	120,881	4,041,910	4,674,646	83.88	79.06
2021	0.0637	2,720,275	83,141	2,803,416	4,582,888	59.36	87.00
2022	0.0610	4,831,220	141,663	4,972,883	4,590,798	105.24	76.67
TRA							
2014	0.1959 %	$ 9,026,931	$ 635,089	$ 9,662,020	$ 8,942,505	100.94 %	81.50 %
2015	0.1810	11,196,640	1,373,365	12,570,005	9,159,858	122.24	76.80
2016	0.1792	42,743,476	4,290,612	47,034,088	9,324,269	458.41	44.80
2017	0.1776	35,452,182	3,427,611	38,879,793	9,563,356	370.71	51.57
2018	0.1753	11,010,590	1,034,630	12,045,220	9,685,923	113.68	78.07
2019	0.1749	11,148,163	986,692	12,134,855	9,898,648	112.62	78.21
2020	0.1743	12,877,518	1,079,134	13,956,652	10,115,011	127.31	75.48
2021	0.1739	7,610,384	641,965	8,252,349	10,450,494	72.82	86.63
2022	0.1587	12,707,856	942,571	13,650,427	10,932,301	116.24	76.17

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous fiscal year.

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for the prior years is not available.

See Notes to the Required Supplementary Information

NOTE 1 BUDGETARY DATA

Budgets are prepared for District funds on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. All appropriations lapse at year end. Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting is not utilized in the governmental funds of the District.

The budget is adopted through the passage of a resolution. Administration can authorize the transfer of budgeted amounts within any fund. Any revisions that alter the total expenditures of any fund must be approved by the governing board. The legal level of budgetary control is the fund level. The annual appropriated budget is not legally binding on the District unless the District has a deficit fund balance which exceeds 2.5% of expenditures.

NOTE 2 DEFINED BENEFIT PLANS

PERA

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.

TRA

Changes in actuarial assumptions since the 2022 valuation: None

NOTE 3 OTHER POSTEMPLOYMENT BENEFITS

Plan Changes: None

Assumption Changes:

- The health care trend rates, mortality tables, and withdrawal rates were updated.
- The salary increase scales for non-teachers were updated.
- The discount rate was changed from 3.80% to 4.10%.
- The expected long-term investment rate of return was changed from 4.00% to 5.00%.

Method Changes: None

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023

	Special Revenue Funds		Debt Service		Total
	Food Service Fund	Community Service Fund	OPEB Debt Service	Permanent Fund	Nonmajor Governmental Funds
ASSETS					
Cash and Investments	$ 378,466	$ 469,591	$ 198,256	$ 32,944	$ 1,079,257
Current Property Taxes Receivable		60,644	88,361		149,005
Delinquent Property Taxes Receivable		8,800	10,764		19,564
Accounts Receivable		30,519			30,519
Due From Department of Education	10,162	22,373	591		33,126
Due From Federal Govt. - DOE	140,731	1,330			142,061
Inventory	48,324				48,324
TOTAL ASSETS	$ 577,683	$ 593,257	$ 297,972	$ 32,944	$ 1,501,856
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	$ 9,907	$ 2,597	$	$	$ 12,504
Payroll Deductions	10,169	50,340			60,509
Unearned Revenue		7,711			7,711
TOTAL LIABILITIES	20,076	60,648			80,724
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Delinquent Taxes		8,800	10,764		19,564
Property Taxes Levied - Subs. Years		159,611	232,339		391,950
TOTAL DEFERRED INFLOWS OF RESOURCES		168,411	243,103		411,514
FUND BALANCES					
Fund Balance:					
Nonspendable: Inventory	48,324				48,324
Nonspendable: Scholarships				25,000	25,000
Restricted for Food Service	509,283				509,283
Restricted for School Readiness		115,933			115,933
Restricted for Community Education		198,012			198,012
Restricted for ECFE		40,335			40,335
Restricted for Community Service		9,918			9,918
Restricted for OPEB Debt Service			54,869		54,869
Restricted for Scholarships				7,944	7,944
TOTAL FUND BALANCES	557,607	364,198	54,869	32,944	1,009,618
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 577,683	$ 593,257	$ 297,972	$ 32,944	$ 1,501,856

