



Annual Financial Report

Independent School District No. 2144

Chisago City, Minnesota

For the year ended June 30, 2023



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Chisago City, Minnesota
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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 2144
CHISAGO CITY, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

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Independent School District No. 2144
Chisago City, Minnesota
Board of Education and Administration
For the Year Ended June 30, 2023

BOARD OF EDUCATION

<u>Name</u>	<u>Title</u>
Lori Berg	Chairperson
Jeff Lindeman	Vice-Chairperson
Jen Penzenstadler	Clerk
Brenda Carlson	Treasurer
Josh Soderlund	Director
Sarah Aadland	Director

ADMINISTRATION

Dean Jennissen	Superintendent
Robyn Vosberg-Torgerson	Director of Business Services

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FINANCIAL SECTION
INDEPENDENT SCHOOL DISTRICT NO. 2144
CHISAGO CITY, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Independent School District No. 2144
Chisago City, Minnesota

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2144 (the District), Chisago City, Minnesota, 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 the budgetary comparison for the General fund for the year then ended in conformity 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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17, the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions for Defined Benefit Plans, and the Schedules of Changes in the District's Net OPEB Liability and Related Ratios and Schedule of District Other Post-Employment Benefit Contributions starting on page 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual fund financial statements, schedules, table and schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual fund financial statements, schedules, table and schedule of expenditures of federal awards are fairly stated, in all material respects in relation to the basic financial statements as a whole.



Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Abdo
Minneapolis, Minnesota
December 13, 2023



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Management's Discussion and Analysis

As management of the Independent School District No. 2144 (the District), Chisago City, Minnesota, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023.

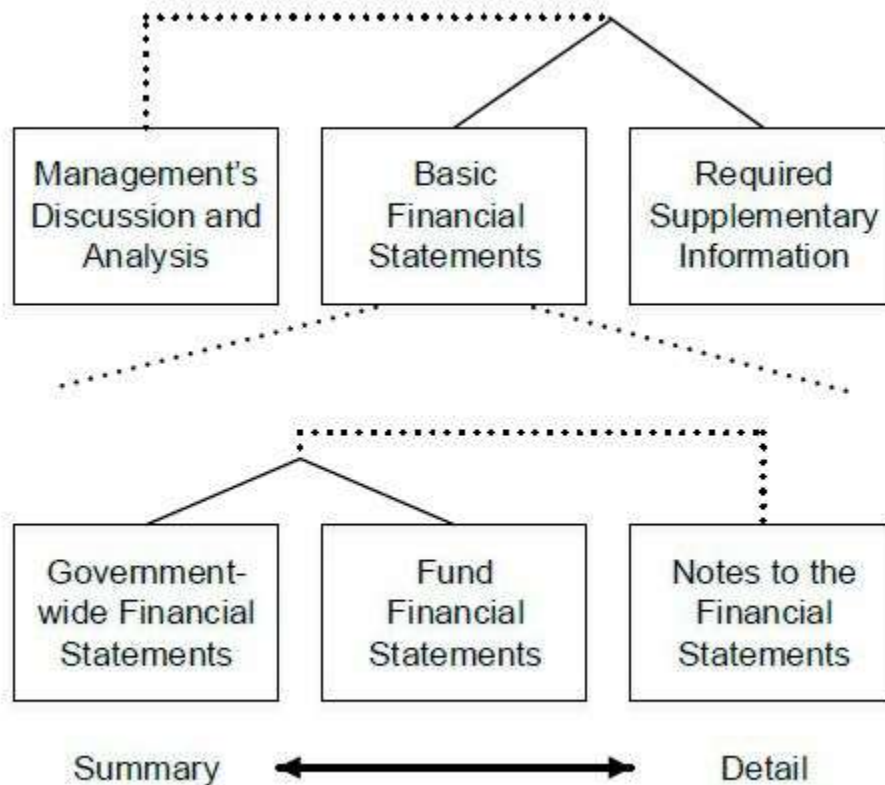
Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year as shown in the summary of net position on the following pages.
- The District's total net position increased as shown in the summary of changes in net position on the following pages. This increase can be attributed to a decrease in the District's net pension liability.
- As of the close of the current fiscal year, the District's governmental fund balances are shown in the Financial Analysis of the District's funds section of the MD&A. The total fund balance decreased in comparison with the prior year. This decrease is primarily the result of increase to expenditures for elementary and secondary instruction, community education and services, instructional support services, pupil support services, special education and sites and buildings.
- At the end of the current fiscal year, unassigned fund balance for the General fund, as shown in the analysis of the District's funds section, increased from prior year.
- The District's total long-term debt decreased during the year due to the issuance of bonds for the District construction projects.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

Organization of Independent School District No. 2144 Annual Financial Report



The following chart summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Major Features of the District-wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Financial Statements. The *district-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the District's overall health, you need to consider additional non-financial indicators such as changes in the District's property tax base and condition of school buildings and other facilities.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In the district-wide financial statements, the District activities are shown in one category titled “governmental activities”:

Governmental Activities: The District’s basic services are reported here, including regular and special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of these activities.

The district-wide financial statements start on page 28 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the district-wide financial statements. By doing so, readers may better understand the long-term impact by the District’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General and the Debt Service funds, both of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its General fund, Food Service fund and Community Service fund. A budgetary comparison statement and schedules has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 32 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the district-wide financial statements because the resources of those funds are not available to support the District’s own programs. 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.

The basic fiduciary fund financial statements can be found on page 37 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements start on page 39 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the District’s progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on page 70 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund financial statements, schedules and table start on page 80 of this report.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources as shown in the summary of net position below at the close of the most recent fiscal year.

Independent School District No. 2144's Net Position

	Governmental Activities		Increase (Decrease)
	2023	2022	
Assets			
Current and other assets	\$ 26,265,480	\$ 27,916,031	\$ (1,650,551)
Capital assets (net of depreciation)	98,710,228	100,342,957	(1,632,729)
Total Assets	<u>124,975,708</u>	<u>128,258,988</u>	<u>(3,283,280)</u>
Deferred Outflows of Resources	<u>9,588,016</u>	<u>10,216,157</u>	<u>(628,141)</u>
Liabilities			
Noncurrent liabilities outstanding	95,502,816	85,009,974	10,492,842
Other liabilities	5,836,906	7,402,804	(1,565,898)
Total Liabilities	<u>101,339,722</u>	<u>92,412,778</u>	<u>8,926,944</u>
Deferred Inflows of Resources	<u>16,508,426</u>	<u>37,570,661</u>	<u>(21,062,235)</u>
Net Position			
Net investment in capital assets	36,730,472	35,163,798	1,566,674
Restricted	4,776,413	5,622,608	(846,195)
Unrestricted	<u>(24,791,309)</u>	<u>(32,294,700)</u>	<u>7,503,391</u>
Total Net Position	<u>\$ 16,715,576</u>	<u>\$ 8,491,706</u>	<u>\$ 8,223,870</u>
Net Position as a Percent of Total			
Net investment in capital assets	219.74 %	414.10 %	
Restricted	28.57	66.21	
Unrestricted	<u>(148.31)</u>	<u>(380.31)</u>	
Total	<u>100.00 %</u>	<u>100.00 %</u>	

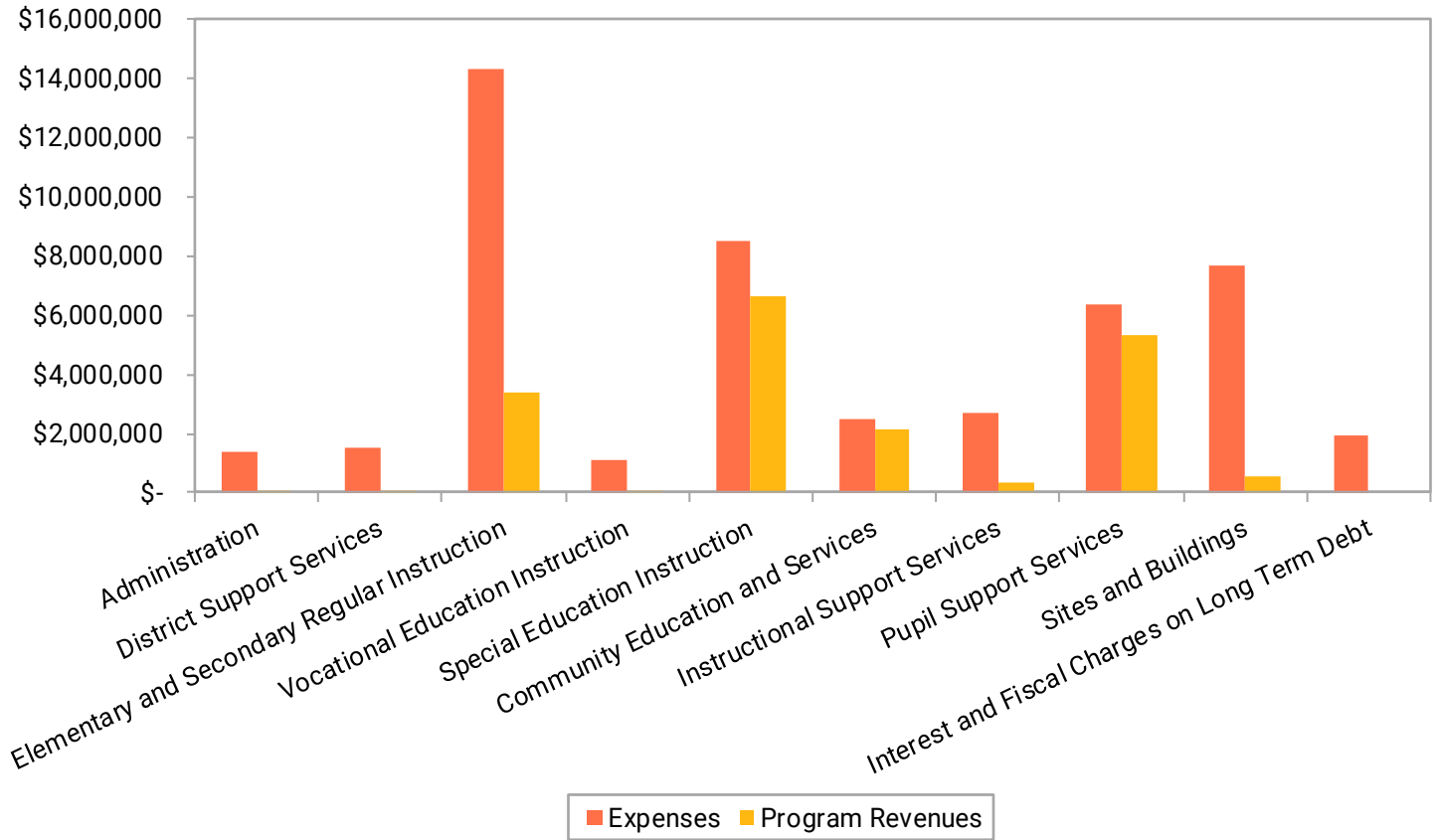
The District's investment in capital assets (e.g., land, buildings, machinery and equipment); reflects its net book value less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At the end of the current fiscal year, the District reports a positive balance in net investment in capital assets and restricted categories of net position, and a negative balance in the unrestricted category.

Governmental Activities. Governmental activities increased the District's net position as shown below in the summary of changes in net position. Key elements of this increase are shown in the table below.

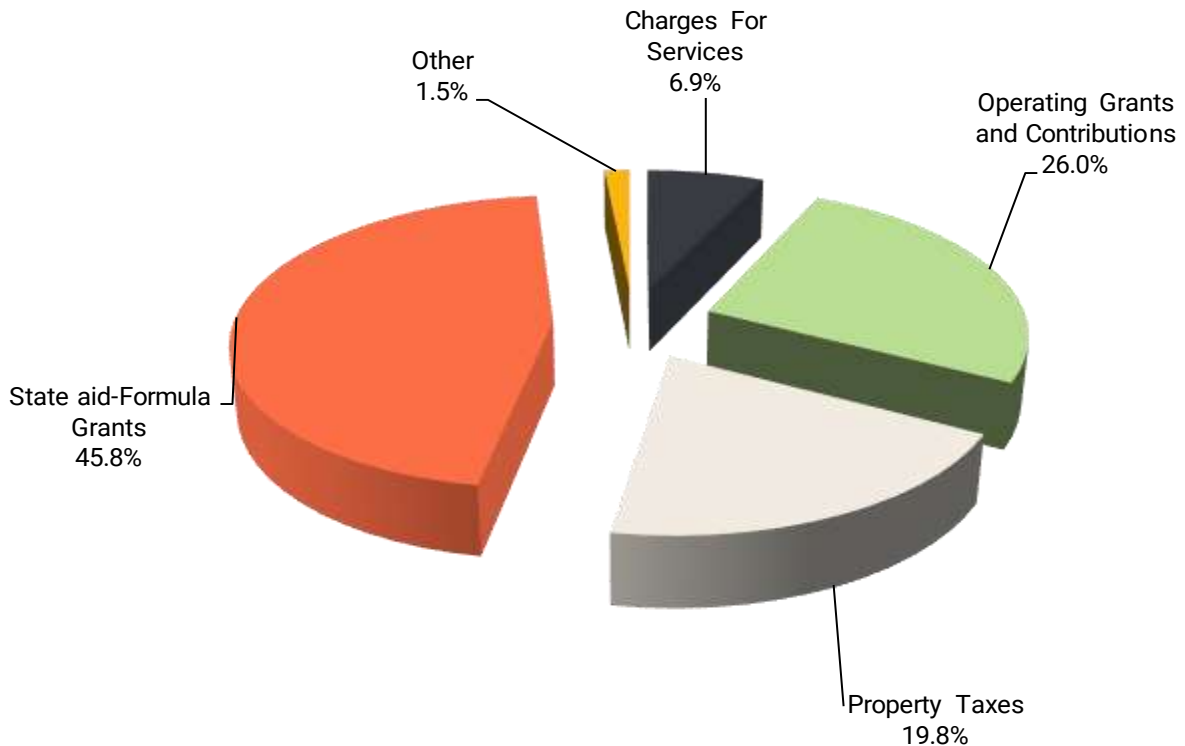
Independent School District No. 2144's Changes in Net Position

