



# Annual Comprehensive Financial Report

**For Fiscal Year Ended June 30, 2023**

**South Washington County Schools  
Independent School District No. 833**

**Cottage Grove, Minnesota**





# Annual Comprehensive Financial Report

**For Fiscal Year Ended June 30, 2023**

**South Washington County Schools**

**Independent School District No. 833**

**Cottage Grove, Minnesota**

**Prepared by the Department of Finance**

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INDEPENDENT SCHOOL DISTRICT NO. 833

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## Section I

# Introductory





SOUTH WASHINGTON COUNTY SCHOOLS  
Independent School District 833  
7362 East Point Douglas Rd S.  
Cottage Grove, MN 55016  
sowashco.org | 651-425-6300

December 27, 2023

To the School Board, Citizens, and Employees of South Washington County Schools:

## INTRODUCTION

The Annual Comprehensive Financial Report (ACFR) for Independent School District No. 833 (the District) is hereby submitted for the fiscal year ended June 30, 2023. The District's management assumes full responsibility for the completeness and accuracy of the information contained in this report. The report was prepared in accordance with accounting principles generally accepted in the United States of America. An independent firm of certified public accountants audits this report.

Malloy, Montague, Karnowski, Radosevich & Co., P.A., Certified Public Accountants, have issued an unmodified ("clean") opinion on the District's basic financial statements for the year ended June 30, 2023. The independent auditor's report is located at the front of the financial section of this report.

## REPORT FORMAT

The ACFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this letter of transmittal, an organizational chart, a list of School Board members and administration personnel, the Certificate of Excellence in Financial Reporting award, and a map of the District. The financial section includes the Independent Auditor's Report, management's discussion and analysis (MD&A), basic financial statements, required supplementary information, and supplemental information, which includes the combining and individual fund statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year comparative basis.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A of the District can be found immediately following the report of the independent auditors.



## **REPORTING ENTITY AND ITS SERVICES**

The financial reporting entity includes all funds of the District (primary government). Component units are legally separate entities for which the District is financially accountable. There are no organizations considered to be component units of the District.

The District provides a full range of public education services appropriate to grade levels ranging from pre-kindergarten through Grade 12. These include regular and enriched academic programs, special education programs, and vocational education. Food service and transportation are provided as supporting programs. The District's community education program includes early childhood and extended day programs, along with classes for lifelong learning experiences for children and adults.

In 1843, classes were held in a log cabin located in Cottage Grove, Minnesota. One hundred fourteen years later, the District was officially named Independent School District No. 833. The District is located in Washington County and serves the cities of Cottage Grove, Newport, St. Paul Park, and portions of Woodbury, Afton, Denmark Township, and Grey Cloud Island. It encompasses 85 square miles, with a resident population of 113,887.

During the 2022–2023 school year, the District operated 26 buildings, including 3 high schools, 4 middle schools, 16 elementary schools, an alternative learning center/district program center, an online high school, a district service center, and a transportation building. The average age of the District's buildings is approximately 34 years. Enrollment has climbed steadily over the previous 10 years and the District served 18,770 students for the 2022–2023 school year.

## **LOCAL ECONOMIC CONDITION AND OUTLOOK**

The District's population has grown from 77,263 in 2000 to about 113,887 in 2023, a 47.4 percent increase. In that same time period, the District's enrollment has grown from 15,134 in 2000 to 18,770, a 24.0 percent increase. According to the Metropolitan Council, the District can expect continuous growth through the year 2035.

The District currently holds an A2 bond rating. This rating is a sign that the tax base is favorably located within the Minneapolis – St. Paul Metropolitan Area, the District has a stable labor market and above average resident income levels.

The District's economic indicators continue to be ahead of state and national averages. As stated above, the District continues to see population growth, primarily in the northeast portion of the District's boundaries. The growth in population and corresponding increase in construction, has contributed to increases in property values for the past ten years, and subsequent increases are anticipated.

According to data from the U.S. Census Bureau, the median household income in 2022 in Washington County was \$110,828, as compared to \$84,313 for the state of Minnesota, and \$74,580 for the United States.

According to the Bureau of Labor Statistics, the unemployment rate for Washington County continues to be lower than state and national rates. In June 2023, the unemployment rate for Washington County was 3.1 percent, as compared to 3.4 percent for the state of Minnesota and 3.6 percent for the United States.

## **LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES**

With the exception of voter-approved operating referendum, the District is dependent on the state of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue has not been sufficient to meet instructional program needs and increased costs due to inflation. The District will continue to monitor its operations to ensure that revenues are sufficient to meet expenditures and to maintain a reasonable amount in reserve to cover any unforeseen expenditures.

The District currently receives \$2,656 per pupil through voter-approved operating referenda and local optional revenue. In a recent election on November 2, 2021, voters in the District approved revoking all existing referendum authorities and replacing those authorities with an additional \$350 per pupil. The new authority includes increases each year for inflation and will provide about \$41 million per year for 10 years in addition to local optional revenues of about \$13 million per year.

A long-term facilities committee was convened in 2013 and in June 2014 a recommendation was made to the School Board, which featured over \$120 million in new school buildings and improvements. In November 2015, voters approved a \$96.5 million bond to build a new middle school, and improve Cottage Grove Middle School, Woodbury Middle School, and Lake Middle School, and convert Oltman Middle School to be used as Nuevas Fronteras Elementary School. The new Oltman Middle School opened in the 2018–2019 school year.

With the anticipated growth from new housing in the District, a new Long Range-Facilities Plan was presented to the School Board early in 2022. As a result, the District held a special election for approval of \$463 million building bond in August 2022. The vote failed and district administration created a new Long-Range Facility Plan, and after gathering input from the community through surveys and public meetings, presented a \$200 million bond request. The bond election in November 2023 passed. The first bonds will be sold in January 2024 and design work has started on expanding three high schools, four elementary schools, improving secured entrances at three middle schools, and adding restrooms at five elementary schools.

In November 2023, in addition to the new bonds discussed in the previous paragraph, district voters also approved to increase the current authority of the capital project referendum levy up to \$5 million annually for 10 years. This increase in levy authority will help reduce the demand on unassigned dollars for technology.

In March of 2022, South Washington County Schools began the process of updating the District’s Strategic Plan. This included the involvement of many people working to set the direction in the District for the next three years (2023–2026). The work included a diverse group of staff and community members representative of the District’s demographics. In addition, student voices were included as part of the input/feedback loops. The plan was approved by the School Board in May 2023.

The mission of South Washington County Schools is to educate students for success. District administration took time to listen and understand the Desired Daily Experiences (DDE’s) from the perspective of students, staff, and families. These experiences were narrowed down and have allowed the School Board to set a clear focus on measuring the outcomes that were prioritized as most important. As part of the Strategic Road Map, the District’s core values were updated to include excellence, integrity, equity, innovation, and connections. Throughout South Washington County Schools, the District is working to tell stories that “show” its core values in action.

The priority areas for the District include: the student experience, mastery of learning and expectations, student pathways and supports, operations, staffing and finance, and engagement and partnerships. All district initiatives and school and department plans will be aligned to these 5 strategic directions.

## **FINANCIAL AND BUDGETARY CONTROL**

The management of the District is responsible for establishing and maintaining internal controls designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America and with Minnesota Uniform Financial Accounting and Reporting Standards. The internal control framework is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the valuation of costs and benefits requires estimates and judgments by management.

The budget process includes estimates of revenues and expenditures based upon agreed assumptions. The staff allocation formulas are determined based on need and available resources to accomplish the District's goals. The budget is adopted in June of each year and revised twice during the fiscal year of its implementation.

As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

## **RELEVANT FINANCIAL POLICIES**

The District has adopted a comprehensive set of financial policies. These policies have ensured the financial stability of the District as well as provided guidance for current and future financial decisions.

The District has a number of financial policies that align with state statutes. In addition, the District has gone above and beyond the required policies to include additional policies that establish controls and procedures that are vital to the oversight of district finances.

Two of these policies include:

The District's Investment Policy follows state statutes in determining what investments are allowed to be held by the District. The policy includes language about diversification levels that go beyond state statutes. This diversification language makes certain that district investments are protected, while still earning a competitive rate of return.

The District's Post-Issuance Debt Compliance Policy creates procedures that ensure the District follows Internal Revenue Service guidelines and regulations in the recordkeeping of these transactions. This policy also establishes controls to verify that expenditures related to these funds are in accordance with related debt agreements, adding protection to the residents' investment in district assets.

One of the District's most important finance policies is the District's Fund Balance Policy. This policy not only ensures the District maintains sufficient funds, but assists in important financial decisions. The District's Fund Balance Policy currently states:

"To ensure the financial strength and stability of the District, the School Board will endeavor to maintain an unrestricted fund balance as of June 30th each year of 16.6% of the District's General Fund unrestricted operating expenditure budget.

The intent of this policy is that the unrestricted fund balance reach 16.6% by the end of fiscal year 2026."

This policy is attached to all current budget information and future budget projections and guides decision-making by the School Board.

## **CERTIFICATE OF EXCELLENCE**

This report will be submitted to the Association of School Business Officials (ASBO) International for consideration for the Certificate of Excellence in Financial Reporting.

In 2022–2023, the District received the Certificate of Excellence in Financial Reporting from ASBO International for excellence in the preparation and issuance of the District’s ACFR for 2022. It was the 17th consecutive year the District has received the award.

The District expects to continue to earn the recognition that accompanies the standards of accuracy and thoroughness of the Certificate of Excellence Program.

## **ACKNOWLEDGEMENTS**

The preparation of an ACFR requires a significant amount of work on the part of a number of departments. Appreciation is extended to the many departments who contributed their time and expertise to this process.

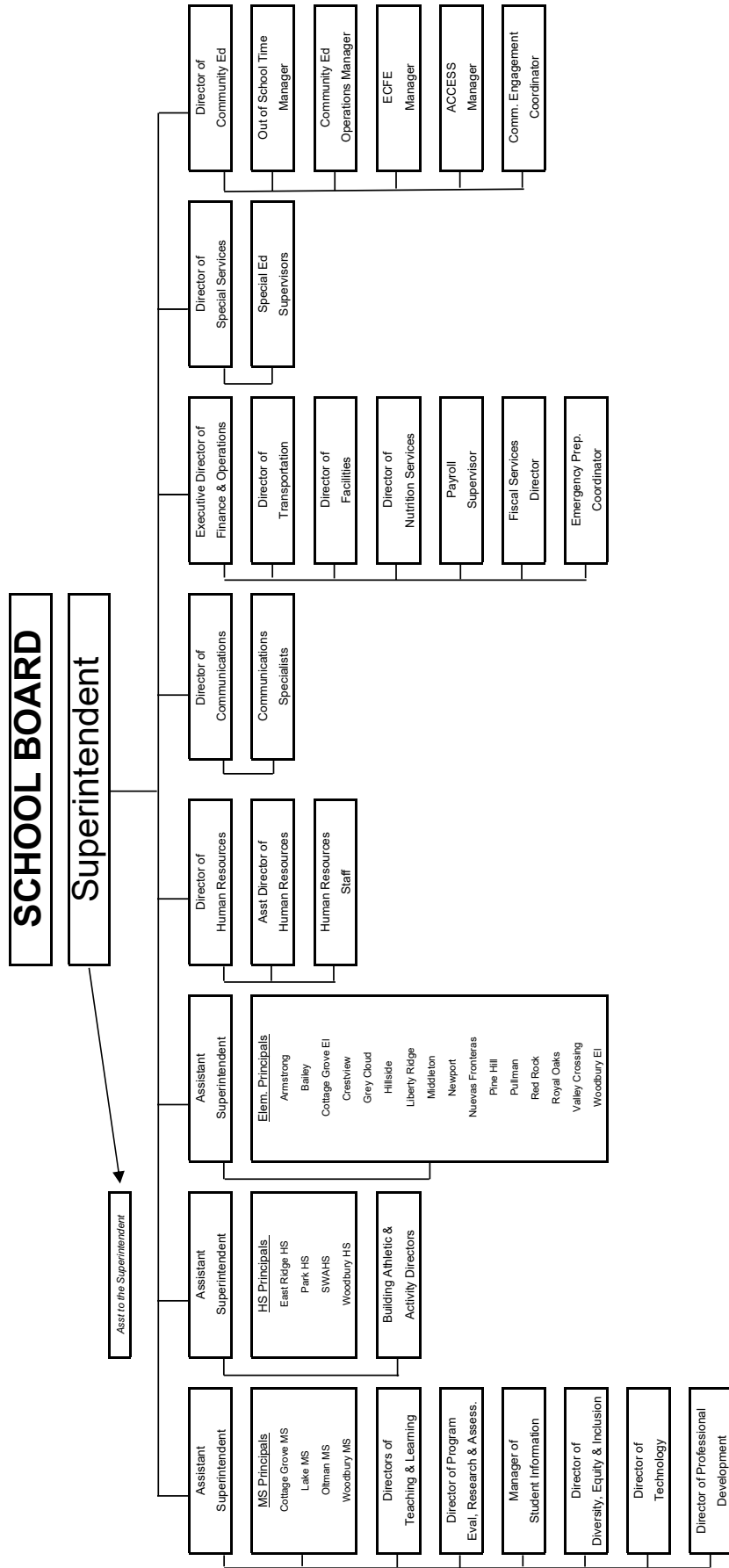
Sincerely,



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Dan Pyan, Executive Director of Finance and Operations

# SOUTH WASHINGTON COUNTY SCHOOLS CENTRAL OFFICE REPORTING RELATIONSHIPS





INDEPENDENT SCHOOL DISTRICT NO. 833

School Board and Administration  
Year Ended June 30, 2023

**SCHOOL BOARD**

	<u>Position</u>
Sharon Van Leer	Chairperson
Simi Patnaik	Vice Chairperson
Melinda Dols	Treasurer
Katie Schwartz	Clerk
Patricia Driscoll	Director
Louise Hinz	Director
Eric Tessmer	Director

**ADMINISTRATION**

Julie Nielsen	Superintendent
Tyrone Brookins	Assistant Superintendent
Kelly Jansen	Assistant Superintendent
Kristine Schaefer	Assistant Superintendent
Dan Pyan	Executive Director of Finance and Operations
Abby Baker	Director of Human Resources
Robert Berkowitz	Director of Technology
Tia Clasen	Director of Teaching and Learning Services – Secondary
Shawn Hogendorf	Director of Communications
Mao Jacobson	Director of Program Evaluation, Research and Assessment
Robert Lawrence	Director of Community Education
James Magee	Director of Diversity, Equity and Inclusion
Erin McKay	Director of Special Services
Carrie Olson	Director of Transportation
Wendy Peterson	Director of Nutrition Services
Kyle Uecker	Director of Facilities
Arthur Williams	Director of Teaching and Learning – Elementary
Kris Blackburn	Fiscal Services Director
Dayna Pottratz	Executive Assistant – Superintendent



ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting  
is presented to**

**Independent School District 833 -  
South Washington County Schools**

**for its Annual Comprehensive Financial Report  
for the Fiscal Year Ended June 30, 2022.**

The district report meets the criteria established for  
ASBO International's Certificate of Excellence in Financial Reporting.



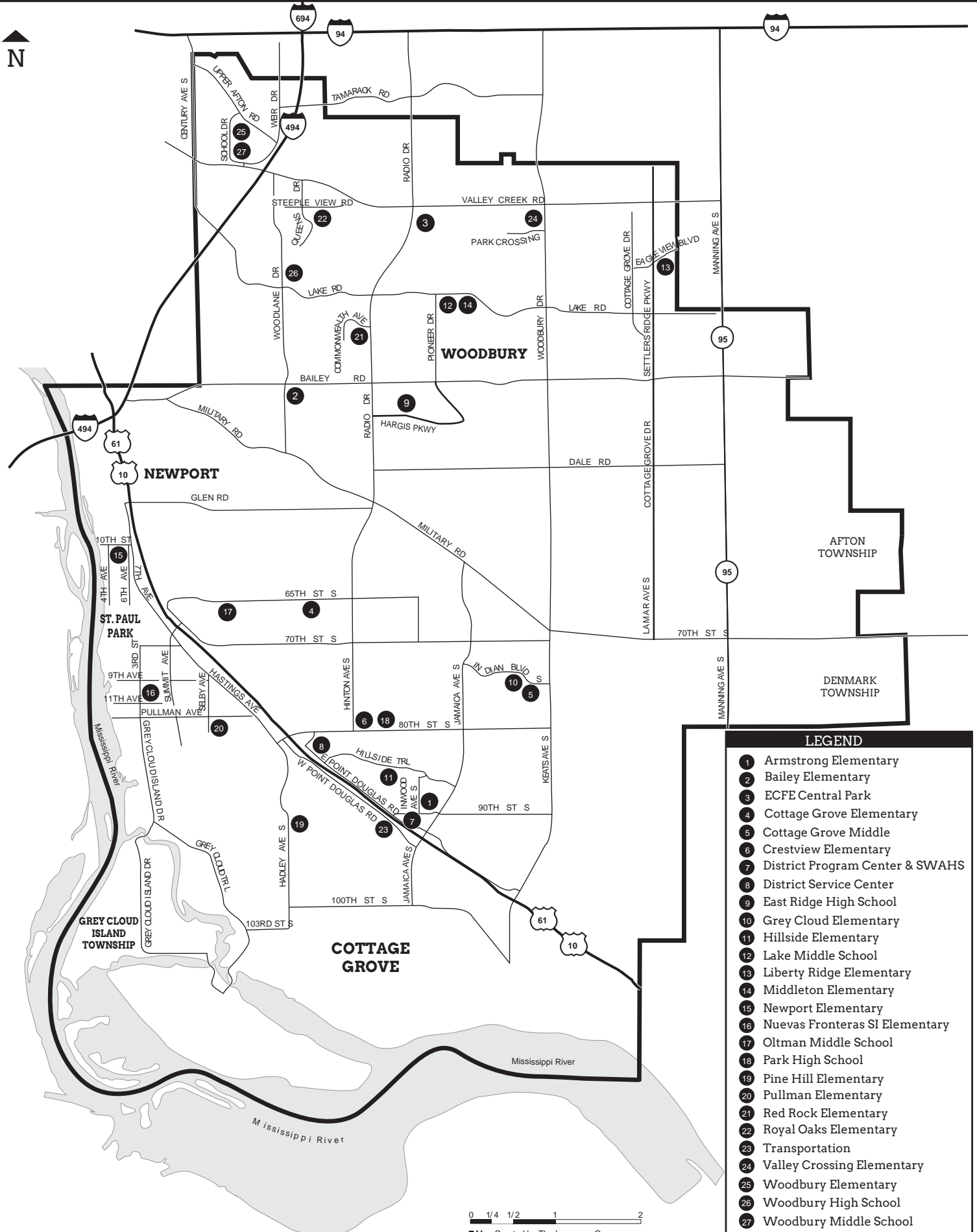
A handwritten signature in black ink, reading 'John W. Hutchison'. The signature is written in a cursive style and is positioned above a horizontal line.

**John W. Hutchison  
President**

A handwritten signature in black ink, reading 'Siobhán McMahon'. The signature is written in a cursive style and is positioned above a horizontal line.

**Siobhán McMahon, CAE  
Chief Operations Officer/  
Interim Executive Director**

# South Washington County Schools



LEGEND	
1	Armstrong Elementary
2	Bailey Elementary
3	ECFE Central Park
4	Cottage Grove Elementary
5	Cottage Grove Middle
6	Crestview Elementary
7	District Program Center & SWAHS
8	District Service Center
9	East Ridge High School
10	Grey Cloud Elementary
11	Hillside Elementary
12	Lake Middle School
13	Liberty Ridge Elementary
14	Middleton Elementary
15	Newport Elementary
16	Nuevas Fronteras SI Elementary
17	Oltman Middle School
18	Park High School
19	Pine Hill Elementary
20	Pullman Elementary
21	Red Rock Elementary
22	Royal Oaks Elementary
23	Transportation
24	Valley Crossing Elementary
25	Woodbury Elementary
26	Woodbury High School
27	Woodbury Middle School

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 \*Map Created by The Lawrence Group

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## Section II

# Financial





PRINCIPALS

Thomas A. Karnowski, CPA  
Paul A. Radosevich, CPA  
William J. Lauer, CPA  
James H. Eichten, CPA  
Aaron J. Nielsen, CPA  
Victoria L. Holinka, CPA/CMA  
Jaclyn M. Huegel, CPA  
Kalen T. Karnowski, CPA

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of  
Independent School District No. 833  
Cottage Grove, Minnesota

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**OPINIONS**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 833 (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**BASIS FOR OPINIONS**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**EMPHASIS OF MATTER**

***Change in Accounting Principle***

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

(continued)

## **RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS**

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

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

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

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

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

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

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

(continued)



## **REQUIRED SUPPLEMENTARY INFORMATION**

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

## **SUPPLEMENTARY INFORMATION**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual fund financial statements and schedules, as listed in the table of contents, are presented for purposes of additional analysis and are 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 and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **OTHER INFORMATION**

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

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

(continued)

## **PRIOR YEAR COMPARATIVE INFORMATION**

We have previously audited the District's 2022 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 21, 2022. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota  
December 27, 2023

## INDEPENDENT SCHOOL DISTRICT NO. 833

### Management's Discussion and Analysis Year Ended June 30, 2023

This section of Independent School District No. 833's (the District) Annual Comprehensive Financial Report (ACFR) presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2023. Please read it in conjunction with the other components of the District's ACFR.

#### **FINANCIAL HIGHLIGHTS**

- The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2023 by \$24,556,767 (net position). The District's total net position increased by \$63,099,291 during the fiscal year ended June 30, 2023.
- Government-wide revenues totaled \$346,231,636 and were \$63,099,291 more than expenses of \$283,132,345.
- The District implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, but did not impact beginning net position. This change is further described in Note 1 of the notes to basic financial statements.
- The General Fund's total fund balance (under the governmental fund presentation) increased \$7,733,205 from the prior year, compared to an increase of \$588,860 planned in the final budget.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the ACFR consists of the following parts:

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

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

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

In the government-wide financial statements the District's activities are all shown in one category titled "governmental activities." These activities, including regular and special education instruction, transportation, administration, food services, and community education, are primarily financed with state aids and property taxes.

