

INDEPENDENT SCHOOL DISTRICT #347  
WILLMAR PUBLIC SCHOOLS

AUDITED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

JUNE 30, 2023

CONWAY, DEUTH & SCHMIESING, PLLP  
CPAS & ADVISORS  
WILLMAR, MINNESOTA

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INDEPENDENT SCHOOL DISTRICT #347

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INDEPENDENT SCHOOL DISTRICT #347

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INDEPENDENT SCHOOL DISTRICT #347

BOARD OF EDUCATION AND ADMINISTRATION  
JUNE 30, 2023

<u>Board of Education</u>		<u>Term Expires</u>
Chairperson	Justin Bos	1/6/2025
Vice-Chairperson	Mike Reynolds	1/6/2025
Clerk	Scott Thaden	1/6/2025
Treasurer	Tammy Barnes	1/6/2025
Director	Mary Amon	1/4/2027
Director	Jay Lawton	1/4/2027
Director	Randy Frederickson	1/4/2027
<u>Administration</u>		
Superintendent	Dr. Jeff Holm	
Assistant Superintendent	Dr. Bill Adams	
Director of Business and Finance	Kathryn Haase	
Director of Human Resources	Liz Windingstad	
Director of Teaching and Learning	Carrie Thomas	

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## INDEPENDENT AUDITOR'S REPORT

To The Board of Education  
Independent School District #347  
Willmar, Minnesota

### Report on the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #347, Willmar, 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 accompanying 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 Independent School District #347, Willmar, Minnesota, as of June 30, 2023, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, and the Food Service and Community Service Special Revenue Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

#### *Change in Accounting Principle*

As described in Note 8 to the financial statements, in 2023 the District adopted new accounting guidance, *Government Accounting Standards Board Statement No. 96, Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

## ***Responsibilities of Management for the Financial Statements***

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

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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



### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Proportionate Share of the Net Pension Liability for Pension Plans Administered through a Trust, the Schedule of Employer Contributions for Pension Plans Administered through a Trust, the Schedule of Changes in the District's Total Pension Liability for Pension Plans not Administered through a Trust and the Schedule of Changes in the District's Total OPEB Liability, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 individual fund schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Report on Partial Comparative Information***

We have previously audited the District's 2022 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated November 14, 2022. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived. Refer to Note 19 of the Notes to the Financial Statements for additional information regarding the prior year partial comparative information.

### ***Other Information***

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 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 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.

**Other Reporting Required by *Manual for Activity Fund Accounting***

In accordance with Minnesota Statutes, we have also issued our report dated November 13, 2023, on our consideration of the District's compliance with provisions of the *Manual for Activity Fund Accounting* issued by the Minnesota Department of Education, pursuant to Minnesota Statutes §123B.49. The purpose of that report is to determine if the District has complied with Minnesota laws and regulations. That report is an integral part of an audit performed in the State of Minnesota.

*Conway, Deuth & Schmiesing, PLLP*

CONWAY, DEUTH & SCHMIESING, PLLP  
CPAS & ADVISORS  
WILLMAR, MINNESOTA

November 13, 2023

REQUIRED SUPPLEMENTARY INFORMATION

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## INDEPENDENT SCHOOL DISTRICT #347

### MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2023

This section of Willmar Public Schools – Independent School District No. 347's (District) annual financial report presents management's discussion of the District's financial performance during the fiscal year (FY) ending June 30, 2023. Please read it in conjunction with the District's financial statements, which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of a reporting model required by the Governmental Accounting Standard Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Statement No. 34 contains significant requirements that enhance financial reporting. These requirements are also designed to make annual reports easier for the public to understand and more useful to stakeholders. Specifically, Statement No. 34 establishes reporting requirements that include financial statements, expanded disclosure, and supplemental information, including the MD&A (this section).

#### FINANCIAL REVIEW

Key financial items for the 2022-2023 fiscal year include the following:

- The General Fund unassigned fund balance exceeded the School Board's fund balance minimum of 6% of expenditures with a fund balance of \$9,338,924, equivalent to 13.63% of expenditures. This represents a decrease in unassigned fund balance of \$3,228,038 from the previous year.
- The combined Governmental Funds fund balance increased by 1.85%, or \$376,625, mainly due to revenues exceeding expenditures in the Food Service and Community Service funds.
- The overall net decrease to the District's long-term liabilities was \$2,647,461, or 6.14% mainly due to the reduction in bonds payable as bond principal payments occur each year.
- Enrollment decreased by 117 ADM's (Average Daily Membership) in FY 2023.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of three parts. They are:

- Independent Auditor's Report,
- Required Supplementary Information, which includes the Management's Discussion and Analysis (this section), and
- Basic Financial Statements

The basic financial statements include two kinds of statements that present different views of the District:

- The **government-wide financial statements**, including the Statement of Net Position and the Statement of Activities, provide both **short-term** and **long-term** information about the District's **overall** financial status.
- The remaining statements are **fund financial statements** that focus on **individual parts** of the District, reporting the District's operations in **more detail** than the government-wide statements. The District maintains three groups of fund financial statements. They are:
  - The **governmental funds statements** tell how basic services such as regular and special education were financed in the **short-term** as well as what remains for future spending.
  - **Proprietary funds statements** offer **short** and **long-term** financial information about the activities the District operates like **businesses**.
  - **Fiduciary funds statements** provide information about the financial relationships in which the District acts solely as a **trustee or agent** for the benefit of others to whom the resources belong.

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

## INDEPENDENT SCHOOL DISTRICT #347

### MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2023

#### OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

##### **Government-wide Statements**

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

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

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

In the government-wide financial statements the District's activities are 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 service, and community education. Property taxes and state aids finance most of these activities.

##### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's **funds** – focusing on its most significant or "major" funds – rather than the District as a whole.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as a scholarship fund to manage scholarship money.

The District has three kinds of funds:

- **Governmental funds** – The District's basic services are included in governmental funds, which generally focus on: 1) how **cash and other financial assets** that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed **short-term** view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information (reconciliation schedules) is provided following the governmental funds statements that explains the relationship (or differences) between these two types of financial statement presentations.
- **Proprietary funds** – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's sole proprietary fund is an internal service fund.
  - The District uses internal service funds to report activities that provide supplies and services for the District's other programs and activities. The District currently has one internal service fund for the dental self-insurance program.
- **Fiduciary funds** – The District is a trustee, or fiduciary, for assets that belong to others, such as the Private-Purpose Trust Fund and Agency Fund. The Private-Purpose Trust fund accounts for scholarship gifts and bequests. The Agency Fund accounts for funds used by a collaboration of districts for Achievement and Integration. 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 District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. These activities are excluded from the government-wide financial statements because the District cannot use these assets to finance its operations.

**INDEPENDENT SCHOOL DISTRICT #347**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position.** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's *combined* net position was \$972,616 on June 30, 2023 (see Table A-1 below).