	Governmental activities		
	2023	2022	Increase (Decrease)
Revenue			
Program revenue			
Charges for services	\$ 3,857,173	\$ 2,655,187	\$ 1,201,986
Operating grants and contributions	14,615,902	13,479,313	1,136,589
General revenue			
Property taxes	11,122,683	10,914,310	208,373
State aid-formula grants	25,779,578	25,337,699	441,879
Other general revenues and investment earnings	867,892	95,713	772,179
Total Revenue	<u>56,243,228</u>	<u>52,482,222</u>	<u>3,761,006</u>
Expenses			
Administration	1,351,275	1,483,733	(132,458)
District support services	1,498,598	1,351,410	147,188
Elementary and secondary regular instruction	14,341,242	16,551,476	(2,210,234)
Vocational education instruction	1,110,750	1,227,390	(116,640)
Special education instruction	8,547,855	8,572,397	(24,542)
Community education and services	2,467,600	1,755,527	712,073
Instructional support services	2,663,412	2,979,090	(315,678)
Pupil support services	6,374,953	5,995,704	379,249
Sites and buildings	7,698,256	7,233,544	464,712
Interest and fiscal charges on long term debt	1,965,417	1,975,923	(10,506)
Total Expenses	<u>48,019,358</u>	<u>49,126,194</u>	<u>(1,106,836)</u>
Change in Net Position	8,223,870	3,356,028	4,867,842
Net Position, July 1	<u>8,491,706</u>	<u>5,135,678</u>	<u>3,356,028</u>
Net Position, June 30	<u>\$ 16,715,576</u>	<u>\$ 8,491,706</u>	<u>\$ 8,223,870</u>

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Financial Analysis of the District's Funds

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

Governmental Funds. 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 spending at the end of the fiscal year. The table below outlines the governmental fund balances for the year ending June 30, 2023.

	General	Debt Service	Other Governmental Funds	Total	Prior Year Total	Increase/ Decrease
Fund Balances						
Nonspendable	\$ 908,147	\$ -	\$ 74,484	\$ 982,631	\$ 909,079	\$ 73,552
Restricted	2,669,479	1,056,494	1,802,726	5,528,699	6,403,496	(874,797)
Assigned	1,396,187	-	-	1,396,187	1,545,029	(148,842)
Unassigned	2,716,236	-	-	2,716,236	2,012,792	703,444
Total Fund Balances	<u>\$ 7,690,049</u>	<u>\$1,056,494</u>	<u>\$ 1,877,210</u>	<u>\$ 10,623,753</u>	<u>\$ 10,870,396</u>	<u>\$ (246,643)</u>

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances shown above. Additional information on the purposes of the District's fund balances can be found in Note 3E starting on page 53 of this report.

The General fund is the chief operating fund of the District. At the end of the current year, the fund balance of the General fund is shown in the table above. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The total unassigned fund balances as a percent of total fund expenditures is shown in the chart below along with total fund balance as a percent of total expenditures.

	Current Year Ending Balance	Prior Year Ending Balance	Increase / (Decrease)
General Fund Fund Balances			
Nonspendable	\$ 908,147	\$ 811,563	\$ 96,584
Restricted	2,669,479	3,710,411	(1,040,932)
Assigned	1,396,187	1,545,029	(148,842)
Unassigned	2,716,236	2,012,792	703,444
Total	<u>\$ 7,690,049</u>	<u>\$ 8,079,795</u>	<u>\$ (389,746)</u>
General fund expenditures	\$ 46,462,179	\$ 42,958,711	
Unassigned as a percent of expenditures	5.8%	4.7%	
Total fund balance as a percent of expenditures	16.6%	18.8%	

The fund balance of the District's General fund decreased during the current fiscal year as shown in the table above. This decrease is primarily the result of increase to expenditures for elementary and secondary instruction, community education and services, instructional support services, pupil support services, special education, and sites and buildings.

General Fund Budgetary Highlights

	Original Budgeted Amounts	Budget Amendments	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues	\$ 43,318,000	\$ 261,350	\$ 43,579,350	\$ 46,072,433	\$ 2,493,083
Expenditures	42,960,800	383,041	43,343,841	46,462,179	(3,118,338)
Net Change in Fund Balances	357,200	(121,691)	235,509	(389,746)	(625,255)
Fund Balances, July 1	8,079,795	-	8,079,795	8,079,795	-
Fund Balances, June 30	<u>\$ 8,436,995</u>	<u>\$ (121,691)</u>	<u>\$ 8,315,304</u>	<u>\$ 7,690,049</u>	<u>\$ (625,255)</u>

The District's General fund budget was amended during the year as shown above. The budget amendment increased revenues mostly relating to revenue from state sources and local property tax levies and increased expenditures relating to sites and buildings.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2023, is shown below in the capital asset table (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, and machinery and equipment. The following is a schedule of capital assets as of June 30, 2023.

Independent School District No. 2144's Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		
	2023	2022	Increase (Decrease)
Land	\$ 2,577,828	\$ 2,577,828	\$ -
Construction in Progress	-	4,196,520	(4,196,520)
Land Improvements	1,395,642	1,006,327	389,315
Buildings	93,280,490	91,116,129	2,164,361
Equipment	1,456,268	1,446,153	10,115
Total	<u>\$ 98,710,228</u>	<u>\$ 100,342,957</u>	<u>\$ (1,632,729)</u>
Percent increase (decrease)			-1.6%

Additional information on the District's capital assets can be found in Note 3C on page 51 of this report.

Noncurrent Liabilities. At the end of the current fiscal year, the District had the following noncurrent liabilities outstanding.

Independent School District No. 2144's Noncurrent Liabilities

	Governmental Activities		
	2023	2022	Increase (Decrease)
Bonds Payable	<u>\$ 61,979,825</u>	<u>\$ 65,179,225</u>	<u>\$ (3,199,400)</u>
Percent increase (decrease)			-4.9%

Additional information on the District's noncurrent liabilities can be found in Note 3D on page 52 of this report.

Factors Bearing on the District's Future

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

- The basic general education aid amount per pupil was increased to \$7,138 (a 4% increase) for the 2023-24 fiscal year. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs, due to increased costs from inflation and required mandates. The District will strive to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility. The District will continue to use the long-range financial model and annual budget framework to ensure that expenditures are aligned with revenues. Efforts will continue to be made to influence legislators to recommit to their financial support for public education.
- The amount of aid the District receives is dependent on the number of students it serves, meaning attracting and retaining students is critical to the District's financial well-being. Students choosing to enroll in other educational options will mean less revenue for the District.
- The 2023 Legislature modified state statutes relating to operating levy referendums and renewal by school board. A school board may renew an expiring referendum by board action if: (1) the per pupil amount of the referendum is the same as the amount expiring, or for an expiring referendum that was adjusted annually by the rate of inflation, the same as the per pupil amount of the expiring referendum, adjusted annually for inflation in the same manner as if the expiring referendum had continued; (2) the term of the renewed referendum is no longer than the initial term approved by the voters; (3) the school board, having taken a recorded vote, has adopted a written resolution authorizing the renewal after holding a meeting and allowing public testimony on the proposed renewal; and (4) the expiring referendum has not been previously renewed under this subdivision. (b) The resolution must be adopted by the school board by June 15 of any calendar year and becomes effective 60 days after its adoption.
- The District has a voter approved operating levy of \$225 per pupil unit that expires in 2024 and the school board renewed that levy at the June 6, 2023 school board meeting. The school board requested an increase of the operating levy in November of 2022 and November of 2023 that both failed. After budget reductions implemented in the FY 24 budget, the school board will need to give consideration to further budget reductions.
- The District's enrollment had been trending down in recent years until FY22. District enrollment declined in FY20 (-7.71) and again in FY21 (-108.73), increased in FY22 (8.59) and declined slightly in FY23 (-1.26). The District's total ADM (Average Daily Membership) for 2021-22 was 3,322.64 and the total ADM for 2022-23 was 3,321.38. The District's total PUN (Pupil Units) for 2021-22 was 3,639.58, and the total PUN for 2022-23 3,633.77, a decrease of 5.81. At the present time, the District's current year (2023-24) enrollment is decreasing. November 2023 enrollment is 18 students higher than the June 2023 enrollment, but 42 below the budgeted enrollment for the year.

These factors were considered in preparing the District's budget for the 2023 fiscal year and are already being considered when preparing the budget for the 2024 fiscal year.

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Business Services, Independent School District No. 2144, 29678 Karmel Ave., Chisago City, Minnesota 55013.

DISTRICT-WIDE FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 2144
CHISAGO CITY, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

Independent School District No. 2144

Chisago City, Minnesota
Statement of Net Position
June 30, 2023

	Governmental Activities
Assets	
Cash and temporary investments	\$ 12,727,110
Receivables	
Taxes	7,332,122
Accounts	73,303
Interest	33,729
Due from other school districts	476,090
Due from Minnesota Department of Education	3,206,038
Due from Federal government	1,434,457
Inventories	82,919
Prepaid items	899,712
Capital assets	
Land and construction in process	2,577,828
Depreciable assets, net of accumulated depreciation	96,132,400
Total Assets	<u>124,975,708</u>
Deferred Outflows of Resources	
Deferred pension resources	8,624,129
Deferred other post employment benefit resources	963,887
Total Deferred Outflows of Resources	<u>9,588,016</u>
Liabilities	
Accrued salaries payable	3,870,750
Accounts and other payables	459,926
Due to other governments	56,046
Accrued interest payable	858,985
Unearned revenue	591,199
Noncurrent liabilities	
Due within one year	
Long-term liabilities	3,206,363
Due in more than one year	
Long-term liabilities	60,225,073
Other postemployment benefits payable	1,920,035
Net pension liability	30,151,345
Total Liabilities	<u>101,339,722</u>
Deferred Inflows of Resources	
Property taxes levied for subsequent year	10,596,616
Deferred pension resources	5,661,647
Deferred other post employment benefit resources	250,163
Total Deferred Inflows of Resources	<u>16,508,426</u>
Net Position	
Net investment in capital assets	36,730,472
Restricted for	
Educational purposes	3,529,281
Debt service	227,559
Food service	1,019,573
Unrestricted	<u>(24,791,309)</u>
Total Net Position	<u>\$ 16,715,576</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2144

Chisago City, Minnesota

Statement of Activities

For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
Governmental Activities					Governmental Activities
Administration	\$ 1,351,275	\$ 9,308	\$ 9,797	\$ -	\$ (1,332,170)
District support services	1,498,598	-	2,132	-	(1,496,466)
Elementary and secondary regular instruction	14,341,242	700,968	2,709,391	-	(10,930,883)
Vocational education instruction	1,110,750	-	89,345	-	(1,021,405)
Special education instruction	8,547,855	-	6,647,394	-	(1,900,461)
Community education and services	2,467,600	1,756,157	371,623	-	(339,820)
Instructional support services	2,663,412	1,255	319,863	-	(2,342,294)
Pupil support services	6,374,953	1,388,424	3,926,851	-	(1,059,678)
Sites and buildings	7,698,256	1,061	539,506	-	(7,157,689)
Interest and fiscal charges on long term debt	1,965,417	-	-	-	(1,965,417)
Total Governmental Activities	<u>\$ 48,019,358</u>	<u>\$ 3,857,173</u>	<u>\$ 14,615,902</u>	<u>\$ -</u>	<u>(29,546,283)</u>
General Revenues					
Taxes					
Property taxes, levied for general purposes					5,930,299
Property taxes, levied for community service					334,154
Property taxes, levied for debt service					4,858,230
State aid-formula grants					25,779,578
Other general revenues					369,101
Unrestricted investment earnings					498,791
Total General Revenues					<u>37,770,153</u>
Change in Net Position					8,223,870
Net Position, July 1					<u>8,491,706</u>
Net Position, June 30					<u>\$ 16,715,576</u>

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 2144
CHISAGO CITY, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

Independent School District No. 2144

Chisago City, Minnesota

Balance Sheet

Governmental Funds

June 30, 2023

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and temporary investments	\$ 7,678,802	\$ 2,806,048	\$ 2,242,260	\$ 12,727,110
Receivables				
Taxes	3,716,225	3,390,452	225,445	7,332,122
Accounts	66,469	-	6,834	73,303
Interest	23,071	4,948	5,710	33,729
Due from other school districts	476,090	-	-	476,090
Due from Minnesota Department of Education	3,152,907	30,164	22,967	3,206,038
Due from the Federal government	1,419,805	-	14,652	1,434,457
Inventories	16,207	-	66,712	82,919
Prepaid items	891,940	-	7,772	899,712
	<u>\$ 17,441,516</u>	<u>\$ 6,231,612</u>	<u>\$ 2,592,352</u>	<u>\$ 26,265,480</u>
Liabilities				
Accrued salaries payable	\$ 3,792,989	\$ -	\$ 77,761	\$ 3,870,750
Accounts and other payables	419,858	-	40,068	459,926
Due to other governments	56,046	-	-	56,046
Unearned revenue	337,577	-	253,622	591,199
Total Liabilities	<u>4,606,470</u>	<u>-</u>	<u>371,451</u>	<u>4,977,921</u>
Deferred Inflows of Resources				
Unavailable revenue - delinquent property taxes	34,906	30,050	2,234	67,190
Property taxes levied for subsequent year	5,110,091	5,145,068	341,457	10,596,616
Total Deferred Inflows of Resources	<u>5,144,997</u>	<u>5,175,118</u>	<u>343,691</u>	<u>10,663,806</u>
Fund Balances				
Nonspendable	908,147	-	74,484	982,631
Restricted	2,669,479	1,056,494	1,802,726	5,528,699
Assigned	1,396,187	-	-	1,396,187
Unassigned	2,716,236	-	-	2,716,236
Total Fund Balances	<u>7,690,049</u>	<u>1,056,494</u>	<u>1,877,210</u>	<u>10,623,753</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 17,441,516</u>	<u>\$ 6,231,612</u>	<u>\$ 2,592,352</u>	<u>\$ 26,265,480</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2144