## FUND FINANCIAL STATEMENTS

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

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

The District maintains the following kinds of funds:

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

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

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

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Current and other assets	\$ 207,221,032	\$ 205,069,341
Capital assets, net of depreciation/amortization	<u>479,357,460</u>	<u>475,096,203</u>
<b>Total assets</b>	<b><u>\$ 686,578,492</u></b>	<b><u>\$ 680,165,544</u></b>
<b>Deferred outflows of resources</b>		
Pension plan deferments	\$ 58,201,395	\$ 75,373,547
OPEB plan deferments	<u>365,253</u>	<u>478,848</u>
<b>Total deferred outflows of resources</b>	<b><u>\$ 58,566,648</u></b>	<b><u>\$ 75,852,395</u></b>
<b>Liabilities</b>		
Current and other liabilities	\$ 28,103,719	\$ 31,018,142
Long-term liabilities, including due within one year	<u>536,277,050</u>	<u>479,176,119</u>
<b>Total liabilities</b>	<b><u>\$ 564,380,769</u></b>	<b><u>\$ 510,194,261</u></b>
<b>Deferred inflows of resources</b>		
Property taxes levied for subsequent year	\$ 109,807,066	\$ 99,874,834
Pension plan deferments	43,126,710	180,471,844
OPEB plan deferments	<u>3,273,828</u>	<u>4,019,524</u>
<b>Total deferred inflows of resources</b>	<b><u>\$ 156,207,604</u></b>	<b><u>\$ 284,366,202</u></b>
<b>Net position</b>		
Net investment in capital assets	\$ 180,900,775	\$ 162,606,035
Restricted	14,882,766	14,238,103
Unrestricted	<u>(171,226,774)</u>	<u>(215,386,662)</u>
<b>Total net position</b>	<b><u>\$ 24,556,767</u></b>	<b><u>\$ (38,542,524)</u></b>

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

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

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

	<u>2023</u>	<u>2022</u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 17,898,546	\$ 12,758,301
Operating grants and contributions	73,561,118	78,518,389
General revenues		
Property taxes	103,373,705	96,610,487
General grants and aids	144,411,680	139,016,061
Other	<u>6,986,587</u>	<u>2,828,259</u>
Total revenues	<u>346,231,636</u>	<u>329,731,497</u>
<b>Expenses</b>		
Administration	8,858,892	9,359,689
District support services	6,716,083	9,213,547
Elementary and secondary regular instruction	100,034,462	112,502,257
Vocational education instruction	2,896,756	2,120,003
Special education instruction	46,420,986	48,371,201
Instructional support services	9,795,149	11,282,353
Pupil support services	30,949,180	27,115,059
Sites and buildings	34,016,008	30,080,823
Fiscal and other fixed cost programs	676,588	544,681
Food service	11,678,413	11,211,045
Community service	13,987,367	12,355,654
Depreciation/amortization not included in other functions	8,143,315	8,197,421
Interest and fiscal charges	<u>8,959,146</u>	<u>10,081,912</u>
Total expenses	<u>283,132,345</u>	<u>292,435,645</u>
Change in net position	63,099,291	37,295,852
Net position – beginning	<u>(38,542,524)</u>	<u>(75,838,376)</u>
Net position – ending	<u>\$ 24,556,767</u>	<u>\$ (38,542,524)</u>

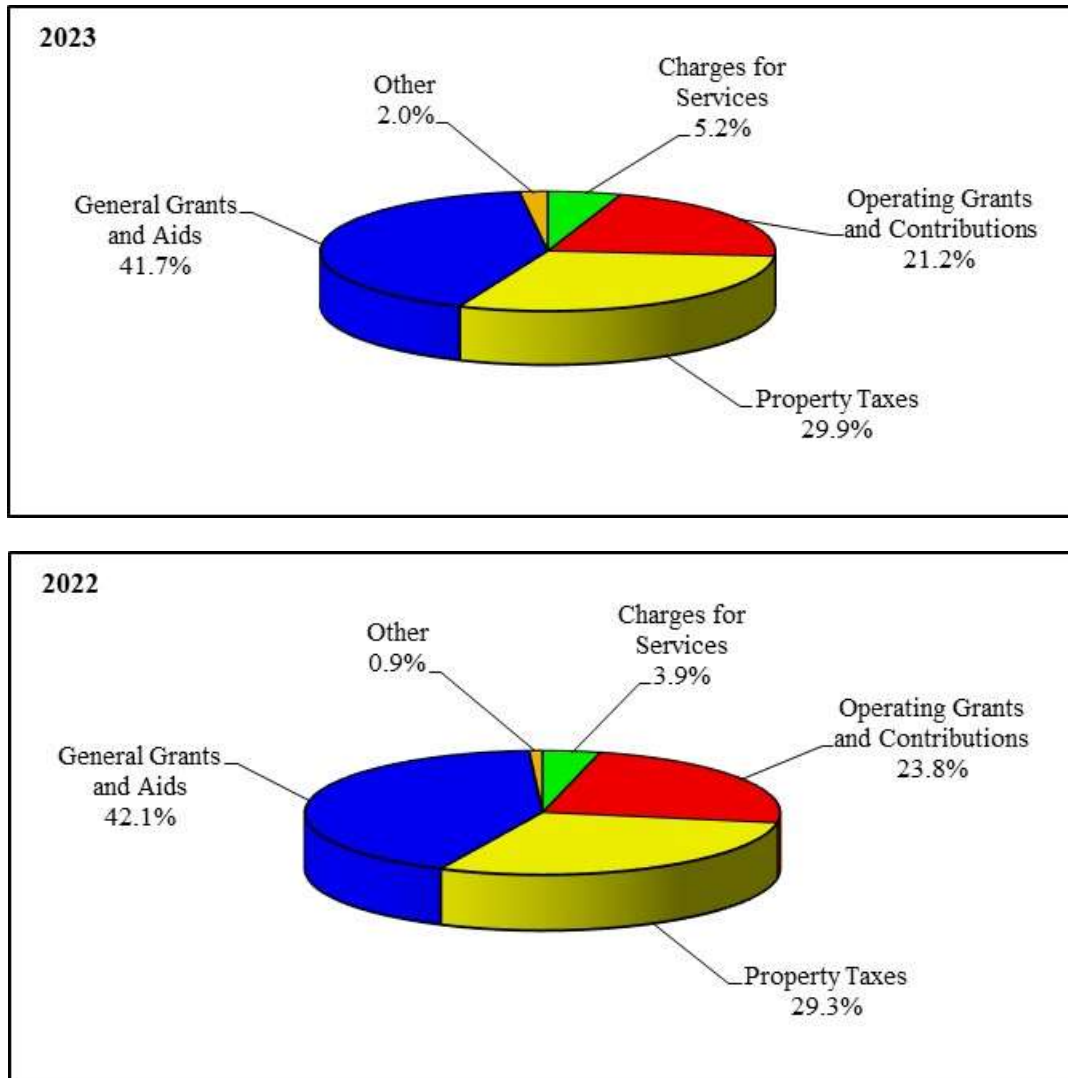
This table is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation and amortization expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Revenues increased by \$16,500,139 (5.0 percent), in the current year. Increases in general grants and aids from improvements to general education funding and serving more students were offset by decreases in operating grants and contributions. Operating grants were down because the District earned more pandemic-related sources for programs in the prior year. Charges for services were up with changes in funding for school lunches and expanding programming in other areas. Other sources were up with improved investment results in the current year.

Governmental activities expenses were \$9,303,300 (3.2 percent) less than last year, due primarily to changes in the state-wide pension plans.

Figure A shows further analysis of these revenue sources:

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

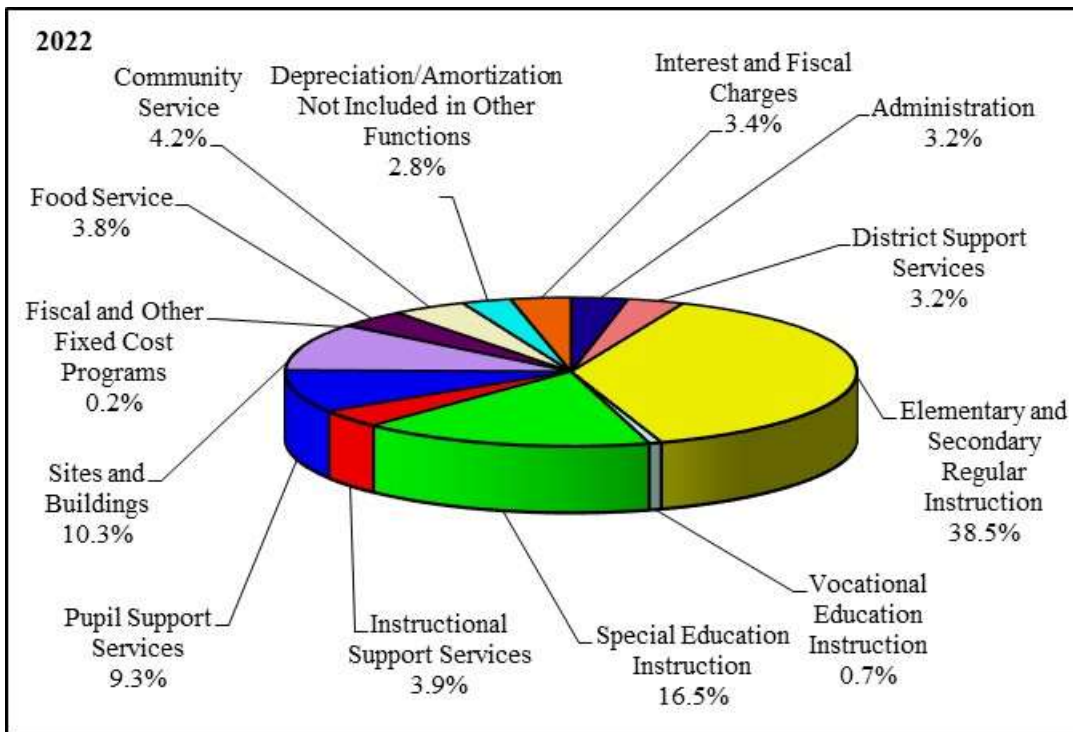
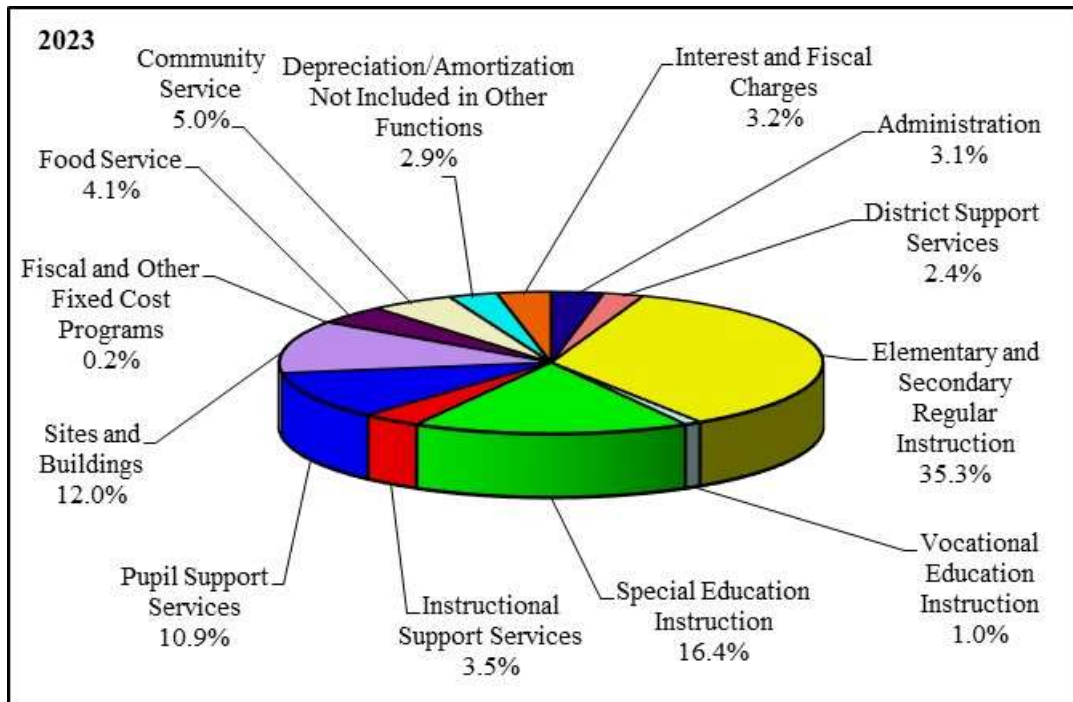


The largest share of the District’s revenue is received from the state, including the basic general education aid formula and most of the operating grants.

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

Figure B shows further analysis of these expense functions:

**Figure B – Expenses for Fiscal Years 2023 and 2022**



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



## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Major funds			
General	\$ 35,066,844	\$ 27,333,639	\$ 7,733,205
Capital Projects –			
Building Construction	24,856,514	36,899,248	(12,042,734)
Debt Service	6,114,878	6,718,407	(603,529)
Nonmajor funds			
Food Service Special Revenue	2,949,617	2,997,076	(47,459)
Community Service Special Revenue	1,140,949	963,114	177,835
Total governmental funds	<u>\$ 70,128,802</u>	<u>\$ 74,911,484</u>	<u>\$ (4,782,682)</u>

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

At June 30, 2023, the District's governmental funds reported combined fund balances of \$70,128,802, a decrease of \$4,782,682 in comparison with the prior year. Approximately 25.6 percent of this amount (\$17,976,168) constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is either nonspendable, restricted, or committed to indicate that it is: 1) not in spendable form (\$5,953,307), 2) restricted for particular purposes (\$42,821,368), or 3) committed for particular purposes (\$3,377,959).

Changes in the table above are discussed on the following pages.

**ANALYSIS OF THE GENERAL FUND**

Table 4 summarizes the amendments to the General Fund budget:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Change</u>	<u>Percent Change</u>
Revenues	<u>\$ 279,300,716</u>	<u>\$ 279,670,758</u>	<u>\$ 370,042</u>	<u>0.1%</u>
Expenditures	<u>\$ 277,962,389</u>	<u>\$ 279,102,598</u>	<u>\$ 1,140,209</u>	<u>0.4%</u>
Other financing sources	<u>\$ 19,194</u>	<u>\$ 20,700</u>	<u>\$ 1,506</u>	<u>7.8%</u>

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

Table 5 summarizes the operating results of the General Fund:

	<u>2023 Actual</u>	<u>Over (Under) Final Budget</u>		<u>Over (Under) Prior Year</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Revenue	\$ 284,593,889	\$ 4,923,131	1.8 %	\$ 12,836,178	4.7 %
Expenditures	<u>280,412,966</u>	<u>1,310,368</u>	0.5 %	<u>17,375,636</u>	6.6 %
Excess of revenue over expenditures	4,180,923	3,612,763		(4,539,458)	
Total other financing sources	<u>3,552,282</u>	<u>3,531,582</u>		<u>2,804,041</u>	
Net change in fund balances	<u>\$ 7,733,205</u>	<u>\$ 7,144,345</u>		<u>\$ (1,735,417)</u>	

The fund balance of the General Fund increased \$7,733,205, compared to a budget increase of \$588,860 approved in the final budget.

General Fund revenues were within 1.8 percent of budget. Conservative budgeting contributed to the favorable variance that was spread across all major revenue sources. The District served more students in the current year contributing to the increase in revenues over the prior year. Improved investment earnings and increase in the approved levy and factored into the growth in revenue compared to the prior year.

Total General Fund expenditures were within 0.5 percent of budget. Capital spending was over budget for new lease and subscription assets financed by other financing sources totaling \$3,488,987. Spending over budget for purchased services were more than offset by under spending for personnel costs. The increase in expenditures was largely as anticipated with more personnel spending and purchased services with the growth in students served and natural inflationary changes.

## **COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS**

### **Capital Projects – Building Construction Fund**

The Capital Projects – Building Construction Fund expenditures exceeded revenue, decreasing fund balance by \$12,042,734 for the current year. The District has \$24,856,514 in resources remaining in this fund as of June 30, 2023 for future capital spending.

### **Debt Service Fund**

The funding of debt service is controlled in accordance with each outstanding debt issue's financing plan. The Debt Service Fund expenditures exceeded revenue by \$603,529 in the current year. The year-end fund balance of \$6,114,878 at June 30, 2023 is available for meeting future debt service obligations.

### **Other Governmental Funds**

The Food Service Special Revenue Fund ended the year with expenditures exceeding revenues, decreasing total fund balance by \$47,459, compared to a projected fund balance decrease of \$840,848.

The Community Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing total fund balance by \$177,835, compared to a projected fund balance increase of \$709,120.

### **Internal Service Funds**

The internal service funds are used to account for, and monitor, certain retirement benefits provided to eligible employees of the District on a cost-reimbursement basis. Additional details related to the District's liabilities for severance and pension benefits are included in the notes to basic financial statements and as required supplementary information.

The net position balance for all internal service funds as of June 30, 2023, was a deficit of \$469,707, which represents a decrease of \$98,558 from current year operating results.

## CAPITAL ASSETS AND LONG-TERM LIABILITIES

### Capital Assets

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

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Land	\$ 14,848,229	\$ 14,848,229	\$ –
Construction in progress	20,837,863	12,425,575	8,412,288
Land improvements	26,639,190	26,136,890	502,300
Buildings	586,120,855	580,420,515	5,700,340
Buildings – under lease	1,589,073	1,589,073	–
Machinery and equipment	25,504,173	24,087,503	1,416,670
Machinery and equipment – under lease	2,457,987	594,887	1,863,100
Licensed vehicles	15,894,847	15,724,812	170,035
Licensed vehicles – under lease	1,693,477	1,693,477	–
Technology subscriptions	1,625,887	–	1,625,887
Less accumulated depreciation/amortization	<u>(217,854,121)</u>	<u>(202,424,758)</u>	<u>(15,429,363)</u>
<b>Total</b>	<u><u>\$ 479,357,460</u></u>	<u><u>\$ 475,096,203</u></u>	<u><u>\$ 4,261,257</u></u>
<b>Depreciation/amortization expense</b>	<u><u>\$ 15,429,363</u></u>	<u><u>\$ 14,496,585</u></u>	<u><u>\$ 932,778</u></u>

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

The changes presented in the table above reflect the ongoing activity and completion of projects at district sites during fiscal year 2023, consistent with the activity of the long-term facilities maintenance program in the General Fund and activity of the Capital Projects – Building Construction Fund, discussed on the previous page.

The District defines capital assets as those with an initial, individual cost of \$25,000 or more, which benefit more than one fiscal year. If federal funds are involved in the purchase of capital assets a \$5,000 threshold is utilized.

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

## Long-Term Liabilities

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

	<u>2023</u>	<u>2022</u>	<u>Change</u>
General obligation bonds	\$ 283,615,000	\$ 305,800,000	\$ (22,185,000)
Certificates of participation	12,535,000	13,795,000	(1,260,000)
Unamortized premium/discount	18,010,763	20,994,146	(2,983,383)
Financed purchases	4,040,676	6,035,565	(1,994,889)
Lease liabilities	3,736,244	3,125,491	610,753
Subscription liability	1,375,516	–	1,375,516
Net pension liability – PERA and TRA	193,104,457	109,480,937	83,623,520
Total pension liability – District	1,392,633	1,825,507	(432,874)
Compensated absences	1,914,474	1,956,422	(41,948)
Severance benefits	2,233,924	2,335,082	(101,158)
Net OPEB liability	<u>14,318,363</u>	<u>13,827,969</u>	<u>490,394</u>
<b>Total</b>	<u><u>\$ 536,277,050</u></u>	<u><u>\$ 479,176,119</u></u>	<u><u>\$ 57,100,931</u></u>

The changes in general obligation bonds, certificates of participation, financed purchases, and unamortized premium/discount in the table above, are primarily due to principal payments and amortization during fiscal year 2023, as planned in the approved repayment schedules. The increase in lease liabilities was due to the new lease for technology equipment in the current year exceeding scheduled debt payments. The District implemented the requirements of a new subscription-based information technology arrangement (SBITA) standard in the current year, contributing to the change in this new category in the above table.

The difference in the net pension liability reflects the change in the District’s proportionate share of the state-wide pension obligations for the PERA and the TRA.

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

District’s market value	\$16,377,421,800
Limit rate	<u>15.0%</u>
Legal debt limit	<u><u>\$ 2,456,613,270</u></u>

Additional details of the District’s long-term liabilities can be found in the notes to basic financial statements.

## **FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

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

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

As part of the Long-Range Facility Plan, the District had a \$200 million bond request in the November 2023 election that passed. The first bonds will be sold in January 2024 to provide the funding for expansion and improved entrance security at several sites as outlined in the Long-Range Facility Plan.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This ACFR is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this ACFR, or need additional financial information, contact the Finance Department, Independent School District No. 833, District Service Center, 7362 East Point Douglas Road South, Cottage Grove, Minnesota 55016-3025.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 833

Statement of Net Position  
as of June 30, 2023

(With Partial Comparative Information as of June 30, 2022)

	Governmental Activities	
	2023	2022
<b>Assets</b>		
Cash and temporary investments	\$ 110,700,459	\$ 129,903,137
Receivables		
Current taxes	60,400,614	49,968,816
Delinquent taxes	640,057	267,182
Accounts and interest	262,008	166,290
Due from other governmental units	29,012,985	20,288,778
Due from OPEB trust	250,748	240,934
Inventory	340,215	402,518
Prepaid items	5,613,092	3,554,705
Restricted assets – temporarily restricted		
Cash and investments for capital asset acquisition	854	276,981
Capital assets		
Not depreciated/amortized	35,686,092	27,273,804
Depreciated/amortized, net of accumulated depreciation/amortization	443,671,368	447,822,399
Total capital assets, net of accumulated depreciation/amortization	<u>479,357,460</u>	<u>475,096,203</u>
Total assets	686,578,492	680,165,544
Deferred outflows of resources		
Pension plan deferments	58,201,395	75,373,547
OPEB plan deferments	365,253	478,848
Total deferred outflows of resources	<u>58,566,648</u>	<u>75,852,395</u>
Total assets and deferred outflows of resources	<u>\$ 745,145,140</u>	<u>\$ 756,017,939</u>
<b>Liabilities</b>		
Salaries payable	\$ 12,518,509	\$ 11,640,420
Accounts and contracts payable	9,292,611	12,827,552
Accrued interest payable	3,771,801	4,286,308
Due to other governmental units	1,512,652	1,174,678
Unearned revenue	1,008,146	1,089,184
Long-term liabilities		
Due within one year	32,562,425	28,768,951
Due in more than one year	503,714,625	450,407,168
Total long-term liabilities	<u>536,277,050</u>	<u>479,176,119</u>
Total liabilities	564,380,769	510,194,261
Deferred inflows of resources		
Property taxes levied for subsequent year	109,807,066	99,874,834
Pension plan deferments	43,126,710	180,471,844
OPEB plan deferments	3,273,828	4,019,524
Total deferred inflows of resources	<u>156,207,604</u>	<u>284,366,202</u>
Net position		
Net investment in capital assets	180,900,775	162,606,035
Restricted for		
Capital asset acquisition	2,489,605	1,432,538
Debt service	2,624,349	2,773,515
Food service	2,949,617	2,997,076
Community service	4,395,945	3,467,178
Other purposes (state and other funding restrictions)	2,423,250	3,567,796
Unrestricted	<u>(171,226,774)</u>	<u>(215,386,662)</u>
Total net position	<u>24,556,767</u>	<u>(38,542,524)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 745,145,140</u>	<u>\$ 756,017,939</u>



INDEPENDENT SCHOOL DISTRICT NO. 833

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

Functions/Programs	2023			2022	
	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	\$ 8,858,892	\$ 3,749	\$ 7,012	\$ (8,848,131)	\$ (9,194,532)
District support services	6,716,083	1,644	156,175	(6,558,264)	(8,220,269)
Elementary and secondary regular instruction	100,034,462	2,079,427	17,829,577	(80,125,458)	(93,821,146)
Vocational education instruction	2,896,756	–	751,653	(2,145,103)	(1,375,853)
Special education instruction	46,420,986	3,800	40,326,748	(6,090,438)	(8,776,816)
Instructional support services	9,795,149	2,900	2,793,355	(6,998,894)	(8,550,380)
Pupil support services	30,949,180	5,519	3,338,119	(27,605,542)	(24,056,884)
Sites and buildings	34,016,008	–	–	(34,016,008)	(30,080,823)
Fiscal and other fixed cost programs	676,588	–	–	(676,588)	(544,681)
Food service	11,678,413	5,837,279	5,418,734	(422,400)	1,998,663
Community service	13,987,367	9,964,228	2,939,745	(1,083,394)	(256,901)
Depreciation/amortization not included in other functions	8,143,315	–	–	(8,143,315)	(8,197,421)
Interest and fiscal charges	8,959,146	–	–	(8,959,146)	(10,081,912)
Total governmental activities	<u>\$ 283,132,345</u>	<u>\$ 17,898,546</u>	<u>\$ 73,561,118</u>	(191,672,681)	(201,158,955)
General revenues					
Taxes					
Property taxes levied for general purposes				71,171,292	65,486,551
Property taxes levied for community service				1,780,470	1,491,351
Property taxes levied for debt service				30,421,943	29,632,585
General grants and aids				144,411,680	139,016,061
Other general revenues				3,440,693	2,677,709
Investment earnings				3,545,894	150,550
Total general revenues				<u>254,771,972</u>	<u>238,454,807</u>
Change in net position				63,099,291	37,295,852
Net position – beginning				<u>(38,542,524)</u>	<u>(75,838,376)</u>
Net position – ending				<u>\$ 24,556,767</u>	<u>\$ (38,542,524)</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	<u>General Fund</u>	<u>Capital Projects – Building Construction Fund</u>	<u>Debt Service Fund</u>
<b>Assets</b>			
Cash and temporary investments	\$ 54,841,029	\$ 25,931,607	\$ 21,959,551
Cash and investments held by trustee	–	854	–
Receivables			
Current taxes	40,731,930	–	18,637,116
Delinquent taxes	433,460	–	195,523
Accounts and interest	260,436	–	–
Due from other governmental units	27,868,150	–	145,655
Due from other funds	250,748	–	–
Inventory	170,266	–	–
Prepaid items	5,379,266	–	–
	<u>\$ 129,935,285</u>	<u>\$ 25,932,461</u>	<u>\$ 40,937,845</u>
<b>Liabilities</b>			
Salaries payable	\$ 11,927,791	\$ –	\$ –
Accounts and contracts payable	7,895,045	1,075,947	15,250
Due to other governmental units	1,496,962	–	–
Unearned revenue	203,695	–	–
Total liabilities	<u>21,523,493</u>	<u>1,075,947</u>	<u>15,250</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue – delinquent taxes	199,230	–	79,551
Property taxes levied for subsequent year	73,145,718	–	34,728,166
Total deferred inflows of resources	<u>73,344,948</u>	<u>–</u>	<u>34,807,717</u>
<b>Fund balances (deficit)</b>			
Nonspendable	5,549,532	–	–
Restricted	4,912,855	24,856,514	6,114,878
Committed	3,377,959	–	–
Unassigned	21,226,498	–	–
Total fund balances	<u>35,066,844</u>	<u>24,856,514</u>	<u>6,114,878</u>
	<u>\$ 129,935,285</u>	<u>\$ 25,932,461</u>	<u>\$ 40,937,845</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 129,935,285</u>	<u>\$ 25,932,461</u>	<u>\$ 40,937,845</u>