**Table A-1  
The District's Net Position**

	<b>Governmental Activities</b>		<b>Percentage Change</b>
	<b>2023</b>	<b>2022</b>	
Current and Other Assets	\$ 36,985,540	\$ 37,634,674	-1.72%
Capital Assets	63,140,077	64,288,578	-1.79%
<b>Total Assets</b>	<b>\$100,125,617</b>	<b>\$ 101,923,252</b>	-1.76%
<b>Total Deferred Outflows of Resources</b>	<b>\$ 13,814,260</b>	<b>\$ 15,733,473</b>	-12.20%
Current Liabilities	\$ 8,571,072	\$ 9,965,239	-13.99%
Long-Term Liabilities	87,535,719	70,423,862	24.30%
<b>Total Liabilities</b>	<b>\$ 96,106,791</b>	<b>\$ 80,389,101</b>	19.55%
<b>Total Deferred Inflows of Resources</b>	<b>\$ 16,860,470</b>	<b>\$ 46,907,644</b>	-64.06%
Net Position			
Net Investment in Capital Assets	\$ 24,525,304	\$ 23,343,693	5.06%
Restricted	3,185,355	3,457,946	-7.88%
Unrestricted	(26,738,043)	(36,441,659)	26.63%
<b>Total Net Position</b>	<b>\$ 972,616</b>	<b>\$ (9,640,020)</b>	110.09%

The largest portion of the District's net position, \$24,525,304, reflects its investment in capital assets (e.g., land, buildings and improvements, furniture, equipment and right to use assets net of accumulated depreciation and amortization); less any related outstanding debt (such as general obligation bonds and lease liabilities) used to acquire those assets. 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. Unrestricted net position is primarily the District's unassigned fund balance offset by the liability for future severance and health benefits, which is not fully funded.

**INDEPENDENT SCHOOL DISTRICT #347**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

A summary of the revenues and expenses for the last two fiscal years is presented in Table A-2 below.

**Table A-2  
Change in Net Position**

	<b>Governmental Activities for the fiscal year ended June 30,</b>		<b>Percentage Change</b>
	<b>2023</b>	<b>2022</b>	
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$ 3,003,140	\$ 2,408,033	24.71%
Operating Grants and Contributions	34,931,929	27,601,004	26.56%
Capital Grants and Contributions	1,676,805	1,664,106	0.76%
General Revenues			
Property Taxes	7,789,141	7,896,447	-1.36%
Unrestricted State Aid	31,827,242	32,598,188	-2.36%
Investment Earnings	161,950	12,201	1227.35%
Gain on Sale of Assets	23,352	211,434	-88.96%
Other	1,000	6,500	-84.62%
Total Revenues	<u>79,414,559</u>	<u>72,397,913</u>	9.69%
<b>Expenses</b>			
Administration	2,455,851	2,304,423	6.57%
District Support Services	2,458,419	1,985,250	23.83%
Regular Instruction	24,491,703	27,159,291	-9.82%
Vocational Education Instruction	775,085	928,834	-16.55%
Special Education Instruction	11,534,209	11,651,751	-1.01%
Instructional Support Services	3,897,379	3,408,083	14.36%
Pupil Support Services	5,723,283	5,495,130	4.15%
Sites and Buildings	9,140,728	8,228,098	11.09%
Fiscal and Other Fixed Costs Programs	243,876	227,038	7.42%
Food Service	4,116,018	3,870,896	6.33%
Community Service	2,722,875	2,714,614	0.30%
Interest and Fiscal Charges on Long-Term Liabilities	1,242,497	1,331,047	-6.65%
Total Expenses	<u>68,801,923</u>	<u>69,304,455</u>	-0.73%
<b>Change in Net Position</b>	10,612,636	3,093,458	-243.07%
Beginning Net Position	(9,640,020)	(12,733,478)	-24.29%
Ending Net Position	<u>\$ 972,616</u>	<u>\$ (9,640,020)</u>	110.09%



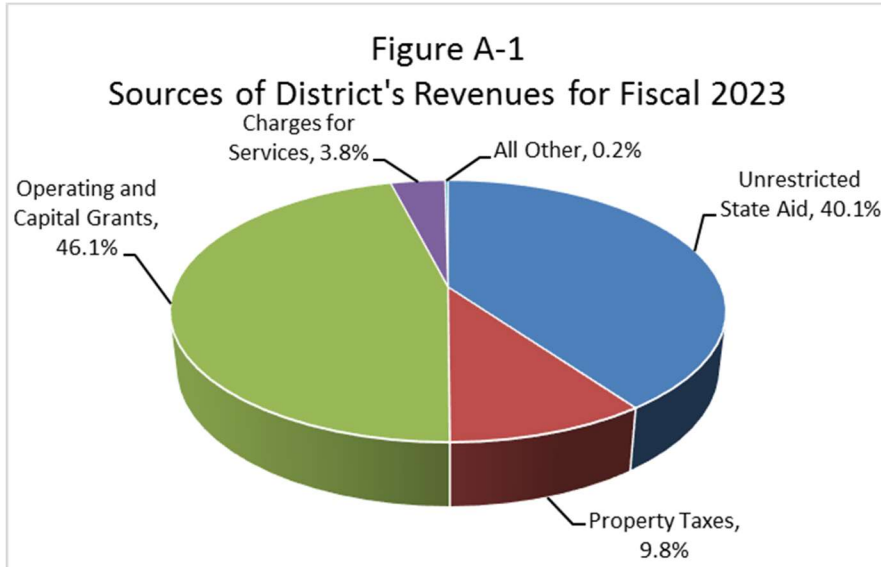
INDEPENDENT SCHOOL DISTRICT #347

MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023

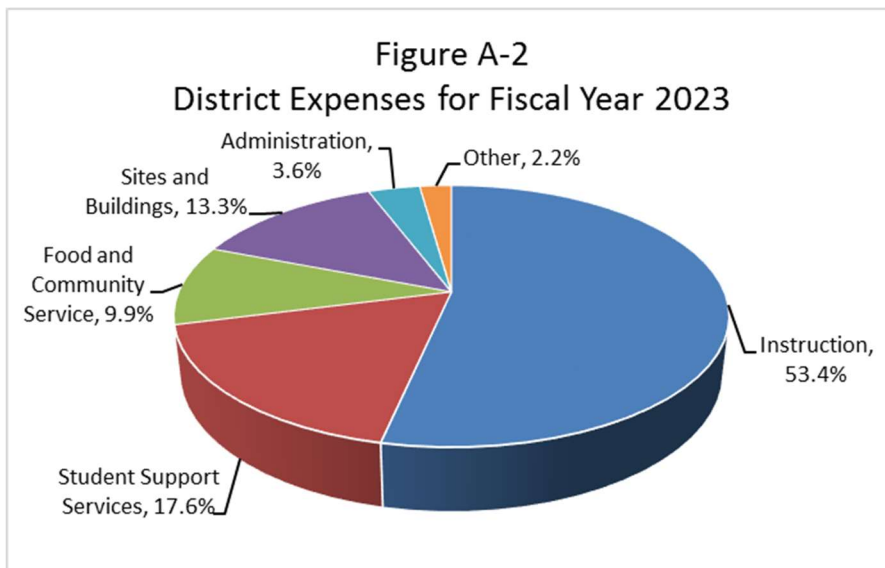
**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

**Changes in Net Position.** The District's total revenues were \$79,414,559 for the year ended June 30, 2023. This is a 9.69% increase from the prior year's revenues.

Unrestricted state aid along with local property taxes accounted for 49.9% of the total revenue for the year (see Figure A-1 below). Another 49.9% came from restricted state, federal and local program revenues with a negligible amount from earnings on investments and other.



The District's total expenditures for programs and services were \$68,801,923 for the year ended June 30, 2023. This is a 0.73% decrease from the prior year's expenses. The District's expenses are predominantly related to educating and supporting students (71.0%). (See Figure A-2). The administrative activities of the District accounted for 3.6% of total expenses.



**INDEPENDENT SCHOOL DISTRICT #347**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

The net cost of all **governmental** activities is their total costs less program revenues applicable to each category. The total cost of all governmental activities for this year was \$68,801,923. Table A-3 presents the costs of twelve major District activities such as instruction, food service and others. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

- The users of the District's programs paid for 4.36%, or \$3,003,140 of the costs.
- The federal and state governments subsidized certain programs with grants and contributions. This totaled \$36,608,734, or 53.21% of the total costs for 2022-2023.
- The remainder of the District's costs (\$29,190,049) were paid for by: 1) state taxpayers based on the statewide education aid formula, 2) by District taxpayers, and 3) by investment earnings.