Chisago City, Minnesota Reconciliation of the Balance Sheet to the Statement of Net Position Governmental Funds June 30, 2023

Amounts reported for governmental activities in the statement of net position are different because

Total Fund Balances - Governmental Funds	\$ 10,623,753
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	168,640,335
Less: accumulated depreciation	(69,930,107)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Compensated absences payable	(1,451,611)
Other post employment benefits payable	(1,920,035)
Bond payable, net of premium	(61,979,825)
Net pension liability	(30,151,345)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	67,190
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	8,624,129
Deferred inflows of pension resources	(5,661,647)
Governmental funds do not report long-term amounts related to other post employment benefits.	
Deferred outflows of other post employment benefits	963,887
Deferred inflows of other post employment benefits	(250,163)
Governmental funds do not report a liability for accrued interest until due and payable.	(858,985)
Total Net Position - Governmental Activities	<u>\$ 16,715,576</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2144
Chisago City, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Local property tax levies	\$ 5,938,849	\$ 4,858,230	\$ 334,154	\$ 11,131,233
Interest earned on investments	326,856	88,524	83,411	498,791
Revenue from local sources	3,040,388	-	1,961,125	5,001,513
Revenue from state sources	34,043,634	301,896	372,251	34,717,781
Revenue from federal sources	2,645,922	-	902,293	3,548,215
Sales and other conversion of assets	76,784	-	1,021,232	1,098,016
Total Revenues	<u>46,072,433</u>	<u>5,248,650</u>	<u>4,674,466</u>	<u>55,995,549</u>
Expenditures				
Current				
Administration	1,711,107	-	-	1,711,107
District support services	1,247,555	-	-	1,247,555
Elementary and secondary				
regular instruction	17,938,285	-	52,983	17,991,268
Vocational education instruction	1,407,237	-	-	1,407,237
Special education instruction	9,719,581	-	-	9,719,581
Community education and services	-	-	2,535,862	2,535,862
Instructional support services	2,884,398	-	-	2,884,398
Pupil support services	4,597,847	-	1,940,822	6,538,669
Sites and buildings	4,033,206	-	-	4,033,206
Capital outlay				
Administration	1,498	-	-	1,498
District support services	239,733	-	-	239,733
Elementary and secondary				
regular instruction	292,830	-	-	292,830
Vocational education instruction	19,063	-	-	19,063
Special education instruction	69,455	-	-	69,455
Community education and services	-	-	15,294	15,294
Instructional support services	250,289	-	-	250,289
Pupil support services	-	-	15,527	15,527
Sites and buildings	2,050,095	-	-	2,050,095
Debt service				
Principal	-	3,025,000	-	3,025,000
Interest and other charges	-	2,194,525	-	2,194,525
Total Expenditures	<u>46,462,179</u>	<u>5,219,525</u>	<u>4,560,488</u>	<u>56,242,192</u>
Net Change in Fund Balances	(389,746)	29,125	113,978	(246,643)
Fund Balances, July 1	<u>8,079,795</u>	<u>1,027,369</u>	<u>1,763,232</u>	<u>10,870,396</u>
Fund Balances, June 30	<u>\$ 7,690,049</u>	<u>\$ 1,056,494</u>	<u>\$ 1,877,210</u>	<u>\$ 10,623,753</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2144
Chisago City, Minnesota
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2023

Amounts reported for governmental activities in the statement of activities are different because

Total Net Change in Fund Balances - Governmental Funds	\$ (246,643)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	1,778,657
Depreciation expense	(3,411,386)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Principal repayments	
Bonds	3,025,000
Amortization of premiums on bonds	174,400
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	54,708
Long-term pension activity is not reported in governmental funds.	
Pension expense	6,517,477
Pension revenue	269,106
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	(8,550)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	217,387
Other postemployment benefits	(146,286)
Change in Net Position - Governmental Activities	<u>\$ 8,223,870</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2144
Chisago City, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Local property tax levies	\$ 5,532,205	\$ 5,602,205	\$ 5,938,849	\$ 336,644
Interest earned on investments	103,525	133,525	326,856	193,331
Revenue from local sources	2,150,748	2,180,748	3,040,388	859,640
Revenue from state sources	33,059,833	33,157,833	34,043,634	885,801
Revenue from federal sources	2,469,689	2,503,039	2,645,922	142,883
Sales and other conversion of assets	2,000	2,000	76,784	74,784
Total Revenues	<u>43,318,000</u>	<u>43,579,350</u>	<u>46,072,433</u>	<u>2,493,083</u>
Expenditures				
Current				
Administration	1,808,624	1,713,107	1,711,107	2,000
District support services	1,550,380	1,485,646	1,247,555	238,091
Elementary and secondary regular instruction	17,097,552	16,907,471	17,938,285	(1,030,814)
Vocational education instruction	1,269,535	1,270,282	1,407,237	(136,955)
Special education instruction	9,325,701	9,007,730	9,719,581	(711,851)
Instructional support services	3,029,097	2,994,557	2,884,398	110,159
Pupil support services	4,257,512	4,495,862	4,597,847	(101,985)
Sites and buildings	3,226,635	3,325,866	4,033,206	(707,340)
Fiscal and other fixed costs programs	75,500	75,500	-	75,500
Capital outlay				
Administration	-	-	1,498	(1,498)
District support services	174,250	132,250	239,733	(107,483)
Elementary and secondary regular instruction	192,500	217,935	292,830	(74,895)
Vocational education instruction	22,029	12,800	19,063	(6,263)
Special education instruction	5,000	150	69,455	(69,305)
Instructional support services	209,798	210,748	250,289	(39,541)
Pupil support services	7,250	7,250	-	7,250
Sites and buildings	709,437	1,486,687	2,050,095	(563,408)
Total Expenditures	<u>42,960,800</u>	<u>43,343,841</u>	<u>46,462,179</u>	<u>(3,118,338)</u>
Net Change in Fund Balances	357,200	235,509	(389,746)	(625,255)
Fund Balances, July 1	<u>8,079,795</u>	<u>8,079,795</u>	<u>8,079,795</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 8,436,995</u>	<u>\$ 8,315,304</u>	<u>\$ 7,690,049</u>	<u>\$ (625,255)</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2144
 Chisago City, Minnesota
 Statement of Fiduciary Net Position
 Fiduciary Fund
 June 30, 2023

	<u>Custodial</u>
Assets	
Cash and temporary investments	<u>\$ 15,118</u>
Net Postion	
Restricted for individuals and organizations	<u>\$ 15,118</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2144
Chisago City, Minnesota
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2023

	<u>Custodial</u>
Additions	
Contributions	
Gifts and bequests	<u>\$ 32,590</u>
Deductions	
Scholarships	<u>29,250</u>
Net Increase (Decrease) in Fiduciary Net Position	3,340
Fund Balances, July 1	<u>11,778</u>
Net Position, June 30	<u><u>\$ 15,118</u></u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2144
Chisago City, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Independent School District No. 2144 (the District), Chisago City, Minnesota was incorporated under the laws of the State of Minnesota. The District operates under a Board of Education form of government for the purpose of providing educational services to individuals within the area. The District is governed by an elected Board of Education of six members. The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The District has no component units that meet the GASB criteria.

B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment, taxes, state aid formula grants, and other items not properly included among program revenues are reported as *general revenues*.

Separate financial statements are provided for governmental funds and the fiduciary fund, even though the latter is excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor funds are reported in single columns in the respective fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The district-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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. State revenue is recognized in the year to which it applies according to Minnesota statutes and accounting principles generally accepted in the United States of America. Minnesota statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure was made. Other revenue is considered available if collected within one year.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, other postemployment benefits, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Independent School District No. 2144
Chisago City, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transaction must also be available before it can be recognized.

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumption that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Description of Funds

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

Major Governmental Funds

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

The *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Non-major Governmental Funds

The *Food Service special revenue fund* is used to account for food service revenues and expenditures. Revenues include contributions from state and federal sources as well as charges for services.

The *Community Service special revenue fund* accounts for services provided to and fees collected from residents in the areas of recreation, civic activities, non-public pupils, adult or early childhood programs or other similar services.

The *Building Construction capital projects fund* is used to account for all operations of building construction programs that are funded by the sale of bonds.

Fiduciary Funds

The *Custodial Fund* is accounts for the scholarships that are held in trust for the use of awarding scholarships to students.

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

Independent School District No. 2144
Chisago City, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The District may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks, corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase 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, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Investments for the District are reported at cost. The Minnesota School District Liquid Asset Fund (MSDLAF) investment pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The MSDLAF is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under the SEC under rule 2a7. Financial statements of the MSDLAF fund can be obtained by contacting PFM Asset Management, LLC at P.O. Box 11760, Harrisburg, PA 17108-11760.

Independent School District No. 2144
Chisago City, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's recurring fair value measurements are listed in detail on page 49 and are valued using matrix pricing models (Level 2 inputs).

Property Taxes

The Board of Education annually adopts a tax levy and certifies it to the County in December for collection in the following year. The County is responsible for collecting all property taxes for the District. These taxes attach an enforceable lien on taxable property within the District on January 1 and are payable by the property owners in May and October of each year. The taxes are collected by the County Treasurer and tax settlements are made to the District three or four times throughout the year.

Statutory funding formulas determine the majority of the District revenue in the general and special revenue funds. This revenue is divided between property taxes and state aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift." The remaining portion of taxes collectible in 2023 is recorded as deferred inflow of resources, property taxes levied for subsequent year.

Current property taxes receivable is the uncollected portion of the taxes levied in 2022 and collectible in 2023. This levy is offset with a deferred inflow of resources, property taxes levied for subsequent year. Delinquent property taxes receivable is the uncollected portion of the taxes levied prior to 2022 and not yet collected. Delinquent property taxes receivable is offset with a deferred inflow of resources, unavailable revenue delinquent property taxes.

Receivables

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. No allowance for uncollectible accounts has been recorded. The only receivable not expected to be collected within one year is current property taxes receivable.

Due from the Department of Education and Federal Government

Due from the Department of Education and Federal Government includes amounts billed for services provided before year end as well as amounts for expenditures that have been incurred before year end that will be reimbursed with state and federal funding. No substantial losses are anticipated from present receivable balances, therefore no allowance for uncollectible has been recorded.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements.

Independent School District No. 2144
Chisago City, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Donated capital assets are recorded at the acquisition value at the date of donation.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Buildings	20 - 50
Improvements other than Buildings	15 - 20
Equipment and Machinery	5 - 20

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items which qualify for reporting in this category. Accordingly, the items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position. These items result from actuarial calculations and current year pension contributions and OPEB contributions made subsequent to the measurement dates.

Compensated Absences Payable

Vacation Pay - Vacations taken or estimated to be taken within 60 days after year end are expensed and included in salaries payable as of June 30. Teachers are not eligible for vacation pay.

Sick Pay - Substantially all District employees are entitled to sick leave at various rates. Employees are not compensated for unused sick leave upon termination of employment. However, unused sick leave does enter into the calculation of an employee's severance pay upon termination.

Severance Pay - The District maintains severance pay plans for eligible employees. The benefit plan formulas are based on years of service (10 years) and minimum age requirements (age 55). The potential benefits payable are computed as follows:

Option A - Eligible teachers, upon retirement, shall receive as severance pay an amount representing five days of pay for each full year of full-time service, but not to exceed a total of 100 days of pay.

Option B - Eligible teachers, upon retirement, shall receive a severance pay based on the teacher's accrued unused disability leave up to a maximum of 100 days at the teacher's daily rate of pay.

Independent School District No. 2144
Chisago City, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Other Postemployment Benefits (OPEB) Obligation

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 75, at June 30, 2022. The General fund is typically used to liquidate the governmental other postemployment benefit obligations.

Pensions

Teachers Retirement Association (TRA)

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. The General fund is typically used to liquidate the governmental net pension liability. Additional information can be found in Note 4.

Public Employees Retirement Association (PERA)

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 additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. 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 General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for the GERP, PEDCP and TRA is as follows:

	GERP	PEDCP	TRA	Total Pension Expense
District's proportionate share	\$ 757,477	\$ 32	\$ (5,382,827)	\$ (4,625,318)
Proportionate share of State's contribution	30,504	-	238,602	269,106
Total Pension Expense	<u>\$ 787,981</u>	<u>\$ 32</u>	<u>\$ (5,144,225)</u>	<u>\$ (4,356,212)</u>

Independent School District No. 2144
Chisago City, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as an expense in the period incurred.

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

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: delinquent property taxes and property taxes levied for subsequent year. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Furthermore, the District has additional items which qualify for reporting in this category on the statement of net position. The items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position and results from actuarial calculations involving net differences between projected and actual earnings on plan investments and changes in proportions.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

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

Independent School District No. 2144
Chisago City, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items or inventories.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by Minnesota statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the Board of Education, which is the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board of Education modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Board of Education itself or by an official to which the Board of Education delegates the authority. The Board of Education has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Director of Business Services and/or Superintendent.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District has formally adopted a fund balance policy for the General fund. The District's policy is to maintain a minimum fund balance of 12 to 15 percent operating expenditures.

Independent School District No. 2144
Chisago City, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Budgets are prepared for District funds on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the funds for the General, Special Revenue and the Debt Service funds. The budget was amended during the year in all funds mentioned above.

The chart below outlines budget the budget amendments by fund.