Nonmajor Funds	Total Governmental Funds	
	2023	2022
\$ 5,298,473	\$ 108,030,660	\$ 126,619,130
–	854	276,981
1,031,568	60,400,614	49,968,816
11,074	640,057	267,182
1,572	262,008	166,290
999,180	29,012,985	20,288,778
–	250,748	240,934
169,949	340,215	402,518
233,826	5,613,092	3,554,705
<u>\$ 7,745,642</u>	<u>\$ 204,551,233</u>	<u>\$ 201,785,334</u>
\$ 590,718	\$ 12,518,509	\$ 11,640,420
306,369	9,292,611	12,827,552
15,690	1,512,652	1,174,678
804,451	1,008,146	1,089,184
<u>1,717,228</u>	<u>24,331,918</u>	<u>26,731,834</u>
4,666	283,447	267,182
1,933,182	109,807,066	99,874,834
<u>1,937,848</u>	<u>110,090,513</u>	<u>100,142,016</u>
403,775	5,953,307	3,957,223
6,937,121	42,821,368	54,669,980
–	3,377,959	3,006,324
(3,250,330)	17,976,168	13,277,957
<u>4,090,566</u>	<u>70,128,802</u>	<u>74,911,484</u>
<u>\$ 7,745,642</u>	<u>\$ 204,551,233</u>	<u>\$ 201,785,334</u>

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INDEPENDENT SCHOOL DISTRICT NO. 833

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

	<u>2023</u>	<u>2022</u>
Total fund balances – governmental funds	\$ 70,128,802	\$ 74,911,484
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	697,211,581	677,520,961
Accumulated depreciation/amortization	(217,854,121)	(202,424,758)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.		
General obligation bonds	(283,615,000)	(305,800,000)
Certificates of participation	(12,535,000)	(13,795,000)
Unamortized premium/discount	(18,010,763)	(20,994,146)
Financed purchases	(4,040,676)	(6,035,565)
Lease liabilities	(3,736,244)	(3,125,491)
Subscription liability	(1,375,516)	–
Net pension liability – PERA and TRA pension plans	(193,104,457)	(109,480,937)
Compensated absences	(1,914,474)	(1,956,422)
Net OPEB liability	(14,318,363)	(13,827,969)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.		
	(469,707)	(371,149)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.		
	(3,771,801)	(4,286,308)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – PERA and TRA pension plan deferments	57,714,344	74,868,114
Deferred outflows of resources – OPEB plan deferments	365,253	478,848
Deferred inflows of resources – PERA and TRA pension plan deferments	(43,126,710)	(180,471,844)
Deferred inflows of resources – OPEB plan deferments	(3,273,828)	(4,019,524)
Deferred inflows of resources – unavailable revenue – delinquent taxes	283,447	267,182
Total net position – governmental activities	<u>\$ 24,556,767</u>	<u>\$ (38,542,524)</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	<u>General Fund</u>	<u>Capital Projects – Building Construction Fund</u>	<u>Debt Service Fund</u>
<b>Revenue</b>			
Local sources			
Property taxes	\$ 71,146,520	\$ –	\$ 30,430,452
Investment earnings	1,876,917	1,094,573	268,360
Other	5,474,437	–	–
State sources	196,306,802	–	1,459,424
Federal sources	9,789,213	–	1,128,227
Total revenue	<u>284,593,889</u>	<u>1,094,573</u>	<u>33,286,463</u>
<b>Expenditures</b>			
Current			
Administration	10,101,323	–	–
District support services	7,576,329	–	–
Elementary and secondary regular instruction	123,416,698	–	–
Vocational education instruction	3,128,653	–	–
Special education instruction	54,148,356	–	–
Instructional support services	12,922,057	–	–
Pupil support services	30,909,681	–	–
Sites and buildings	31,901,954	–	–
Fiscal and other fixed cost programs	676,588	–	–
Food service	–	–	–
Community service	121,676	–	–
Capital outlay	–	13,137,307	–
Debt service			
Principal	4,757,607	–	22,185,000
Interest and fiscal charges	752,044	–	11,704,992
Total expenditures	<u>280,412,966</u>	<u>13,137,307</u>	<u>33,889,992</u>
Excess (deficiency) of revenue over expenditures	4,180,923	(12,042,734)	(603,529)
<b>Other financing sources (uses)</b>			
Debt issued	3,488,987	–	–
Refunding debt issued	–	–	–
Premium on debt issued	–	–	–
Payment on refunding bonds	–	–	–
Proceeds from sale of assets	58,350	–	–
Insurance recovery	4,945	–	–
Total other financing sources (uses)	<u>3,552,282</u>	<u>–</u>	<u>–</u>
Net change in fund balances	7,733,205	(12,042,734)	(603,529)
<b>Fund balances</b>			
Beginning of year	<u>27,333,639</u>	<u>36,899,248</u>	<u>6,718,407</u>
End of year	<u>\$ 35,066,844</u>	<u>\$ 24,856,514</u>	<u>\$ 6,114,878</u>

Nonmajor Funds	Total Governmental Funds	
	2023	2022
\$ 1,780,468	\$ 103,357,440	\$ 96,651,176
184,383	3,424,233	143,172
15,801,507	21,275,944	15,436,010
2,986,092	200,752,318	195,166,257
5,372,387	16,289,827	23,322,825
<u>26,124,837</u>	<u>345,099,762</u>	<u>330,719,440</u>
–	10,101,323	9,752,369
–	7,576,329	9,353,221
–	123,416,698	116,374,060
–	3,128,653	2,188,785
–	54,148,356	50,289,436
–	12,922,057	11,806,289
–	30,909,681	27,079,559
–	31,901,954	30,270,023
–	676,588	544,681
11,182,188	11,182,188	10,943,668
14,445,364	14,567,040	12,827,074
366,909	13,504,216	17,541,691
–	26,942,607	24,959,403
–	12,457,036	13,256,633
<u>25,994,461</u>	<u>353,434,726</u>	<u>337,186,892</u>
130,376	(8,334,964)	(6,467,452)
–	3,488,987	35,306,531
–	–	4,300,000
–	–	2,112,892
–	–	(4,475,000)
–	58,350	264,243
–	4,945	82,467
<u>–</u>	<u>3,552,282</u>	<u>37,591,133</u>
130,376	(4,782,682)	31,123,681
<u>3,960,190</u>	<u>74,911,484</u>	<u>43,787,803</u>
<u>\$ 4,090,566</u>	<u>\$ 70,128,802</u>	<u>\$ 74,911,484</u>

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INDEPENDENT SCHOOL DISTRICT NO. 833

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

	<u>2023</u>	<u>2022</u>
Total net change in fund balances – governmental funds	\$ (4,782,682)	\$ 31,123,681
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded in net position and the cost is allocated over their estimated useful lives as depreciation and amortization expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	19,690,620	21,790,601
Depreciation/amortization expense	(15,429,363)	(14,496,585)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.		
	–	(506,667)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.		
	(98,558)	(522,301)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
	(3,488,987)	(39,606,531)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds	22,185,000	25,005,000
Certificates of participation	1,260,000	1,210,000
Financed purchases	1,994,889	2,467,456
Lease liabilities	1,252,347	751,947
Subscription liability	250,371	–
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.		
	514,507	6,681
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability – PERA and TRA pension plans	(83,623,520)	67,723,872
Compensated absences	41,948	(96,626)
Net OPEB liability	(490,394)	3,182,456
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.		
	2,983,383	1,055,148
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – PERA and TRA pension plan deferments	(17,153,770)	(11,670,455)
Deferred outflows of resources – OPEB plan deferments	(113,595)	134,551
Deferred inflows of resources – PERA and TRA pension plan deferments	137,345,134	(47,036,765)
Deferred inflows of resources – OPEB plan deferments	745,696	(3,178,922)
Deferred inflows of resources – unavailable revenue – delinquent taxes	16,265	(40,689)
Change in net position – governmental activities	<u>\$ 63,099,291</u>	<u>\$ 37,295,852</u>

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INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
<b>Revenue</b>				
Local sources				
Property taxes	\$ 71,497,944	\$ 71,023,740	\$ 71,146,520	\$ 122,780
Investment earnings	30,200	1,300,650	1,876,917	576,267
Other	3,108,774	4,460,607	5,474,437	1,013,830
State sources	197,018,981	195,578,632	196,306,802	728,170
Federal sources	7,644,817	7,307,129	9,789,213	2,482,084
Total revenue	<u>279,300,716</u>	<u>279,670,758</u>	<u>284,593,889</u>	<u>4,923,131</u>
<b>Expenditures</b>				
Current				
Administration	9,971,290	9,919,659	10,101,323	181,664
District support services	7,765,146	7,185,776	7,576,329	390,553
Elementary and secondary				
regular instruction	123,814,481	124,923,810	123,416,698	(1,507,112)
Vocational education instruction	2,007,042	2,223,650	3,128,653	905,003
Special education instruction	56,609,393	55,248,090	54,148,356	(1,099,734)
Community service	313,746	313,746	121,676	(192,070)
Instructional support services	12,700,169	13,311,424	12,922,057	(389,367)
Pupil support services	29,997,510	30,612,138	30,909,681	297,543
Sites and buildings	29,776,891	30,347,084	31,901,954	1,554,870
Fiscal and other fixed cost programs	600,500	611,000	676,588	65,588
Debt service				
Principal	3,704,888	3,704,888	4,757,607	1,052,719
Interest and fiscal charges	701,333	701,333	752,044	50,711
Total expenditures	<u>277,962,389</u>	<u>279,102,598</u>	<u>280,412,966</u>	<u>1,310,368</u>
Excess of revenue over expenditures	1,338,327	568,160	4,180,923	3,612,763
<b>Other financing sources</b>				
Debt issued	–	–	3,488,987	3,488,987
Proceeds from sale of assets	18,494	20,000	58,350	38,350
Insurance recovery	700	700	4,945	4,245
Total other financing sources	<u>19,194</u>	<u>20,700</u>	<u>3,552,282</u>	<u>3,531,582</u>
Net change in fund balances	<u>\$ 1,357,521</u>	<u>\$ 588,860</u>	<u>7,733,205</u>	<u>\$ 7,144,345</u>
<b>Fund balances</b>				
Beginning of year			<u>27,333,639</u>	
End of year			<u>\$ 35,066,844</u>	

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	<u>2023</u>	<u>2022</u>
Assets		
Current assets		
Cash and temporary investments	\$ 2,669,799	\$ 3,284,007
Deferred outflows of resources		
Pension plan deferments	487,051	505,433
Liabilities		
Current liabilities		
Severance benefits	269,968	341,428
Total pension liability	<u>257,528</u>	<u>256,634</u>
Total current liabilities	527,496	598,062
Long-term liabilities		
Severance benefits	1,963,956	1,993,654
Total pension liability	<u>1,135,105</u>	<u>1,568,873</u>
Total long-term liabilities	<u>3,099,061</u>	<u>3,562,527</u>
Total liabilities	<u>3,626,557</u>	<u>4,160,589</u>
Net position		
Unrestricted	<u>\$ (469,707)</u>	<u>\$ (371,149)</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	<u>2023</u>	<u>2022</u>
Operating revenue		
Contributions from governmental funds	\$           –	\$           –
Operating expenses		
Severance benefits	189,038	326,127
Pension benefits	31,181	203,552
Total operating expenses	<u>220,219</u>	<u>529,679</u>
Operating income (loss)	(220,219)	(529,679)
Nonoperating revenue		
Investment earnings	<u>121,661</u>	<u>7,378</u>
Income (loss) before transfers	(98,558)	(522,301)
Transfers in	78,929	86,480
Transfers (out)	<u>(78,929)</u>	<u>(86,480)</u>
Change in net position	(98,558)	(522,301)
Net position		
Beginning of year	<u>(371,149)</u>	<u>151,152</u>
End of year	<u>\$ (469,707)</u>	<u>\$ (371,149)</u>

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INDEPENDENT SCHOOL DISTRICT NO. 833

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

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Severance benefit payments	\$ (290,196)	\$ (169,409)
Pension benefit payments	<u>(445,673)</u>	<u>(470,340)</u>
Net cash flows from operating activities	(735,869)	(639,749)
Cash flows from noncapital financing activities		
Transfer in	78,929	86,480
Transfer (out)	<u>(78,929)</u>	<u>(86,480)</u>
Net cash flows from noncapital financing activities	-	-
Cash flows from investing activities		
Interest on investments	<u>121,661</u>	<u>7,394</u>
Net change in cash and cash equivalents	(614,208)	(632,355)
Cash and cash equivalents		
Beginning of year	<u>3,284,007</u>	<u>3,916,362</u>
End of year	<u>\$ 2,669,799</u>	<u>\$ 3,284,007</u>
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ (220,219)	\$ (529,679)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets, liabilities, and deferred outflows/inflows of resources		
Deferred outflows of resources	18,382	(184,043)
Severance benefits	(101,158)	156,718
Total pension liability	<u>(432,874)</u>	<u>(82,745)</u>
Net cash flows from operating activities	<u>\$ (735,869)</u>	<u>\$ (639,749)</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Statement of Fiduciary Net Position  
as of June 30, 2023

	Scholarship Custodial Fund	Other Post-Employment Benefits Trust Fund
Assets		
Cash and temporary investments	\$ 37,827	\$ -
Investments held by trustee		
Mutual funds	-	3,360,154
Total assets	<u>37,827</u>	<u>3,360,154</u>
Liabilities		
Due to other funds	-	<u>250,748</u>
Net position		
Restricted for scholarships	37,827	-
Restricted for OPEB	-	<u>3,109,406</u>
Total net position	<u>\$ 37,827</u>	<u>\$ 3,109,406</u>

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

	Scholarship Custodial Fund	Other Post-Employment Benefits Trust Fund
Additions		
Contributions		
Private donations	\$ 12,100	\$ -
Investment earnings		
Investment earnings	-	255,067
Less investment expense	-	(15,076)
Net investment earnings	<u>-</u>	<u>239,991</u>
Total additions	12,100	239,991
Deductions		
Scholarships awarded	20,000	-
Payment for OPEB	-	250,748
Administrative and other expenses	-	5,000
Total deductions	<u>20,000</u>	<u>255,748</u>
Change in net position	(7,900)	(15,757)
Net position		
Beginning of year	<u>45,727</u>	<u>3,125,163</u>
End of year	<u>\$ 37,827</u>	<u>\$ 3,109,406</u>



INDEPENDENT SCHOOL DISTRICT NO. 833

Notes to Basic Financial Statements  
June 30, 2023

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

Independent School District No. 833 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**B. Reporting Entity**

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

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

**C. Government-Wide Financial Statement Presentation**

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

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

### D. Fund Financial Statement Presentation

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

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

- 1. Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues, including property taxes, to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Proceeds of long-term debt are reported as other financing sources.
- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except principal and interest on long-term debt and other long-term obligations, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

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

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

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fiduciary funds are presented in the fiduciary fund financial statements by type: the District has one pension (and other employee benefit) trust fund and one custodial fund. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

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

### **Description of Funds**

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

#### **Major Governmental Funds**

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

**Capital Projects – Building Construction Fund** – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition, construction, or improvement of capital facilities authorized by debt issue and certain capital related levies.

**Debt Service Fund** – The Debt Service Fund is used to account for the accumulation of resources for, and payment of, long-term debt principal, interest, and related costs.

#### **Nonmajor Governmental Funds**

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

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

#### **Proprietary Funds**

**Internal Service Funds** – The internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District’s internal service funds include financing for post-employment severance and pension benefits offered by the District to its employees.

#### **Fiduciary Funds**

**Scholarship Custodial Fund** – The Scholarship Custodial Fund is used as a flow through mechanism in which the District receives funds and distributes these funds to other third parties for donor-directed purposes, such as to award scholarships to former students.

**Other Post-Employment Benefits Trust Fund** – The Other Post-Employment Benefits Trust Fund is used to administer assets held in an irrevocable trust to fund post-employment insurance benefits for eligible employees.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **E. Budgetary Information**

The School Board adopts an annual budget for all governmental funds prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. The School Board must approve expenditures exceeding budget at the fund level by resolution or through the disbursement approval process. Budgeted expenditure appropriations lapse at year-end.

Actual expenditures exceeded final budgeted appropriations for fiscal 2023 by \$1,310,368 in the General Fund, by \$799,369 in the Community Service Special Revenue Fund, and by \$945,712 in the Debt Service Fund. Revenues and other financing sources in excess of budget, along with available fund balance, covered these variances.

### **F. Cash and Temporary Investments**

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

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. In the Capital Projects – Building Construction Fund, the escrow accounts held by the trustee can be used only for certain capital asset acquisition costs as required by terms of the debt issue. In the Other Post-Employment Benefits Trust Fund, this represents assets contributed to an irrevocable trust established to finance the District's liability for post-employment insurance benefits. Interest earned on these investments is allocated directly to the appropriate fund.

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

Investments are generally stated at fair value, except for investments in certain external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less may also be reported at amortized cost. Investment income is accrued at the Balance Sheet date.

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

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

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### G. Receivables

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

At year-end, the District reported the following receivables due from other governmental units:

Due from the MDE and others	\$ 28,230,163
Due from other Minnesota school districts	49,443
Due from Washington County and others	<u>733,379</u>
Total	<u>\$ 29,012,985</u>

### H. Inventories

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

### I. Prepaid Items

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

### J. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$2,757,171 of the property tax levy collectible in 2023 as revenue to the District in fiscal year 2022–2023. The remaining portion of the taxes collectible in 2023 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

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

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **K. Subscription-Based Information Technology Arrangements (SBITAs)**

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

### **L. Capital Assets**

Capital assets that are purchased or constructed by the District are recorded at historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation. Capital assets under lease are recorded based on the measurement of payments applicable to the lease term. SBITA capital assets are recorded based on the measurement of any subscription liability plus the payments due to a SBITA vendor at the commencement of the subscription term, including any applicable initial implementation costs as defined in the standard. The District defines capital assets as those with an initial, individual cost of \$25,000 or more, which benefit more than one fiscal year, unless a lower level is required by a grantor. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation/amortization purposes. Useful lives vary, ranging from 20 to 50 years for land improvements and buildings and 5 to 15 years for machinery, equipment, and licensed vehicles. Assets under lease are amortized over the term of the lease or over the useful life of the applicable asset class previously described, if future ownership is anticipated. SBITAs are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets. Land and construction in progress are not depreciated.

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

### **M. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **N. Compensated Absences Payable**

- 1. Vacation Pay** – Under the terms of union contracts, certain employees accrue vacation at varying rates, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation and related benefits upon termination. Vacation pay is accrued when incurred in the government-wide financial statements. Unused vacation pay is accrued in the governmental fund financial statements only when used or matured, due to employee termination or similar circumstances.
- 2. Sick Pay** – Substantially all district employees are entitled to sick leave at various rates. Unused sick leave enters into the calculation of an employee's severance pay upon termination for certain collective bargaining units.

### **O. Severance Benefits**

The District provides lump sum severance benefits to eligible employees in accordance with the provisions of certain collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. Severance benefits are calculated by converting a portion of an eligible employee's unused accumulated sick leave. No individual can receive severance benefits in excess of one year's salary. Members of certain employee groups may elect to receive district matching contributions paid into tax deferred matching contribution plans. Severance or retirement benefits are required to be paid out twice a year (June and January) following the effective date of retirement. Retirement benefits for certain employee groups are paid into a post-employment tax sheltered annuity account. For all other employees, severance benefits are paid out directly to the employee.

Severance pay based on convertible sick leave is recorded as a liability in the Internal Service Fund and in the government-wide financial statements as it is earned and it becomes probable that it will vest at some point in the future.

### **P. State-Wide Pension Plans**

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

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

### **Q. Other Post-Employment Benefits (OPEB) Plan**

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### R. Deferred Outflows/Inflows of Resources

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

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

Property taxes levied for subsequent years, which represents property taxes received or reported as a receivable before the period for which the taxes are levied, are reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the governmental funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied, and in the governmental fund financial statements during the year for which they are levied, if available.

Unavailable revenue from property taxes arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available.

### S. Net Position

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

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation and amortization, reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Unrestricted Net Position** – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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



## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### T. Fund Balance Classifications

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

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to the School Board’s adopted fund balance policy, the District’s superintendent is authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

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

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

### U. Risk Management and Self-Insurance

1. **General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers’ compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District’s insurance coverage in the current year.
2. **Self-Insurance** – The District uses the General Fund to account for and finance its self-insured risk of loss for the employee dental self-insurance plan, which began on January 1, 2021. Under the plan, the General Fund provides coverage to participating employees and their dependents for various dental costs as described in the plan.

The District tracks premium payments that include both employer and employee contributions on behalf of program participants based on rates determined by insurance company estimates of monthly claims paid for each coverage class, plus administrative service charges.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2022	\$ 59,152	\$ 1,650,796	\$ 1,668,347	\$ 41,601
2023	\$ 41,601	\$ 1,594,061	\$ 1,604,265	\$ 31,397

### V. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements during the reporting period. Actual results could differ from those estimates.

### W. Restricted Assets

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

### X. Prior Period Comparative Financial Information/Reclassifications

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

### Y. Change in Accounting Principle

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

## NOTE 2 – DEPOSITS AND INVESTMENTS

### A. Components of Cash and Investments

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

Deposits	\$ 264,457
Investments	113,805,120
Cash on hand	<u>29,717</u>
Total	<u>\$ 114,099,294</u>

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

Statement of Net Position	
Cash and temporary investments	\$ 110,700,459
Restricted assets – temporarily restricted	
Cash and investments for capital asset acquisition	854
Statement of Fiduciary Net Position	
Scholarship Custodial Fund	
Cash and temporary investments	37,827
Other Post-Employment Benefits Trust Fund	
Investments held by trustee	
Mutual funds	<u>3,360,154</u>
Total	<u>\$ 114,099,294</u>

### B. Deposits

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

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

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

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

At year-end, the carrying amount of the District’s deposits and the balance on the bank records was \$264,457. At year-end, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the District’s agent in the District’s name.