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	Special Revenue Funds		Debt Service		
	Food Service Fund	Community Service Fund	OPEB Debt Service	Permanent Fund	Total Nonmajor Governmental Funds
REVENUES					
Local Property Tax Levies	$	$ 153,545	$ 229,097	$	$ 382,642
Other Local & County Revenues	19,098	506,162		1,262	526,522
Revenue From State Sources	54,799	198,451	5,906		259,156
Revenue From Federal Sources	742,142	83,927			826,069
Sale/Other Conversion of Asset	459,853	2,892			462,745
TOTAL REVENUES	1,275,892	944,977	235,003	1,262	2,457,134
EXPENDITURES					
Current					
Community Education and Services		921,397			921,397
Pupil Support Services	1,243,419				1,243,419
Debt Service					
Principal			220,000		220,000
Interest and Other Fees			13,630		13,630
Capital Outlay	29,216	5,242			34,458
TOTAL EXPENDITURES	1,272,635	926,639	233,630		2,432,904
Revenues Over Expenditures	3,257	18,338	1,373	1,262	24,230
OTHER FINANCING SOURCES					
Transfer In		28,000			28,000
TOTAL OTHER FINANCING SOURCES		28,000			28,000
Net Change in Fund Balances	3,257	46,338	1,373	1,262	52,230
Fund Balances - Beginning	554,350	317,860	53,496	31,682	957,388
Fund Balances - Ending	$ 557,607	$ 364,198	$ 54,869	$ 32,944	$ 1,009,618

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
SCHEDULE OF CHANGES IN FUND BALANCES AND NET POSITION
For the Year Ended June 30, 2023

	UFARS Balance Beginning of Year	Revenues	Expenditures	Transfers	Sale of Capital Asset	UFARS Balance End of Year	Reclassify	Financial Statement Balance End of Year
Governmental Funds								
General Fund								
Nonspendable	$ 308,875	$	$	$ (55,869)	$	$ 253,006	$	$ 253,006
Restricted for:								
Student Activity	239,922	434,786	399,509			275,199		275,199
Scholarships	25,124	4,155	5,813			23,466		23,466
Achievement & Integration		158,822	129,547	(29,275)				
Safe Schools		73,896	85,596	11,700				
Long Term Facility Maintenance	(23,916)	727,523	1,577,055			(873,448)	873,448	
Operating Capital	438,666	460,278	301,668			597,276		597,276
Medical Assistance	26,238		3,047			23,191		23,191
Committed: Severance	16,634			1,537		18,171		18,171
Assigned for Technology	839,667			609,319		1,448,986		1,448,986
Assigned for Improvements	28,110			7,265		35,375		35,375
Unassigned	3,204,377	22,524,274	22,200,566	(572,677)	2,601	2,958,009	(873,448)	2,084,561
Food Service Fund								
Nonspendable	25,685			22,639		48,324		48,324
Restricted: Food Service	528,665	1,275,892	1,272,635	(22,639)		509,283		509,283
Community Service Fund								
Restricted for:								
Community Education	156,254	529,834	511,076	23,000		198,012		198,012
ECFE	40,307	134,464	134,436			40,335		40,335
School Readiness	115,557	251,491	256,115	5,000		115,933		115,933
Community Service	5,742	29,188	25,012			9,918		9,918
Debt Service Fund								
Restricted for:								
Bond Refunding	8,678,857			(8,678,857)				
Debt Service	902,807	4,098,582	12,755,041	8,678,857		925,205		925,205
OPEB Debt Service Fund								
Restricted for:								
OPEB Debt Service	53,496	235,003	233,630			54,869		54,869
Permanent Fund								
Nonspendable	25,000					25,000		25,000
Restricted: Scholarships	6,682	1,262				7,944		7,944
Fiduciary Fund								
OPEB Trust Fund								
Held in Trust for OPEB	1,015,875	12,188	64,421			963,642		963,642

BradyMartz

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Education
Independent School District No. 564
Thief River Falls, 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. 564 as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 16, 2023.