**Table A-3  
Change in Net Position**

	<b>Total Cost of Services</b>		<b>Percentage Change</b>	<b>Net Cost of Services</b>		<b>Percentage Change</b>
	<b>2023</b>	<b>2022</b>		<b>2023</b>	<b>2022</b>	
Administration	\$ 2,455,851	\$ 2,304,423	6.57%	\$ 2,455,851	\$ 2,304,123	6.59%
District Support Services	2,458,419	1,985,250	23.83%	2,214,069	1,809,398	22.36%
Regular Instruction	24,491,703	27,159,291	-9.82%	6,271,380	15,772,792	-60.24%
Vocational Education Instruction	775,085	928,834	-16.55%	683,110	846,501	-19.30%
Special Education Instruction	11,534,209	11,651,751	-1.01%	1,689,299	2,674,926	-36.85%
Instructional Support Services	3,897,379	3,408,083	14.36%	1,476,688	1,888,294	-21.80%
Pupil Support Services	5,723,283	5,495,130	4.15%	5,562,912	5,146,508	8.09%
Sites and Buildings	9,140,728	8,228,098	11.09%	7,438,384	6,535,114	13.82%
Fiscal and Other Fixed Costs Programs	243,876	227,038	7.42%	243,876	227,038	7.42%
Food Service	4,116,018	3,870,896	6.33%	(81,922)	(1,088,279)	-92.47%
Community Service	2,722,875	2,714,614	0.30%	(6,095)	183,850	-103.32%
Interest and Fiscal Charges on Long-Term Liabilities	1,242,497	1,331,047	-6.65%	1,242,497	1,331,047	-6.65%
<b>Total</b>	<b>\$ 68,801,923</b>	<b>\$ 69,304,455</b>	<b>-0.73%</b>	<b>\$ 29,190,049</b>	<b>\$ 37,631,312</b>	<b>-22.43%</b>

**INDEPENDENT SCHOOL DISTRICT #347**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds. At the end of the 2022-2023 fiscal year, the District's governmental funds reported a **combined** fund balance of \$20,690,388, a 1.85% increase from last year's ending fund balance of \$20,313,763, mainly due to revenues exceeding expenditures in the Food Service and Community Service funds.

Revenues for the District's governmental funds totaled \$79,390,634 while total expenditures were \$79,100,092. As a result, the District completed the year with an excess of revenues and other financing sources over expenditures of \$376,625. Discussion about each governmental fund follows. A summary of the revenues and expenditures reported on the governmental fund financial statements for the past two years appears in Table A-4 below:

**Table A-4  
Revenues and Expenditures - Governmental Funds**

	2023			Fund Balance Increase (Decrease)
	Revenues	Expenditures	Other Financing Sources(Uses)	
General Fund	\$ 68,434,055	\$ 68,555,833	\$ 81,181	\$ (40,597)
Food Service Fund	4,210,796	4,014,863	4,902	200,835
Community Service Fund	3,125,908	2,912,331		213,577
Debt Service Fund	3,619,875	3,617,065		2,810
Totals	<u>\$ 79,390,634</u>	<u>\$ 79,100,092</u>	<u>\$ 86,083</u>	<u>\$ 376,625</u>
	2022			
	Revenues	Expenditures	Other Financing Sources(Uses)	Fund Balance Increase (Decrease)
General Fund	\$ 60,702,448	\$ 63,037,125	\$ 330,066	\$ (2,004,611)
Food Service Fund	4,959,506	3,986,462	11,175	984,219
Community Service Fund	2,934,075	2,837,717	6,854	103,212
Debt Service Fund	3,588,678	3,614,115		(25,437)
Totals	<u>\$ 72,184,707</u>	<u>\$ 73,475,419</u>	<u>\$ 348,095</u>	<u>\$ (942,617)</u>

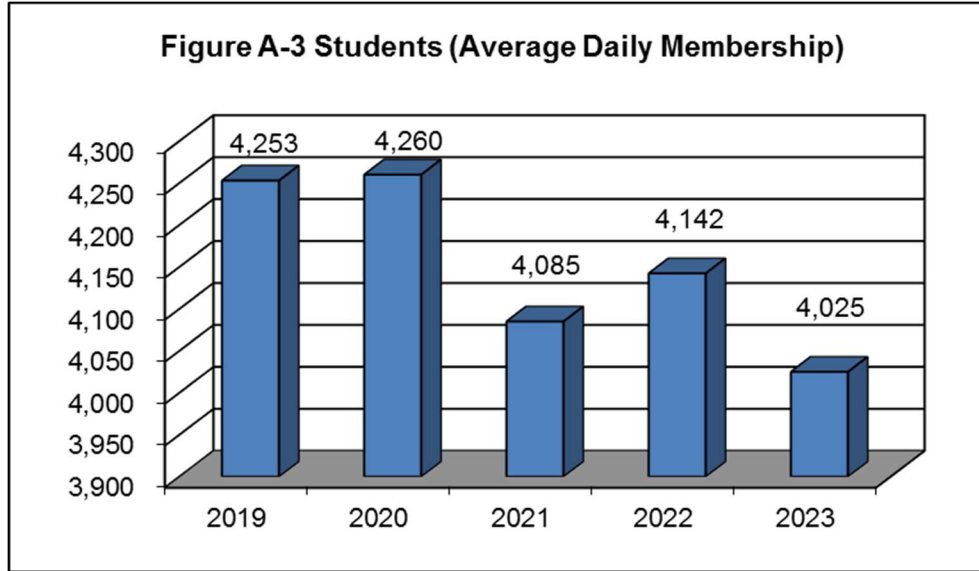
INDEPENDENT SCHOOL DISTRICT #347

MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023

**GENERAL FUND**

The General Fund is used by the District to record the primary operations of providing educational services to students from pre-kindergarten through grade 12. Pupil transportation activities, student activity funds, and capital and major maintenance projects are also included in the General Fund. General Fund operational revenue is controlled by a complex set of state funding formulas, resulting in the local school board having minimal authority to determine the level of resources.

**Enrollment.** Funding for Minnesota school districts is largely driven by enrollment. The District had declining enrollment since the onset of the COVID-19 pandemic in March 2020, as seen in Figure A-3 below.



The sharp decrease in enrollment in FY 2021 was caused by the unusual circumstances of the pandemic, which led some families to choose other enrollment options, such as home schooling, online charter schools, or nonpublic education. This trend affected public schools throughout Minnesota and around the nation. Enrollment rebounded slightly in FY 2022, however it decreased in FY 2023. A demographic study was commissioned by the district in FY 2023, which indicated that declining enrollment is likely to continue for the next few years.

The District continues to monitor enrollment for changes caused by mobility, local economic development or decline, and other external factors.

**INDEPENDENT SCHOOL DISTRICT #347**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

**GENERAL FUND (CONTINUED)**

The following table presents a summary of General Fund revenues:

**Table A-5  
General Fund Revenues**

<b>Sources</b>	<b>Year Ended June 30,</b>		<b>Amount Difference</b>	<b>Percentage Change</b>
	<b>2023</b>	<b>2022</b>		
Local Sources				
Property Taxes	\$ 4,198,119	\$ 4,325,716	\$ (127,597)	-2.95%
Interest Earnings	124,026	10,543	113,483	1076.38%
Other	2,408,156	1,847,518	560,638	30.35%
State Sources	51,854,468	50,221,798	1,632,670	3.25%
Federal Sources	9,762,655	4,212,779	5,549,876	131.74%
Sales and Other Conversion of Assets	86,631	84,094	2,537	3.02%
<b>Total General Fund Revenues</b>	<b>\$ 68,434,055</b>	<b>\$ 60,702,448</b>	<b>\$ 7,731,607</b>	<b>12.74%</b>

Total General Fund revenue increased \$7,731,607, or 12.74%, from the previous year. The majority of this increase was due to the timing for various federal COVID relief funds.