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

### C. Investments

The District had the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurements Using	Interest Risk – Maturity Duration in Years		Total
	Credit Rating	Rating Agency		Less Than 1	1 to 5	
Investment pools/mutual funds						
MSDLAF Liquid Class	AAA	S&P	Amortized Cost	N/A	N/A	\$ 36,524,204
MSDLAF MAX Class	AAA	S&P	Amortized Cost	N/A	N/A	68,376,358
First American Government Obligations Funds	AAA	S&P	Level 1	N/A	N/A	5,822
U.S. Government Money Market Fund	AAA	S&P	Level 1	N/A	N/A	3,616,477
Wells Fargo Advantage Governmental Fund	AAA	S&P	Level 1	N/A	N/A	1,927,074
Mutual funds	N/R	N/R	Level 1	N/A	N/A	3,355,185
Total investments						<u>\$ 113,805,120</u>

N/A – Not Applicable

N/R – Not Rated

The Minnesota School District Liquid Asset Fund (MSDLAF) is regulated by Minnesota Statutes and is an external investment pool, which is not registered with the Securities and Exchange Commission. The District's investment in this pool is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. For this investment pool, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice required for the MSDLAF Liquid Class. Investments in the MSDLAF MAX Class must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the state of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24-hour hold on all requests for redemptions.

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

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

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

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

For assets held in the Post-Employment Benefits Trust Fund, the investment options available to the District are expanded to include the investment types specified in Minnesota Statutes § 356A.06, Subd. 7. The District’s investment policies do not further restrict investing in specific financial instruments.

**Concentration Risk** – This is the risk associated with investing a significant portion of the District’s investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds.

The District has an internal policy that limits investment choices and addresses these potential risks beyond the statutory limitations listed above. These limitations are discussed below:

- Investments in the various authorized instruments cannot exceed the following percentages of total funds:
  1. U.S. treasury obligations (bills, notes, and bonds) – 100 percent
  2. U.S. government agency securities and instrumentalities of government-sponsored corporations – 100 percent
  3. Bankers’ acceptances – 25 percent
  4. Commercial paper – 75 percent
  5. Repurchase agreements – 50 percent
  6. Certificates of deposit – commercial banks – 100 percent
  7. Local government investment pool – 100 percent
  
- Not more than 66 percent of the total nonconstruction portfolio shall be with any one depository.

### NOTE 3 – CAPITAL ASSETS

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

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated/amortized					
Land	\$ 14,848,229	\$ –	\$ –	\$ –	\$ 14,848,229
Construction in progress	12,425,575	15,901,893	–	(7,489,605)	20,837,863
Total capital assets, not depreciated/amortized	27,273,804	15,901,893	–	(7,489,605)	35,686,092
Capital assets, depreciated/amortized					
Land improvements	26,136,890	–	–	502,300	26,639,190
Buildings	580,420,515	–	–	5,700,340	586,120,855
Buildings – under lease	1,589,073	–	–	–	1,589,073
Machinery and equipment	24,087,503	129,705	–	1,286,965	25,504,173
Machinery and equipment – under lease	594,887	1,863,100	–	–	2,457,987
Licensed vehicles	15,724,812	170,035	–	–	15,894,847
Licensed vehicles – under lease	1,693,477	–	–	–	1,693,477
Technology subscriptions	–	1,625,887	–	–	1,625,887
Total capital assets, depreciated/amortized	650,247,157	3,788,727	–	7,489,605	661,525,489
Less accumulated depreciation/amortization for					
Land improvements	(12,769,448)	(838,548)	–	–	(13,607,996)
Buildings	(159,950,310)	(11,508,533)	–	–	(171,458,843)
Buildings – under lease	(312,864)	(312,864)	–	–	(625,728)
Machinery and equipment	(17,003,588)	(785,796)	–	–	(17,789,384)
Machinery and equipment – under lease	(151,674)	(617,449)	–	–	(769,123)
Licensed vehicles	(11,898,179)	(795,208)	–	–	(12,693,387)
Licensed vehicles – under lease	(338,695)	(338,695)	–	–	(677,390)
Technology subscriptions	–	(232,270)	–	–	(232,270)
Total accumulated depreciation/amortization	(202,424,758)	(15,429,363)	–	–	(217,854,121)
Net capital assets, depreciated /amortized	447,822,399	(11,640,636)	–	7,489,605	443,671,368
Total capital assets, net	\$ 475,096,203	\$ 4,261,257	\$ –	\$ –	\$ 479,357,460

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

District support services	\$ 796,908
Elementary and secondary regular instruction	356,101
Vocational education instruction	3,359
Special education	263,680
Instructional support services	36
Pupil services	1,107,304
Sites and buildings	4,600,012
Food service	150,134
Community service	8,514
Depreciation/amortization not included in other functions	<u>8,143,315</u>
Total depreciation/amortization expense	<u>\$ 15,429,363</u>

## NOTE 4 – LONG-TERM LIABILITIES

### A. General Obligation Bonds

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

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
General obligation bonds					
2010B Taxable Alternative Facility Bonds	06/10/2010	5.15%	\$ 4,365,000	06/01/2026	\$ 4,220,000
2010C Taxable Alternative Facility Bonds	06/10/2010	5.00%	\$ 19,565,000	06/01/2026	19,565,000
2014A Alternative Facility Bonds	05/20/2014	2.00–3.50%	\$ 14,840,000	02/01/2028	14,640,000
2014B Capital Facilities Bonds	05/20/2014	2.00–2.50%	\$ 5,670,000	02/01/2024	605,000
2016A Building Bonds	03/01/2016	3.50–5.00%	\$ 87,145,000	02/01/2035	85,345,000
2016B Refunding Bonds	05/12/2016	3.00–5.00%	\$ 73,460,000	02/01/2027	37,155,000
2016C Facilities Maintenance Bonds	05/12/2016	3.00–4.00%	\$ 14,470,000	02/01/2031	14,470,000
2016E Refunding Bonds	11/09/2016	3.00–5.00%	\$ 33,035,000	02/01/2027	19,280,000
2018A Facilities Maintenance Bonds	05/18/2018	3.00–5.00%	\$ 22,580,000	02/01/2033	22,580,000
2020A Facilities Maintenance Bonds	05/14/2020	3.00–5.00%	\$ 26,550,000	02/01/2038	26,550,000
2021A Alternative Facilities Refunding Bonds	11/16/2021	2.00%	\$ 4,300,000	02/01/2027	4,300,000
2022A Facilities Maintenance Bonds	06/09/2022	4.00–5.00%	\$ 34,905,000	02/01/2036	34,905,000
Total general obligation bonds					<u>\$ 283,615,000</u>

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

The District's Taxable Alternative Facility Bonds, Series 2010B were issued as Qualified Zone Academy Bonds – Direct Payment, for which the District receives a federal rebate equal to 100 percent of the interest payment on this debt issue. The District's Taxable Alternative Facility Bonds, Series 2010C were issued as Qualified School Construction Bonds – Direct Payment. Although the District has complied with all eligibility requirements for this credit, the District received notice from the Internal Revenue Service that interest payment credits were reduced from originally anticipated amounts.

### B. Certificates of Participation

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
Certificates of Participation					
2016D Certificates of Participation	06/16/2016	4.00–5.00%	\$ 13,200,000	04/01/2031	\$ 8,025,000
2017A Certificates of Participation	06/22/2017	3.00–3.25%	\$ 6,995,000	02/01/2032	4,510,000
Total certificates of participation					<u>\$ 12,535,000</u>

The District has issued certificates of participation under Minnesota Statutes § 123B.51 to finance the purchase of Valley Crossing Elementary School, and to finance an addition to the Woodbury Middle School. Scheduled future ad valorem tax levies will be made to finance the retirement of principal and interest payments on the certificates. These certificates of participation are being paid by the General Fund.

The certificates of participation are valid and binding special, limited obligations of the District payable solely from and secured by a pledge of payments to be made to the Trustee by the District pursuant to the agreement. The certificates of participation do not constitute a general obligation of the District and are not a charge against the general credit of the District.

#### NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

The debt payments under the terms of the agreement will be payable solely from District funds, which are normally budgeted and appropriated by the School Board and which may be terminated by action of the School Board. The District's obligation to make payments under the agreement is subject to its annual right to terminate the agreement at the end of any fiscal year by failure to appropriate the funds.

In the event the annual appropriation is not made, the Trustee is entitled to repossession and the right to re-lease the building and its interest in the land. The Trustee, on behalf of the owners of the certificates of participation, will attempt to sublease and operate the Facilities. There is no assurance that the Trustee will be able to re-lease the interest in the building and land, or to do so for amounts that would pay all interest and principal on the certificates of participation.

#### C. Financed Purchases

The District has acquired various assets through financed purchase agreements. Annual principal and interest on these agreements will be paid from the General Fund.

<u>Issue</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
Financed purchases					
Liberty Ridge Site II	04/12/2012	2.99%	\$ 4,100,000	04/15/2027	\$ 1,274,915
Security equipment	04/23/2015	2.90%	\$ 2,268,000	04/01/2024	282,423
Elementary entrance projects	05/12/2016	2.06%	\$ 3,325,000	04/01/2024	445,006
Buses	07/15/2017	0.50%	\$ 653,759	07/15/2023	98,623
Buses	04/15/2018	0.50%	\$ 740,447	04/15/2024	112,495
Buses	07/15/2019	3.75%	\$ 992,600	08/15/2025	441,759
Buses	07/20/2020	2.85%	\$ 1,051,703	07/20/2026	610,242
Buses	06/15/2021	2.38%	\$ 1,083,780	07/15/2027	775,213
Total financed purchases					<u>\$ 4,040,676</u>

The agreements are secured by a ground lease and the equipment. If the District fails to make the rental payments specified in this agreement or otherwise defaults on the debt, the debtor may: 1) declare all rental payments due or to become due, to be immediately due and payable, 2) take possession without terminating the agreement, holding the District responsible for the difference in the net income derived from such possession and the rent due under this agreement, 3) exclude the District from possession of the property and attempt to sell or again rent the property, holding the District responsible for the rent due under the agreement until the property is sold or rented again, or 4) take legal action to force performance under the terms of the agreement.

#### D. Lease Liabilities

The District has obtained the use of certain equipment and building space through lease financing agreements. The total amount of underlying lease assets by major classes and the related accumulated amortization is presented in Note 3 to the basic financial statements. Annual principal and interest on these agreements will be paid from the General Fund. The agreements are secured by the original property. The lessor also may repossess the property and seek full recovery of the losses upon default.



## NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

The District currently has the following lease liability obligations outstanding:

Issue	Issue Date	Interest Rate	Original Issue Amount	Final Maturity	Principal Outstanding
Lease liabilities					
City of Cottage Grove	09/01/2007	2.68%	\$ 433,114	10/15/2029	\$ 337,956
Next Step	10/01/2017	2.68%	\$ 929,618	09/06/2027	654,468
Pathways	11/01/2021	2.68%	\$ 226,341	10/01/2023	38,662
Buses	07/20/2020	2.68%	\$ 1,693,478	07/20/2025	1,018,290
Toshiba	07/01/2019	2.68%	\$ 174,420	07/01/2024	62,789
Toshiba	06/01/2020	2.68%	\$ 245,277	07/01/2025	128,203
Toshiba	08/01/2021	2.68%	\$ 175,190	07/25/2022	110,543
Chromebooks	07/01/2022	1.72%	\$ 1,863,100	06/30/2026	1,385,333
Total lease liabilities					<u>\$ 3,736,244</u>

### E. Subscription Liability

The District had entered into an agreement for the right to the use of software, which calls for principal and interest payments through July 2028. This agreement is paid by the General Fund. The total amount of the underlying technology subscriptions asses and the related accumulated amortization is presented in Note 3 to the basic financial statements. The District currently has the following subscription liability outstanding:

Issue	Issue Date	Interest Rate	Original Issue Amount	Final Maturity	Principal Outstanding
Subscription liability					
Discovery Education	07/29/2022	4.00%	\$ 1,625,887	07/28/2028	<u>\$ 1,375,516</u>

### F. Other Long-Term Liabilities

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

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

Pension Plans	Total/Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA	\$ 37,327,116	\$ 12,824,897	\$ 1,775,349	\$ 4,404,416
TRA	155,777,341	44,889,447	41,351,361	(25,754,049)
District	1,392,633	487,051	–	31,181
Total	<u>\$ 194,497,090</u>	<u>\$ 58,201,395</u>	<u>\$ 43,126,710</u>	<u>\$ (21,318,452)</u>

## NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

### G. Minimum Debt Payments

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

Year Ending June 30,	General Obligation Bonds		Certificates of Participation		Financed Purchases	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 25,760,000	\$ 11,157,943	\$ 1,315,000	\$ 458,394	\$ 1,679,073	\$ 106,683
2025	25,160,000	9,885,068	1,360,000	410,244	762,743	64,917
2026	23,685,000	8,627,068	1,410,000	360,394	785,637	42,023
2027	23,750,000	7,636,488	1,465,000	308,694	650,805	18,422
2028	18,280,000	6,927,363	1,520,000	254,944	162,418	3,869
2029–2033	110,865,000	22,790,900	5,465,000	439,994	–	–
2034–2038	56,115,000	4,109,850	–	–	–	–
	<u>\$ 283,615,000</u>	<u>\$ 71,134,680</u>	<u>\$ 12,535,000</u>	<u>\$ 2,232,664</u>	<u>\$ 4,040,676</u>	<u>\$ 235,914</u>

Year Ending June 30,	Lease Liabilities		Subscription Liability		Combined Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 1,171,032	\$ 82,037	\$ 195,350	\$ 55,021	\$ 30,120,455	\$ 11,860,078
2025	1,103,905	56,322	203,164	47,207	28,589,812	10,463,758
2026	1,068,697	31,844	230,074	39,080	27,179,408	9,100,409
2027	215,071	8,146	239,277	29,877	26,320,153	8,001,627
2028	94,281	3,494	248,848	20,306	20,305,547	7,209,976
2029–2033	83,258	2,241	258,803	10,351	116,672,061	23,243,486
2034–2038	–	–	–	–	56,115,000	4,109,850
	<u>\$ 3,736,244</u>	<u>\$ 184,084</u>	<u>\$ 1,375,516</u>	<u>\$ 201,842</u>	<u>\$ 305,302,436</u>	<u>\$ 73,989,184</u>

### H. Changes in Long-Term Liabilities

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year	Due Within One Year
General obligation bonds	\$ 305,800,000	\$ –	\$ 22,185,000	\$ 283,615,000	\$ 25,760,000
Certificates of participation	13,795,000	–	1,260,000	12,535,000	1,315,000
Unamortized premium/discount	20,994,146	–	2,983,383	18,010,763	–
Financed purchases	6,035,565	–	1,994,889	4,040,676	1,679,073
Lease liabilities	3,125,491	1,863,100	1,252,347	3,736,244	1,171,032
Subscription liability	–	1,625,887	250,371	1,375,516	195,350
Net pension liability – PERA and TRA	109,480,937	101,011,515	17,387,995	193,104,457	–
Total pension liability – District	1,825,507	84,155	517,029	1,392,633	257,528
Compensated absences	1,956,422	2,232,840	2,274,788	1,914,474	1,914,474
Severance benefits	2,335,082	189,038	290,196	2,233,924	269,968
Net OPEB liability	13,827,969	1,923,612	1,433,218	14,318,363	–
	<u>\$ 479,176,119</u>	<u>\$ 108,930,147</u>	<u>\$ 51,829,216</u>	<u>\$ 536,277,050</u>	<u>\$ 32,562,425</u>

## NOTE 5 – FUND BALANCES

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

### A. Classifications

At year-end, a summary of the District’s governmental fund balance classifications is as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
<b>Nonspendable</b>					
Inventory	\$ 170,266	\$ –	\$ –	\$ 169,949	\$ 340,215
Prepaid items	5,379,266	–	–	233,826	5,613,092
Total nonspendable	5,549,532	–	–	403,775	5,953,307
<b>Restricted</b>					
Student activities	616,448	–	–	–	616,448
Scholarships	8,750	–	–	–	8,750
Staff development	1,347,767	–	–	–	1,347,767
Capital projects levy	259,622	–	–	–	259,622
Operating capital	1,442,007	–	–	–	1,442,007
State-approved alternative program	193,077	–	–	–	193,077
Safe schools levy	787,976	–	–	–	787,976
Basic skills extended time	226,525	–	–	–	226,525
Community arts center	30,683	–	–	–	30,683
Projects funded by certificates of participation	–	1,056,023	–	–	1,056,023
Long-term facilities maintenance	–	23,704,176	–	–	23,704,176
Building construction	–	96,315	–	–	96,315
Debt service	–	–	6,114,878	–	6,114,878
Food service	–	–	–	2,685,809	2,685,809
Community education programs	–	–	–	4,116,702	4,116,702
Early childhood family education programs	–	–	–	31,742	31,742
Adult basic education	–	–	–	102,868	102,868
Total restricted	4,912,855	24,856,514	6,114,878	6,937,121	42,821,368
<b>Committed</b>					
ATPPS	674,714	–	–	–	674,714
Donations/gifts	614,650	–	–	–	614,650
School budget carryover	2,088,595	–	–	–	2,088,595
Total committed	3,377,959	–	–	–	3,377,959
<b>Unassigned</b>					
Restricted account deficits					
Long-term facilities maintenance deficit	(1,109,286)	–	–	–	(1,109,286)
School readiness deficit	–	–	–	(1,759,134)	(1,759,134)
Community service deficit	–	–	–	(1,491,196)	(1,491,196)
Unassigned	22,335,784	–	–	–	22,335,784
Total unassigned	21,226,498	–	–	(3,250,330)	17,976,168
	<u>\$ 35,066,844</u>	<u>\$ 24,856,514</u>	<u>\$ 6,114,878</u>	<u>\$ 4,090,566</u>	<u>\$ 70,128,802</u>

## **NOTE 5 – FUND BALANCES (CONTINUED)**

### **B. Minimum Fund Balance Policy**

The School Board has formally adopted a fund balance policy regarding maintaining a minimum fund balance for the General Fund. The policy states that the District will endeavor to reach an unrestricted fund balance of 16.6 percent of the District's General Fund unrestricted operating expenditure budget by the end of fiscal year 2026. At June 30, 2023, the unrestricted fund balance of the General Fund, was 13.0 percent of unrestricted operating expenditures as calculated by the MDE.

## **NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN**

### **A. Plan Description**

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

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

### **B. Benefits Provided**

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

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

### **C. Contributions**

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District has established the Other Post-Employment Benefits Trust Fund to finance these obligations. The District contributed \$1,109,792 to the OPEB Plan for the year ended June 30, 2023. Required retiree benefit payments of \$1,360,540 were paid by the Post-Employment Benefits Trust Fund on a pay-as-you-go basis for the current year.

## NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

### D. Membership

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

Retirees and beneficiaries receiving benefits	75
Active plan members	<u>2,331</u>
Total members	<u><u>2,406</u></u>

### E. Net OPEB Liability of the District

The District's net OPEB liability was based on the actuarial valuation performed as of July 1, 2021, and was rolled forward to June 30, 2023, as allowed using generally accepted actuarial principles. The components of the net OPEB liability of the District at year-end were as follows:

Total OPEB liability	\$ 17,427,769
Plan fiduciary net position	<u>(3,109,406)</u>
District's net OPEB liability	<u><u>\$ 14,318,363</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u><u>17.8%</u></u>

### F. Actuarial Methods and Assumptions

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

Discount rate	4.00%
Expected long-term investment return	6.40%
20-year municipal bond yield	3.90%
Inflation rate	2.50%
Salary increases	Service graded table
Medical trend rate	6.25% in 2022 grading to 5.00% over 5 years and then to 4.00% over the next 48 years
Dental trend rate	4.00%

Economic assumptions are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information, as well as for consistency with the other economic assumptions.

Mortality rates were based on the rates used in recent tables developed and recommended by the Society of Actuaries. The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

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

## NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

A single discount rate of 4.00 percent was used to measure the total OPEB liability. 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
Fixed income	40.00 %	4.60 %
Domestic equity	39.00	7.70
International equity	21.00	7.50
Total	100.00 %	6.40 %

### G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 7.70 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### H. Discount Rate

A single discount rate of 4.00 percent was used to measure the total OPEB liability. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted, using the expected asset return assumptions for the years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the Trust Fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. The contribution and benefit payment history, as well as the funding policy, have also been considered. The District discount rate used in the prior measurement date was 3.90 percent.

**NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

**I. Changes in the Net OPEB Liability**

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
	<u>(a)</u>	<u>(b)</u>	<u>(a-b)</u>
Beginning balance	\$ 16,953,132	\$ 3,125,163	\$ 13,827,969
Changes for the year			
Service cost	1,235,531	–	1,235,531
Interest	683,081	–	683,081
Changes in actuarial assumptions	(83,435)	–	(83,435)
Contributions	–	1,109,792	(1,109,792)
Investment earnings	–	200,010	(200,010)
Differences between expected and actual experience	–	39,981	(39,981)
Benefit payments	(1,360,540)	(1,360,540)	–
Administrative expenses	–	(5,000)	5,000
Total net changes	<u>474,637</u>	<u>(15,757)</u>	<u>490,394</u>
Ending balance	<u>\$ 17,427,769</u>	<u>\$ 3,109,406</u>	<u>\$ 14,318,363</u>

There were no plan changes since the prior measurement date.

Assumption changes since the prior measurement date included:

- The expected long-term rate of return on assets was changed from 6.20 percent to 6.40 percent.
- The discount rate was changed from 3.90 percent to 4.00 percent.

**J. Net OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes**

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

	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	3.00%	4.00%	5.00%
Net OPEB liability	\$ 15,338,459	\$ 14,318,363	\$ 13,329,537

**NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

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

	1% Decrease in Healthcare Cost Trend Rates	Healthcare Cost Trend Rates	1% Increase in Healthcare Cost Trend Rates
Healthcare trend rate	5.25% in 2022 grading to 4.00% over 5 years and then to 3.00% over the next 48 years	6.25% in 2022 grading to 5.00% over 5 years and then to 4.00% over the next 48 years	7.25% in 2022 grading to 6.00% over 5 years and then to 5.00% over the next 48 years
Dental trend rate	3.00%	4.00%	5.00%
Net OPEB liability	\$ 12,434,743	\$ 14,318,363	\$ 16,523,706

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

For the current year ended, the District recognized OPEB expense of \$968,085. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ –	\$ 2,278,326
Changes in actuarial assumptions	217,009	995,502
Net collective difference between projected and actual investment earnings on OPEB plan investments.	148,244	–
Total	<u>\$ 365,253</u>	<u>\$ 3,273,828</u>

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	\$ (762,302)
2025	\$ (759,238)
2026	\$ (618,677)
2027	\$ (754,453)
2028	\$ (13,905)



## NOTE 7 – DEFINED BENEFIT PENSION PLAN – DISTRICT

### A. Plan Description

The District provides pension benefits to certain eligible employees through the Pension Benefits Plan, a single-employer defined benefit plan administered by the District. All pension benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report.

These benefits are summarized as follows:

**Teacher Pension Benefits** – For eligible teachers hired before July 1, 1991, the District pays a lump sum pension benefit up to \$22,500 based on years of service at retirement. The amount of any pension benefits due to an employee is reduced by the total matching contributions made by the District to the employee’s qualified retirement account over the course of that individual’s employment with the District.

**Other Pension Benefits** – The District offers pension benefits to several other employee groups. Eligible employees (contracts stipulate a minimum number of years of service and a minimum age) can earn a lump sum pension benefit that differs by bargaining unit. Some contracts also reduce the pension benefits by the total matching contribution made by the District to the employee’s qualified retirement account over the course of that individual’s employment with the District.

### B. Contributions and Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District has not established a trust fund to finance these pension benefits. The District has established an internal service fund to account for these obligations. The District contributed \$455,858 to the District Pension Benefits Plan on a pay-as-you-go basis for the current year.