Fund	Revenues Increased/(Decreased)	Expenditures Increased/(Decreased)	Overall Change
Major			
General	\$ 261,350	\$ 383,041	\$ (121,691)
Nonmajor			
Food Service	(5,550)	(57,823)	52,273
Community Service	77,796	68,485	9,311

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

1. Prior to July 1, the budget is prepared by the Superintendent to be adopted by the Board of Education.
2. Budgets for all General, special revenue, and Debt Service funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
3. Budgeted amounts are as originally adopted, or as amended.
4. Budget appropriations lapse at year end.
5. The legal level of control is the fund level.
6. The District does not use encumbrance accounting.

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2023, expenditures exceeded appropriations in the following funds:

Fund	Budget Amounts	Actual Amounts	Excess of Expenditures Over Appropriations
Major			
General	\$ 43,343,841	\$ 46,462,179	\$ 3,118,338
Nonmajor			
Food Service	1,925,655	1,956,349	30,694
Community Service	2,288,903	2,604,139	315,236

The excess of expenditures over appropriation were funded by actual revenues in excess of budget and available fund balances.

Independent School District No. 2144
Chisago City, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the District's deposits and investments may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Board of Education, the District maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all District deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a 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 selection should be approved by the Board of Education.

At year end, the District's carrying amount of deposits, bank balance, FDIC coverage and pledged collateral are shown in the chart below.

Carrying amount of deposits	<u>\$ 188,619</u>
Bank balance	\$ 184,029
Covered by FDIC	(184,029)
Collateralized with securities pledged in the District's name	<u>\$ -</u>

Independent School District No. 2144
Chisago City, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 3: Detailed Notes on All Funds (Continued)

Investments

The District's investment balances were as follows for June 30, 2023:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Balance June 30, 2023
Pooled Investments at Amortized Costs			
Minnesota School District Liquid Assets Funds	N/A	Less than 6 months	\$ 8,556,833
Term Investments Held by MSDLAF	N/A	Less than 6 months	32,776
Edward Jones Money Market Mutual Fund	N/A	Less than 6 months	<u>3,964,000</u>
Total Investments			<u>\$ 12,553,609</u>

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicated not applicable or available.

The investments of the District are subject to the following risks:

- *Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the District's investments to the list on page 49 of the notes.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.
- *Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.
- *Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The Minnesota School District Liquid Asset Fund (MSDLAF) is a trust organized and existing under the laws of the State of Minnesota and the Minnesota Joint Powers Act, as amended. The trust was established for the purpose of allowing Minnesota school districts to pool their investment funds to obtain a competitive investment yield, while maintaining liquidity and preserving capital. The credit rating for the MSDLAF is AAA. The weighted average days to maturity are less than six months. The District's investment in the MSDLAF is equal to the value of pool shares.

The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40. The District does not currently have an investment policy that addresses the risks described above.

Independent School District No. 2144
Chisago City, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 3: Detailed Notes on All Funds (Continued)

A reconciliation of cash and temporary investments as shown on the financial statements for the District follows:

	Amount
As Reported in the Basic Financial Statements	
Statement of net position	\$ 12,727,110
Statement of fiduciary net position	15,118
	<u>\$ 12,742,228</u>
 Cash and Temporary Investments	
Deposits	\$ 188,619
Investments	12,553,609
	<u>\$ 12,742,228</u>

B. Property Taxes Receivable

Current property taxes receivable are recorded for uncollected taxes levied in 2022 and payable in 2023. The total levy is deferred for subsequent years' operations.

Delinquent property taxes receivable represents uncollected taxes from the previous six years' property tax levies. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Taxes receivable by fund type is comprised of the following components:

	Major Funds		Other Governmental Funds	Total
	General	Debt Service		
Current Taxes	\$ 3,644,948	\$ 3,329,091	\$ 220,884	\$ 7,194,923
Delinquent Taxes	71,277	61,361	4,561	137,199
	<u>\$ 3,716,225</u>	<u>\$ 3,390,452</u>	<u>\$ 225,445</u>	<u>\$ 7,332,122</u>

Independent School District No. 2144
Chisago City, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 2,577,828	\$ -	\$ -	\$ 2,577,828
Construction in progress	4,196,520	-	(4,196,520)	-
Total Capital Assets not Being Depreciated	6,774,348	-	(4,196,520)	2,577,828
Capital Assets Being Depreciated				
Land improvements	4,149,895	501,712	-	4,651,607
Buildings	132,641,122	5,232,245	-	137,873,367
Equipment	23,296,313	241,220	-	23,537,533
Total Capital Assets Being Depreciated	160,087,330	5,975,177	-	166,062,507
Less Accumulated Depreciation for				
Land improvements	(3,143,568)	(112,397)	-	(3,255,965)
Buildings	(41,524,993)	(3,067,884)	-	(44,592,877)
Equipment	(21,850,160)	(231,105)	-	(22,081,265)
Total Accumulated Depreciation	(66,518,721)	(3,411,386)	-	(69,930,107)
Total Capital Assets Being Depreciated, Net	93,568,609	2,563,791	-	96,132,400
Governmental Activities Capital Assets, Net	<u>\$ 100,342,957</u>	<u>\$ 2,563,791</u>	<u>\$ (4,196,520)</u>	<u>\$ 98,710,228</u>

Depreciation expense was charged to functions of the District as follows:

Administration	\$ 1,040
District Support Services	340
Elementary and Secondary Regular Instruction	20,959
Vocational Education Instruction	667
Community Education and Services	4,739
Instructional Support Services	19,106
Pupil Support Services	10,633
Sites and Buildings	3,353,902
Total Depreciation Expense - Governmental Activities	<u>\$ 3,411,386</u>

Independent School District No. 2144
Chisago City, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 3: Detailed Notes on All Funds (Continued)

D. Long-term Debt

General Obligation (G.O.) Bonds

The District issues G.O. bonds to provide funds for the acquisition and construction of major capital facilities. In addition, refunding G.O. bonds have been issued. G.O. bonds are direct obligations and pledge the full faith and credit of the District. G.O. bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End	Due Within One Year
G.O. School Building Bonds, 2017A	\$ 61,680,000	3.00 - 5.00 %	08/03/17	02/01/38	\$ 55,750,000	\$ 2,745,000
G.O. School Building Bonds, 2018A	3,730,000	3.00 - 3.10	03/29/18	02/01/33	2,815,000	245,000
G.O. School Building Bonds, 2020A	1,200,000	2.00	05/07/20	02/01/30	860,000	115,000
Total G.O. Bonds					<u>\$ 59,425,000</u>	<u>\$ 3,105,000</u>

Annual debt service requirements to maturity for the G.O. bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 3,105,000	\$ 2,061,564	\$ 5,166,564
2025	3,305,000	1,914,664	5,219,664
2026	3,460,000	1,758,114	5,218,114
2027	3,630,000	1,593,914	5,223,914
2028	3,790,000	1,421,564	5,211,564
2029 - 2033	20,420,000	5,248,869	25,668,869
2034 - 2038	21,715,000	2,044,336	23,759,336
Total	<u>\$ 59,425,000</u>	<u>\$ 16,043,025</u>	<u>\$ 75,468,025</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
G.O. bonds	\$ 62,450,000	\$ -	\$ (3,025,000)	\$ 59,425,000	\$ 3,105,000
Unamortized premium	2,729,225	-	(174,400)	2,554,825	-
Net Bonds Payable	65,179,225	-	(3,199,400)	61,979,825	3,105,000
Compensated Absences Payable	1,668,998	101,781	(319,168)	1,451,611	101,363
Governmental Activities Long-term Liabilities	<u>\$ 66,848,223</u>	<u>\$ 101,781</u>	<u>\$ (3,518,568)</u>	<u>\$ 63,431,436</u>	<u>\$ 3,206,363</u>

Independent School District No. 2144
Chisago City, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 3: Detailed Notes on All Funds (Continued)

E. Components of Fund Balance

At June 30, 2023, portions of the District's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Other Governmental Funds	Total Governmental Funds	UFARS Balance
Nonspendable for					
Inventories	\$ 16,207	\$ -	\$ 66,712	\$ 82,919	\$ 82,919
Prepaid items	891,940	-	7,772	899,712	899,712
Total Nonspendable	<u>908,147</u>	<u>-</u>	<u>74,484</u>	<u>982,631</u>	<u>982,631</u>
Restricted for					
Student activities	306,559	-	-	306,559	306,559
Staff development	27,107	-	-	27,107	27,107
Medical assistance	414	-	-	414	414
Operating capital	1,064,826	-	-	1,064,826	1,064,826
Long-term facilities maintenance	1,184,476	-	-	1,184,476	1,184,476
Gifted and talented	84,066	-	-	84,066	84,066
Basic skills	2,031	-	-	2,031	2,031
Debt service	-	1,056,494	-	1,056,494	1,056,494
Building construction	-	-	69	69	69
Community education	-	-	87,516	87,516	87,516
Early childhood and family education	-	-	399,940	399,940	399,940
School readiness	-	-	259,426	259,426	259,426
Community service	-	-	104,874	104,874	104,874
Food service	-	-	950,901	950,901	950,901
Total Restricted	<u>2,669,479</u>	<u>1,056,494</u>	<u>1,802,726</u>	<u>5,528,699</u>	<u>5,528,699</u>
Assigned to					
Separation/retirement benefits	<u>1,396,187</u>	<u>-</u>	<u>-</u>	<u>1,396,187</u>	<u>1,396,187</u>
Unassigned	<u>2,716,236</u>	<u>-</u>	<u>-</u>	<u>2,716,236</u>	<u>2,716,236</u>
Total Fund Balance	<u><u>\$ 7,690,049</u></u>	<u><u>\$ 1,056,494</u></u>	<u><u>\$ 1,877,210</u></u>	<u><u>\$10,623,753</u></u>	<u><u>\$10,623,753</u></u>

Restricted for student activities - This amount represents resources available for the extracurricular activity funds raised by students.

Restricted for staff development - This amount represents unspent staff development revenues set aside from General Education revenues that were restricted for staff development.

Restricted for medical assistance – This amount represents resources in the General Fund from medical assistance billings to be used IEP services.

Restricted for operating capital - This amount represents resources in the General Fund to be used to purchase equipment and facilities.

Independent School District No. 2144
Chisago City, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 3: Detailed Notes on All Funds (Continued)

Restricted for long term facilities maintenance - This amount represents unspent long term facilities maintenance revenues from tax levies and State aids that were restricted for long term facilities maintenance.

Restricted for gifted and talented - This amount represents resources dedicated to providing challenging educational programs to gifted and talented students.

Restricted for basic skills – This amount represents resources to providing educational programs for basic skills.

Restricted for debt service - This amount represents available resources restricted exclusively for debt service payments. Revenues are derived from tax levies and expenditures are for principal, interest, and paying agent fees.

Restricted for building construction - This amount represents restricted bond proceeds to be used for building construction.

Restricted for community education - This amount represents available resources for community education classes. Revenues are derived from tax levies and state aids and expenditures are for salaries, benefits and supplies. Any deficits can be eliminated by future tax levies and state aids.

Restricted for early childhood and family education (ECFE) - This amount represents available resources for ECFE classes. Revenues are derived from local tax levies and state aids and expenditures are for salaries, benefits and supplies.

Restricted for school readiness - This amount represents the resources available to provide for services for school readiness programs, which includes aids, fees, grants and all other revenues received by the District for the program.

Restricted for community service - This amount represents restricted resources for community service stipulated by constitution, external resource providers, or through enabling legislation.

Restricted for food service - This amount represents restricted resources for community service stipulated by constitution, external resource providers, or through enabling legislation.

Note 4: Defined Benefit Pension Plans

A. Teachers Retirement Association (TRA)

1. Plan Description

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

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

Independent School District No. 2144
Chisago City, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 4: Defined Benefit Pension Plans (Continued)

2. Benefits Provided

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

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

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

With these provisions:

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

or

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

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

Independent School District No. 2144
Chisago City, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 4: Defined Benefit Pension Plans (Continued)

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

3. Contribution Rates

Per Minnesota statutes, chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year were:

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

The District's contributions for the years ending June 30, 2023, 2022 and 2021 were \$1,613,965, \$1,493,201 and \$1,424,386, respectively, equal to the contractually required contributions for each year as set by Minnesota statute.

The following is a reconciliation of employer contributions in TRA's Annual Comprehensive Financial Report "Statement of Changes in Fiduciary Net Position" to the employer contributions used in schedule of employer and non-employer pension allocations.

Employer Contributions Reported in TRA's Annual Comprehensive Financial Report Statement of Changes in Fiduciary Net Position	\$ 482,679,000
Employer Contributions not Related to Future Contribution Efforts	(2,178,000)
TRA's Contributions not Included in Allocation	<u>(572,000)</u>
Total Employer Contributions	479,929,000
Total Non-employer Contributions	<u>35,590,000</u>
Total Contributions Reported in Schedule of Employer and Non-employer Pension Allocations	<u><u>\$ 515,519,000</u></u>

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

Independent School District No. 2144
Chisago City, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 4: Defined Benefit Pension Plans (Continued)

4. Actuarial Assumptions

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

Actuarial Information

Valuation Date	July 1, 2022
Measurement date	June 30, 2022
Experience Study	June 5, 2019 (demographic and economic assumptions)*
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 2028 and 3.25% thereafter
Projected Salary Increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% thereafter
Cost of Living Adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually

Mortality Assumption

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

*The assumptions prescribed are based on the experience study dated June 28, 2019. For GASB 67 purposes, the long-term rate of return assumptions is selected by TRA management in consultation with the actuary.

5. Long-Term Rate of Return

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

Independent School District No. 2144
Chisago City, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 4: Defined Benefit Pension Plans (Continued)

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	20.00	0.75
Total	<u>100.00 %</u>	

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

Changes in actuarial assumptions since the 2021 valuation:

- None

6. Discount Rate

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

7. Net Pension Liability

At June 30, 2023, the District reported a liability of \$23,189,636 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.2896 percent at the end of the measurement period and 0.2927 percent for the beginning of the year.