The following table presents a summary of General Fund expenditures:

**Table A-6  
General Fund Expenditures**

<b>Expenditures</b>	<b>Year Ended June 30,</b>		<b>Amount Difference</b>	<b>Percentage Change</b>
	<b>2023</b>	<b>2022</b>		
Salaries	\$ 38,298,982	\$ 36,359,256	\$ 1,939,726	5.33%
Employee Benefits	12,554,997	11,521,232	1,033,765	8.97%
Purchased Services	11,616,141	9,718,686	1,897,455	19.52%
Supplies and Materials	2,164,252	2,781,752	(617,500)	-22.20%
Capital Expenditures	3,299,022	2,417,276	881,746	36.48%
Other Expenditures	622,438	238,923	383,515	160.52%
<b>Total General Fund Expenditures</b>	<b>\$ 68,555,833</b>	<b>\$ 63,037,125</b>	<b>\$ 5,518,708</b>	<b>8.75%</b>

**INDEPENDENT SCHOOL DISTRICT #347**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

**GENERAL FUND (CONTINUED)**

Total General Fund expenditures increased \$5,518,708 or 8.75% from the previous year.

Salaries increased primarily due to contracted salary and wage increases for 2022-23 along with five additional days for all licensed teaching staff to work on standards-based learning, which was paid with federal COVID relief funds. Employee Benefits increased in part due to those benefits that are tied to salaries, so as salaries increase so do those benefits (FICA, TRA, PERA, etc.). In addition, other benefits are driven mainly by employee benefits choices, such as, health insurance and 403(b).

Purchased Services increased due to one-time purchases with COVID relief funds and student activity funds, one-time construction-related fees, contracted transportation increases, and an increase in special education services purchases through a cooperative.

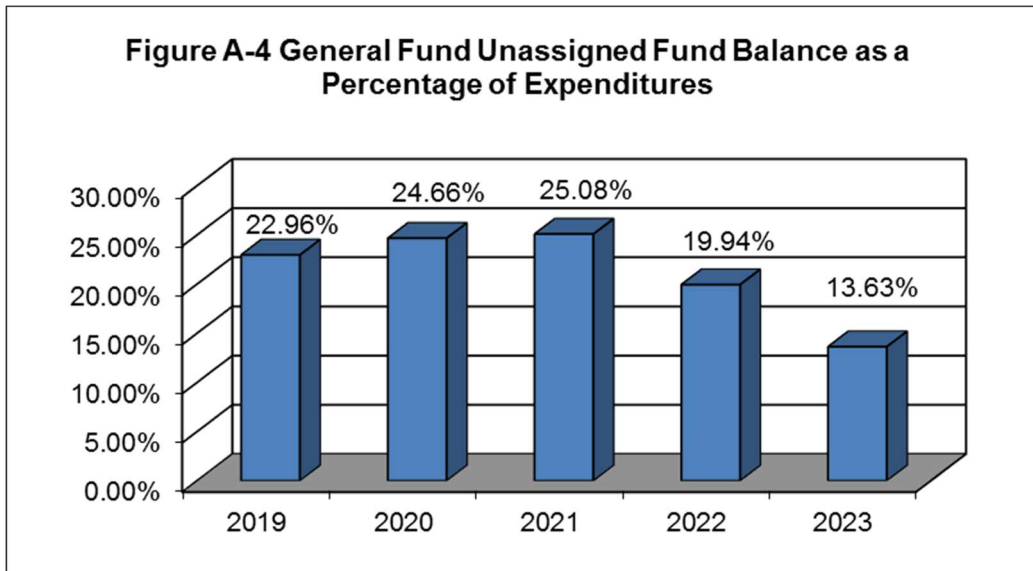
Supplies and Materials purchases decreased from the prior year due to one-time supply purchases made with federal COVID relief funds during the 2022-23 school year, including technology device and instructional supplies.

Capital Expenditures were higher than the prior year due to timing of construction projects.

Other expenditures increased due a increase in the pension expense recorded related to support it receives from the State of Minnesota for the TRA special funding situation per GASB 68. The District does not actually pay this expense and, when recorded, there is an offsetting revenue recorded so the net impact to fund balance is zero.

In summary, 2022-2023 General Fund expenditures were more than General Fund revenues and other financing sources by \$40,597. As a result, the total fund balance is \$16,615,217 at June 30, 2023. After deducting statutory reserves, committed constraints, assigned and nonspendable items, the unassigned fund balance decreased from \$12,566,962 on June 30, 2022 to \$9,338,924 on June 30, 2023.

Figure A-4, below, depicts the General Fund unassigned fund balance as a percentage of expenditures for fiscal years 2019 – 2023:



The graph above describing the District's unassigned fund balance trend, offers the single best measure of the District's overall financial health. The unassigned fund balance of \$9,338,924 on June 30, 2023 represents 13.63% of annual expenditures.

**INDEPENDENT SCHOOL DISTRICT #347**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

**GENERAL FUND (CONTINUED)**

The District closely monitors the General Fund unassigned fund balance through use of a detailed financial planning model, initiating necessary budget revisions during the year and with monthly budget analysis. The School Board has adopted a formal fund balance policy to maintain a minimum 6 percent (as a percentage of expenditures) fund balance in the General Fund unassigned fund.

***General Fund Budgetary Highlights***

The District is required to adopt an operating budget prior to the beginning of its fiscal year (July 1). Over the course of the year, the District revised the annual operating budget once. The budget amendment usually falls into two categories:

- Implementing budgets for specially funded projects, which may include grants, adjusting staffing and various instructional building allocations based on enrollment, and budgeting for certain unspent funds that are required to be carried over from the prior year.
- Legislation passed subsequent to budget adoption, changes necessitated by collective bargaining agreements, changes in student enrollments, staffing changes, and increase in appropriations for significant unbudgeted costs.

The District's final budget for the General Fund anticipated that expenditures would be greater than revenues and other financing uses by \$834,751, the actual results for the year show that revenues and other financing sources were greater than expenditures by \$40,597. The variance from budget was due to higher than anticipated revenues for special education and third party billing.

**FOOD SERVICE FUND**

The Food Service Fund revenue and other financing sources for 2022-23 totaled \$4,215,698 and expenditures were \$4,014,863, resulting in a fund balance increase of \$200,835. The fund balance increase for 2021-22 totaled \$984,219. This lower increase is the result of a change in funding sources which produced lower revenues while expenditures continued to see increases. The June 30, 2023 Food Service Fund fund balance was \$2,125,452.

**COMMUNITY SERVICE FUND**

In 2022-23, total revenues for the Community Service Fund were \$3,125,908 and total expenditures were \$2,912,331, resulting in a fund balance increase of \$213,577. This increase is mainly attributed to additional grants and donations received in the current year. The Community Service fund balance as of June 30, 2023 is \$1,193,103.

**DEBT SERVICE FUND**

Revenues and expenditures for the District's Debt Service Fund are tied directly to the District's bond principal and interest payment schedule. The Debt Service Fund revenues exceeded expenditures by \$2,810 in 2022-23. The Debt Service fund balance as of June 30, 2023 is \$756,616. This fund balance is only available for meeting future debt service obligations.