### C. Membership

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

Retirees and beneficiaries receiving benefits	18
Active plan members	<u>1,368</u>
Total members	<u><u>1,386</u></u>

## NOTE 7 – DEFINED BENEFIT PENSION PLAN – DISTRICT (CONTINUED)

### D. Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation date of July 1, 2021 and a measurement date as of July 1, 2022, as allowed using generally accepted actuarial principles, using the entry-age, level percentage of pay method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.80%
20-year municipal bond yield	3.80%
Inflation rate	2.50%
Salary increases	Service graded table

Mortality rates were based on Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale. The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

### E. Discount Rate

The discount rate used to measure the total pension liability was 3.80 percent. The District discount rate used in the prior measurement date was 2.10 percent. Since the plan is not funded, the discount rate is equal to the 20-year municipal bond rate, which was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date.

### F. Changes in the Total Pension Liability

	<u>Total Pension Liability</u>
Beginning balance	\$ 1,825,507
Changes for the year	
Service cost	49,689
Interest	34,466
Changes in actuarial assumptions	(46,689)
Benefit payments	<u>(470,340)</u>
Total net changes	<u>(432,874)</u>
Ending balance	<u><u>\$ 1,392,633</u></u>

Assumption changes since the prior measurement date included:

- The inflation rate was changed from 2.00 percent to 2.50 percent.
- The discount rate was changed from 2.10 percent to 3.80 percent.

**NOTE 7 – DEFINED BENEFIT PENSION PLAN – DISTRICT (CONTINUED)**

**G. Total Pension Liability Sensitivity to Discount Rate Changes**

The following presents the total pension liability of the District, as well as what the District’s total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Pension discount rate	2.80%	3.80%	4.80%
Total pension liability	\$ 1,429,225	\$ 1,392,633	\$ 1,355,309

**H. Pension Expense and Related Deferred Outflows and Deferred Inflows of Resources**

For the current year ended, the District reported a total pension expense of \$31,181. As of year-end, the District reported its deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in actuarial assumptions	\$ 31,193	\$ –
District’s contributions to the plan subsequent to the measurement date	<u>455,858</u>	<u>–</u>
Total	<u>\$ 487,051</u>	<u>\$ –</u>

A total of \$455,858 reported as deferred outflows of resources related to pensions resulting from district contributions to the plan 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 the District pension will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2024	\$ 3,900
2025	\$ 3,900
2026	\$ 3,900
2027	\$ 3,900
2028	\$ 3,900
Thereafter	\$ 11,693

## **NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

### **A. Plan Descriptions**

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

#### **1. General Employees Retirement Fund (GERF)**

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

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

#### **2. Teachers Retirement Association (TRA)**

The TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. The TRA is a separate statutory entity, administered by a Board of Trustees. The Board of Trustees consists of four active members, one retired member, and three statutory officials.

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

### **B. Benefits Provided**

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

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

#### **1. GERF Benefits**

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

**NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

Benefit increases are provided to benefit recipients each January. The post-retirement increase is equal to 50.0 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.0 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase, will receive the full increase. For recipients receiving the annuity or benefit for at least one month, but less than a full year as of the June 30 before the effective date of the increase, will receive a reduced prorated increase. For members retiring on January 1, 2024 or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**2. TRA Benefits**

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

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

**Tier I Benefits**

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

With these provisions:

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

**NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Tier II Benefits**

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

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

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

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

**C. Contributions**

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

**1. GERF Contributions**

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2023 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District’s contributions to the GERF for the year ended June 30, 2023, were \$2,816,439. The District’s contributions were equal to the required contributions as set by state statutes.

**2. TRA Contributions**

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

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

The District’s contributions to the TRA for the plan’s fiscal year ended June 30, 2023, were \$10,594,013. The District’s contributions were equal to the required contributions for each year as set by state statutes.

## NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

	<i>in thousands</i>
Employer contributions reported in the TRA’s Annual Comprehensive Financial Report Statement of Changes in Fiduciary Net Position	\$ 482,679
Add employer contributions not related to future contribution efforts	(2,178)
Deduct the TRA’s contributions not included in allocation	<u>(572)</u>
Total employer contributions	479,929
Total nonemployer contributions	<u>35,590</u>
Total contributions reported in the Schedule of Employer and Nonemployer Allocations	<u>\$ 515,519</u>

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

### D. Pension Costs

#### 1. GERF Pension Costs

At June 30, 2023, the District reported a liability of \$37,327,116 for its proportionate share of the General Employees Fund’s net pension liability. The District’s net pension liability reflected a reduction due to the state of Minnesota’s contribution of \$16 million. The state of Minnesota is considered a nonemployer contributing entity and the state’s contribution meets the definition of a special funding situation. The state of Minnesota’s proportionate share of the net pension liability associated with the District totaled \$1,094,281. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportionate share of the net pension liability was based on the District’s contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of the PERA’s participating employers. The District’s proportionate share was 0.4713 percent at the end of the measurement period and 0.4598 percent for the beginning of the period.

District’s proportionate share of the net pension liability	\$ 37,327,116
State’s proportionate share of the net pension liability associated with the District	\$ 1,094,281

For the year ended June 30, 2023, the District recognized pension expense of \$4,240,905 for its proportionate share of the GERF’s pension expense. In addition, the District recognized an additional \$163,511 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota’s contribution of \$16 million to the GERF.

**NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

At June 30, 2023, the District reported its proportionate share of the GERS’ 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	\$ 311,784	\$ 392,029
Changes in actuarial assumptions	8,247,898	160,965
Net collective difference between projected and actual investment earnings	1,080,450	–
Changes in proportion	368,326	1,222,355
District’s contributions to the GERS subsequent to the measurement date	2,816,439	–
<b>Total</b>	<b>\$ 12,824,897</b>	<b>\$ 1,775,349</b>

The \$2,816,439 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2024	\$ 2,813,930
2025	\$ 2,994,251
2026	\$ (950,753)
2027	\$ 3,375,681

**2. TRA Pension Costs**

At June 30, 2023, the District reported a liability of \$155,777,341 for its proportionate share of the TRA’s net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Minneapolis School District. The District’s proportionate share was 1.9454 percent at the end of the measurement period and 2.0530 percent for the beginning of the period.

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

District’s proportionate share of the net pension liability	\$ 155,777,341
State’s proportionate share of the net pension liability associated with the District	\$ 11,552,442

For the year ended June 30, 2023, the District recognized a negative pension expense of \$27,342,545. It also recognized \$1,588,496 as an increase to pension expense for the support provided by direct aid.



**NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,320,888	\$ 1,435,765
Changes in actuarial assumptions	26,333,402	33,219,790
Net collective difference between projected and actual investment earnings on pension plan investments	1,262,212	–
Changes in proportion	4,378,932	6,695,806
District’s contributions to the TRA subsequent to the measurement date	<u>10,594,013</u>	<u>–</u>
Total	<u>\$ 44,889,447</u>	<u>\$ 41,351,361</u>

A total of \$10,594,013 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2024	\$ (30,993,842)
2025	\$ 3,687,830
2026	\$ 279,876
2027	\$ 20,645,192
2028	\$ (674,983)

**E. Long-Term Expected Return on Investment**

The State Board of Investment, which manages the investments of the PERA and the TRA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by 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 %
International equity	16.50	5.30 %
Private markets	25.00	5.90 %
Fixed income	<u>25.00</u>	0.75 %
Total	<u>100.00 %</u>	

## NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

### F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

#### 1. GERF

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

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

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

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

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

#### 2. TRA

Salary increases were based on a service-related table.

#### Mortality Assumptions Used in Valuation of Total Pension Liability

Pre-retirement	RP-2014 White Collar Employee Table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 Scale.
Post-retirement	RP-2014 White Collar Annuitant Table, male and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 Scale.
Post-disability	RP-2014 Disabled Retiree Mortality Table, without adjustment.

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

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

## **NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

The following changes in actuarial assumptions occurred in 2022:

### **1. GERF**

#### **CHANGES IN ACTUARIAL ASSUMPTIONS**

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

### **2. TRA**

#### **CHANGES IN ACTUARIAL ASSUMPTIONS**

- None.

## **G. Discount Rate**

### **1. GERF**

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

### **2. TRA**

The discount rate used to measure the total pension liability was 7.00 percent. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2022 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate.

## NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

### H. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	5.50%	6.50%	7.50%
District’s proportionate share of the GERF net pension liability	\$ 58,960,134	\$ 37,327,116	\$ 19,584,702
TRA discount rate	6.00%	7.00%	8.00%
District’s proportionate share of the TRA net pension liability	\$ 245,574,495	\$ 155,777,341	\$ 82,171,673

### I. Pension Plan Fiduciary Net Position

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

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

## NOTE 9 – FLEXIBLE BENEFIT PLAN

The District has established the Flexible Spending Plan (the Plan). The Plan is a “cafeteria plan” under § 125 of the IRC. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pretax dollars withheld from payroll checks to the Plan for health insurance, healthcare, and dependent care benefits.

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

Payments of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated insurance companies.

## **NOTE 9 – FLEXIBLE BENEFIT PLAN (CONTINUED)**

Amounts withheld for medical reimbursement and dependent care are paid by the District to a trust account maintained by an outside administrator on a monthly basis. Payments are made by the outside administrator to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the employee. The medical reimbursement and dependent care activity are included in the financial statements in the General Fund and special revenue funds.

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

## **NOTE 10 – INTERFUND TRANSACTIONS**

### **A. Interfund Receivables and Payables**

As of June 30, 2023, the General Fund recorded a receivable of \$250,748 from the Other Post-Employment Benefits Trust Fund for the reimbursement of claims paid on behalf of the Other Post-Employment Benefits Trust Fund.

### **B. Transfers**

During fiscal 2023, the Pension Benefits Internal Service Fund transferred \$78,929 to the Severance Benefits Internal Service Fund to finance regular program costs and support operations.

Such interfund transactions are reported in the fund financial statements, but are eliminated as necessary in the government-wide financial statements.

## **NOTE 11 – STEWARDSHIP AND ACCOUNTABILITY**

At June 30, 2023, the District's Severance Benefits Internal Service Fund and Pension Benefits Internal Service Fund reported deficit net positions of \$234,853 and \$234,854, respectively.

The District is currently considering options for future reporting and to finance these deficits with future contributions from the governmental fund type operating funds. The change may include the closing of the internal service funds and reporting the activity through the General Fund.

## **NOTE 12 – COMMITMENTS AND CONTINGENCIES**

### **A. Federal and State Revenues**

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

### **B. Legal Claims**

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

### **C. Construction Contracts**

At June 30, 2023, the District had commitments totaling \$10,361,041 under various construction contracts for which the work was not yet completed.

## **NOTE 13 – SUBSEQUENT EVENTS**

The District entered into an agreement for security equipment totaling \$2,627,143 as the amount financed commencing July 2023. The debt will be paid through the General Fund. The agreement requires annual payments of \$333,405.

In November 2023, voters of the District approved the proposed \$200 million bond request to be used for space expansion and improvements for secured entrances at several of the District's sites. Voters also approved to increase the existing capital projects levy up to \$5 million annually for 10 years, which will reduce the demand on other unrestricted funds for technology purposes.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 833

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

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.5346%	\$ 25,112,830	\$ -	\$ 25,112,830	\$ 28,092,359	89.39%	78.70%
06/30/2016	06/30/2015	0.5003%	\$ 25,928,143	\$ -	\$ 25,928,143	\$ 28,898,307	89.72%	78.20%
06/30/2017	06/30/2016	0.4933%	\$ 40,053,517	\$ 523,069	\$ 40,576,586	\$ 30,621,120	130.80%	68.90%
06/30/2018	06/30/2017	0.5165%	\$ 32,973,022	\$ 414,616	\$ 33,387,638	\$ 33,279,230	99.08%	75.90%
06/30/2019	06/30/2018	0.5142%	\$ 28,525,709	\$ 935,577	\$ 29,461,286	\$ 34,513,997	82.65%	79.50%
06/30/2020	06/30/2019	0.5016%	\$ 27,732,340	\$ 861,963	\$ 28,594,303	\$ 35,502,746	78.11%	80.20%
06/30/2021	06/30/2020	0.4997%	\$ 29,959,298	\$ 923,822	\$ 30,883,120	\$ 35,621,166	84.11%	79.10%
06/30/2022	06/30/2021	0.4598%	\$ 19,635,519	\$ 599,576	\$ 20,235,095	\$ 33,089,386	59.34%	87.00%
06/30/2023	06/30/2022	0.4713%	\$ 37,327,116	\$ 1,094,281	\$ 38,421,397	\$ 35,307,236	105.72%	76.70%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 2,167,373	\$ 2,167,373	\$ -	\$ 28,898,307	7.50%
06/30/2016	\$ 2,296,584	\$ 2,296,584	\$ -	\$ 30,621,120	7.50%
06/30/2017	\$ 2,495,606	\$ 2,495,606	\$ -	\$ 33,279,230	7.50%
06/30/2018	\$ 2,588,589	\$ 2,588,589	\$ -	\$ 34,513,997	7.50%
06/30/2019	\$ 2,662,629	\$ 2,662,629	\$ -	\$ 35,502,746	7.50%
06/30/2020	\$ 2,671,115	\$ 2,671,115	\$ -	\$ 35,621,166	7.50%
06/30/2021	\$ 2,480,959	\$ 2,480,959	\$ -	\$ 33,089,386	7.50%
06/30/2022	\$ 2,647,700	\$ 2,647,700	\$ -	\$ 35,307,236	7.50%
06/30/2023	\$ 2,816,439	\$ 2,816,439	\$ -	\$ 37,551,542	7.50%

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



INDEPENDENT SCHOOL DISTRICT NO. 833

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

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
06/30/2015	06/30/2014	1.9987%	\$ 92,098,657	\$ 6,479,000	\$ 98,577,657	\$ 91,237,229	100.94%	81.50%
06/30/2016	06/30/2015	1.8359%	\$113,568,572	\$ 13,930,331	\$ 127,498,903	\$ 93,108,747	121.97%	76.80%
06/30/2017	06/30/2016	1.7845%	\$425,645,829	\$ 42,723,360	\$ 468,369,189	\$ 92,822,653	458.56%	44.88%
06/30/2018	06/30/2017	2.0098%	\$401,192,539	\$ 38,782,331	\$ 439,974,870	\$108,203,544	370.78%	51.57%
06/30/2019	06/30/2018	1.9604%	\$123,131,469	\$ 11,568,657	\$ 134,700,126	\$108,308,303	113.69%	78.07%
06/30/2020	06/30/2019	2.0284%	\$129,290,642	\$ 11,441,794	\$ 140,732,436	\$115,187,988	112.24%	78.21%
06/30/2021	06/30/2020	1.9930%	\$147,245,511	\$ 12,339,490	\$ 159,585,001	\$115,813,902	127.14%	75.48%
06/30/2022	06/30/2021	2.0530%	\$ 89,845,418	\$ 7,577,292	\$ 97,422,710	\$122,856,228	73.13%	86.63%
06/30/2023	06/30/2022	1.9454%	\$155,777,341	\$ 11,552,442	\$ 167,329,783	\$120,252,110	129.54%	76.17%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 6,983,156	\$ 6,983,156	\$ -	\$ 93,108,747	7.50%
06/30/2016	\$ 6,961,699	\$ 6,961,699	\$ -	\$ 92,822,653	7.50%
06/30/2017	\$ 8,114,210	\$ 8,114,210	\$ -	\$108,203,544	7.50%
06/30/2018	\$ 8,123,097	\$ 8,123,097	\$ -	\$108,308,303	7.50%
06/30/2019	\$ 8,878,634	\$ 8,878,634	\$ -	\$115,187,988	7.71%
06/30/2020	\$ 9,172,662	\$ 9,172,662	\$ -	\$115,813,902	7.92%
06/30/2021	\$ 9,988,203	\$ 9,988,203	\$ -	\$122,856,228	8.13%
06/30/2022	\$ 10,029,026	\$ 10,029,026	\$ -	\$120,252,110	8.34%
06/30/2023	\$ 10,594,013	\$ 10,594,013	\$ -	\$123,908,532	8.55%

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

INDEPENDENT SCHOOL DISTRICT NO. 833

Pension Benefits Plan  
 Schedule of Changes in the District's Total  
 Pension Liability and Related Ratios  
 Year Ended June 30, 2023

	District Fiscal Year-End Date						
	2017	2018	2019	2020	2021	2022	2023
Total pension liability							
Service cost	\$ 134,534	\$ 68,872	\$ 70,938	\$ 66,899	\$ 76,661	\$ 62,431	\$ 49,689
Interest	126,185	101,615	83,006	78,320	60,316	43,928	34,466
Changes in actuarial assumptions	58,493	(41,423)	—	(34,684)	25,785	10,462	(46,689)
Plan changes	—	(396,856)	—	—	—	—	—
Differences between expected and actual economic experience	—	(373,520)	250,876	(19,721)	—	82,831	—
Benefit payments	(274,805)	(435,686)	(411,363)	(667,973)	(245,176)	(282,397)	(470,340)
Net change in total pension liability	44,407	(1,076,998)	(6,543)	(577,159)	(82,414)	(82,745)	(432,874)
Total pension liability – beginning of year	3,606,959	3,651,366	2,574,368	2,567,825	1,990,666	1,908,252	1,825,507
Total pension liability – end of year	<u>\$ 3,651,366</u>	<u>\$ 2,574,368</u>	<u>\$ 2,567,825</u>	<u>\$ 1,990,666</u>	<u>\$ 1,908,252</u>	<u>\$ 1,825,507</u>	<u>\$ 1,392,633</u>
Covered-employee payroll	<u>\$ 82,208,486</u>	<u>\$ 86,224,567</u>	<u>\$ 88,811,304</u>	<u>\$ 99,534,669</u>	<u>\$ 102,520,709</u>	<u>\$ 102,823,850</u>	<u>\$ 105,908,566</u>
Total pension liability as a percentage of covered-employee payroll	<u>4.44%</u>	<u>2.99%</u>	<u>2.89%</u>	<u>2.00%</u>	<u>1.86%</u>	<u>1.78%</u>	<u>1.31%</u>

Note: The District implemented GASB Statement No. 73 in fiscal 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	District Fiscal Year-End Date					
	2018	2019	2020	2021	2022	2023
Total OPEB liability						
Service cost	\$ 1,236,066	\$ 1,333,395	\$ 1,622,478	\$ 1,715,560	\$ 1,215,740	\$ 1,235,531
Interest	592,549	625,359	616,829	499,922	474,819	683,081
Assumption changes	–	300,487	(149,109)	182,576	(1,293,110)	(83,435)
Plan changes	–	–	132,770	–	–	–
Differences between expected and actual experience	–	–	(247,006)	–	(3,258,702)	–
Benefit payments	(902,303)	(1,013,163)	(1,081,042)	(1,191,062)	(1,099,152)	(1,360,540)
Net change in total OPEB liability	926,312	1,246,078	894,920	1,206,996	(3,960,405)	474,637
Total OPEB liability – beginning of year	16,639,231	17,565,543	18,811,621	19,706,541	20,913,537	16,953,132
Total OPEB liability – end of year	17,565,543	18,811,621	19,706,541	20,913,537	16,953,132	17,427,769
Plan fiduciary net position						
Contributions	4,000,000	1,013,163	790,000	1,191,062	858,218	1,109,792
Investment earnings	1,479	118,217	144,173	138,028	241,993	200,010
Differences between expected and actual experience	–	–	15,312	702,796	(774,008)	39,981
Benefit payments	(902,303)	(1,013,163)	(1,081,042)	(1,191,062)	(1,099,152)	(1,360,540)
Administrative expense	(895)	(12,653)	(5,000)	(5,000)	(5,000)	(5,000)
Net change in plan fiduciary net position	3,098,281	105,564	(136,557)	835,824	(777,949)	(15,757)
Plan fiduciary net position – beginning of year	–	3,098,281	3,203,845	3,067,288	3,903,112	3,125,163
Plan fiduciary net position – end of year	3,098,281	3,203,845	3,067,288	3,903,112	3,125,163	3,109,406
Net OPEB liability	\$ 14,467,262	\$ 15,607,776	\$ 16,639,253	\$ 17,010,425	\$ 13,827,969	\$ 14,318,363
Plan fiduciary net position as a percentage of the total OPEB liability	17.64%	17.03%	15.56%	18.66%	18.43%	17.84%
Covered-employee payroll	\$123,806,902	\$127,521,109	\$141,896,848	\$146,153,753	\$146,624,120	\$151,022,844
Net OPEB liability as a percentage of covered-employee payroll	11.69%	12.24%	11.73%	11.64%	9.43%	9.48%

Note: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2018, when the District established the OPEB Trust. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 833

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

<u>Year</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2018	1.80 %
2019	3.40 %
2020	5.00 %
2021	27.40 %
2022	(13.60) %
2023	7.70 %

Note: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2018. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 833

Notes to Required Supplementary Information  
June 30, 2023

**PERA – GENERAL EMPLOYEES RETIREMENT FUND**

**2022 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2021 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2020 CHANGES IN PLAN PROVISIONS**

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

**2020 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the Pub-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

INDEPENDENT SCHOOL DISTRICT NO. 833

Notes to Required Supplementary Information (continued)  
June 30, 2023

**PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)**

**2019 CHANGES IN PLAN PROVISIONS**

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

**2019 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2018 CHANGES IN PLAN PROVISIONS**

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

**2018 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

INDEPENDENT SCHOOL DISTRICT NO. 833

Notes to Required Supplementary Information (continued)  
June 30, 2023

**PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)**

**2017 CHANGES IN PLAN PROVISIONS**

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

**2017 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2016 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2015 CHANGES IN PLAN PROVISIONS**

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

**2015 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

INDEPENDENT SCHOOL DISTRICT NO. 833

Notes to Required Supplementary Information (continued)  
June 30, 2023

**TEACHERS RETIREMENT ASSOCIATION (TRA)**

**2021 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2018 CHANGES IN PLAN PROVISIONS**

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

**2018 CHANGES IN ACTUARIAL ASSUMPTIONS**

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



INDEPENDENT SCHOOL DISTRICT NO. 833

Notes to Required Supplementary Information (continued)  
June 30, 2023

**TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)**

**2017 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2016 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2015 CHANGES IN PLAN PROVISIONS**

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

**2015 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

INDEPENDENT SCHOOL DISTRICT NO. 833

Notes to Required Supplementary Information (continued)  
June 30, 2023

**PENSION BENEFITS PLAN**

**2023 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The inflation rate was changed from 2.00 percent to 2.50 percent.
- The discount rate was changed from 2.10 percent to 3.80 percent.

**2022 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.
- The salary increase rates for nonteachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.
- The inflation rate was changed from 2.50 percent to 2.00 percent.
- The discount rate was changed from 2.40 percent to 2.10 percent.

**2021 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The discount rate was changed from 3.10 percent to 2.40 percent.

**2019 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees, to rates which vary by service and contract group.
- The discount rate was changed from 3.40 percent to 3.10 percent.

**2017 CHANGES IN PLAN PROVISIONS**

- The matching contribution for teachers hired after July 1, 1991 increased. The matching contribution is an offset to the Governmental Accounting Standards Board (GASB) Statement No. 73 benefit. Due to the amount of the increase, the number of teachers with zero liability (i.e., they are assumed to have accumulated \$22,500 in matching contributions before reaching benefit eligibility) increased from 67 to 615.

**2017 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The mortality tables were updated from RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.
- The discount rate was changed from 2.90 percent to 3.40 percent.

INDEPENDENT SCHOOL DISTRICT NO. 833

Notes to Required Supplementary Information (continued)  
June 30, 2023

**PENSION BENEFITS PLAN (CONTINUED)**

**2016 CHANGES IN ACTUARIAL ASSUMPTIONS**

- Retirement rates now begin at age 55, even if the years of service requirement to receive a GASB Statement No. 73 benefit has not been met.
- The discount rate was changed from 3.50 percent to 2.90 percent.

INDEPENDENT SCHOOL DISTRICT NO. 833

Notes to Required Supplementary Information (continued)  
June 30, 2023

**OTHER POST-EMPLOYMENT BENEFITS PLAN**

**2023 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The expected long-term rate of return on assets was changed from 6.20 percent to 6.40 percent.
- The discount rate was changed from 3.90 percent to 4.00 percent.