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

District's Proportionate Share of Net Pension Liability	\$ 23,189,636
State's Proportionate Share of Net Pension Liability Associated with the District	1,720,011

Independent School District No. 2144
Chisago City, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 4: Defined Benefit Pension Plans (Continued)

For the year ended June 30, 2023, the District recognized negative pension expense of \$5,382,827. It also recognized \$238,602 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 347,111	\$ 209,304
Changes in Actuarial Assumptions	3,754,882	5,144,845
Net Difference Between Projected and Actual Earnings on Plan Investments	582,578	-
Changes in Proportion	26,377	183,572
Contributions to TRA Subsequent to the Measurement Date	<u>1,613,965</u>	<u>-</u>
Total	<u>\$ 6,324,913</u>	<u>\$ 5,537,721</u>

Deferred outflows of resources totaling \$1,613,965 related to pensions resulting from the District's contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

2024	\$ (5,011,420)
2025	79,903
2026	(231,895)
2027	2,613,596
2028	1,709,421
Thereafter	13,622

8. Pension Liability Sensitivity

The following presents the net pension liability of TRA calculated using the discount rate of 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate.

1 Percent Decrease (6.00%)	Current (7.00%)	1 Percent Increase (8.00%)
\$ 36,557,198	\$ 23,189,636	\$ 12,232,403

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

9. Pension Plan Fiduciary Net Position

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

Independent School District No. 2144
Chisago City, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 4: Defined Benefit Pension Plans (Continued)

B. Public Employees Retirement Association (PERA)

1. Plan Description

The District participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota statutes*, chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

General Employees Retirement Plan

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

2. Benefits Provided

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

General Employees Plan Benefits

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

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

3. Contributions

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

Independent School District No. 2144
Chisago City, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 4: Defined Benefit Pension Plans (Continued)

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ending December 31, 2023, 2022 and 2021 were \$547,268, \$493,870 and \$480,489, respectively. The District's contributions were equal to the required contributions for each year as set by state statute.

4. Pension Costs

General Employee Fund Pension Costs

At June 30, 2023, the District reported a liability of \$6,961,709 for its proportionate share of the General Employee Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$116,169.

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 received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The District's proportion was 0.0879 percent at the end of the measurement period and 0.0891 percent for the beginning of the period.

District's Proportionate Share of Net Pension Liability	\$ 6,961,709
State's Proportionate Share of Net Pension Liability Associated with the District	116,169

For the year ended June 30, 2023, the District recognized pension expense of \$757,477 for its proportionate share of General Employees Plan's pension expense. In addition, the District recognized an additional \$30,504 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 58,146	\$ 75,617
Changes in Actuarial Assumptions	1,596,419	29,697
Net Difference Between Projected and Actual Earnings on Plan Investments	97,383	-
Changes in Proportion	-	18,612
Contributions to PERA Subsequent to the Measurement Date	547,268	-
Total	<u>\$ 2,299,216</u>	<u>\$ 123,926</u>

Independent School District No. 2144
Chisago City, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 4: Defined Benefit Pension Plans (Continued)

The \$547,268 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2024	\$ 592,722
2025	639,684
2026	(233,959)
2027	629,575

5. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	33.50 %	5.10 %
Private Markets	25.00	5.90
Fixed Income	25.00	0.75
International Stocks	16.50	5.30
Total	<u>100.00 %</u>	

6. Actuarial Assumptions

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

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

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

Actuarial assumptions used in the June 30, 2022 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

Independent School District No. 2144
Chisago City, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 4: Defined Benefit Pension Plans (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

7. Discount Rate

The discount rate used to measure the total pension liability in 2023 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 General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

8. Pension Liability Sensitivity

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

<u>1 Percent Decrease (5.50%)</u>	<u>Current (6.50%)</u>	<u>1 Percent Increase (7.50%)</u>
\$ 10,996,384	\$ 6,961,709	\$ 3,652,653

9. Pension Plan Fiduciary Net Position

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

Note 5: Defined Contribution Plan

The Health Care Savings Plan (HCSP) is a public employer-sponsored program administered by the Minnesota State Retirement System (MSRS) that allows employees to save pre-tax money to pay postemployment medical expenses and/or health insurance premiums. The program has been in effect since July of 2001. The legislature signed into law Chapter 352.98 authorizing MSRS to provide a health care savings reimbursement plan.

Independent School District No. 2144
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Notes to the Financial Statements
June 30, 2023

Note 5: Defined Contribution Plan (Continued)

Participation by state and other public employees is determined during negotiations between the bargaining units, or group of employees if there are no bargaining units, and the employer with final language approved by MSRS. Beginning with the 2008-09 fiscal year, all twelve (12)-month employees who have at least ten years of service based on the seniority list in Independent School District No. 2144 will have a contribution made by the District to their individual account with the MSRS Post-Retirement HCSP. All full-time teachers who have completed at least ten years of actual teaching service in Independent School District No. 2144 will have a contribution made by the District to their individual account with the MSRS Post-Retirement HCSP. This contribution will be made on or before June 30 each year according to the following schedule:

<u>Years of Service</u>	<u>Contribution for 12-month Employees</u>	<u>Contribution for Teachers</u>
Ten to fifteen	\$500	\$250
Sixteen to twenty	\$750	\$500
Twenty-one to twenty-four	\$1,000	\$750
Twenty-five or more	\$1,000	\$1,000

The District's contributions to the MSRS HCSP for 12-month employees and teachers for the year ended June 30, 2023 were \$4,250 and \$69,750, respectively.

Amounts will not be made available for distribution to participants or beneficiaries earlier than (i) retirement, (ii) when the participant has a severance from employment with the employer, (iii) when the participant is collecting a disability benefit from one of the public pension plans, (iv) when the participant is on medical leave (six months or longer), or (v) when the participant is on a leave of absence (one year or longer).

The District has Board members that are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

The defined contribution plan consists of individual accounts paying a lump-sum benefit. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses, therefore, there is no future liability to the employer. Minnesota statutes, chapter 353d.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.0 percent of employer contributions and twenty-five hundredths of 1.0 percent (0.25 percent) of the assets in each member's account annually.

Pension expense for the year is equal to contributions made. Total contributions made by the District during the fiscal year 2023 were:

<u>Contribution Amount</u>		<u>Percentage of Covered Payroll</u>		<u>Required Rate</u>
<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	
\$ 32	\$ 32	5.00%	5.00%	5.00%

The District and board member's contributions to the PEDCP plan for the years ending June 30, 2023, 2022 and 2021 were \$32, \$105, and \$124, respectively.

Independent School District No. 2144
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Notes to the Financial Statements
June 30, 2023

Note 6: Postemployment Benefits Other Than Pensions

A. Plan Description

The District administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare insurance and dental insurance for eligible retirees and their spouses through the District's group health insurance plan, which covers both active and retired members. The full cost of the benefits is covered by the plan. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated each three-year bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

At June 30, 2023, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	83
Active Plan Members, Waiving Coverage	85
Active Plan Members, Electing Coverage	<u>279</u>
Total Plan Members	<u><u>447</u></u>

B. Funding Policy

The District has historically funded these liabilities on a pay-as-you-go basis. Contribution requirements are negotiated between the District and union representatives on a per contract basis. The District's employment agreement for certain administrative officials provides for the District to contribute the following amounts into an MSRS account for premium costs for health and dental coverage. For the year ended June 30, 2023, the District's average contribution rate was 2.05 percent of covered-employee payroll. For fiscal year 2023 the District contributed \$98,631 to the Plan.

Employee Groups	Contribution	Term
Community Education Director	\$ 9,000/year	Until Medicare eligible
Principals	9,000/year	Until Medicare eligible
Activities Director	9,000/year	Until Medicare eligible

Eligibility is as follows:

Employee Groups	Eligibility
District Superintendent	No Criteria
Director of Business Services	No Criteria
Community Education Director	No Criteria
Principals	Employed more than 5 years and age 55
Activities Director	Employed more than 5 years and age 55
Director Curriculum	No Criteria

Independent School District No. 2144
Chisago City, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 6: Postemployment Benefits Other Than Pensions (Continued)

C. Actuarial Methods and Assumptions

The District's net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022.

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.69%
Inflation Rate	2.50%
Medical Trend Rate	6.8% for 2021 grading to 3.90% in 2076 and later

The discount rate used to measure the total OPEB liability was 3.69 percent. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for 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.

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

The actuarial assumptions used in the June 30, 2022 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumptions was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

D. Sensitivity of the Net OPEB Liability

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:

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

1 Percent Decrease (2.69%)	Current (3.69%)	1 Percent Increase (4.69%)
\$ 2,019,874	\$ 1,920,035	\$ 1,825,624

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 Healthcare Cost Trend Rates that is 1-percentage point lower or 1-percentage-point higher than the current healthcare cost trend rate:

Sensitivity of the Net OPEB Liability to Changes in Trend Rates

1 Percent Decrease (5.80%)	Current (6.80%)	1 Percent Increase (7.80%)
\$ 1,784,012	\$ 1,920,035	\$ 2,077,463

Independent School District No. 2144
Chisago City, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 6: Postemployment Benefits Other Than Pensions (Continued)

E. Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balances at June 30, 2022	\$ 1,547,355	\$ -	\$ 1,547,355
Changes for the Year:			
Employer contributions	-	98,631	(98,631)
Service cost	116,005	-	116,005
Interest	30,990	-	30,990
Changes of assumptions	(177,999)	-	(177,999)
Differences between expected and actual experience	502,315	-	502,315
Benefit payments	(98,631)	(98,631)	-
Net Changes	<u>372,680</u>	<u>-</u>	<u>372,680</u>
Balances at June 30, 2023	<u>\$ 1,920,035</u>	<u>\$ -</u>	<u>\$ 1,920,035</u>

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$1,920,035. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Liability	\$ 894,906	\$ -
Changes in Actuarial Assumptions	<u>68,981</u>	<u>250,163</u>
Total	<u>\$ 963,887</u>	<u>\$ 250,163</u>

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

2024	\$ 97,930
2025	97,930
2026	103,332
2027	102,525
2028	96,026
Thereafter	215,981

Independent School District No. 2144
Chisago City, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 7: Other Information

A. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The District's management is not aware of any incurred but not reported claims.

B. Federal and State Programs

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. 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.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 2144
CHISAGO CITY, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

Independent School District No. 2144

Chisago City, Minnesota

Required Supplementary Information

For the Year Ended June 30, 2023

Schedule of Employer's Share of TRA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/22	0.2896 %	\$ 23,189,636	\$ 1,720,011	\$ 24,909,647	\$ 17,904,083	129.5 %	76.2 %
6/30/21	0.2927	12,809,427	1,080,379	13,889,806	17,520,126	73.1	86.6
6/30/20	0.2985	22,053,580	1,848,067	23,901,647	16,882,051	130.6	75.5
6/30/19	0.3057	19,485,382	1,724,638	21,210,020	17,111,946	113.9	78.2
6/30/18	0.3036	19,069,710	1,791,448	20,861,158	16,774,307	113.7	78.1
6/30/17	0.2998	59,845,518	5,785,414	65,630,932	16,195,527	369.5	51.6
6/30/16	0.2952	70,412,243	7,066,891	77,479,134	15,354,257	458.6	44.9
6/30/15	0.2922	18,075,460	2,216,850	20,292,310	12,780,960	141.4	76.8

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's TRA Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/23	\$ 1,613,965	\$ 1,613,965	\$ -	\$ 18,876,780	8.55 %
6/30/22	1,493,201	1,493,201	-	17,904,083	8.34
6/30/21	1,424,386	1,424,386	-	17,520,126	8.13
6/30/20	1,337,058	1,337,058	-	16,882,051	7.92
6/30/19	1,319,331	1,319,331	-	17,111,946	7.71
6/30/18	1,258,073	1,258,073	-	16,774,307	7.50
6/30/17	1,214,665	1,214,665	-	16,195,527	7.50
6/30/16	1,151,569	1,151,569	-	15,354,257	7.50

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Independent School District No. 2144
Chisago City, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2023

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 - The investment return assumption was changed from 7.50 percent to 7.00 percent

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

2019 - No changes noted.

2018 - 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.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 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 - The cost of living adjustment was not assumed to increase to 2.5 percent but remain at 2.0 percent for all future years. The investment return assumption was changed from 8.25 percent to 8.00 percent.

Independent School District No. 2144
Chisago City, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2023

Notes to the Required Supplementary Information – TRA (Continued)

Changes in Plan Provisions

2022 - No changes noted.

2021 - No changes noted.

2020 - No changes noted.

2019 - No changes noted.

2018 - The 2018 Omnibus Pension Bill contained a number of changes:

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending 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 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 - No changes noted.

2016 - No changes noted.

2015 - On June 30, 2015, the Duluth Teachers Retirement Fund Association was merged into TRA. This also resulted in a state-provided contribution stream of \$14.377 million until the plan becomes fully funded.