**INDEPENDENT SCHOOL DISTRICT #347**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2023, the District had net capital assets of \$63,140,077 representing a broad range of capital assets, including school buildings, computer and audio-visual equipment, other equipment for various instructional programs and right to use subscription IT assets (see Table A-7 below). Total depreciation and amortization expense for the year was \$2,649,061. Detailed information about capital assets is in Note 5 to the financial statements.

**Table A-7  
The District's Capital Assets**

<b>Assets</b>	<b>Year Ended June 30,</b>		<b>Percentage Change</b>
	<b>2023</b>	<b>2022</b>	
Capital Assets Not Being Depreciated	\$ 2,323,566	\$ 1,981,731	17.25%
Right to Use Assets	261,408	198,677	31.57%
Land Improvements	7,305,968	6,811,903	7.25%
Buildings and Improvements	86,259,980	85,978,798	0.33%
Equipment	10,337,885	10,138,503	1.97%
Less: Accumulated Depreciation	(43,269,872)	(40,812,756)	6.02%
Less: Accumulated Amortization	(78,858)	(8,278)	852.62%
<b>Total Net Capital Assets</b>	<b><u>\$ 63,140,077</u></b>	<b><u>\$ 64,288,578</u></b>	<b>-1.79%</b>

**Long-term Liabilities**

At year-end, the District had \$38,495,780 in general obligation bonds outstanding including bond premium. The District issued a financed purchase in FY 2021 to pay for iPads as shown in Table A-8. In FY 2023, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. At year-end, the District had \$118,993 in long-term subscription arrangements. The District also has \$1,622,977 in compensated absences payable at June 30, 2023. Compensated absences payable consists of unused vacation at June 30, 2023 and other compensated absences paid at retirement for certain employees based on the employment contract. Overall, the District's outstanding long-term liabilities decreased by 6.14% in fiscal year 2023. Detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.

**Table A-8  
The District's Long-Term Liabilities**

<b>Long-Term Liabilities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Bonds Payable	\$ 39,995,000	\$	\$ (2,275,000)	\$ 37,720,000	\$ 2,365,000
Bond Premium	837,431		(61,651)	775,780	61,651
Financed Purchase	399,126		(199,563)	199,563	199,563
Long-Term Subscription Arrangement	112,454	62,731	(56,192)	118,993	57,364
Compensated Absences Payable	1,740,763		(117,786)	1,622,977	250,036
<b>Total</b>	<b><u>\$ 43,084,774</u></b>	<b><u>\$ 62,731</u></b>	<b><u>\$ (2,710,192)</u></b>	<b><u>\$ 40,437,313</u></b>	<b><u>\$ 2,933,614</u></b>



**INDEPENDENT SCHOOL DISTRICT #347**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

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

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

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on that state of Minnesota for educational resources. During the 2023 State Legislation session, the basic general education formula was increased by 4.0% and 2.0% for fiscal years 2024 and 2025, respectively.

The District has received additional federal funds as a result of the COVID-19 pandemic which has helped the District's financial position in the short term. The majority of these federal COVID relief funds are only available through September 2024.

Because many of the funding formulas for Minnesota school districts are heavily driven by enrollment, the district receives less revenue when enrollment declines. If the District continues to see declining enrollment, it will be crucial for the District to respond by reducing expenditures, asking voters for additional operating funds, or a combination of both.

The District will strive to maintain its longstanding commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide District citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

If you have questions about this report or need additional financial information, contact the Business Office, Independent School District 347, 611 5<sup>th</sup> St SW, Willmar, MN 56201 or visit the Finance section of the District website at [www.willmar.k12.mn.us](http://www.willmar.k12.mn.us) (click on Departments, then Finance).

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## BASIC FINANCIAL STATEMENTS

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INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF NET POSITION

JUNE 30, 2023

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
Assets		
Cash and Investments	\$ 22,156,689	\$ 24,559,457
Receivables		
Property Taxes	4,191,232	3,975,436
Other Governments	9,684,300	8,065,075
Lease	71,722	77,071
Other	106,188	47,755
Due from Custodial Fund	17,522	16,047
Prepaid Items	697,596	784,577
Inventories	60,291	109,256
Capital and Right to Use Assets		
Assets Not Being Depreciated	2,323,566	1,981,731
Other Capital and Right to Use Assets, Net of Depreciation and Amortization	60,816,511	62,306,847
Total Assets	<u>100,125,617</u>	<u>101,923,252</u>
Deferred Outflows of Resources	<u>13,814,260</u>	<u>15,733,473</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 113,939,877</u>	<u>\$ 117,656,725</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
Liabilities		
Salaries and Wages Payable	\$ 6,095,795	\$ 6,944,115
Accounts and Contracts Payable	1,169,567	1,613,057
Due to Other Governmental Units	695,185	758,927
Accrued Interest Payable	519,704	557,621
Unearned Revenue	90,821	91,519
Long-Term Liabilities		
Net Pension Liability	45,156,439	25,232,164
Total OPEB Liability	1,941,967	2,106,924
Other Long-Term Liabilities Due Within One Year	2,933,614	2,844,386
Other Long-Term Liabilities Due in More Than One Year	37,503,699	40,240,388
Total Liabilities	<u>96,106,791</u>	<u>80,389,101</u>
Deferred Inflows of Resources	16,860,470	46,907,644
Net Position		
Net Investment in Capital Assets	24,525,304	23,343,693
Restricted for		
Operating Capital Purposes	521,789	651,860
State-Mandated Reserves	954,973	1,179,747
Student Activities	125,779	171,998
Scholarship	40,639	43,364
Food Service	1,279,911	1,191,833
Debt Service	262,264	219,144
Unrestricted	<u>(26,738,043)</u>	<u>(36,441,659)</u>
Total Net Position	<u>972,616</u>	<u>(9,640,020)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 113,939,877</u>	<u>\$ 117,656,725</u>

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2023  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023				2022	
	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>						
Administration	\$ 2,455,851	\$	\$	\$ (2,455,851)	\$ (2,304,123)	
District Support Services	2,458,419		244,350	(2,214,069)	(1,809,398)	
Regular Instruction	24,491,703	712,184	17,508,139	(6,271,380)	(15,772,792)	
Vocational Education Instruction	775,085		91,975	(683,110)	(846,501)	
Special Education Instruction	11,534,209	675,066	9,169,844	(1,689,299)	(2,674,926)	
Instructional Support Services	3,897,379	10,704	2,409,987	(1,476,688)	(1,888,294)	
Pupil Support Services	5,723,283		160,371	(5,562,912)	(5,146,508)	
Sites and Buildings	9,140,728	22,471	3,068	1,676,805	(7,438,384)	(6,535,114)
Fiscal and Other Fixed Costs Programs	243,876			(243,876)	(227,038)	
Food Service	4,116,018	617,326	3,580,614	81,922	1,088,279	
Community Service	2,722,875	965,389	1,763,581	6,095	(183,850)	
Interest and Fiscal Charges on Long-Term Liabilities	1,242,497			(1,242,497)	(1,331,047)	
<b>Total Governmental Activities</b>	<b>\$ 68,801,923</b>	<b>\$ 3,003,140</b>	<b>\$ 34,931,929</b>	<b>\$ 1,676,805</b>	<b>(29,190,049)</b>	<b>(37,631,312)</b>
<b>GENERAL REVENUES</b>						
Property Taxes Levied for						
General Purposes				4,196,586	4,321,311	
Community Service				373,579	356,257	
Debt Service				3,218,976	3,218,879	
State Aid not Restricted to Specific Purposes				31,827,242	32,598,188	
Interest Earnings				161,950	12,201	
Gain on Sale of Assets				23,352	211,434	
Miscellaneous				1,000	6,500	
<b>Total General Revenues</b>				<b>39,802,685</b>	<b>40,724,770</b>	
<b>Change in Net Position</b>				<b>10,612,636</b>	<b>3,093,458</b>	
<b>NET POSITION, BEGINNING OF YEAR</b>				<b>(9,640,020)</b>	<b>(12,733,478)</b>	
<b>NET POSITION, END OF YEAR</b>				<b>\$ 972,616</b>	<b>\$ (9,640,020)</b>	