**2022 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The healthcare trend rates, mortality rates, and withdrawal rates were updated.
- The salary increase rates for nonteachers were updated.
- The inflation rate was changed from 2.00 percent to 2.50 percent.
- The expected long-term rate of return on assets was changed from 4.50 percent to 6.20 percent.
- The discount rate was changed from 2.20 percent to 3.90 percent.

**2021 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The discount rate was changed from 2.40 percent to 2.20 percent.

**2020 CHANGES IN PLAN PROVISIONS**

- A post-employment medical subsidy was added for Tier 1 employees.

**2020 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The healthcare trend rates were updated.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees, to rates which vary by service and contract group.
- The discount rate was changed from 3.10 percent to 2.40 percent.

**2019 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The discount rate was changed from 3.40 percent to 3.10 percent.

INDEPENDENT SCHOOL DISTRICT NO. 833

Notes to Required Supplementary Information (continued)  
June 30, 2023

**OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)**

**2018 CHANGES IN PLAN PROVISIONS**

- The Tier 1 post-retirement subsidy was removed for future retirees.
- The subsidized benefit eligibility for principals was changed from age 55 with 10 years of service, to age 55 with no service requirement.

**2018 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The healthcare trend rates were updated.
- The mortality tables were updated from RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.
- The discount rate was changed from 3.50 percent to 3.40 percent.

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SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Food Service</u>	<u>Community Service</u>	
<b>Assets</b>			
Cash and temporary investments	\$ 2,736,035	\$ 2,562,438	\$ 5,298,473
Receivables			
Current taxes	–	1,031,568	1,031,568
Delinquent taxes	–	11,074	11,074
Accounts and interest	–	1,572	1,572
Due from other governmental units	664,971	334,209	999,180
Inventory	169,949	–	169,949
Prepaid items	93,859	139,967	233,826
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 3,664,814</u>	<u>\$ 4,080,828</u>	<u>\$ 7,745,642</u>
<b>Liabilities</b>			
Salaries payable	\$ 15,540	\$ 575,178	\$ 590,718
Accounts and contracts payable	35,612	270,757	306,369
Due to other governmental units	–	15,690	15,690
Unearned revenue	664,045	140,406	804,451
Total liabilities	<u>715,197</u>	<u>1,002,031</u>	<u>1,717,228</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue – delinquent taxes	–	4,666	4,666
Property taxes levied for subsequent year	–	1,933,182	1,933,182
Total deferred inflows of resources	<u>–</u>	<u>1,937,848</u>	<u>1,937,848</u>
<b>Fund balances (deficit)</b>			
Nonspendable	263,808	139,967	403,775
Restricted	2,685,809	4,251,312	6,937,121
Unassigned	–	(3,250,330)	(3,250,330)
Total fund balances	<u>2,949,617</u>	<u>1,140,949</u>	<u>4,090,566</u>
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,664,814</u>	<u>\$ 4,080,828</u>	<u>\$ 7,745,642</u>



INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Special Revenue Funds		Total
	Food Service	Community Service	
Revenue			
Local sources			
Property taxes	\$ -	\$ 1,780,468	\$ 1,780,468
Investment earnings	125,752	58,631	184,383
Other	5,837,279	9,964,228	15,801,507
State sources	423,367	2,562,725	2,986,092
Federal sources	4,995,367	377,020	5,372,387
Total revenue	<u>11,381,765</u>	<u>14,743,072</u>	<u>26,124,837</u>
Expenditures			
Current			
Food service	11,182,188	-	11,182,188
Community service	-	14,445,364	14,445,364
Capital outlay	247,036	119,873	366,909
Total expenditures	<u>11,429,224</u>	<u>14,565,237</u>	<u>25,994,461</u>
Net change in fund balances	(47,459)	177,835	130,376
Fund balances			
Beginning of year	<u>2,997,076</u>	<u>963,114</u>	<u>3,960,190</u>
End of year	<u>\$ 2,949,617</u>	<u>\$ 1,140,949</u>	<u>\$ 4,090,566</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Cash and temporary investments	\$ 54,841,029	\$ 57,387,487
Cash and investments held by trustee	–	267,910
Receivables		
Current taxes	40,731,930	34,206,716
Delinquent taxes	433,460	174,458
Accounts and interest	260,436	162,911
Due from other governmental units	27,868,150	19,300,054
Due from other funds	250,748	240,934
Inventory	170,266	252,714
Prepaid items	5,379,266	3,296,910
	<u>\$ 129,935,285</u>	<u>\$ 115,290,094</u>
<b>Liabilities</b>		
Salaries payable	\$ 11,927,791	\$ 11,202,057
Accounts and contracts payable	7,895,045	7,638,520
Due to other governmental units	1,496,962	1,159,313
Unearned revenue	203,695	298,393
Total liabilities	<u>21,523,493</u>	<u>20,298,283</u>
<b>Deferred inflows of resources</b>		
Unavailable revenue – delinquent taxes	199,230	174,458
Property taxes levied for subsequent year	73,145,718	67,483,714
Total deferred inflows of resources	<u>73,344,948</u>	<u>67,658,172</u>
<b>Fund balances (deficit)</b>		
Nonspendable for inventory	170,266	252,714
Nonspendable for prepaid items	5,379,266	3,296,910
Restricted for student activities	616,448	621,294
Restricted for scholarships	8,750	14,250
Restricted for staff development	1,347,767	1,487,060
Restricted for capital projects levy	259,622	216,907
Restricted for operating capital	1,442,007	549,994
Restricted for state-approved alternative program	193,077	1,183,622
Restricted for safe schools levy	787,976	665,637
Restricted for basic skills extended time	226,525	230,887
Restricted for community arts center	30,683	30,683
Committed for ATPPS	674,714	609,006
Committed for donations/gifts	614,650	658,108
Committed for school budget carryover	2,088,595	1,739,210
Unassigned – long-term facilities maintenance restricted account deficit	(1,109,286)	(1,158,769)
Unassigned	22,335,784	16,936,126
Total fund balances	<u>35,066,844</u>	<u>27,333,639</u>
	<u>\$ 129,935,285</u>	<u>\$ 115,290,094</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 129,935,285</u>	<u>\$ 115,290,094</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	2023		2022	
	Budget	Actual	Over (Under) Budget	Actual
<b>Revenue</b>				
Local sources				
Property taxes	\$ 71,023,740	\$ 71,146,520	\$ 122,780	\$ 65,519,753
Investment earnings	1,300,650	1,876,917	576,267	86,394
Other	4,460,607	5,474,437	1,013,830	4,894,971
State sources	195,578,632	196,306,802	728,170	190,953,952
Federal sources	7,307,129	9,789,213	2,482,084	10,302,641
Total revenue	<u>279,670,758</u>	<u>284,593,889</u>	<u>4,923,131</u>	<u>271,757,711</u>
<b>Expenditures</b>				
Current				
Administration	9,919,659	10,101,323	181,664	9,752,369
District support services	7,185,776	7,576,329	390,553	9,353,221
Elementary and secondary regular instruction	124,923,810	123,416,698	(1,507,112)	116,374,060
Vocational education instruction	2,223,650	3,128,653	905,003	2,188,785
Special education instruction	55,248,090	54,148,356	(1,099,734)	50,289,436
Community service	313,746	121,676	(192,070)	141,808
Instructional support services	13,311,424	12,922,057	(389,367)	11,806,289
Pupil support services	30,612,138	30,909,681	297,543	27,079,559
Sites and buildings	30,347,084	31,901,954	1,554,870	30,270,023
Fiscal and other fixed cost programs	611,000	676,588	65,588	544,681
Debt service				
Principal	3,704,888	4,757,607	1,052,719	4,429,403
Interest and fiscal charges	701,333	752,044	50,711	807,696
Total expenditures	<u>279,102,598</u>	<u>280,412,966</u>	<u>1,310,368</u>	<u>263,037,330</u>
Excess of revenue over expenditures	568,160	4,180,923	3,612,763	8,720,381
<b>Other financing sources</b>				
Debt issued	–	3,488,987	3,488,987	401,531
Proceeds from sale of assets	20,000	58,350	38,350	264,243
Insurance recovery	700	4,945	4,245	82,467
Total other financing sources	<u>20,700</u>	<u>3,552,282</u>	<u>3,531,582</u>	<u>748,241</u>
Net change in fund balances	<u>\$ 588,860</u>	<u>7,733,205</u>	<u>\$ 7,144,345</u>	<u>9,468,622</u>
<b>Fund balances</b>				
Beginning of year		<u>27,333,639</u>		<u>17,865,017</u>
End of year		<u>\$ 35,066,844</u>		<u>\$ 27,333,639</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Cash and temporary investments	\$ 2,736,035	\$ 3,542,025
Receivables		
Due from other governmental units	664,971	110,455
Inventory	169,949	149,804
Prepaid items	<u>93,859</u>	<u>92,848</u>
Total assets	<u>\$ 3,664,814</u>	<u>\$ 3,895,132</u>
<b>Liabilities</b>		
Salaries payable	\$ 15,540	\$ 12,649
Accounts and contracts payable	35,612	222,375
Unearned revenue	<u>664,045</u>	<u>663,032</u>
Total liabilities	715,197	898,056
<b>Fund balances</b>		
Nonspendable for inventory	169,949	149,804
Nonspendable for prepaid items	93,859	92,848
Restricted for food service	<u>2,685,809</u>	<u>2,754,424</u>
Total fund balances	<u>2,949,617</u>	<u>2,997,076</u>
Total liabilities and fund balances	<u>\$ 3,664,814</u>	<u>\$ 3,895,132</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	2023		Over (Under) Budget	2022
	Budget	Actual		Actual
Revenue				
Local sources				
Investment earnings	\$ 45,000	\$ 125,752	\$ 80,752	\$ 3,030
Other – primarily meal sales	5,869,800	5,837,279	(32,521)	1,487,213
State sources	432,000	423,367	(8,633)	337,744
Federal sources	4,984,342	4,995,367	11,025	11,384,751
Total revenue	<u>11,331,142</u>	<u>11,381,765</u>	<u>50,623</u>	<u>13,212,738</u>
Expenditures				
Current				
Salaries	3,755,910	3,596,471	(159,439)	3,448,726
Employee benefits	1,356,467	1,299,567	(56,900)	1,264,219
Purchased services	433,600	444,342	10,742	242,080
Supplies and materials	5,090,000	5,121,141	31,141	5,143,562
Other expenditures	906,013	720,667	(185,346)	845,081
Capital outlay	630,000	247,036	(382,964)	345,794
Total expenditures	<u>12,171,990</u>	<u>11,429,224</u>	<u>(742,766)</u>	<u>11,289,462</u>
Net change in fund balances	<u>\$ (840,848)</u>	<u>(47,459)</u>	<u>\$ 793,389</u>	<u>1,923,276</u>
Fund balances				
Beginning of year		<u>2,997,076</u>		<u>1,073,800</u>
End of year		<u>\$ 2,949,617</u>		<u>\$ 2,997,076</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Cash and temporary investments	\$ 2,562,438	\$ 2,225,658
Receivables		
Current taxes	1,031,568	861,531
Delinquent taxes	11,074	4,664
Accounts and interest	1,572	3,379
Due from other governmental units	334,209	393,840
Prepaid items	<u>139,967</u>	<u>164,947</u>
Total assets	<u>\$ 4,080,828</u>	<u>\$ 3,654,019</u>
<b>Liabilities</b>		
Salaries payable	\$ 575,178	\$ 425,714
Accounts and contracts payable	270,757	335,856
Due to other governmental units	15,690	15,365
Unearned revenue	<u>140,406</u>	<u>127,759</u>
Total liabilities	1,002,031	904,694
<b>Deferred inflows of resources</b>		
Unavailable revenue – delinquent taxes	4,666	4,664
Property taxes levied for subsequent year	<u>1,933,182</u>	<u>1,781,547</u>
Total deferred inflows of resources	1,937,848	1,786,211
<b>Fund balances (deficit)</b>		
Nonspendable for prepaid items	139,967	164,947
Restricted for community education programs	4,116,702	3,169,698
Restricted for early childhood family education programs	31,742	–
Restricted for adult basic education	102,868	127,869
Unassigned – early childhood family education programs restricted account deficit	–	(1,916)
Unassigned – school readiness restricted account deficit	(1,759,134)	(1,223,087)
Unassigned – community service restricted account deficit	<u>(1,491,196)</u>	<u>(1,274,397)</u>
Total fund balances	<u>1,140,949</u>	<u>963,114</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,080,828</u>	<u>\$ 3,654,019</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Community Service Special Revenue Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual

Year Ended June 30, 2023

(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023		Over (Under) Budget	2022
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 1,780,552	\$ 1,780,468	\$ (84)	\$ 1,492,373
Investment earnings	15,000	58,631	43,631	1,173
Other – primarily tuition and fees	9,798,737	9,964,228	165,491	9,053,826
State sources	2,543,893	2,562,725	18,832	2,436,837
Federal sources	336,806	377,020	40,214	608,090
Total revenue	<u>14,474,988</u>	<u>14,743,072</u>	<u>268,084</u>	<u>13,592,299</u>
Expenditures				
Current				
Salaries	8,569,221	9,058,356	489,135	7,981,877
Employee benefits	2,552,551	2,731,292	178,741	2,413,211
Purchased services	1,796,970	2,015,550	218,580	1,669,653
Supplies and materials	694,535	629,979	(64,556)	613,880
Other expenditures	7,095	10,187	3,092	6,645
Capital outlay	145,496	119,873	(25,623)	102,210
Total expenditures	<u>13,765,868</u>	<u>14,565,237</u>	<u>799,369</u>	<u>12,787,476</u>
Net change in fund balances	<u>\$ 709,120</u>	<u>177,835</u>	<u>\$ (531,285)</u>	<u>804,823</u>
Fund balances				
Beginning of year		<u>963,114</u>		<u>158,291</u>
End of year		<u>\$ 1,140,949</u>		<u>\$ 963,114</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Cash and temporary investments	\$ 25,931,607	\$ 41,178,439
Cash and investments held by trustee	854	9,071
Receivables		
Due from other governmental units	<u>–</u>	<u>342,539</u>
Total assets	<u>\$ 25,932,461</u>	<u>\$ 41,530,049</u>
<b>Liabilities</b>		
Accounts and contracts payable	\$ 1,075,947	\$ 4,630,801
<b>Fund balances</b>		
Restricted for projects funded by certificates of participation	1,056,023	1,056,023
Restricted for long-term facilities maintenance	23,704,176	35,810,937
Restricted for building construction	<u>96,315</u>	<u>32,288</u>
Total fund balances	<u>24,856,514</u>	<u>36,899,248</u>
Total liabilities and fund balances	<u>\$ 25,932,461</u>	<u>\$ 41,530,049</u>



INDEPENDENT SCHOOL DISTRICT NO. 833

Capital Projects – Building Construction Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual

Year Ended June 30, 2023

(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023		Over (Under) Budget	2022
	Budget	Actual		Actual
Revenue				
Local sources				
Investment earnings	\$ 1,400,000	\$ 1,094,573	\$ (305,427)	\$ 48,577
Expenditures				
Capital outlay				
Salaries	–	448	448	29,843
Employee benefits	–	72	72	4,730
Purchased services	13,530,000	13,136,787	(393,213)	17,059,114
Debt service				
Fiscal charges and other	–	–	–	620,010
Total expenditures	<u>13,530,000</u>	<u>13,137,307</u>	<u>(392,693)</u>	<u>17,713,697</u>
Excess (deficiency) of revenue over expenditures	(12,130,000)	(12,042,734)	87,266	(17,665,120)
Other financing sources				
Debt issued	–	–	–	33,924,864
Premium on debt issued	–	–	–	1,861,514
Total other financing sources	<u>–</u>	<u>–</u>	<u>–</u>	<u>35,786,378</u>
Net change in fund balances	<u>\$ (12,130,000)</u>	<u>(12,042,734)</u>	<u>\$ 87,266</u>	18,121,258
Fund balances				
Beginning of year		<u>36,899,248</u>		<u>18,777,990</u>
End of year		<u>\$ 24,856,514</u>		<u>\$ 36,899,248</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	<u>2023</u>	<u>2022</u>
Assets		
Cash and temporary investments	\$ 21,959,551	\$ 22,285,521
Receivables		
Current taxes	18,637,116	14,900,569
Delinquent taxes	195,523	88,060
Due from other governmental units	<u>145,655</u>	<u>141,890</u>
Total assets	<u>\$ 40,937,845</u>	<u>\$ 37,416,040</u>
Liabilities		
Accounts and contracts payable	\$ 15,250	\$ -
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	79,551	88,060
Property taxes levied for subsequent year	<u>34,728,166</u>	<u>30,609,573</u>
Total deferred inflows of resources	<u>34,807,717</u>	<u>30,697,633</u>
Fund balances		
Restricted for debt service	<u>6,114,878</u>	<u>6,718,407</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 40,937,845</u>	<u>\$ 37,416,040</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	2023		2022	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 30,422,719	\$ 30,430,452	\$ 7,733	\$ 29,639,050
Investment earnings	60,000	268,360	208,360	3,998
State sources	1,457,421	1,459,424	2,003	1,437,724
Federal sources	1,000,000	1,128,227	128,227	1,027,343
Total revenue	<u>32,940,140</u>	<u>33,286,463</u>	<u>346,323</u>	<u>32,108,115</u>
Expenditures				
Debt service				
Principal	22,185,000	22,185,000	–	20,530,000
Interest	10,734,280	11,672,895	938,615	11,717,555
Fiscal charges and other	25,000	32,097	7,097	111,372
Total expenditures	<u>32,944,280</u>	<u>33,889,992</u>	<u>945,712</u>	<u>32,358,927</u>
Excess (deficiency) of revenue over expenditures	(4,140)	(603,529)	(599,389)	(250,812)
Other financing sources (uses)				
Debt issued	–	–	–	980,136
Refunding debt issued	–	–	–	4,300,000
Premium on debt issued	–	–	–	251,378
Payment on refunding bond	–	–	–	(4,475,000)
Total other financing sources (uses)	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,056,514</u>
Net change in fund balances	<u>\$ (4,140)</u>	<u>(603,529)</u>	<u>\$ (599,389)</u>	<u>805,702</u>
Fund balances				
Beginning of year		<u>6,718,407</u>		<u>5,912,705</u>
End of year		<u>\$ 6,114,878</u>		<u>\$ 6,718,407</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Severance Benefits	Pension Benefits	Totals	
			2023	2022
Assets				
Current assets				
Cash and temporary investments	\$ 1,999,071	\$ 670,728	\$ 2,669,799	\$ 3,284,007
Deferred outflows of resources				
Pension plan deferments	–	487,051	487,051	505,433
Liabilities				
Current liabilities				
Severance benefits	269,968	–	269,968	341,428
Total pension liability	–	257,528	257,528	256,634
Total current liabilities	269,968	257,528	527,496	598,062
Long-term liabilities				
Severance benefits	1,963,956	–	1,963,956	1,993,654
Total pension liability	–	1,135,105	1,135,105	1,568,873
Total long-term liabilities	1,963,956	1,135,105	3,099,061	3,562,527
Total liabilities	2,233,924	1,392,633	3,626,557	4,160,589
Net position				
Unrestricted	\$ (234,853)	\$ (234,854)	\$ (469,707)	\$ (371,149)

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Severance Benefits	Pension Benefits	Totals	
			2023	2022
Operating revenue				
Contributions from governmental funds	\$ -	\$ -	\$ -	\$ -
Operating expenses				
Severance benefits	189,038	-	189,038	326,127
Pension benefits	-	31,181	31,181	203,552
Total operating expenses	<u>189,038</u>	<u>31,181</u>	<u>220,219</u>	<u>529,679</u>
Operating income (loss)	(189,038)	(31,181)	(220,219)	(529,679)
Nonoperating revenue				
Investment earnings	<u>60,830</u>	<u>60,831</u>	<u>121,661</u>	<u>7,378</u>
Income (loss) before transfers	(128,208)	29,650	(98,558)	(522,301)
Transfers in	78,929	-	78,929	86,480
Transfers (out)	<u>-</u>	<u>(78,929)</u>	<u>(78,929)</u>	<u>(86,480)</u>
Change in net position	(49,279)	(49,279)	(98,558)	(522,301)
Net position				
Beginning of year	<u>(185,574)</u>	<u>(185,575)</u>	<u>(371,149)</u>	<u>151,152</u>
End of year	<u>\$ (234,853)</u>	<u>\$ (234,854)</u>	<u>\$ (469,707)</u>	<u>\$ (371,149)</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Severance Benefits	Pension Benefits	Totals	
			2023	2022
Cash flows from operating activities				
Severance benefit payments	\$ (290,196)	\$ –	\$ (290,196)	\$ (169,409)
Pension benefit payments	–	(445,673)	(445,673)	(470,340)
Net cash flows from operating activities	(290,196)	(445,673)	(735,869)	(639,749)
Cash flows from noncapital financial activities				
Transfer in	78,929	–	78,929	86,480
Transfer (out)	–	(78,929)	(78,929)	(86,480)
Net cash flows from noncapital financing activities	78,929	(78,929)	–	–
Cash flows from investing activities				
Interest on investments	60,830	60,831	121,661	7,394
Net change in cash and cash equivalents	(150,437)	(463,771)	(614,208)	(632,355)
Cash and cash equivalents				
Beginning of year	2,149,508	1,134,499	3,284,007	3,916,362
End of year	\$ 1,999,071	\$ 670,728	\$ 2,669,799	\$ 3,284,007
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ (189,038)	\$ (31,181)	\$ (220,219)	\$ (529,679)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Changes in assets, liabilities, and deferred outflows/inflows of resources				
Deferred outflows of resources	–	18,382	18,382	(184,043)
Severance benefits	(101,158)	–	(101,158)	156,718
Total pension liability	–	(432,874)	(432,874)	(82,745)
Net cash flows from operating activities	\$ (290,196)	\$ (445,673)	\$ (735,869)	\$ (639,749)

## Section III

# Statistical





STATISTICAL SECTION

(UNAUDITED)

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## **STATISTICAL SECTION (UNAUDITED)**

This section of Independent School District No. 833's (the District) Annual Comprehensive Financial Report (ACFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

### **Contents**

#### **Financial Trends**

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

#### **Revenue Capacity**

These schedules contain information to help the reader assess the District's most significant local revenue source, property taxes.

#### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

#### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

#### **Operating Indicators**

These schedules contain service and infrastructure data to help the reader understand how the information in the District's ACFR relates to the services the District provides, and the activities it performs.

Source: Unless otherwise noted, the information in these schedules is derived from the District's ACFR for the relevant year.

INDEPENDENT SCHOOL DISTRICT NO. 833

Net Position by Component  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

	Fiscal Year			
	2014	2015	2016	2017
Governmental activities				
Net investment in capital assets	\$ 62,066,067	\$ 67,105,680	\$ 85,486,603	\$ 97,078,662
Restricted	6,717,236	5,307,406	7,985,002	8,559,909
Unrestricted	<u>21,345,431</u>	<u>(116,559,725)</u>	<u>(123,762,639)</u>	<u>(190,064,192)</u>
 Total governmental activities net position	 <u>\$ 90,128,734</u>	 <u>\$ (44,146,639)</u>	 <u>\$ (30,291,034)</u>	 <u>\$ (84,425,621)</u>

Note 1: The District implemented GASB Statement No. 68 in fiscal 2015. The District reported a change in accounting principle as a result of implementing this standard that decreased unrestricted net position by \$133,694,258.

Note 2: The District implemented GASB Statement No. 73 in fiscal 2017. The District reported a change in accounting principle as a result of implementing this standard that decreased unrestricted net position by \$3,250,849.

Note 3: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2018. The District reported a change in accounting principle as a result of implementing these standards that decreased unrestricted net position by \$13,473,303.

Note 4: The District implemented GASB Statement No. 84 in fiscal 2020. The District reported a change in accounting principle as a result of implementing this standard that increased net position by \$588,951.