Independent School District No. 2144
Chisago City, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2023

Schedule of Employer's Share of PERA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/22	0.0879 %	\$ 6,961,709	\$ 204,148	\$ 7,165,857	\$ 6,584,932	105.7 %	76.7 %
6/30/21	0.0891	3,804,969	116,169	3,921,138	6,406,520	59.4	87.0
6/30/20	0.0922	5,527,811	170,381	5,698,192	6,547,834	84.4	79.0
6/30/19	0.0934	5,163,877	160,493	5,324,370	6,612,227	78.1	80.2
6/30/18	0.0985	5,464,376	179,187	5,643,563	6,620,227	82.5	79.5
6/30/17	0.0970	6,192,416	77,886	6,270,302	6,251,467	99.1	75.9
6/30/16	0.0978	7,940,875	-	7,940,875	6,066,644	130.9	68.9
6/30/15	0.0958	4,964,853	-	4,964,853	4,940,133	100.5	78.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/23	\$ 547,268	\$ 547,268	\$ -	\$ 7,296,905	7.50 %
6/30/22	493,870	493,870	-	6,584,932	7.50
6/30/21	480,489	480,489	-	6,406,520	7.50
6/30/20	491,088	491,088	-	6,547,834	7.50
6/30/19	495,917	495,917	-	6,612,227	7.50
6/30/18	496,517	496,517	-	6,620,227	7.50
6/30/17	468,860	468,860	-	6,251,467	7.50
6/30/16	454,998	454,998	-	6,066,644	7.50

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Independent School District No. 2144
Chisago City, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2023

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

2022- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021- 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 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - 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.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 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 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Independent School District No. 2144
Chisago City, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2023

Notes to the Required Supplementary Information – PERA (Continued)

Changes in Plan Provisions

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

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

2019 - 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.

2018 - 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 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement 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.

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

2016 - No changes noted.

2015 - On January 1, 2015, the Minneapolis Employees Retirement

Independent School District No. 2144
Chisago City, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2023

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	\$ 116,005	\$ 105,323	\$ 99,504	\$ 90,125	\$ 112,390	\$ 115,684
Interest	30,990	34,307	40,464	47,611	47,135	43,969
Differences between expected and actual experience	502,315	266,089	194,526	-	247,193	-
Changes of assumptions	(177,999)	35,549	43,460	21,624	(184,212)	(44,224)
Change of benefit terms	-	-	-	-	25,090	-
Benefit payments	(98,631)	(377,758)	(174,763)	(207,577)	(260,702)	(327,082)
Net change in total OPEB liability	372,680	63,510	203,191	(48,217)	(13,106)	(211,653)
Total OPEB liability - beginning	1,547,355	1,483,845	1,280,654	1,328,871	1,341,977	1,553,630
Total OPEB Liability - ending (a)	<u>\$ 1,920,035</u>	<u>\$ 1,547,355</u>	<u>\$ 1,483,845</u>	<u>\$ 1,280,654</u>	<u>\$ 1,328,871</u>	<u>\$ 1,341,977</u>
Plan Fiduciary Net Position						
Employer contributions	\$ 98,631	\$ 377,758	\$ 174,763	\$ 207,577	\$ 260,702	\$ 327,082
Benefit payments	(98,631)	(377,758)	(174,763)	(207,577)	(260,702)	(327,082)
District's net OPEB liability (asset) - ending (a) - (b)	<u>\$ 1,920,035</u>	<u>\$ 1,547,355</u>	<u>\$ 1,483,845</u>	<u>\$ 1,280,654</u>	<u>\$ 1,328,871</u>	<u>\$ 1,341,977</u>
Covered - Employee Payroll	\$ 21,180,353	\$ 18,405,117	\$ 20,813,257	\$ 18,662,197	\$ 18,466,428	\$ 25,195,762
District's net OPEB liability (asset) as a percentage of covered employee payroll	9.1%	8.4%	7.1%	6.9%	7.2%	5.3%

Note: This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

Schedule of District's Contributions

	2023	2022	2021	2020	2019	2018
Contractually Required Employer Contribution	\$ 98,631	\$ 377,758	\$ 174,763	\$ 207,577	\$ 260,702	\$ 327,082
Contributions in Relation to the Contractually Required Employer Contribution	98,631	377,758	174,763	207,577	260,702	327,082
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - Employee Payroll	\$ 21,180,353	\$ 18,405,117	\$ 20,813,257	\$ 18,662,197	\$ 18,466,428	#####
Contributions as a Percentage of Covered Employee Payroll	0.47	2.05 %	0.84 %	1.11 %	1.41 %	1.30 %

Note: This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

Independent School District No. 2144
Chisago City, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2023

Notes to the Required Supplementary Information - OPEB

Changes in Assumptions

2022- The discount rate was changed from 1.92% to 3.69% based on updated 20-year municipal bond rates. Healthcare trend rates were reset to reflect updated cost increase expectations. Medical per capita claims costs were updated to reflect recent experience. Mortality rates were updated from the rates used in the 7/1/2020 PERA General Employees Plan and 7/1/2020 Teachers Retirement Association valuations to the rates used in the 7/1/2022 valuations. The percent of future non Medicare eligible retirees electing each medical plan changed to reflect recent plan experience. The inflation assumption was changed from 2.25% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectation. The following table provides the changes for the assumed percent electing each plan:

<u>Medical Plan</u>	<u>Fiscal 2023 Valuation</u>	<u>Fiscal 2022 Valuation</u>
\$500 CMM	30%	35%
\$500 CMM Lower Value	NA	0%
\$1850 CDHP	20%	25%
\$1850 CDHP Lower Value	N/A	0%
\$3500 CDHP	50%	40%
\$3500 CDHP Lower Value	N/A	0%

2021 - The discount rate was changed from 3.13% to 2.45% based on updated 20-year municipal bond rates. Healthcare trend rates were reset to reflect updated cost increase expectations, including the repeal of the Affordable Care Act's Excise Tax on high-cost health insurance plans. Medical per capita claims costs were updated to reflect recent experience and new plan offerings, including an adjustment to reflect age/gender-based risk scores published by the Society of Actuaries. Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the 7/1/2018 PERA General Employees Retirement Plan and 7/1/2018 Teachers Retirement Association valuations to the rates used in the 7/1/2020 valuations. The inflation assumption was changed from 2.5% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations. The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings. The following table provides the changes for the assumed percent electing each plan:

<u>Medical Plan</u>	<u>Fiscal 2021 Valuation</u>	<u>Fiscal 2020 Valuation</u>
\$500 CMM	35%	20%
\$500 CMM Lower Value	0%	N/A
\$1850 CDHP	25%	10%
\$1850 CDHP Lower Value	0%	N/A
\$3500 CDHP	40%	40%
\$3500 CDHP Lower Value	0%	N/A
\$200 CMM	N/A	30%

2020 - The discount rate was changed from 3.62% to 3.13% based on updated 20-year municipal bond rates. Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans. Medical per capita claims costs were updated to reflect recent experience and new plan offerings. Mortality and salary increase rates were updated to the rates used in the 7/1/2018 PERA General Employees Retirement Plan and 7/1/2018 Teachers Retirement Association actuarial valuations. The percent of future retirees eligible for a direct subsidy assumed to elect coverage at retirement changes from 40% to 30% to reflect recent plan experience. The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings. The inflation assumption was changed from 2.75% to 2.50% based on updated historical analysis of inflation rates and forward-looking market expectations.

Independent School District No. 2144
Chisago City, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2023

Notes to the Required Supplementary Information – OPEB - Continued

2019 - The discount rate was changed from 3.56% to 3.62% based on updated 20-year municipal bond rates. Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans. Medical per capita claims costs were updated to reflect recent experience and new plan offerings. Mortality and salary increase rates were updated to the rates used in the 7/1/2018 PERA General Employees Retirement Plan and 7/1/2018 Teachers Retirement Association actuarial valuations. The percent of future retirees eligible for a direct subsidy assumed to elect coverage at retirement changes from 40% to 30% to reflect recent plan experience. The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings. The inflation assumption was changed from 2.75% to 2.50% based on updated historical analysis of inflation rates and forward-looking market expectations.

2018 - No changes noted.

Changes in Benefits

2022 - No changes noted.

2021 - No changes noted.

2020 - No changes noted.

2019 - No changes noted.

2018 - No changes noted.

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS, SCHEDULES AND TABLE

INDEPENDENT SCHOOL DISTRICT NO. 2144
CHISAGO CITY, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

Independent School District No. 2144

Chisago City, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2023

	Special Revenue		Capital Projects	Total Nonmajor Governmental Funds
	Food Service	Community Service	Building Construction	
Assets				
Cash and temporary investments	\$ 990,427	\$ 1,251,764	\$ 69	\$ 2,242,260
Receivables				
Taxes	-	225,445	-	225,445
Accounts	2,067	4,767	-	6,834
Interest	2,533	3,177	-	5,710
Due from Minnesota Department of Education	2,018	20,949	-	22,967
Due from the Federal government	14,652	-	-	14,652
Inventories	66,712	-	-	66,712
Prepaid items	1,960	5,812	-	7,772
Total Assets	\$ 1,080,369	\$ 1,511,914	\$ 69	\$ 2,592,352
Liabilities				
Accrued salaries payable	\$ 529	\$ 77,232	\$ -	\$ 77,761
Accounts and other payables	3,331	36,737	-	40,068
Unearned revenue	56,936	196,686	-	253,622
Total Liabilities	60,796	310,655	-	371,451
Deferred Inflows of Resources				
Unavailable revenue - delinquent property taxes	-	2,234	-	2,234
Property taxes levied for subsequent year	-	341,457	-	341,457
Total Deferred Inflows of Resources	-	343,691	-	343,691
Fund Balances				
Nonspendable	68,672	5,812	-	74,484
Restricted	950,901	851,756	69	1,802,726
Total Fund Balances	1,019,573	857,568	69	1,877,210
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,080,369	\$ 1,511,914	\$ 69	\$ 2,592,352

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2144
Chisago City, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2023

	Special Revenue		Capital Projects	Total Nonmajor Governmental Funds
	Food Service	Community Service	Building Construction	
Revenues				
Local property tax levies	\$ -	\$ 334,154	\$ -	\$ 334,154
Interest earned on investments	34,677	48,731	3	83,411
Revenue from local sources	54,654	1,906,471	-	1,961,125
Revenue from state sources	99,510	272,741	-	372,251
Revenue from federal sources	901,543	750	-	902,293
Sales and other conversion of assets	1,021,232	-	-	1,021,232
Total Revenues	<u>2,111,616</u>	<u>2,562,847</u>	<u>3</u>	<u>4,674,466</u>
Expenditures				
Current				
Elementary and secondary regular instruction	-	52,983	-	52,983
Community education and services	-	2,535,862	-	2,535,862
Pupil support services	1,940,822	-	-	1,940,822
Capital outlay				
Community education and services	-	15,294	-	15,294
Pupil support services	15,527	-	-	15,527
Total Expenditures	<u>1,956,349</u>	<u>2,604,139</u>	<u>-</u>	<u>4,560,488</u>
Net Change in Fund Balances	155,267	(41,292)	3	113,978
Fund Balances, July 1	<u>864,306</u>	<u>898,860</u>	<u>66</u>	<u>1,763,232</u>
Fund Balances, June 30	<u>\$ 1,019,573</u>	<u>\$ 857,568</u>	<u>\$ 69</u>	<u>\$ 1,877,210</u>

Independent School District No. 2144
Chisago City, Minnesota
Food Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Interest earned on investments	\$ 50	\$ 2,500	\$ 34,677	\$ 32,177	\$ 1,711
Revenue from local sources	10,500	8,500	54,654	46,154	44,129
Revenue from state sources	90,000	80,000	99,510	19,510	51,316
Revenue from federal sources	641,000	709,000	901,543	192,543	2,338,373
Sales and other conversion of assets	1,204,000	1,140,000	1,021,232	(118,768)	214,333
Total Revenues	<u>1,945,550</u>	<u>1,940,000</u>	<u>2,111,616</u>	<u>171,616</u>	<u>2,649,862</u>
Expenditures					
Current					
Pupil support services					
Salaries	663,727	662,265	662,251	14	667,327
Employee benefits	197,351	209,590	199,380	10,210	215,802
Purchased services	81,400	60,000	63,642	(3,642)	73,814
Supplies and materials	1,024,000	976,800	1,013,323	(36,523)	966,679
Other	2,500	2,500	2,226	274	2,532
Capital outlay					
Pupil support services	14,500	14,500	15,527	(1,027)	1,457
Total Expenditures	<u>1,983,478</u>	<u>1,925,655</u>	<u>1,956,349</u>	<u>(30,694)</u>	<u>1,927,611</u>
Net Change in Fund Balances	(37,928)	14,345	155,267	140,922	722,251
Fund Balances, July 1	<u>864,306</u>	<u>864,306</u>	<u>864,306</u>	<u>-</u>	<u>142,055</u>
Fund Balances, June 30	<u>\$ 826,378</u>	<u>\$ 878,651</u>	<u>\$ 1,019,573</u>	<u>\$ 140,922</u>	<u>\$ 864,306</u>

Independent School District No. 2144
Chisago City, Minnesota
Community Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023				2022
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	\$ 360,662	\$ 335,316	\$ 334,154	\$ (1,162)	\$ 359,184
Interest earned on investments	300	20,000	48,731	28,731	2,690
Revenue from local sources	1,680,700	1,775,200	1,906,471	131,271	1,566,356
Revenue from state sources	262,430	268,022	272,741	4,719	260,139
Revenue from federal sources	16,650	-	750	750	15,901
Total Revenues	<u>2,320,742</u>	<u>2,398,538</u>	<u>2,562,847</u>	<u>164,309</u>	<u>2,204,270</u>
Expenditures					
Current					
Elementary and secondary regular instruction					
Salaries	39,409	35,212	37,384	(2,172)	32,260
Employee benefits	11,300	9,327	7,536	1,791	7,002
Purchased services	3,250	3,000	3,025	(25)	2,858
Supplies and materials	2,800	4,500	5,038	(538)	3,828
Community education and services					
Salaries	1,459,523	1,463,701	1,682,645	(218,944)	1,301,782
Employee benefits	395,974	413,342	415,481	(2,139)	311,621
Purchased services	191,408	234,237	349,531	(115,294)	203,399
Supplies and materials	112,334	114,334	85,438	28,896	72,494
Other	1,420	1,600	2,767	(1,167)	-
Capital outlay					
Community education and services	3,000	9,650	15,294	(5,644)	4,913
Total Expenditures	<u>2,220,418</u>	<u>2,288,903</u>	<u>2,604,139</u>	<u>(315,236)</u>	<u>1,940,157</u>
Net Change in Fund Balances	100,324	109,635	(41,292)	(150,927)	264,113
Fund Balances, July 1	<u>898,860</u>	<u>898,860</u>	<u>898,860</u>	<u>-</u>	<u>634,747</u>
Fund Balances, June 30	<u>\$ 999,184</u>	<u>\$ 1,008,495</u>	<u>\$ 857,568</u>	<u>\$ (150,927)</u>	<u>\$ 898,860</u>