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2023  
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	General	Food Service	Community Service	Debt Service	Total Governmental Funds	
					2023	2022
<b>ASSETS</b>						
Cash and Investments	\$ 16,017,020	\$ 2,161,497	\$ 1,434,207	\$ 2,418,636	\$ 22,031,360	\$ 24,432,770
Receivables						
Current Property Taxes	2,045,979		167,125	1,921,331	4,134,435	3,919,358
Delinquent Property Taxes	28,772		2,673	25,352	56,797	56,078
Due from Other Minnesota School Districts	320,130	3,997	14,900		339,027	775,417
Due from Minnesota Department of Education	5,060,412	10,000	146,348	39,070	5,255,830	5,344,915
Due from Federal through Minnesota Department of Education	3,991,669	35,011	11,085		4,037,765	1,656,979
Due from Other Governmental Units	17,882	4,425	29,371		51,678	287,764
Lease Receivables	71,722				71,722	77,071
Other Receivables	89,571	5,025	11,592		106,188	47,615
Due from Other Funds	17,522				17,522	16,047
Prepaid Items	685,754		11,842		697,596	784,577
Inventories	17,148	43,143			60,291	109,256
<b>Total Assets</b>	<b>\$ 28,363,581</b>	<b>\$ 2,263,098</b>	<b>\$ 1,829,143</b>	<b>\$ 4,404,389</b>	<b>\$ 36,860,211</b>	<b>\$ 37,507,847</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>						
<b>Liabilities</b>						
Salaries and Wages Payable	\$ 5,929,066	\$ 22,981	\$ 143,748	\$	\$ 6,095,795	\$ 6,944,115
Accounts and Contracts Payable	1,024,332	52,022	81,116		1,157,470	1,592,258
Due to Other Governmental Units	673,588	6	21,591		695,185	758,927
Unearned Revenue	3,600	62,637	24,584		90,821	91,519
<b>Total Liabilities</b>	<b>7,630,586</b>	<b>137,646</b>	<b>271,039</b>	<b>0</b>	<b>8,039,271</b>	<b>9,386,819</b>
<b>Deferred Inflows of Resources</b>						
Property Taxes Levied for Subsequent Year's Expenditures	4,017,284		362,328	3,622,421	8,002,033	7,674,116
Unavailable Revenue - Delinquent Property Taxes	28,772		2,673	25,352	56,797	56,078
Lease	71,722				71,722	77,071
<b>Total Deferred Inflows of Resources</b>	<b>4,117,778</b>	<b>0</b>	<b>365,001</b>	<b>3,647,773</b>	<b>8,130,552</b>	<b>7,807,265</b>
<b>Fund Balance</b>						
Nonspendable	702,902		11,842		714,744	819,873
Restricted	1,643,180	2,125,452	1,181,261	756,616	5,706,509	5,704,918
Committed	4,854,672				4,854,672	1,200,000
Assigned	75,539				75,539	22,010
Unassigned	9,338,924				9,338,924	12,566,962
<b>Total Fund Balance</b>	<b>16,615,217</b>	<b>2,125,452</b>	<b>1,193,103</b>	<b>756,616</b>	<b>20,690,388</b>	<b>20,313,763</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 28,363,581</b>	<b>\$ 2,263,098</b>	<b>\$ 1,829,143</b>	<b>\$ 4,404,389</b>	<b>\$ 36,860,211</b>	<b>\$ 37,507,847</b>

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2023

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	<u>2023</u>	<u>2022</u>
Total Fund Balances - Governmental Funds	\$ 20,690,388	\$ 20,313,763
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital and right to use assets used in governmental funds are not financial resources and therefore are not reported as assets in the governmental funds. Those assets consist of:		
Land and Construction in Progress	2,323,566	1,981,731
Land Improvements, Net of Accumulated Depreciation	3,985,078	3,788,384
Buildings and Improvements, Net of Accumulated Depreciation	50,577,795	52,019,903
Equipment and Vehicles, Net of Accumulated Depreciation	6,071,088	6,308,161
Right to Use Assets, Net of Accumulated Amortization	182,550	190,399
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.		
	56,797	56,078
Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
	(519,704)	(557,621)
Internal service funds are used by management to charge the costs associated with Delta Dental Insurance. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.		
	113,232	106,028
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to Pensions	13,593,149	15,485,653
Deferred Inflows of Resources Related to Pensions	(7,835,015)	(38,081,199)
Deferred outflows and inflows of resources related to other post-employment benefits are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to OPEB	221,111	247,820
Deferred Inflows of Resources Related to OPEB	(951,700)	(1,075,258)
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Position.		
Balances at year-end are:		
Bonds Payable	(37,720,000)	(39,995,000)
Unamortized Premium	(775,780)	(837,431)
Financed Purchase	(199,563)	(399,126)
Long-Term Subscription Arrangements	(118,993)	(112,454)
Compensated Absences Payable	(1,622,977)	(1,740,763)
Total OPEB Liability	(1,941,967)	(2,106,924)
Net Pension Liability	(45,156,439)	(25,232,164)
Total Net Position - Governmental Activities	<u>\$ 972,616</u>	<u>\$ (9,640,020)</u>

See Accompanying Notes to the Financial Statements



INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 JUNE 30, 2023  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	General	Food Service	Community Service	Debt Service	Total Governmental Funds	
					2023	2022
<b>REVENUES</b>						
Local Sources						
Property Taxes	\$ 4,198,119	\$	\$ 373,720	\$ 3,216,583	\$ 7,788,422	\$ 7,906,327
Interest Earnings	124,026	12,856	9,197	15,143	161,222	12,171
Other	2,408,156	629,935	1,183,622		4,221,713	2,801,175
State Sources	51,854,468	202,174	1,440,181	388,149	53,884,972	52,073,734
Federal Sources	9,762,655	3,365,831	113,821		13,242,307	9,090,075
Sales and Other Conversion of Assets	86,631		5,367		91,998	301,225
Total Revenues	68,434,055	4,210,796	3,125,908	3,619,875	79,390,634	72,184,707
<b>EXPENDITURES</b>						
Current						
Administration	2,892,235				2,892,235	2,496,987
District Support Services	2,323,793				2,323,793	2,107,408
Regular Instruction	29,298,355				29,298,355	27,874,513
Vocational Education Instruction	961,829				961,829	1,047,309
Special Education Instruction	12,943,349				12,943,349	12,170,875
Instructional Support Services	4,445,370				4,445,370	3,542,356
Pupil Support Services	6,083,378		44,277		6,127,655	5,386,800
Sites and Buildings	6,065,376				6,065,376	5,803,452
Fiscal and Other Fixed Costs Programs	243,876				243,876	227,038
Food Service		3,893,277			3,893,277	3,842,595
Community Service			2,866,765		2,866,765	2,769,880
Capital Outlay	3,298,272	121,586	1,289		3,421,147	2,592,091
Debt Service						
Principal				2,275,000	2,275,000	2,185,000
Interest and Fiscal Charges				1,342,065	1,342,065	1,429,115
Total Expenditures	68,555,833	4,014,863	2,912,331	3,617,065	79,100,092	73,475,419
Excess (Deficiency) of Revenues Over (Under) Expenditures	(121,778)	195,933	213,577	2,810	290,542	(1,290,712)