Legal Compliance

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

Purpose of the Report

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

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
Thief River Falls, Minnesota

November 16, 2023

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

To the Board of Education
Independent School District No. 564
Thief River Falls, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 564, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 16, 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 identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

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Report on Compliance and Other Matters

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

The District's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs and corrective action plan. The District's response was not subject to the other 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.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
Thief River Falls, Minnesota

November 16, 2023

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

To the Board of Education
Independent School District No. 564
Thief River Falls, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Independent School District No. 564's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of 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 types of 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Independent School District No. 564 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 with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with 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.

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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 generally accepted auditing standards, *Government Auditing Standards*, and 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 judgement 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement 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 consider necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
Thief River Falls, Minnesota

November 16, 2023

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INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal AL Number	Amount
U.S. Department of Education		
Direct Programs:		
P.L.100-297 Indian Education	84.060	$ 28,642
Passed-Through Minnesota Department of Education:		
Title II, Part A	84.367	47,032
Title I	84.010	242,468
Title IV	84.424	21,034
Special Education - Infants and Families	84.181	8,631
COVID-19 Summer School Age Child Care Fund	84.425C	19,650
COVID-19 Elementary and Secondary Education Relief Fund	84.425D	231,335
COVID-19 Education Stabilization Fund	84.425U	853,857
Total AL 84.425		1,104,842
Special Education Cluster:		
COVID-19 Special Education Grants to States	84.027	48,359
IDEA Part B 611	84.027	460,875
COVID-19 Special Education Preschool Grants	84.173	4,028
Preschool Incentives	84.173	16,975
Total Special Education Cluster		530,237
Passed-Through Pine to Prairie Cooperative:		
Carl Perkins	84.048	452
Total Indirect		1,954,696
Total U.S. Department of Education		1,983,338
U.S. Department of Health and Human Services		
Passed-Through Minnesota Department of Education:		
CCDF Cluster		
COVID-19 Child Care and Development Block Grant	93.575	64,278
Total U.S Department of Health and Human Services		64,278
U.S. Department of Treasury		
Passed-Through Minnesota Department of Education:		
COVID-19 American Rescue Plan	21.027	48,942
Total U.S. Department of Treasury		48,942
U.S. Department of Agriculture		
Passed-Through Minnesota Department of Education:		
COVID-19 Pandemic EBT Administrative Costs	10.649	628
COVID-19 Child and Adult Care Food Program	10.558	3,669
Child Nutrition Cluster:		
School Breakfast Program	10.553	85,663
COVID-19 National School Lunch Program	10.555	74,354
National School Lunch Program	10.555	411,285
National School Lunch Program (Nonmonetary Assistance)	10.555	85,901
Summer Food Program for Children	10.559	80,641
Total Child Nutrition Cluster		737,844
Total U.S. Department of Agriculture		742,141
TOTAL FEDERAL AWARDS		$ 2,838,699

See Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the accompanying schedule of expenditures of federal awards (the Schedule) are reported on the 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 2 INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 BASIS OF PRESENTATION

The Schedule includes the federal award activity of Independent School District No. 564 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 Independent School District No. 564, it is not intended to be and does not present the financial position or changes in net position of Independent School District No. 564.

NOTE 4 COMMODITY DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

NOTE 5 PASS-THROUGH ENTITIES

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

NOTE 6 SUBRECIPIENTS

During 2023, the District did not pass any federal money to subrecipients.