Independent School District No. 2144
Chisago City, Minnesota
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Local property tax levies	\$ 4,987,239	\$ 5,006,960	\$ 4,858,230	\$ (148,730)	\$ 4,921,244
Interest earned on investments	2,000	5,000	88,524	83,524	5,253
Revenue from state sources	155,596	273,950	301,896	27,946	302,381
Total Revenues	<u>5,144,835</u>	<u>5,285,910</u>	<u>5,248,650</u>	<u>(37,260)</u>	<u>5,228,878</u>
Expenditures					
Debt service					
Principal	3,025,000	3,025,000	3,025,000	-	2,895,000
Interest and other charges	2,197,439	2,195,864	2,194,525	1,339	2,320,414
Total Expenditures	<u>5,222,439</u>	<u>5,220,864</u>	<u>5,219,525</u>	<u>1,339</u>	<u>5,215,414</u>
Net Change in Fund Balances	(77,604)	65,046	29,125	(35,921)	13,464
Fund Balances, July 1	<u>1,027,369</u>	<u>1,027,369</u>	<u>1,027,369</u>	<u>-</u>	<u>1,013,905</u>
Fund Balances, June 30	<u>\$ 949,765</u>	<u>\$ 1,092,415</u>	<u>\$ 1,056,494</u>	<u>\$ (35,921)</u>	<u>\$ 1,027,369</u>

Independent School District No. 2144

Chisago City, Minnesota

General Fund

Comparative Balance Sheets

June 30, 2023 and 2022

	2023	2022
Assets		
Cash and temporary investments	\$ 7,678,802	\$ 10,794,469
Receivables		
Taxes	3,716,225	3,807,634
Accounts	66,469	77,221
Interest	23,071	9,619
Due from other school districts	476,090	425,999
Due from Minnesota Department of Education	3,152,907	2,744,306
Due from the Federal government	1,419,805	760,079
Inventories	16,207	13,605
Prepaid items	891,940	797,958
	<u>17,441,516</u>	<u>19,430,890</u>
Total Assets	\$ 17,441,516	\$ 19,430,890
Liabilities		
Accrued salaries payable	\$ 3,792,989	\$ 4,556,966
Accounts and other payables	419,858	1,261,855
Due to other governments	56,046	124,850
Unearned revenue	337,577	208,811
Total Liabilities	4,606,470	6,152,482
Deferred Inflows of Resources		
Unavailable revenue - delinquent property taxes	34,906	40,385
Property taxes levied for subsequent year	5,110,091	5,158,228
Total Deferred Inflows of Resources	5,144,997	5,198,613
Fund Balances		
Nonspendable		
Inventories	16,207	13,605
Prepaid items	891,940	797,958
Restricted for		
Student activities	306,559	385,898
Staff development	27,107	23,617
Medical assistance	414	-
Operating capital	1,064,826	1,898,686
Long-term facilities maintenance	1,184,476	1,334,988
Gifted and talented	84,066	62,427
Basic skills	2,031	4,795
Assigned for		
Separation/retirement benefits	1,396,187	1,545,029
Unassigned	2,716,236	2,012,792
Total Fund Balances	7,690,049	8,079,795
	<u>17,441,516</u>	<u>19,430,890</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 17,441,516	\$ 19,430,890

Independent School District No. 2144

Chisago City, Minnesota

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual (Continued on the Following Pages)

For the Year Ended June 30, 2023

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

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Local property tax levies	\$ 5,532,205	\$ 5,602,205	\$ 5,938,849	\$ 336,644	\$ 5,625,843
Interest earned on investments	103,525	133,525	326,856	193,331	25,457
Revenue from local sources	2,150,748	2,180,748	3,040,388	859,640	2,666,534
Revenue from state sources	33,059,833	33,157,833	34,043,634	885,801	32,508,624
Revenue from federal sources	2,469,689	2,503,039	2,645,922	142,883	1,447,552
Sales and other conversion of assets	2,000	2,000	76,784	74,784	55,676
Total Revenues	43,318,000	43,579,350	46,072,433	2,493,083	42,329,686
Expenditures					
Current					
Administration					
Salaries	1,243,646	1,159,142	1,197,461	(38,319)	1,167,763
Fringe benefits	477,923	473,385	423,999	49,386	426,738
Purchased services	26,370	25,370	36,272	(10,902)	17,931
Supplies and materials	24,751	19,201	21,726	(2,525)	15,813
Other	35,934	36,009	31,649	4,360	35,637
Total administration	1,808,624	1,713,107	1,711,107	2,000	1,663,882
District support services					
Salaries	639,839	587,375	588,456	(1,081)	495,586
Fringe benefits	272,634	231,011	206,335	24,676	232,283
Purchased services	613,847	641,207	376,458	264,749	406,141
Supplies and materials	22,700	23,978	74,359	(50,381)	100,700
Other	1,360	2,075	1,947	128	200
Total district support services	1,550,380	1,485,646	1,247,555	238,091	1,234,910
Elementary and secondary regular instruction					
Salaries	11,907,997	11,597,579	11,713,692	(116,113)	11,846,246
Fringe benefits	3,723,558	3,715,509	3,802,993	(87,484)	3,540,277
Purchased services	620,692	709,803	1,149,557	(439,754)	1,029,496
Supplies and materials	812,805	809,330	1,180,133	(370,803)	1,014,774
Other	32,500	75,250	91,910	(16,660)	55,317
Total elementary and secondary regular instruction	17,097,552	16,907,471	17,938,285	(1,030,814)	17,486,110

Independent School District No. 2144
Chisago City, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Vocational education instruction					
Salaries	\$ 901,180	\$ 901,780	\$ 971,699	\$ (69,919)	\$ 886,206
Fringe benefits	283,690	283,625	308,295	(24,670)	279,868
Purchased services	31,038	28,168	20,181	7,987	23,852
Supplies and materials	53,627	56,709	107,062	(50,353)	83,817
Total vocational education instruction	1,269,535	1,270,282	1,407,237	(136,955)	1,273,743
Special education instruction					
Salaries	5,556,259	5,199,475	5,863,970	(664,495)	5,612,183
Fringe benefits	2,043,695	2,038,145	2,001,806	36,339	2,000,122
Purchased services	1,653,592	1,701,247	1,787,794	(86,547)	1,507,306
Supplies and materials	72,055	68,188	65,110	3,078	33,953
Other	100	675	901	(226)	1,126
Total special education instruction	9,325,701	9,007,730	9,719,581	(711,851)	9,154,690
Instructional support services					
Salaries	1,666,444	1,758,769	1,923,897	(165,128)	1,855,163
Fringe benefits	613,007	603,028	548,190	54,838	555,755
Purchased services	340,329	228,406	144,757	83,649	132,376
Supplies and materials	408,117	403,154	266,408	136,746	419,910
Other	1,200	1,200	1,146	54	1,176
Total instructional support services	3,029,097	2,994,557	2,884,398	110,159	2,964,380
Pupil support services					
Salaries	886,019	905,519	1,031,612	(126,093)	936,124
Fringe benefits	327,575	314,804	342,203	(27,399)	287,968
Purchased services	2,864,210	3,054,927	2,995,481	59,446	2,822,064
Supplies and materials	179,708	220,612	228,551	(7,939)	175,219
Other	-	-	-	-	11
Total pupil support services	4,257,512	4,495,862	4,597,847	(101,985)	4,221,386
Sites and buildings					
Salaries	1,157,709	1,160,609	1,231,780	(71,171)	1,165,531
Fringe benefits	350,911	366,806	416,568	(49,762)	412,435
Purchased services	1,486,158	1,565,227	2,139,554	(574,327)	1,718,943
Supplies and materials	219,779	219,779	225,440	(5,661)	200,366
Other	12,078	13,445	19,864	(6,419)	6,969
Total sites and buildings	3,226,635	3,325,866	4,033,206	(707,340)	3,504,244
Fiscal and other fixed costs programs					
Fringe benefits	75,500	75,500	-	75,500	-
Total current	41,640,536	41,276,021	43,539,216	(2,263,195)	41,503,345

Independent School District No. 2144
Chisago City, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Capital outlay					
Administration	\$ -	\$ -	\$ 1,498	\$ (1,498)	\$ -
District support services	174,250	132,250	239,733	(107,483)	190,005
Elementary and secondary regular instruction	192,500	217,935	292,830	(74,895)	161,697
Vocational education instruction	22,029	12,800	19,063	(6,263)	35,388
Special education instruction	5,000	150	69,455	(69,305)	27,759
Instructional support services	209,798	210,748	250,289	(39,541)	194,077
Pupil support services	7,250	7,250	-	7,250	14,535
Sites and buildings	709,437	1,486,687	2,050,095	(563,408)	831,905
Total capital outlay	<u>1,320,264</u>	<u>2,067,820</u>	<u>2,922,963</u>	<u>(855,143)</u>	<u>1,455,366</u>
Total Expenditures	<u>42,960,800</u>	<u>43,343,841</u>	<u>46,462,179</u>	<u>(3,118,338)</u>	<u>42,958,711</u>
Net Change in Fund Balances	357,200	235,509	(389,746)	(625,255)	(629,025)
Fund Balances, July 1	<u>8,079,795</u>	<u>8,079,795</u>	<u>8,079,795</u>	-	<u>8,708,820</u>
Fund Balances, June 30	<u>\$ 8,436,995</u>	<u>\$ 8,315,304</u>	<u>\$ 7,690,049</u>	<u>\$ (625,255)</u>	<u>\$ 8,079,795</u>

Independent School District No. 2144
Chisago City, Minnesota
Schedule of the Components of the General Fund
Balance Sheet
June 30, 2023

	Components of the General Fund			Total General Fund
	General	Pupil Transportation	Capital Expenditures	
Assets				
Cash and temporary investments	\$ 5,094,353	\$ 199,969	\$ 2,384,480	\$ 7,678,802
Receivables				
Taxes	3,716,225	-	-	3,716,225
Accounts	62,141	4,328	-	66,469
Interest	17,485	-	5,586	23,071
Due from other school districts	476,090	-	-	476,090
Due from Minnesota Department of Education	3,112,338	1,422	39,147	3,152,907
Due from the Federal government	1,419,805	-	-	1,419,805
Inventories	16,207	-	-	16,207
Prepaid items	800,696	11,143	80,101	891,940
Total Assets	\$ 14,715,340	\$ 216,862	\$ 2,509,314	\$ 17,441,516
Liabilities				
Accrued salaries payable	\$ 3,792,989	\$ -	\$ -	\$ 3,792,989
Accounts and other payables	225,651	44,352	149,855	419,858
Due to other governments	56,046	-	-	56,046
Unearned revenue	307,486	35	30,056	337,577
Total Liabilities	4,382,172	44,387	179,911	4,606,470
Deferred Inflows of Resources				
Unavailable revenue - delinquent property taxes	34,906	-	-	34,906
Property taxes levied for subsequent year	5,110,091	-	-	5,110,091
Total Deferred Inflows of Resources	5,144,997	-	-	5,144,997
Fund Balances				
Nonspendable				
Inventories	16,207	-	-	16,207
Prepaid items	800,696	11,143	80,101	891,940
Restricted for				
Student activities	306,559	-	-	306,559
Staff development	27,107	-	-	27,107
Medical assistance	414	-	-	414
Operating capital	-	-	1,064,826	1,064,826
Long term facilities maintenance	-	-	1,184,476	1,184,476
Gifted and talented	84,066	-	-	84,066
Basic skills	2,031	-	-	2,031
Assigned for				
Separation/retirement benefits	1,396,187	-	-	1,396,187
Unassigned	2,554,904	161,332	-	2,716,236
Total Fund Balances	5,188,171	172,475	2,329,403	7,690,049
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 14,715,340	\$ 216,862	\$ 2,509,314	\$ 17,441,516

Independent School District No. 2144
Chisago City, Minnesota
Schedule of the Components of the General Fund
Revenues, Expenditures and Changes in Fund Balances (Continued on the Following Page)
For the Year Ended June 30, 2023

	Components of the General Fund			Total General Fund
	General	Pupil Transportation	Capital Expenditures	
Revenues				
Local property tax levies	\$ 4,879,201	\$ -	\$ 1,059,648	\$ 5,938,849
Interest earned on investments	226,766	9,875	90,215	326,856
Revenue from local sources	2,929,727	43,280	67,381	3,040,388
Revenue from state sources	30,810,924	2,407,758	824,952	34,043,634
Revenue from federal sources	2,645,922	-	-	2,645,922
Sales and other conversion of assets	76,784	-	-	76,784
Total Revenues	41,569,324	2,460,913	2,042,196	46,072,433
Expenditures				
Current				
Administration				
Salaries and wages	1,197,461	-	-	1,197,461
Employee benefits	423,999	-	-	423,999
Purchased services	36,272	-	-	36,272
Supplies and materials	21,726	-	-	21,726
Other	31,649	-	-	31,649
Total administration	1,711,107	-	-	1,711,107
District support services				
Salaries and wages	588,456	-	-	588,456
Employee benefits	206,335	-	-	206,335
Purchased services	376,458	-	-	376,458
Supplies and materials	74,359	-	-	74,359
Other	1,947	-	-	1,947
Total district support services	1,247,555	-	-	1,247,555
Elementary and secondary regular instruction				
Salaries and wages	11,713,692	-	-	11,713,692
Employee benefits	3,802,993	-	-	3,802,993
Purchased services	1,149,557	-	-	1,149,557
Supplies and materials	1,017,359	-	162,774	1,180,133
Other	10,972	-	80,938	91,910
Total elementary and secondary regular instruction	17,694,573	-	243,712	17,938,285
Vocational education instruction				
Salaries and wages	971,699	-	-	971,699
Employee benefits	308,295	-	-	308,295
Purchased services	20,181	-	-	20,181
Supplies and materials	107,062	-	-	107,062
Total vocational education instruction	1,407,237	-	-	1,407,237