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 JUNE 30, 2023  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	General	Food Service	Community Service	Debt Service	Total Governmental Funds	
					2023	2022
OTHER FINANCING SOURCES (USES)						
Lease Issuance	\$	\$	\$	\$	\$	\$ 11,175
Subscription Arrangement Issuance	62,731				62,731	118,845
Sale of Equipment	18,450	4,902			23,352	218,075
Total Other Financing Sources (Uses)	81,181	4,902	0	0	86,083	348,095
Net Change in Fund Balances	(40,597)	200,835	213,577	2,810	376,625	(942,617)
FUND BALANCE, BEGINNING OF YEAR	16,655,814	1,924,617	979,526	753,806	20,313,763	21,256,380
FUND BALANCE, END OF YEAR	\$ 16,615,217	\$ 2,125,452	\$ 1,193,103	\$ 756,616	\$ 20,690,388	\$ 20,313,763

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023  
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	<u>2023</u>	<u>2022</u>
Total Net Change in Fund Balances - Governmental Funds	\$ 376,625	\$ (942,617)

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

Capital outlay is 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 Outlay	1,517,190	1,152,061
Depreciation and Amortization Expense	(2,649,061)	(2,561,752)
Capital Assets Disposed	(137,995)	(9,520)
Accumulated Deprecation Related to Disposed Capital Assets	121,365	2,880

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences is as follows:

Principal Retirement of Long-Term Liabilities	2,530,755	2,390,954
Issuance of Long-Term Subscription Arrangement	(62,731)	(118,845)
Change in Accrued Interest Payable	37,917	36,417
Amortization of Bond Premium	61,651	61,651

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 deferred in the funds.

719	(9,880)
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In the Statement of Activities, certain operating expenses - pension, other post-employment benefits and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Pensions	8,429,405	2,527,323
Other Postemployment Benefits	261,806	270,006
Compensated Absences	117,786	272,728

An internal service fund is used to charge the costs associated with Delta Dental insurance. The net change in net position of the fund is reported with governmental activities.

<u>7,204</u>	<u>22,052</u>
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Change in Net Position - Governmental Activities  
See Accompanying Notes to the Financial Statements

<u>\$ 10,612,636</u>	<u>\$ 3,093,458</u>
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INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2023  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			Over (Under) Final Budget	2022
	Budgeted Amounts		Actual		Actual
	Original	Final			
<b>REVENUES</b>					
<b>Local Sources</b>					
Property Taxes	\$ 4,095,158	\$ 4,184,663	\$ 4,198,119	\$ 13,456	\$ 4,325,716
Interest Earnings	38,835	67,034	124,026	56,992	10,543
Other	1,279,464	1,975,333	2,408,156	432,823	1,847,518
State Sources	51,832,941	51,119,797	51,854,468	734,671	50,221,798
Federal Sources	5,278,755	9,872,846	9,762,655	(110,191)	4,212,779
Sales and Other Conversion of Assets	5,674	69,492	86,631	17,139	84,094
<b>Total Revenues</b>	<b>62,530,827</b>	<b>67,289,165</b>	<b>68,434,055</b>	<b>1,144,890</b>	<b>60,702,448</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
Administration	2,812,185	2,891,521	2,892,235	714	2,496,987
District Support Services	2,226,471	2,306,598	2,323,793	17,195	2,107,408
Regular Instruction	29,497,228	29,401,453	29,298,355	(103,098)	27,874,513
Vocational Education Instruction	945,946	889,261	961,829	72,568	1,047,309
Special Education Instruction	13,373,341	13,118,494	12,943,349	(175,145)	12,170,875
Instructional Support Services	4,324,789	4,307,172	4,445,370	138,198	3,542,356
Pupil Support Services	5,974,185	5,853,595	6,083,378	229,783	5,349,911
Sites and Buildings	5,940,742	6,231,850	6,065,376	(166,474)	5,803,452
Fiscal and Other Fixed Costs Programs	242,272	243,876	243,876		227,038
<b>Capital Outlay</b>					
Administration					2,585
District Support Services	15,300	15,877	48,131	32,254	147,757
Regular Instruction	335,641	514,263	449,721	(64,542)	386,817
Vocational Education Instruction	17,500	46,442	32,545	(13,897)	117,034
Special Education Instruction	2,000	4,285	6,789	2,504	12,802
Instructional Support Services			84,619	84,619	109
Pupil Support Services	200	22,949	16,311	(6,638)	127,903
Sites and Buildings	1,851,497	2,294,620	2,660,156	365,536	1,622,269
<b>Total Expenditures</b>	<b>67,559,297</b>	<b>68,142,256</b>	<b>68,555,833</b>	<b>413,577</b>	<b>63,037,125</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,028,470)	(853,091)	(121,778)	731,313	(2,334,677)
<b>OTHER FINANCING SOURCES (USES)</b>					
Lease Issuance			62,731	62,731	118,845
Sale of Equipment		18,340	18,450	110	211,221
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>18,340</b>	<b>81,181</b>	<b>62,841</b>	<b>330,066</b>
<b>Net Change in Fund Balance</b>	<b>\$ (5,028,470)</b>	<b>\$ (834,751)</b>	<b>(40,597)</b>	<b>\$ 794,154</b>	<b>(2,004,611)</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>			<b>16,655,814</b>		<b>18,660,425</b>
<b>FUND BALANCE, END OF YEAR</b>			<b>\$ 16,615,217</b>		<b>\$ 16,655,814</b>

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOOD SERVICE SPECIAL REVENUE FUND  
 YEAR ENDED JUNE 30, 2023  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			Over (Under) Final Budget	2022
	Budgeted Amounts		Actual		Actual
	Original	Final			
<b>REVENUES</b>					
Local Sources					
Interest Earnings	\$ 582	\$ 4,440	\$ 12,856	\$ 8,416	\$ 331
Other-Primarily Meal Sales	532,931	625,053	629,935	4,882	287,769
State Sources	181,283	158,493	202,174	43,681	133,719
Federal Sources	2,547,338	2,918,303	3,365,831	447,528	4,537,687
Total Revenues	<u>3,262,134</u>	<u>3,706,289</u>	<u>4,210,796</u>	<u>504,507</u>	<u>4,959,506</u>
<b>EXPENDITURES</b>					
Current					
Food Service	3,738,894	4,149,462	3,893,277	(256,185)	3,842,595
Capital Outlay					
Food Service	<u>103,773</u>	<u>126,359</u>	<u>121,586</u>	<u>(4,773)</u>	<u>143,867</u>
Total Expenditures	<u>3,842,667</u>	<u>4,275,821</u>	<u>4,014,863</u>	<u>(260,958)</u>	<u>3,986,462</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(580,533)	(569,532)	195,933	765,465	973,044
<b>OTHER FINANCING SOURCES (USES)</b>					
Lease Issuance					11,175
Sale of Equipment		4,902	4,902		
Total Other Financing Sources (Uses)	<u>0</u>	<u>4,902</u>	<u>4,902</u>	<u>0</u>	<u>11,175</u>
Net Change in Fund Balance	<u>\$ (580,533)</u>	<u>\$ (564,630)</u>	200,835	<u>\$ 765,465</u>	984,219
FUND BALANCE, BEGINNING OF YEAR			<u>1,924,617</u>		<u>940,398</u>
FUND BALANCE, END OF YEAR			<u>\$ 2,125,452</u>		<u>\$ 1,924,617</u>