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	___ yes _x_ no
Significant deficiency(s) identified?	_x_ yes ___ none reported
Noncompliance material to financial statements noted?	___ yes _x_ no

Federal Awards

Internal Control over major programs:	
Material weakness(es) identified?	___ yes _x_ no
Significant deficiency(s) identified?	___ yes _x_ none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ yes _x_ no

Identification of major programs:

AL Number(s)	Name of Federal Program or Cluster
84.425C	COVID-19 Summer School Age Child Care Fund
84.425D	COVID-19 Elementary and Secondary Education Relief Fund
84.425U	COVID-19 Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	_x_ yes ___ no

Section II-Financial Statement Findings

2023-001 FINDING

Criteria
An appropriate system of internal control requires the District to have proper support and approval for all District transactions incurred as well as record said transactions in the general ledger.

Condition
The District received several IRS penalties throughout fiscal year 2023 that were for payroll periods related to September 2021 through June 2022. The District overpaid the penalties. In addition, the payment for the penalties were not presented to the School Board for approval, and the expenses were not recorded in the District's general ledger. Instead, these payments were recorded as an outstanding deposit on the District's bank reconciliation for several months as the District believed these penalties would be forgiven and refunded to the District.

Cause
Oversight by the District.

Effect
The District did not follow their procedures which require that all payments should be approved by the School Board, and the expenditures in the District's general ledger were understated.

Recommendation
The District should review its payroll procedures. The District should also record all transactions in the general ledger, and all payments should be brought before the School Board for approval prior to payment being made.

Views of Responsible Officials and Planned Corrective Actions
The District is in agreement with the recommendation.

Section III- Federal Award Findings and Questioned Costs

There are no findings which are required to be reported under this section.

SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2023

There are no findings which are required to be reported under this section.

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Board of Education
Ryan Walseth, Chairperson
Misty Hempel, Vice-Chair
Chris Melbye, Treasurer
Michelle Westerman, Clerk

Independent School District #564
230 LaBree Avenue South
Thief River Falls, MN 56701
Dr. Chris Mills, Superintendent
(218) 681-8711 ext. 5226

Board of Education
Mike Spears, Director
John Syvertson, Director
Wayne Nomeland, Director

2023-001 FINDING

Contact Person – Chris Mills, Superintendent

Corrective Action Plan – The District will review its payroll procedures. The District will also present all payments to the School Board for approval, and all transactions will be recorded in the general ledger.

Completion Date – November 30, 2023

PHONE (218) 681-8711 • **FAX** (218) 681-3252 • **WEBSITE** http://www.trf.k12.mn.us

ISD 564 is an equal opportunity educator and employer.

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INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
June 30, 2023

District Name: INDEPENDENT SCHOOL DISTRICT NO. 564 **District Number:** 564

	Audit	UFARS	Variance
01 GENERAL FUND			
Total Revenue	24,383,734	24,383,734	
Total Expenditures	24,702,801	24,702,802	(1)
Non Spendable			
460 Non Spendable Fund Balance	253,006	253,006	
Restricted/Reserved:			
401 Student Activities	275,199	275,199	
402 Scholarships	23,466	23,466	
403 Staff Development			
407 Capital Projects Levy			
408 Cooperative Revenue			
413 Building Projects Funded by COP			
414 Operating Debt			
416 Levy Reduction			
417 Taconite Building Maintenance			
424 Operating Capital	597,276	597,275	1
426 $25 Taconite			
427 Disabled Accessibility			
428 Learning & Development			
434 Area Learning Center			
435 Contracted Alt Programs			
436 State Approved Alt Program			
438 Gifted & Talented			
440 Teacher Development and Eval.			
441 Basic Skills Programs			
448 Achievement & Integration			
449 Safe Schools Levy			
451 QZAB Payments			
452 OPEB Liab Not In Trust			
453 Unfunded Sev & Retiremt Levy			
467 Long Term Facilities Maintenance	(873,448)	(873,449)	1
472 Medical Assistance	23,191	23,192	(1)
Restricted			
464 Restricted Fund Balance			
Committed			
418 Committed for Separation	18,171	18,171	
461 Committed			
Assigned			
462 Assigned Fund Balance	1,484,361	1,484,361	
Unassigned:			
422 Unassigned Fund Balance	2,958,009	2,958,012	(3)
Reconciliation of General	53,845,766	53,845,769	(3)