Independent School District No. 2144
Chisago City, Minnesota
Schedule of the Components of the General Fund
Revenues, Expenditures and Changes in Fund Balances (Continued)
For the Year Ended June 30, 2023

	Components of the General Fund			Total General Fund
	General	Pupil Transportation	Capital Expenditures	
Expenditures (Continued)				
Current (continued)				
Special education instruction				
Salaries and wages	\$ 5,863,970	\$ -	\$ -	\$ 5,863,970
Employee benefits	2,001,806	-	-	2,001,806
Purchased services	1,787,794	-	-	1,787,794
Supplies and materials	65,110	-	-	65,110
Other	901	-	-	901
Total special education instruction	<u>9,719,581</u>	<u>-</u>	<u>-</u>	<u>9,719,581</u>
Instructional support services				
Salaries and wages	1,923,897	-	-	1,923,897
Employee benefits	548,190	-	-	548,190
Purchased services	144,757	-	-	144,757
Supplies and materials	153,509	-	112,899	266,408
Other	1,146	-	-	1,146
Total instructional support services	<u>2,771,499</u>	<u>-</u>	<u>112,899</u>	<u>2,884,398</u>
Pupil support services				
Salaries and wages	1,031,612	-	-	1,031,612
Employee benefits	342,203	-	-	342,203
Purchased services	221,021	2,774,460	-	2,995,481
Supplies and materials	65,209	163,342	-	228,551
Total pupil support services	<u>1,660,045</u>	<u>2,937,802</u>	<u>-</u>	<u>4,597,847</u>
Sites and buildings				
Salaries and wages	1,216,012	-	15,768	1,231,780
Employee benefits	409,571	-	6,997	416,568
Purchased services	1,862,448	-	277,106	2,139,554
Supplies and materials	209,002	-	16,438	225,440
Other	19,864	-	-	19,864
Total sites and buildings	<u>3,716,897</u>	<u>-</u>	<u>316,309</u>	<u>4,033,206</u>
Total current	<u>39,928,494</u>	<u>2,937,802</u>	<u>672,920</u>	<u>43,539,216</u>
Capital outlay				
Administration	1,498	-	-	1,498
District support services	239,733	-	-	239,733
Elementary and secondary regular instruction	75,329	-	217,501	292,830
Vocational education instruction	19,063	-	-	19,063
Special education instruction	69,455	-	-	69,455
Instructional support services	212,804	-	37,485	250,289
Sites and buildings	2,300	-	2,047,795	2,050,095
Total capital outlay	<u>620,182</u>	<u>-</u>	<u>2,302,781</u>	<u>2,922,963</u>
Total Expenditures	<u>40,548,676</u>	<u>2,937,802</u>	<u>2,975,701</u>	<u>46,462,179</u>
Net Change in Fund Balances	1,020,648	(476,889)	(933,505)	(389,746)
Fund Balances, July 1	<u>4,167,523</u>	<u>649,364</u>	<u>3,262,908</u>	<u>8,079,795</u>
Fund Balances, June 30	<u>\$ 5,188,171</u>	<u>\$ 172,475</u>	<u>\$ 2,329,403</u>	<u>\$ 7,690,049</u>

Fiscal Compliance Report - 6/30/2023
District: CHISAGO LAKES (2144-1)

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$46,000,915	<u>\$46,000,897</u>	<u>\$18</u>	Total Revenue	\$3	<u>\$2</u>	<u>\$1</u>
Total Expenditures	\$46,462,179	<u>\$46,462,162</u>	<u>\$17</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
Non Spendable:				Non Spendable:			
4.60 Non Spendable Fund Balance	\$908,147	<u>\$908,147</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
Restricted / Reserved:				Restricted / Reserved:			
4.01 Student Activities	\$306,559	<u>\$306,559</u>	<u>\$0</u>	4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>	4.13 Funded by COP/FP	\$0	<u>\$0</u>	<u>\$0</u>
4.03 Staff Development	\$27,107	<u>\$27,106</u>	<u>\$1</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>	Restricted:			
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$69	<u>\$69</u>	<u>\$0</u>
4.13 Funded by COP/FP	\$0	<u>\$0</u>	<u>\$0</u>	Unassigned:			
4.14 Operating Debt	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.16 Levy Reduction	\$0	<u>\$0</u>	<u>\$0</u>				
4.17 Taconite Building Maint	\$0	<u>\$0</u>	<u>\$0</u>	07 DEBT SERVICE			
4.24 Operating Capital	\$1,064,826	<u>\$1,064,818</u>	<u>\$8</u>	Total Revenue	\$5,248,650	<u>\$5,248,649</u>	<u>\$1</u>
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$5,219,525	<u>\$5,219,526</u>	<u>(\$1)</u>
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>	Non Spendable:			
4.28 Learning & Development	\$0	<u>\$0</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.34 Area Learning Center	\$0	<u>\$0</u>	<u>\$0</u>	Restricted / Reserved:			
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>	4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.38 Gifted & Talented	\$84,066	<u>\$84,069</u>	<u>(\$3)</u>	4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.41 Basic Skills Programs	\$2,031	<u>\$2,030</u>	<u>\$1</u>	Restricted:			
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$1,056,494	<u>\$1,056,493</u>	<u>\$1</u>
4.49 Safe Schools Levy	\$0	<u>\$0</u>	<u>\$0</u>	Unassigned:			
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>				
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	<u>\$0</u>	08 TRUST			
4.59 Basic Skills Extended Time	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$1,184,476	<u>\$1,184,476</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.72 Medical Assistance	\$414	<u>\$414</u>	<u>\$0</u>	Restricted / Reserved:			
Restricted:				4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	<u>\$0</u>				
Committed:				18 CUSTODIAL			
4.18 Committed for Separation	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$32,590	<u>\$32,590</u>	<u>\$0</u>
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$29,250	<u>\$29,250</u>	<u>\$0</u>
Assigned:				Restricted / Reserved:			
4.62 Assigned Fund Balance	\$1,396,187	<u>\$1,396,187</u>	<u>\$0</u>	4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
Unassigned:				4.02 Scholarships	\$15,118	<u>\$15,118</u>	<u>\$0</u>
4.22 Unassigned Fund Balance	\$2,716,236	<u>\$2,716,243</u>	<u>(\$7)</u>	4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>
				4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
02 FOOD SERVICES							
Total Revenue	\$2,111,556	<u>\$2,111,554</u>	<u>\$2</u>	20 INTERNAL SERVICE			
Total Expenditures	\$1,956,349	<u>\$1,956,350</u>	<u>(\$1)</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Non Spendable:				Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.60 Non Spendable Fund Balance	\$68,672	<u>\$68,672</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
Restricted / Reserved:							
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>	25 OPEB REVOCABLE TRUST			
Restricted:				Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$950,901	<u>\$950,900</u>	<u>\$1</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>

Unassigned:

4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
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04 COMMUNITY SERVICE

Total Revenue	\$2,562,847	<u>\$2,562,846</u>	<u>\$1</u>
Total Expenditures	\$2,604,139	<u>\$2,604,139</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$5,812	<u>\$5,812</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.31 Community Education	\$192,390	<u>\$192,385</u>	<u>\$5</u>
4.32 E.C.F.E	\$399,940	<u>\$399,943</u>	<u>(\$3)</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	\$259,426	<u>\$259,426</u>	<u>\$0</u>
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
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45 OPEB IRREVOCABLE TRUST

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>

47 OPEB DEBT SERVICE

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

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OTHER REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 2144
CHISAGO CITY, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Members of the Board of Education
Independent School District No. 2144
Chisago City, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2144 (the District), Chisago City, Minnesota as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2023.

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

This report is intended solely for the information and use of those charged with governance and management of the District and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.



Abdo
Minneapolis, Minnesota
December 13, 2023

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

Members of the Board of Education
Independent School District No. 2144
Chisago City, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2144 (the District), Chisago City, Minnesota, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 13, 2023.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* as item 2023-001.

Response to Finding

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

Purpose of this Report

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



Abdo
Minneapolis, Minnesota
December 13, 2023



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FEDERAL FINANCIAL AWARD PROGRAMS
INDEPENDENT SCHOOL DISTRICT NO. 2144
CHISAGO CITY, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

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

Members of the Board of Education
Independent School District No. 2144
Chisago City, Minnesota

Opinion on Each Major Federal Program

We have audited the Independent School District No. 2144 (the District), Chisago District, Minnesota compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Questioned Costs and Responses.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

Report on Internal Control Over Compliance

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



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

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

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



Abdo
Minneapolis, Minnesota
December 13, 2023



Independent School District No. 2144
Chisago District, Minnesota
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Administering Department	Grant Name	Federal Domestic Assistance Number	Federal Program Clusters	Federal Expenditures
U.S. Department of Education				
MN Department of Education	Title I Grants to Local Educational Agencies	84.010		\$ 139,892
MN Department of Education	Career and Technical Education Basic Grants	84.048		34,176
MN Department of Education	Improving Teacher Quality State Grants	84.367		59,009
MN Department of Education	COVID-19 - Governor's Emergency Education Relief (GEER) Fund	84.425C		22,500
MN Department of Education	COVID-19 - Education Stabilization Fund Under The Coronavirus Aid, Relief, And Economic Security Act	84.425D		415,469
MN Department of Education	COVID-19 - American Rescue Plan - Elementary and Secondary School Relief	84.425U		1,426,803
MN Department of Education	Special Education IDEA, Part B	84.027	146,494	
	Total Special Education Cluster			<u>146,494</u>
Total U.S. Department of Education				<u>2,244,343</u>
U.S. Department of Agriculture				
MN Department of Education	School Breakfast Program	10.553	103,222	
MN Department of Education	National School Lunch Program	10.555	798,321	
Total U.S. Department of Agriculture				<u>901,543</u>
U.S. Department of the Treasury				
MN Department of Education	COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027		<u>321,727</u>
U.S. Department of Health and Human Services				
MN Department of Health and Human Services	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323		<u>80,602</u>
Total Federal Expenditures				<u><u>\$ 3,548,215</u></u>

Independent School District No. 2144
Chisago District, Minnesota
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Independent School District No. 2144 (the District) under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirement of the Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 2: Summary of Significant Accounting Policies for Expenditures

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting for governmental funds, which is described in Note 1C to the District's financial statements. This activity is reported in the General fund and nonmajor governmental funds.

Note 3: Pass-through Entity Identifying Numbers

Pass-through entity identifying numbers are presented where available.

Note 4: Subrecipients

No federal expenditures presented in this schedule were provided to subrecipients.

Note 5: Indirect Cost Rate

During the year ended June 30, 2023, the District did not elect to use the 10 percent de minimis indirect cost rate.

Independent School District No. 2144
Chisago District, Minnesota
Schedule of Findings, Questioned Costs and Responses
For the Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 5169(a) of Uniform Guidance?	No

Identification of Major Programs/Projects

	<u>CFDA No.</u>
U.S. Department of Education	
COVID-19 - Governor's Emergency Education Relief (GEER) Fund	84.425C
COVID-19 - Education Stabilization Fund Under The Coronavirus Aid, Relief, And Economic Security Act	84.425D
COVID-19 - American Rescue Plan - Elementary and Secondary School Relief	84.425U
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There were no findings related to the audit of the financial statements reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

Section III - Major Federal Award Findings and Questioned Costs

There are no significant deficiencies, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported in accordance with Uniform Guidance.

Independent School District No. 2144
Chisago District, Minnesota
Schedule of Findings, Responses and Questioned Costs (Continued)
For the Year Ended June 30, 2023

<u>Finding</u>	<u>Description</u>
2023-001	Student Activity Account with Deficit Balance
<i>Condition:</i>	We noted a number of student activity accounts that had a deficit year-end balance.
<i>Criteria:</i>	The Manual for Activity Fund Accounting (MAFA) states that no individual student activity will operate with a negative cash balance at the end of the fiscal year.
<i>Cause:</i>	The cause of the finding is unknown.
<i>Effect:</i>	The District is not in compliance with MAFA and negative balances will ultimately need to be covered with other District funds.
<i>Recommendation:</i>	We recommend that the District assure all student activity accounts do not spend in excess of available funds and eliminate the existing student activity account balance deficit. We also recommend periodically reviewing the balances to ensure they are not negative throughout the fiscal year.
<i>Management Response:</i>	
	There is no disagreement with this finding. The District will take action to avoid similar occurrences in the future.

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CORRECTIVE ACTION PLAN

The following is our response to findings in the audit as of June 30, 2023

FINDING 2023-001 Student Activity Account with Deficit Balance

During our audit, we noted a number of student activity accounts that had a deficit year-end balance. The Manual for Activity Fund Accounting (MAFA) states that no individual student activity will operate with a negative cash balance at the end of the fiscal year. We recommend that the District assure all student activity accounts do not spend in excess of available funds and eliminate the existing student activity account balance deficit.

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

The District will review policies and procedures to ensure no student activities have a negative account balances in future fiscal years. This includes a periodic process of activity balance review by individuals involved in the process.

3. Official Responsible for Ensuring CAP:

Robyn Vosberg-Torgerson, Business Manager, is the official responsible for ensuring corrective action.

4. Planned Completion Date for CAP:

Fiscal year end 2024 and continuous.

5. Plan to Monitor Completion of CAP:

The District will review student activity account balances before the year end.

Robyn Vosberg-Torgerson
Business Manager