2018	2019	2020	2021	2022	2023
\$ 105,081,336	\$ 116,655,557	\$ 132,577,651	\$ 147,166,352	\$ 162,606,035	\$ 180,900,775
10,386,276	10,961,643	9,414,319	9,195,650	14,238,103	14,882,766
<u>(265,309,406)</u>	<u>(207,236,646)</u>	<u>(222,524,651)</u>	<u>(232,200,378)</u>	<u>(215,386,662)</u>	<u>(171,226,774)</u>
<u>\$ (149,841,794)</u>	<u>\$ (79,619,446)</u>	<u>\$ (80,532,681)</u>	<u>\$ (75,838,376)</u>	<u>\$ (38,542,524)</u>	<u>\$ 24,556,767</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Fiscal Year			
	2014	2015	2016	2017
Governmental activities				
Expenses				
Administration	\$ 7,360,847	\$ 7,532,409	\$ 8,060,524	\$ 10,381,871
District support services	3,740,490	5,376,819	6,414,735	6,596,898
Elementary and secondary				
regular instruction	95,372,479	98,375,195	100,748,199	148,539,553
Vocational education instruction	2,177,553	2,205,777	2,313,645	2,685,595
Special education instruction	29,637,200	31,977,796	34,696,192	50,522,278
Instructional support services	9,413,500	9,562,822	9,842,037	13,144,802
Pupil support services	19,096,318	20,109,824	19,090,739	24,295,235
Sites and buildings	22,213,724	22,005,923	20,099,373	23,711,287
Fiscal and other fixed cost programs	475,441	575,898	318,258	493,785
Food service	8,490,573	9,163,254	8,651,331	9,508,533
Community service	12,999,994	12,359,513	13,312,337	16,767,322
Depreciation not included in other functions	9,329,886	9,217,946	8,997,829	8,894,001
Interest and fiscal charges	11,590,377	11,615,626	10,964,797	15,903,275
Total governmental activities expenses	<u>231,898,382</u>	<u>240,078,802</u>	<u>243,509,996</u>	<u>331,444,435</u>
Program revenues				
Charges for services				
Food service	5,317,906	5,362,540	5,929,451	6,265,612
Community service	9,616,643	8,969,973	10,012,263	10,587,395
All other	1,242,491	1,206,308	1,608,938	3,840,898
Operating grants and contributions	39,081,056	46,117,949	46,131,521	51,670,670
Total governmental activities program revenues	<u>55,258,096</u>	<u>61,656,770</u>	<u>63,682,173</u>	<u>72,364,575</u>
Net (expense) revenue	(176,640,286)	(178,422,032)	(179,827,823)	(259,079,860)
General revenues and other changes in net position				
Taxes				
Property taxes levied for general purposes	17,273,471	28,675,307	28,665,427	43,123,208
Property taxes levied for community service	675,875	1,337,276	1,327,464	1,376,364
Property taxes levied for capital projects	1,063,625	434,612	2,089,950	-
Property taxes levied for debt service	24,935,744	25,859,959	26,834,502	28,683,471
General grants and aids	123,100,301	118,753,997	122,563,945	130,278,195
Other general revenues	2,582,363	2,598,100	2,267,072	3,365,486
Investment earnings	155,131	181,666	580,418	1,369,398
Special item – joint school proceeds	-	-	9,354,650	-
Total general revenues and other changes in net position	<u>169,786,510</u>	<u>177,840,917</u>	<u>193,683,428</u>	<u>208,196,122</u>
Change in net position	<u>\$ (6,853,776)</u>	<u>\$ (581,115)</u>	<u>\$ 13,855,605</u>	<u>\$ (50,883,738)</u>

2018	2019	2020	2021	2022	2023
\$ 10,744,172	\$ 7,032,372	\$ 9,883,818	\$ 9,747,835	\$ 9,359,689	\$ 8,858,892
7,273,325	6,983,278	9,395,684	10,219,913	9,213,547	6,716,083
151,918,411	74,877,601	125,366,665	125,296,178	112,502,257	100,034,462
2,734,373	1,819,974	2,408,899	2,223,916	2,120,003	2,896,756
53,186,820	31,196,045	49,287,686	50,704,044	48,371,201	46,420,986
13,571,859	7,976,321	12,418,831	14,077,898	11,282,353	9,795,149
23,436,936	21,297,476	26,083,455	24,694,288	27,115,059	30,949,180
25,062,057	26,674,277	28,701,498	33,719,382	30,080,823	34,016,008
494,905	528,945	296,593	498,953	544,681	676,588
9,453,626	9,758,244	8,287,370	6,064,857	11,211,045	11,678,413
16,319,158	13,480,226	14,692,539	10,777,411	12,355,654	13,987,367
8,820,668	8,735,469	8,417,009	8,223,007	8,197,421	8,143,315
10,897,334	9,337,121	9,416,042	9,657,351	10,081,912	8,959,146
<u>333,913,644</u>	<u>219,697,349</u>	<u>304,656,089</u>	<u>305,905,033</u>	<u>292,435,645</u>	<u>283,132,345</u>
6,204,513	6,267,966	4,365,424	457,280	1,487,213	5,837,279
10,704,967	11,387,865	8,956,677	4,787,256	9,053,826	9,964,228
1,935,558	1,911,827	1,772,190	1,244,990	2,217,262	2,097,039
<u>54,861,148</u>	<u>57,205,946</u>	<u>59,338,676</u>	<u>63,951,797</u>	<u>78,518,389</u>	<u>73,561,118</u>
<u>73,706,186</u>	<u>76,773,604</u>	<u>74,432,967</u>	<u>70,441,323</u>	<u>91,276,690</u>	<u>91,459,664</u>
(260,207,458)	(142,923,745)	(230,223,122)	(235,463,710)	(201,158,955)	(191,672,681)
43,556,419	54,158,534	58,304,158	63,064,700	65,486,551	71,171,292
1,441,912	1,440,413	1,735,026	1,661,364	1,491,351	1,780,470
—	—	—	—	—	—
28,089,094	26,940,397	28,792,534	28,279,346	29,632,585	30,421,943
130,718,982	125,508,579	136,490,880	144,954,814	139,016,061	144,411,680
2,748,456	3,092,200	2,354,738	2,160,655	2,677,709	3,440,693
1,709,725	2,005,970	1,043,600	37,136	150,550	3,545,894
—	—	—	—	—	—
<u>208,264,588</u>	<u>213,146,093</u>	<u>228,720,936</u>	<u>240,158,015</u>	<u>238,454,807</u>	<u>254,771,972</u>
<u>\$ (51,942,870)</u>	<u>\$ 70,222,348</u>	<u>\$ (1,502,186)</u>	<u>\$ 4,694,305</u>	<u>\$ 37,295,852</u>	<u>\$ 63,099,291</u>

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INDEPENDENT SCHOOL DISTRICT NO. 833

Governmental Activities Tax Revenues by Source and Levy Type  
 Last Ten Fiscal Years  
 (Accrual Basis of Accounting)

Fiscal Year	Property Tax				Total
	General Purposes	Community Service	Capital Projects	Debt Service	
2014	\$ 17,273,471	\$ 675,875	\$ 1,063,625	\$ 24,935,744	\$ 43,948,715
2015	28,675,307	1,337,276	434,612	25,859,959	56,307,154
2016	28,665,427	1,327,464	2,089,950	26,834,502	58,917,343
2017	43,123,208	1,376,364	–	28,683,471	73,183,043
2018	43,556,419	1,441,912	–	28,089,094	73,087,425
2019	54,158,534	1,440,413	–	26,940,397	82,539,344
2020	58,304,158	1,735,026	–	28,792,534	88,831,718
2021	63,064,700	1,661,364	–	28,279,346	93,005,410
2022	65,486,551	1,491,351	–	29,632,585	96,610,487
2023	71,171,292	1,780,470	–	30,421,943	103,373,705

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

INDEPENDENT SCHOOL DISTRICT NO. 833

Fund Balances of Governmental Funds  
 Last Ten Fiscal Years  
 (Modified Accrual Basis of Accounting)

	Fiscal Year			
	2014	2015	2016	2017
General Fund				
Nonspendable	\$ 1,135,917	\$ 2,949,314	\$ 3,139,510	\$ 3,257,797
Restricted	1,155,136	3,250,381	5,232,246	5,647,049
Committed	3,531,073	1,611,060	2,848,063	2,349,140
Assigned	1,068,692	2,506,731	-	-
Unassigned	2,594,734	-	(3,916,752)	(3,836,289)
Total General Fund	<u>\$ 9,485,552</u>	<u>\$ 10,317,486</u>	<u>\$ 7,303,067</u>	<u>\$ 7,417,697</u>
All other governmental funds				
Nonspendable	\$ 322,357	\$ 311,391	\$ 282,171	\$ 342,224
Restricted	30,934,103	53,227,317	206,999,874	222,113,714
Unassigned – special revenue funds and capital projects fund	<u>(902,741)</u>	<u>(1,326,400)</u>	<u>(1,640,601)</u>	<u>(2,055,699)</u>
Total all other governmental funds	<u>\$ 30,353,719</u>	<u>\$ 52,212,308</u>	<u>\$ 205,641,444</u>	<u>\$ 220,400,239</u>
Total all governmental funds	<u>\$ 39,839,271</u>	<u>\$ 62,529,794</u>	<u>\$ 212,944,511</u>	<u>\$ 227,817,936</u>

2018	2019	2020	2021	2022	2023
\$ 1,396,426	\$ 1,952,300	\$ 1,791,502	\$ 4,015,380	\$ 3,549,624	\$ 5,549,532
6,340,938	7,209,146	4,122,621	3,789,194	5,000,334	4,912,855
2,698,868	2,384,590	2,557,546	2,379,759	3,006,324	3,377,959
–	1,147,687	6,819,346	–	–	–
<u>(2,023,983)</u>	<u>3,274,893</u>	<u>722,222</u>	<u>7,680,684</u>	<u>15,777,357</u>	<u>21,226,498</u>
<u>\$ 8,412,249</u>	<u>\$ 15,968,616</u>	<u>\$ 16,013,237</u>	<u>\$ 17,865,017</u>	<u>\$ 27,333,639</u>	<u>\$ 35,066,844</u>
\$ 170,050	\$ 153,456	\$ 187,872	\$ 333,331	\$ 407,599	\$ 403,775
67,870,978	27,972,661	34,708,087	27,775,852	49,669,646	37,908,513
<u>(2,023,454)</u>	<u>(1,983,892)</u>	<u>(1,946,310)</u>	<u>(2,186,397)</u>	<u>(2,499,400)</u>	<u>(3,250,330)</u>
<u>\$ 66,017,574</u>	<u>\$ 26,142,225</u>	<u>\$ 32,949,649</u>	<u>\$ 25,922,786</u>	<u>\$ 47,577,845</u>	<u>\$ 35,061,958</u>
<u>\$ 74,429,823</u>	<u>\$ 42,110,841</u>	<u>\$ 48,962,886</u>	<u>\$ 43,787,803</u>	<u>\$ 74,911,484</u>	<u>\$ 70,128,802</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Changes in Fund Balances of Governmental Funds  
 Last Ten Fiscal Years  
 (Modified Accrual Basis of Accounting)

	Fiscal Year			
	2014	2015	2016	2017
<b>Revenues</b>				
Local sources				
Property taxes	\$ 44,086,418	\$ 56,771,747	\$ 58,998,316	\$ 73,186,254
Investment earnings	76,020	86,803	566,696	1,304,737
Other	18,759,403	18,136,921	19,629,349	23,623,131
State sources	154,160,144	156,896,497	160,752,665	167,784,753
Federal sources	8,021,213	7,692,816	7,942,801	8,771,312
Total revenues	<u>225,103,198</u>	<u>239,584,784</u>	<u>247,889,827</u>	<u>274,670,187</u>
<b>Expenditures</b>				
Current				
Administration	7,279,625	7,527,157	7,892,778	8,197,267
District support services	3,723,231	5,405,748	6,523,030	6,307,421
Elementary and secondary regular instruction	92,903,232	97,894,964	98,789,970	107,854,344
Vocational education instruction	2,177,553	2,219,972	2,317,450	2,206,298
Special education instruction	29,648,664	32,318,511	34,778,587	39,392,782
Instructional support services	9,429,549	9,624,579	9,845,835	10,306,731
Pupil support services	18,964,817	19,998,559	19,897,703	21,088,490
Sites and buildings	21,214,467	19,235,624	30,054,434	23,601,889
Fiscal and other fixed cost programs	475,441	575,898	318,258	493,785
Food service	7,905,963	8,733,963	8,442,308	8,942,896
Community service	12,761,208	12,199,272	13,046,284	14,775,151
Capital outlay	3,625,881	12,365,749	26,906,115	29,648,166
Debt service				
Principal	15,901,988	19,522,458	16,895,781	18,886,010
Interest and fiscal charges	12,433,570	12,295,560	12,855,423	17,241,055
Total expenditures	<u>238,445,189</u>	<u>259,918,014</u>	<u>288,563,956</u>	<u>308,942,285</u>
Excess (deficiency) of revenues over expenditures	(13,341,991)	(20,333,230)	(40,674,129)	(34,272,098)
<b>Other financing sources (uses)</b>				
Debt issued	23,116,382	2,268,000	119,578,734	10,179,710
Refunding debt issued	-	32,695,000	73,460,000	33,035,000
Premium on debt issued	429,342	4,001,004	24,942,087	5,494,553
Payment to refunded bond escrow agent	-	-	(36,435,000)	-
Proceeds from sale of assets	-	59,749	188,375	436,260
Insurance recovery	-	-	-	-
Transfers in	4,144,517	4,000,000	-	-
Transfers out	(144,517)	-	-	-
Total other financing sources (uses)	<u>27,545,724</u>	<u>43,023,753</u>	<u>181,734,196</u>	<u>49,145,523</u>
Net change in fund balances before special item	14,203,733	22,690,523	141,060,067	14,873,425
Special item – joint school proceeds	-	-	9,354,650	-
Net change in fund balances	<u>\$ 14,203,733</u>	<u>\$ 22,690,523</u>	<u>\$ 150,414,717</u>	<u>\$ 14,873,425</u>
Debt service as a percentage of noncapital expenditures	<u>12.0%</u>	<u>12.7%</u>	<u>11.9%</u>	<u>13.0%</u>

2018	2019	2020	2021	2022	2023
\$ 73,078,706	\$ 82,457,714	\$ 88,869,159	\$ 93,038,171	\$ 96,651,176	\$ 103,357,440
1,613,056	1,902,342	972,097	34,930	143,172	3,424,233
21,593,494	22,568,511	17,268,132	8,569,334	15,436,010	21,275,944
177,134,941	183,285,828	186,442,015	190,450,514	195,166,257	200,752,318
8,505,160	8,132,815	9,321,763	18,096,421	23,322,825	16,289,827
<u>281,925,357</u>	<u>298,347,210</u>	<u>302,873,166</u>	<u>310,189,370</u>	<u>330,719,440</u>	<u>345,099,762</u>
8,391,487	8,871,322	9,111,780	9,319,638	9,752,369	10,101,323
6,104,486	7,250,605	8,615,747	10,085,897	9,353,221	7,576,329
108,625,608	112,913,156	114,653,882	116,965,391	116,374,060	123,416,698
2,278,393	2,230,094	2,293,993	2,136,507	2,188,785	3,128,653
41,742,679	42,977,635	45,976,533	48,244,767	50,289,436	54,148,356
10,573,054	10,871,937	11,519,455	13,406,693	11,806,289	12,922,057
21,729,157	23,155,824	25,621,566	25,984,163	27,079,559	30,909,681
22,792,237	22,303,436	26,701,248	32,788,834	30,270,023	31,901,954
494,905	528,945	296,593	498,953	544,681	676,588
9,100,783	9,414,128	7,915,287	5,963,945	10,943,668	11,182,188
14,243,337	14,888,937	13,908,291	10,557,392	12,827,074	14,567,040
58,549,709	41,314,572	25,983,600	6,660,164	17,541,691	13,504,216
19,367,531	20,011,552	21,235,918	22,357,359	24,959,403	26,942,607
18,004,042	14,043,337	13,867,244	13,185,974	13,256,633	12,457,036
<u>341,997,408</u>	<u>330,775,480</u>	<u>327,701,137</u>	<u>318,155,677</u>	<u>337,186,892</u>	<u>353,434,726</u>
(60,072,051)	(32,428,270)	(24,827,971)	(7,966,307)	(6,467,452)	(8,334,964)
24,464,165	–	28,968,602	2,690,965	35,306,531	3,488,987
–	25,790,000	–	–	4,300,000	–
1,069,773	2,307,941	1,941,566	–	2,112,892	–
(118,850,000)	(28,080,000)	–	–	(4,475,000)	–
–	91,347	180,897	80,992	264,243	58,350
–	–	–	19,267	82,467	4,945
354,611	–	3,891,647	500,000	–	–
(354,611)	–	(3,891,647)	(500,000)	–	–
<u>(93,316,062)</u>	<u>109,288</u>	<u>31,091,065</u>	<u>2,791,224</u>	<u>37,591,133</u>	<u>3,552,282</u>
(153,388,113)	(32,318,982)	6,263,094	(5,175,083)	31,123,681	(4,782,682)
–	–	–	–	–	–
<u><u>\$(153,388,113)</u></u>	<u><u>\$ (32,318,982)</u></u>	<u><u>\$ 6,263,094</u></u>	<u><u>\$ (5,175,083)</u></u>	<u><u>\$ 31,123,681</u></u>	<u><u>\$ (4,782,682)</u></u>
<u>13.2%</u>	<u>11.6%</u>	<u>11.6%</u>	<u>11.6%</u>	<u>12.1%</u>	<u>11.8%</u>

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INDEPENDENT SCHOOL DISTRICT NO. 833

General Governmental Tax Revenues by Source and Levy Type  
 Last Ten Fiscal Years  
 (Modified Accrual Basis of Accounting)

Fiscal Year	Property Tax				Total
	General Fund	Community Service Special Revenue Fund	Capital Projects – Building Construction Fund	Debt Service Fund	
2014	\$ 17,356,331	\$ 679,486	\$ 1,063,625	\$ 24,986,976	\$ 44,086,418
2015	28,926,672	1,349,064	434,612	26,061,399	56,771,747
2016	28,704,114	1,329,610	2,089,950	26,874,642	58,998,316
2017	43,100,551	1,378,067	–	28,707,636	73,186,254
2018	43,551,656	1,441,341	–	28,085,709	73,078,706
2019	54,091,396	1,439,395	–	26,926,923	82,457,714
2020	58,331,931	1,734,924	–	28,802,304	88,869,159
2021	63,074,915	1,662,473	–	28,300,783	93,038,171
2022	65,519,753	1,492,373	–	29,639,050	96,651,176
2023	71,146,520	1,780,468	–	30,430,452	103,357,440

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

INDEPENDENT SCHOOL DISTRICT NO. 833

Tax Capacities and Market Values  
Last Ten Fiscal Years

For Taxes Collectible	Tax Capacity Valuation					
	Agricultural	Nonagricultural	Fiscal Disparities		Tax Increment	
			Contribution	Distribution		
2014	\$ 1,520,718	\$ 84,069,276	\$ (6,110,679)	\$ 11,530,736	\$ (850,053)	
2015	1,631,755	96,283,039	(6,110,745)	11,589,664	(729,809)	
2016	1,525,489	99,519,527	(6,241,320)	11,611,979	(807,459)	
2017	1,598,306	103,036,166	(6,595,331)	12,705,153	(858,726)	
2018	1,683,634	111,257,338	(7,009,757)	13,530,896	(819,974)	
2019	1,602,386	120,117,908	(7,540,244)	14,579,885	(1,138,803)	
2020	1,545,494	130,567,600	(7,927,755)	15,911,949	(1,475,247)	
2021	1,680,060	139,639,744	(8,462,769)	16,551,972	(1,591,577)	
2022	1,649,813	147,486,169	(9,151,001)	17,604,313	(1,935,791)	
2023	1,852,928	179,296,804	(9,605,718)	17,982,366	(2,092,310)	

Source: State of Minnesota School Tax Report



<u>Total Taxable</u>	<u>Total Direct Tax Rate</u>	<u>Taxable Market Value</u>	<u>Tax Capacity as a Percentage of Market Value</u>
\$ 90,159,998	39.169 %	\$ 7,978,967,600	1.13 %
102,663,904	35.675	9,098,596,000	1.13
105,608,216	36.812	9,372,785,100	1.13
109,885,568	34.309	9,652,063,700	1.14
118,642,137	33.303	10,371,491,600	1.14
127,621,132	34.926	11,147,246,400	1.14
138,622,041	33.904	12,067,393,650	1.15
147,817,430	34.181	12,833,321,500	1.15
155,653,503	33.739	13,524,449,300	1.15
187,434,070	31.296	16,377,421,800	1.14

INDEPENDENT SCHOOL DISTRICT NO. 833

Property Tax Rates – Direct and Overlapping Governments  
Last Ten Fiscal Years

Rate	Tax Collection Calendar Year	ISD No. 833	Overlapping Rates Municipalities (1)			
			Cottage Grove	Woodbury	Newport	St. Paul Park
Tax capacity rate	2014	39.169%	43.812%	38.076%	72.054%	48.754%
Market value rate	2014	0.22287%	–	0.02594%	–	–
Tax capacity rate	2015	35.675%	41.591%	34.657%	69.973%	45.677%
Market value rate	2015	0.20996%	–	0.01308%	–	–
Tax capacity rate	2016	36.812%	43.140%	35.287%	61.660%	45.560%
Market value rate	2016	0.33988%	–	0.01216%	–	–
Tax capacity rate	2017	34.309%	43.012%	35.219%	60.304%	43.919%
Market value rate	2017	0.31281%	–	0.01187%	–	–
Tax capacity rate	2018	33.303%	40.583%	33.670%	58.736%	42.591%
Market value rate	2018	0.37066%	–	0.01111%	–	–
Tax capacity rate	2019	34.926%	38.959%	33.177%	57.383%	43.475%
Market value rate	2019	0.34919%	–	0.00664%	–	–
Tax capacity rate	2020	33.904%	39.182%	32.489%	54.335%	38.689%
Market value rate	2020	0.32620%	–	0.00615%	–	–
Tax capacity rate	2021	34.181%	37.351%	32.298%	54.007%	39.112%
Market value rate	2021	0.31580%	–	0.00584%	–	–
Tax capacity rate	2022	33.739%	37.251%	32.217%	55.852%	39.726%
Market value rate	2022	0.33683%	–	0.00551%	–	–
Tax capacity rate	2023	31.296%	33.899%	28.599%	49.690%	36.930%
Market value rate	2023	0.29002%	–	0.00466%	–	–

- (1) Municipalities listed include those with district learning sites.
- (2) The miscellaneous other levy includes Northeast Metropolitan Intermediate School District No. 916, Metropolitan Council, Metropolitan Mosquito Control District, Transit District 509, Transit Area, Washington Co. HRA 187, Woodbury EDA, Woodbury HRA 316, Ramsey-Washington Metro Watershed District, Valley Branch Watershed District, South Washington Watershed District, and Regional Rail Authority.
- (3) The City of Cottage Grove was used as the municipality for purposes of the total district residents.