	Audit	UFARS	Variance
02 FOOD SERVICE			
Total Revenue	1,275,892	1,275,892	
Total Expenditures	1,272,635	1,272,635	
Non Spendable			
460 Non Spendable Fund Balance	48,324	48,323	1
Restricted/Reserved:			
452 OPEB Liab Not In Trust			
Restricted			
464 Restricted Fund Balance	509,283	509,285	(2)
Unassigned			
463 Unassigned Fund Balance			
Reconciliation of Food Service	3,106,134	3,106,135	(1)

	Audit	UFARS	Variance
04 COMMUNITY SERVICE			
Total Revenue	944,977	944,977	
Total Expenditures	926,639	926,639	
Non Spendable			
460 Non Spendable Fund Balance			
Restricted/Reserved:			
426 $25 Taconite			
431 Community Education	198,012	198,013	(1)
432 E.C.F.E.	40,335	40,335	
440 Teacher Development and Eval.			
444 School Readiness	115,933	115,933	
447 Adult Basic Education			
452 OPEB Liab Not In Trust			
Restricted			
464 Restricted Fund Balance	9,918	9,915	3
Unassigned			
463 Unassigned Fund Balance			
Reconciliation of Community Service	2,235,814	2,235,812	2

	Audit	UFARS	Variance
06 BUILDING CONSTRUCTION			
Total Revenue			
Total Expenditures			
Non Spendable			
460 Non Spendable Fund Balance			
Restricted/Reserved:			
407 Capital Projects Levy			
409 Alternative Facility Program			
413 Projects Funded By COP			
Restricted			
464 Restricted Fund Balance			
Unassigned:			
463 Unassigned Fund Balance			
Reconciliation of Building Construction			

	Audit	UFARS	Variance
07 DEBT SERVICE			
Total Revenue	4,098,582	4,098,581	1
Total Expenditures	12,755,041	12,755,040	1
Non Spendable			
460 Non Spendable Fund Balance			
Restricted/Reserved:			
425 Bond Refundings			
451 QZAB Payments			
Restricted			
464 Restricted Fund Balance	925,205	925,203	2
Unassigned:			
463 Unassigned Fund Balance			
Reconciliation of Debt Service	17,778,828	17,778,824	4

	Audit	UFARS	Variance
08 TRUST			
Total Revenue	1,262	1,262	
Total Expenditures			
Unassigned:			
402 Scholarships	32,944	32,944	
422 Unassigned Fund Balance			
Reconciliation of Trust	34,206	34,206	

	Audit	UFARS	Variance
20 INTERNAL SERVICE			
Total Revenue			
Total Expenditures			
Unassigned:			
422 Unassigned Fund Balance			
Reconciliation of Internal Service			

	Audit	UFARS	Variance
25 OPEB REVOCABLE TRUST FUND			
Total Revenue			
Total Expenditures			
Unassigned:			
422 Unassigned Fund Balance			
Reconciliation of OPEB Revocable Trust			

	Audit	UFARS	Variance
45 OPEB IRREVOCABLE TRUST FUND			
Total Revenue	12,188	12,188	
Total Expenditures	64,421	64,421	
Unassigned:			
422 Unassigned Fund Balance	963,642	963,642	
Reconciliation of OPEB Irrevocable Trust	1,040,251	1,040,251	

	Audit	UFARS	Variance
47 OPEB DEBT SERVICE FUND			
Total Revenue	235,003	235,003	
Total Expenditures	233,630	233,630	
Non Spendable			
460 Non Spendable Fund Balance			
Restricted			
425 Bond Refunding			
464 Restricted Fund Balance	54,869	54,870	(1)
Unassigned			
463 Unassigned Fund Balance			
Reconciliation of OPEB Debt Service	523,502	523,503	(1)