Source: Washington County

Denmark Township	Grey Cloud Island	Afton	Washington County	Miscellaneous Other (2)	Total ISD No. 833 Resident (3)
13.135%	26.196%	30.092%	32.811%	12.843%	128.635%
-	-	-	0.00449%	-	0.22736%
12.490%	23.580%	27.737%	30.186%	11.365%	118.817%
-	-	-	0.00400%	-	0.21396%
11.236%	23.481%	29.373%	30.564%	11.831%	122.347%
-	-	-	0.00390%	-	0.34378%
11.264%	22.455%	32.300%	30.448%	11.413%	119.181%
-	-	-	0.00378%	-	0.31659%
11.063%	21.834%	32.255%	29.983%	11.450%	115.319%
-	-	-	0.00353%	-	0.37418%
13.600%	20.238%	32.983%	29.682%	12.575%	116.142%
-	-	-	0.00330%	-	0.35249%
15.919%	23.494%	30.795%	28.944%	11.436%	113.467%
-	-	-	0.00342%	-	0.32961%
15.892%	20.852%	32.025%	27.435%	11.827%	110.795%
-	-	-	0.00325%	-	0.31905%
14.650%	21.214%	32.007%	27.532%	11.061%	109.582%
-	-	-	0.30830%	-	0.64512%
11.680%	14.810%	27.111%	23.625%	9.525%	98.346%
-	-	-	0.00261%	-	0.29263%

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INDEPENDENT SCHOOL DISTRICT NO. 833

Principal Taxpayers  
Current Year and Nine Years Ago

Taxpayer	Type of Property	2023			2014		
		Tax Capacity	Rank	Percent of Total Tax Capacity	Tax Capacity	Rank	Percent of Total Tax Capacity
Xcel Energy	Utility	\$ 1,854,688	1	0.99 %	\$ 2,076,240	1	2.30 %
Grand Forest Owner, LLC	Residential	1,308,073	2	0.70	624,788	4	0.69
G&I X Valley Creek, LLC	Residential	1,000,030	3	0.53	-	-	-
Invest Woodbury I SPE, LLC	Residential	974,103	4	0.52	-	-	-
3M Company	Commercial	904,108	5	0.48	680,298	3	0.75
Woodbury Village Shopping	Commercial	787,499	6	0.42	735,731	2	0.82
Tilden Fundamental Barrington Apartments	Residential	731,477	7	0.39	-	-	-
Mars II, Inc.	Commercial	619,366	8	0.33	-	-	-
St. Paul Park Refining Co., LLC	Commercial	594,340	9	0.32	350,972	9	0.39
Allina Health System	Commercial	555,666	10	0.30	363,308	7	0.40
TMF I Valley, LLC	Residential	-	-	-	411,404	5	0.46
VRS/CAP Classic at Preserve Apartments LLC	Residential	-	-	-	409,343	6	0.45
Dayton Hudson Corp.	Commercial	-	-	-	359,388	8	0.40
HealthEast Properties, LLC	Commercial	-	-	-	279,250	10	0.31
Total		<u>\$ 9,329,350</u>		<u>4.98 %</u>	<u>\$ 6,290,722</u>		<u>6.97 %</u>

Note: The most recent data available is used for 2023.

Source: Washington County

INDEPENDENT SCHOOL DISTRICT NO. 833

Property Tax Levies, Collections, and Receivables  
Last Ten Fiscal Years

For Taxes Collectible	Original Levy				Collections	
	Local Spread	Fiscal Disparities	Property Tax Credits	Total Spread	First Year Levy Recognized Amount	Percentage of Levy
2014	\$ 48,596,750	\$ 7,360,609	\$ 11,559	\$ 55,968,918	\$ 55,629,431	99.4 %
2015	51,600,611	7,160,639	17,920	58,779,170	58,588,601	99.7
2016	66,435,278	6,578,305	18,900	73,032,483	72,672,119	99.5
2017	63,551,494	8,982,988	16,488	72,550,970	72,226,591	99.6
2018	73,282,732	8,846,232	151,891	82,280,855	81,900,871	99.5
2019	78,308,098	10,187,875	144,936	88,640,909	88,337,709	99.7
2020	80,850,634	11,036,527	152,170	92,039,331	91,680,176	99.6
2021	85,250,525	10,921,374	174,536	96,346,435	96,246,162	99.9
2022	91,988,025	11,452,750	178,983	103,619,758	103,186,711	99.6
2023	100,351,484	12,000,849	211,904	112,564,237	52,163,623	46.3

Note 1: A portion of the total spread levy is paid through various property tax credits, which are paid through state aids and have been included in collections.

Note 2: Delinquent taxes receivable are written off after seven years. The amount of collections has been adjusted to reflect the write-off of delinquent taxes receivable.

Source: State of Minnesota School Tax Report

Received in Subsequent Years	Total to Date		Uncollected Taxes Receivable as of June 30, 2023			
	Amount	Percentage of Levy	Delinquent		Current	
			Amount	Percent	Amount	Percent
\$ 339,487	\$ 55,968,918	100.0 %	\$ -	- %	\$ -	- %
190,569	58,779,170	100.0	-	-	-	-
313,737	72,985,856	99.9	46,627	0.1	-	-
317,148	72,543,739	100.0	7,231	-	-	-
368,849	82,269,720	100.0	11,135	-	-	-
287,666	88,625,375	100.0	15,534	-	-	-
319,274	91,999,450	100.0	39,881	-	-	-
13,671	96,259,833	99.9	86,602	0.1	-	-
-	103,186,711	99.6	433,047	0.4	-	-
-	52,163,623	46.3	-	-	<u>60,400,614</u>	53.7
			<u>\$ 640,057</u>		<u>\$ 60,400,614</u>	

INDEPENDENT SCHOOL DISTRICT NO. 833

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Premium (Discount) on Bonds	Certificates of Participation	Financed Purchases and Other			
2014	\$276,850,000	\$ 5,941,951	\$ –	\$ 6,769,454	\$289,561,405	2.22 %	\$ 3,030
2015	292,440,000	9,239,371	–	6,619,996	308,299,367	2.19	3,140
2016	415,810,000	31,115,494	13,200,000	9,757,949	469,883,443	3.07	4,786
2017	432,570,000	33,222,354	19,450,000	11,076,649	496,319,003	3.19	5,055
2018	320,235,000	29,775,773	18,345,000	10,763,283	379,119,056	2.23	3,861
2019	301,210,000	27,092,196	17,275,000	8,556,731	354,133,927	1.90	3,607
2020	310,405,000	25,205,332	16,165,000	8,204,415	359,979,747	1.88	3,666
2021	291,600,000	22,049,294	15,005,000	8,503,021	337,157,315	1.68	3,124
2022	305,800,000	20,994,146	13,795,000	9,161,056	349,750,202	1.56	3,241
2023	283,615,000	18,010,763	12,535,000	9,152,436	323,313,199	N/A	2,839

N/A – Not Available

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

Note: Details regarding the District’s outstanding debt can be found in the notes to basic financial statements.



INDEPENDENT SCHOOL DISTRICT NO. 833

Ratio of Net General Obligation Bonded Debt  
to Market Value and Net General Obligation Bonded Debt  
per Capita  
Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt	Less Debt Service Funds on Hand	Net Bonded Debt	Market Value	Percentage of Net Debt to Market Value	Estimated Population	Net Bonded Debt per Capita
2014	\$ 282,791,951	\$ 6,464,953	\$ 276,326,998	\$ 7,978,967,600	3.46 %	95,556	\$ 2,892
2015	301,679,371	40,357,373	261,321,998	9,098,596,000	2.87	98,185	2,662
2016	446,925,494	89,987,868	356,937,626	9,372,785,100	3.81	98,185	3,635
2017	465,792,354	126,746,536	339,045,818	9,652,063,700	3.51	98,185	3,453
2018	350,010,773	5,379,219	344,631,554	10,371,491,600	3.32	98,185	3,510
2019	328,302,196	4,745,861	323,556,335	11,147,246,400	2.90	98,185	3,295
2020	335,610,332	6,459,461	329,150,871	12,067,393,650	2.73	98,185	3,352
2021	313,649,294	5,912,705	307,736,589	12,833,321,500	2.40	107,926	2,851
2022	326,794,146	6,718,407	320,075,739	13,524,449,300	2.37	107,926	2,966
2023	301,625,763	6,114,878	295,510,885	16,377,421,800	1.80	113,887	2,595

Source: Annual school district census and U.S. Census

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INDEPENDENT SCHOOL DISTRICT NO. 833

Direct and Overlapping Debt  
as of June 30, 2023

Governmental Unit	Gross Bonded Debt	Percent Allocable to ISD No. 833	Portion Allocable to ISD No. 833
Independent School District No. 833	\$ 283,615,000	100.00%	\$ 283,615,000
Overlapping debt			
Washington County	\$ 90,885,000	40.86%	37,132,423
City of Cottage Grove	\$ 41,720,000	98.78%	41,212,950
City of Newport	\$ 13,900,000	100.00%	13,900,000
City of St. Paul Park	\$ 4,561,000	100.00%	4,561,000
City of Woodbury	\$ 43,060,000	74.08%	31,899,610
Town of Denmark	\$ 3,400,000	100.00%	3,400,000
Metropolitan Council	\$ 238,225,000	3.19%	7,596,231
Ramsey-Washington Metro Watershed District	\$ 3,437,000	56.54%	1,943,171
South Washington Watershed District	\$ 2,195,000	76.26%	1,673,933
Valley Branch Watershed	\$ 6,025,000	0.29%	17,517
Total overlapping debt			<u>143,336,835</u>
Total direct and overlapping debt			<u><u>\$ 426,951,835</u></u>

Note 1: The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping entity's taxable assessed value that is within the District's boundaries and dividing it by the overlapping government's total taxable assessed value.

Note 2: Gross bonded debt includes self-supporting general obligation revenue debt.

Source: Washington County and EMMA

INDEPENDENT SCHOOL DISTRICT NO. 833

Legal Debt Margin Information  
Last Ten Fiscal Years

	Fiscal Year			
	2014	2015	2016	2017
Debt limit	\$ 1,196,845,140	\$ 1,364,789,400	\$ 1,405,917,765	\$ 1,447,809,555
Total net debt applicable to the limit	<u>270,385,047</u>	<u>252,082,627</u>	<u>325,822,132</u>	<u>305,823,464</u>
Legal debt margin	<u>\$ 926,460,093</u>	<u>\$ 1,112,706,773</u>	<u>\$ 1,080,095,633</u>	<u>\$ 1,141,986,091</u>
Total net debt applicable to the limit as a percentage of debt limit	22.59%	18.47%	23.18%	21.12%

Note: Under state finance law, the District's outstanding general obligation debt should not exceed 15 percent of total market property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Source: District finance department

2018	2019	2020	2021	2022	2023
\$ 1,555,723,740	\$ 1,672,086,960	\$ 1,810,109,048	\$ 1,924,998,225	\$ 2,028,667,395	\$ 2,456,613,270
314,855,781	296,464,139	303,945,539	285,687,295	299,081,593	277,500,122
<u>\$ 1,240,867,959</u>	<u>\$ 1,375,622,821</u>	<u>\$ 1,506,163,509</u>	<u>\$ 1,639,310,930</u>	<u>\$ 1,729,585,802</u>	<u>\$ 2,179,113,148</u>
20.24%	17.73%	16.79%	14.84%	14.74%	11.30%

Legal Debt Margin Calculation for Fiscal Year 2023

Market value	\$ 16,377,421,800
Debt limit (15% of market value)	2,456,613,270
Debt applicable to limit	
General obligation bonds	283,615,000
Less amount set aside for repayment of general obligation debt	<u>(6,114,878)</u>
Total net debt applicable to the limit	<u>277,500,122</u>
Legal debt margin	<u>\$ 2,179,113,148</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Demographic and Economic Statistics  
Last Ten Fiscal Years

Fiscal Year	Washington County			Total ISD No. 833 Population (2)	School Enrollment (3)	Unemployment Rate (3)
	Population (1)	Personal Income (1)	Per Capita Personal Income (1)			
2014	252,877	\$ 13,034,092,000	\$ 51,543	95,556	17,719	3.6 %
2015	250,123	14,056,242,000	56,197	98,185	17,773	3.2
2016	252,921	15,299,947,000	60,493	98,185	17,794	3.3
2017	253,128	15,579,589,000	61,548	98,185	18,178	3.0
2018	256,905	17,013,335,000	66,224	98,185	18,567	2.5
2019	261,512	18,590,419,000	71,088	98,185	18,545	2.9
2020	265,476	19,186,846,000	72,273	98,185	18,754	5.3
2021	272,256	20,128,302,000	73,932	107,926	18,502	2.9
2022	275,912	22,356,866,000	81,029	107,926	18,573	2.3
2023	N/A	N/A	N/A	113,887	18,770	3.1

N/A – Not Available

Sources:

- (1) 2022 Annual Comprehensive Financial Report of Washington County, Minnesota
- (2) Annual school district census and U.S. Census
- (3) ISD No. 833 and the Bureau of Economic Analysis

INDEPENDENT SCHOOL DISTRICT NO. 833

Principal Employers  
Current Year and Nine Years Ago

Employer	2023			2014		
	Employees	Rank	Percent of Employment	Employees	Rank	Percent of Employment
Independent School District No. 833	2,540	1	27.99 %	2,418	1	35.79 %
Renewal by Anderson	1,500	2	16.53	450	5	6.66
HealthEast Woodwinds Hospital	1,331	3	14.67	850	2	12.58
Bailey Nurseries, Inc.	800	4	8.81	800	3	11.84
3M Company – Cottage Grove	720	5	7.93	700	4	10.36
Hy-Vee	700	6	7.71	–	–	–
Woodbury Senior Living	450	7	4.96	300	8	4.44
Marathon Petroleum	400	8	4.41	268	9	3.97
Walmart Supercenter	335	9	3.69	–	–	–
Up North Plastics	300	10	3.31	–	–	–
Ecowater Systems	–	–	–	440	6	6.51
Target	–	–	–	330	7	4.88
YMCA	–	–	–	200	10	2.96
Total	<u>9,076</u>		<u>100.00 %</u>	<u>6,756</u>		<u>100.00 %</u>

Note: The statistic for total cities' employment is not available; therefore, the percentage represents the percentage of the top 10 listed.

Source: Reference USA, written and telephone survey, and the Minnesota Department of Employment and Economic Development

INDEPENDENT SCHOOL DISTRICT NO. 833

Employees by Classification  
Last Ten Fiscal Years

Employees (1)	Fiscal Year			
	2014	2015	2016	2017
District directors/superintendent	14	14	13	11
Principals	43	43	43	45
Teachers, nurses, and counselors	1,350	1,373	1,373	1,402
Coordinators, supervisors, specialists, and technical support	237	244	247	256
Paraprofessionals	374	396	422	449
Food service (2)	142	129	134	130
Custodians	116	113	119	123
Bus drivers and mechanics	194	178	175	164
Community education leads and assistants	23	23	23	25
Total	<u>2,493</u>	<u>2,513</u>	<u>2,549</u>	<u>2,605</u>

(1) This schedule is a headcount based on contract group. Full-time and part-time employees count the same.

(2) Due to the COVID-19 pandemic, a significant number of food service employees were furloughed in 2020; many of these furloughs continued through 2021.



2018	2019	2020	2021	2022	2023
13	12	13	14	10	11
47	48	47	47	47	48
1,406	1,419	1,433	1,446	1,369	1,424
256	275	268	257	261	269
465	466	480	413	412	467
125	129	38	81	130	130
127	125	126	120	122	122
188	158	161	139	146	134
26	23	28	23	25	29
<u>2,653</u>	<u>2,655</u>	<u>2,594</u>	<u>2,540</u>	<u>2,522</u>	<u>2,634</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Operating Indicators by Function

Standardized Testing Rates  
Last Ten Fiscal Years

	Fiscal Year			
	2014	2015	2016	2017
<b>Standardized tests</b>				
<b>MCA Reading (1)</b>				
Grade 3	65 %	67 %	67 %	65 %
Grade 4	64	67	71	66
Grade 5	72	79	79	77
Grade 6	67	68	73	71
Grade 7	64	66	65	67
Grade 8	69	69	73	68
Grade 10	71	71	71	73
<b>MCA Math (1)</b>				
Grade 3	82	81	79	77
Grade 4	77	77	78	75
Grade 5	67	68	67	63
Grade 6	69	64	65	65
Grade 7	68	67	64	66
Grade 8	72	69	73	65
Grade 11	60	58	58	61
<b>ACT</b>				
Average composite score	24.1	24.1	22.3	22.7

(1) Percent of students scoring at or above proficiency on the Minnesota Comprehensive Assessment Test.

(2) Due to the COVID-19 pandemic, no 2020 summarized assessment data for MCA tests is available and the ACT test was postponed to Fall 2020.

2018	2019	2020 (2)	2021	2022	2023
66 %	62 %	– %	53 %	53 %	50 %
65	67	–	58	56	51
77	74	–	67	67	66
70	68	–	64	57	57
68	65	–	58	53	47
70	69	–	59	52	53
76	68	–	70	59	62
77	74	–	65	67	65
73	74	–	65	67	66
65	60	–	48	52	55
61	62	–	42	46	49
67	60	–	42	45	45
68	64	–	43	40	44
64	59	–	53	38	44
22.4	22.4	–	21.9	21.1	21.0

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INDEPENDENT SCHOOL DISTRICT NO. 833

School Facilities  
as of June 30, 2023

Facility	Use	Constructed	Acres	Classrooms	Square Footage	Functional Capacity (1)	Enrollment (2)
Armstrong Elementary	School	1969/1987/2001 2012	12.00	31	76,211	506	322
Cottage Grove Elementary	School	2002/2016	35.00	36	100,480	632	424
Crestview Elementary	School	1963/1970/1990/ 1999/2001	35.00	36	81,840	607	417
Gordon Bailey Elementary	School	1991/1992/2000 2015	30.00	45	115,609	683	652
Grey Cloud Elementary	School	1991/1992/2001 2009/2015	41.00	45	119,320	759	763
Hillside Elementary	School	1963/1970/1990/ 2001	16.00	32	75,864	556	425
Liberty Ridge Elementary	School	2003/2006/2016	25.00	56	136,968	910	788
Middleton Elementary	School	1991/1992/1999 2015	30.00	45	115,980	784	586
Newport Elementary	School	1955/1970/1990	9.00	21	79,286	379	271
Nuevas Fronteras Elementary	School	1951/1960/1965/ 1973/1974/1995/ 2002	20.00	37	146,155	556	499
Pine Hill Elementary	School	1960/1967/1970/ 2001	12.00	28	73,631	506	530
Pullman Elementary	School	1960/1970/2001	16.00	29	70,842	481	369
Red Rock Elementary	School	2002/2016	31.00	36	100,401	683	637
Royal Oaks Elementary	School	1966/1970/1990/ 2001	7.00	32	75,859	582	491
Valley Crossing Elementary	School	1996	34.35	33	133,665	733	712
Woodbury Elementary	School	1960/1963/1970/ 1989/1990/1999/ 2001	10.00	40	95,567	632	471
Cottage Grove Middle School	School	1995/2003/2005 2008/2018	72.00	56	200,229	1,208	924
Lake Middle School	School	1995/2000	67.00	54	188,996	1,188	1,145
Oltman Middle School	School	2018	60.00	47	243,898	990	969
Woodbury Middle School	School	1969/1989/2002 2018	16.00	44	205,139	1,188	1,108
East Ridge High School	School	2009/2013	58.00	70	382,264	1,712	2,021
Park Senior High School	School	1964/1971/1973/ 1994/2002/2003 2008/2009	51.00	86	403,981	2,059	1,935
Woodbury Senior High School	School	1974/2002/2003 2007/2008/2009	45.00	80	366,599	1,925	1,979
District Service Center	Office/ warehouse	1972	7.00	N/A	51,312	N/A	–
District Program Center	School/ office	1980	7.00	9	56,045	N/A	85
District Transportation Center	Office/garage/ maintenance	1971/1977/2002	10.00	N/A	44,864	N/A	–

N/A – Not Available

(1) Functional capacity is based on building usage and student-to-staff ratios in effect for fiscal year 2023.

(2) Enrollment data from October 1, 2022.

INDEPENDENT SCHOOL DISTRICT NO. 833

Food Service  
School Lunch Program Data  
Last Ten Fiscal Years

Fiscal Year	Average Daily Attendance (1)	Total Lunches Served	Days	Average Daily Participation	Participation as a Percentage of Average Daily Attendance
2014	16,656	1,670,058	168	9,941	59.68 %
2015	16,707	1,798,346	174	10,335	61.86
2016	16,726	1,814,033	174	10,425	62.33
2017	17,087	1,772,015	174	10,184	59.60
2018	17,453	1,754,196	172	10,199	58.44
2019	17,432	1,726,182	169	10,214	58.59
2020 (2)	17,629	1,206,589	115	10,492	59.52
2021 (3)	17,392	931,942	217	4,295	24.69
2022 (4)	17,459	1,953,999	170	11,494	65.84
2023	17,614	1,808,601	171	10,577	60.05

(1) Based on State Food and Nutrition Department guidelines; attendance is deemed to be 94 percent of enrollment.

(2) Due to the COVID-19 pandemic, significantly fewer meals were served in the National School Lunch Program.

(3) Due to the ongoing COVID-19 pandemic and shifts in learning models throughout the year, significantly fewer lunches were served. Additionally, the program operated all year under the USDA Summer Food Service Program, under which all student meals were provided for free.

(4) The program operated all year under the USDA Seamless Summer Option Program, under which all student meals were provided for free.

Free Lunch		Reduced-Price Lunch	
Number Served	Percent of Total	Number Served	Percent of Total
332,818	19.93 %	104,162	6.24 %
338,742	18.84	116,852	6.50
337,475	18.60	113,467	6.25
338,116	19.08	115,548	6.52
353,564	20.16	115,635	6.59
312,069	18.08	124,606	7.22
212,978	17.65	87,440	7.25
931,942	100.00	–	–
1,953,999	100.00	–	–
431,271	23.85	116,342	6.43

INDEPENDENT SCHOOL DISTRICT NO. 833

Expenditures per Student (Average Daily Membership)  
Last Ten Fiscal Years

	Fiscal Year			
	2014	2015	2016	2017
Administration	\$ 411	\$ 424	\$ 444	\$ 451
District support services	210	304	367	347
Elementary and secondary regular instruction	5,243	5,508	5,552	5,933
Vocational education instruction	123	125	130	121
Special education instruction	1,673	1,818	1,955	2,167
Instructional support services	532	542	553	567
Pupil support services	1,070	1,125	1,118	1,160
Sites and buildings	1,197	1,082	1,689	1,298
Fiscal and other fixed cost programs	27	32	18	27
Food service	446	491	474	492
Community service	720	686	733	813
Capital outlay	205	696	1,512	1,631
Debt service	1,599	1,790	1,672	1,987
Total expenditures	<u>\$ 13,457</u>	<u>\$ 14,624</u>	<u>\$ 16,217</u>	<u>\$ 16,995</u>
Average daily membership	<u>17,719</u>	<u>17,773</u>	<u>17,794</u>	<u>18,178</u>

Note: Includes all governmental fund expenditures.



2018	2019	2020	2021	2022	2023
\$ 452	\$ 478	\$ 486	\$ 504	\$ 525	\$ 538
329	391	459	545	504	404
5,850	6,089	6,114	6,322	6,266	6,575
123	120	122	115	118	167
2,248	2,317	2,452	2,608	2,708	2,885
569	586	614	725	636	688
1,170	1,249	1,366	1,404	1,458	1,647
1,228	1,203	1,424	1,772	1,630	1,700
27	29	16	27	29	36
490	508	422	322	589	596
767	803	742	571	691	776
3,153	2,228	1,385	360	944	719
2,013	1,836	1,872	1,921	2,058	2,099
<u>\$ 18,420</u>	<u>\$ 17,836</u>	<u>\$ 17,474</u>	<u>\$ 17,196</u>	<u>\$ 18,155</u>	<u>\$ 18,830</u>
<u>18,567</u>	<u>18,545</u>	<u>18,754</u>	<u>18,502</u>	<u>18,573</u>	<u>18,770</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Student Enrollment  
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (for Students Served or Tuition Paid)					Total Pupil Units
	Pre-Kindergarten and Handicapped Kindergarten	Kindergarten	Elementary	Secondary	Total	
2014	267	1,059	8,155	8,238	17,719	20,542
2015	354	1,111	8,159	8,149	17,773	19,397
2016	394	1,084	8,107	8,209	17,794	19,435
2017	428	1,120	8,374	8,256	18,178	19,826
2018	443	1,165	8,511	8,448	18,567	20,256
2019	499	1,137	8,376	8,533	18,545	20,252
2020	510	1,187	8,451	8,606	18,754	20,475
2021	465	1,044	8,207	8,786	18,502	20,259
2022	512	1,092	8,247	8,722	18,573	20,316
2023	525	1,097	8,382	8,766	18,770	20,523

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

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

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