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 COMMUNITY SERVICE SPECIAL REVENUE FUND  
 YEAR ENDED JUNE 30, 2023  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			Over (Under) Final Budget	2022
	Budgeted Amounts		Actual		Actual
	Original	Final			
<b>REVENUES</b>					
Local Sources					
Property Taxes	\$ 374,836	\$ 376,841	\$ 373,720	\$ (3,121)	\$ 356,784
Interest Earnings	2,417	5,467	9,197	3,730	451
Other-Primarily Tuition and Fees	872,948	1,004,700	1,183,622	178,922	877,613
State Sources	1,382,413	1,389,529	1,440,181	50,652	1,354,212
Federal Sources	41,000	130,558	113,821	(16,737)	339,609
Sales and Other Conversion of Assets	3,081	5,406	5,367	(39)	5,406
Total Revenues	<u>2,676,695</u>	<u>2,912,501</u>	<u>3,125,908</u>	<u>213,407</u>	<u>2,934,075</u>
<b>EXPENDITURES</b>					
Current					
Pupil Support Services	33,784	49,237	44,277	(4,960)	36,889
Community Service	2,696,110	2,823,090	2,866,765	43,675	2,769,880
Capital Outlay					
Community Service	19,000	3,250	1,289	(1,961)	30,948
Total Expenditures	<u>2,748,894</u>	<u>2,875,577</u>	<u>2,912,331</u>	<u>36,754</u>	<u>2,837,717</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(72,199)	36,924	213,577	176,653	96,358
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of Equipment					6,854
Net Change in Fund Balance	<u>\$ (72,199)</u>	<u>\$ 36,924</u>	213,577	<u>\$ 176,653</u>	103,212
FUND BALANCE, BEGINNING OF YEAR			<u>979,526</u>		<u>876,314</u>
FUND BALANCE, END OF YEAR			<u>\$ 1,193,103</u>		<u>\$ 979,526</u>

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF NET POSITION  
 PROPRIETARY FUND  
 JUNE 30, 2023  
 WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2022

	Governmental Activities- Internal Service Fund	
	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Current Assets		
Cash and Investments	\$ 125,329	\$ 126,687
Accounts Receivables		140
	<u>\$ 125,329</u>	<u>\$ 126,827</u>
Total Assets		
<b>LIABILITIES AND NET POSITION</b>		
Current Liabilities		
Accounts Payable	\$ 12,097	\$ 20,799
Net Position		
Unrestricted	<u>113,232</u>	<u>106,028</u>
Total Liabilities and Net Position	<u>\$ 125,329</u>	<u>\$ 126,827</u>

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2023  
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	Governmental Activities- Internal Service Fund	
	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Charges for Services	\$ 284,695	\$ 283,890
OPERATING EXPENSES		
Dental Insurance Claim Payments	250,644	234,477
General Administration Costs	<u>27,575</u>	<u>27,391</u>
Total Operating Expenses	<u>278,219</u>	<u>261,868</u>
Operating Income (Loss)	6,476	22,022
NONOPERATING REVENUES (EXPENSES)		
Interest Earnings	<u>728</u>	<u>30</u>
Change in Net Position	7,204	22,052
NET POSITION, BEGINNING OF YEAR	<u>106,028</u>	<u>83,976</u>
NET POSITION, END OF YEAR	<u><u>\$ 113,232</u></u>	<u><u>\$ 106,028</u></u>



INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2023  
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	Governmental Activities- Internal Service Fund	
	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Interfund Services Provided	\$ 284,835	\$ 283,750
Payments for Administrative Costs	(27,564)	(27,439)
Payments for Dental Fees and Insurance Claims	(259,357)	(225,219)
Net Cash Provided (Used) by Operating Activities	<u>(2,086)</u>	<u>31,092</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Interest Earnings	728	30
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(1,358)</u>	<u>31,122</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>126,687</u>	<u>95,565</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 125,329</u>	<u>\$ 126,687</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ 6,476	\$ 22,022
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Increase (Decrease) in Assets		
Accounts Receivable	140	(140)
Increase (Decrease) in Liabilities		
Accounts Payable	(8,702)	9,210
Net Cash Provided (Used) By Operating Activities	<u>\$ (2,086)</u>	<u>\$ 31,092</u>

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF FIDUCIARY NET POSITION  
CUSTODIAL FUND  
JUNE 30, 2023

ASSETS

Receivables	
Due from Other Minnesota School Districts	\$ 40,590

LIABILITIES

Liabilities	
Salaries and Wages Payable	\$ 2,048
Due to Other Governmental Units	21,020
Due to Other Funds	17,522
	<hr/>
Total Liabilities	\$ 40,590

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
CUSTODIAL FUND  
YEAR ENDED JUNE 30, 2023

ADDITIONS

Local Sources	
Other	\$ 79,617

DEDUCTIONS

Current	
Regular Instruction	
Salaries and Wages	20,354
Employee Benefits	3,394
Purchased Services	22,990
Supplies and Materials	32,879
Total Deductions	<hr/> 79,617
Change in Net Position	0

NET POSITION, BEGINNING OF YEAR	<hr/>
NET POSITION, END OF YEAR	\$ 0

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Independent School District #347 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America. The more significant of the government's accounting policies are described below.

A. REPORTING ENTITY

The Independent School District #347 Board of Education ("District") is the basic level of government which has the financial accountability and control over all activities related to the public school education for the Willmar Public School District. The District receives funding from local, state, and federal sources and must comply with the expenditure requirements of these funding source entities.

The financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate entities for which the District is financially accountable, or for which the exclusion of the component unit would render the financial statements of the District misleading.

The criteria used to determine if the District is financially accountable for a component unit includes whether or not 1) the District appoints the voting majority of the potential component unit's governing body and is able to impose its will on the potential component unit or is in a relationship of financial benefit or burden with the potential component unit, or 2) the potential component unit is fiscally dependent on and there is potential for the potential component unit to provide specific financial benefits to, or impose specific financial burdens on, the District.

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

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. The School Board has a fiduciary responsibility in establishing general policies and ensuring that appropriate financial records are maintained for student activities. In addition, these accounts of the District are under the School Board's control. The activity of the student activity accounts is accounted for in the General Fund.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Cont'd)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of all charges would distort the direct costs and program revenue reported for the various functions concerned.

Separate financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

The Internal Service Fund is presented in the proprietary fund financial statements. Because the principal user of the internal services is the District's governmental activities, the financial statement of the internal service fund is consolidated into the governmental activities column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

The governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting, in which revenues are recognized when they become measurable and available. Revenues are considered to be measurable when the amount of the transaction can be determined and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except interest earnings) are recorded as revenues when received because they are generally not measurable until then. Interest earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Cont'd)

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 and claims and judgments, are recorded only when payment is due. The District does not use encumbrances for either budgeting or financial reporting purposes.

It is generally the District's policy to use restricted resources first, then unrestricted resources as they are needed when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**Description of Funds**

The existence of the various District funds has been established by the State of Minnesota, Department of Education. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. A description of the funds included in this report is as follows:

*Major Governmental Funds:*

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities, equipment purchases, health and safety projects, and disabled accessibility projects.

The Food Service Special Revenue Fund accounts for all activities associated with the preparation and service of milk, meals and snacks in connection with school and community service activities. Revenues for the Food Service Fund are generated primarily from user fees, federal reimbursements, and state aids.

The Community Service Special Revenue Fund accounts for services provided to residents in the areas of enrichment, recreation, nonpublic pupils, adult basic education and early childhood programs or other similar services. Revenues for the Community Service Fund are generated primarily from user fees, local property taxes, federal reimbursements, and state aids.

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

*Proprietary Fund:*

The Internal Service Fund accounts for financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The District's Internal Service Fund accounts for the District's dental self-insurance program. The self-insurance costs are charged to the various funds based on established premium rates.

*Fiduciary Fund:*

The Custodial Fund is used to account for cash and other assets held by the District as the agent for others. These funds are used to account for the West Central Achievement and Integration Collaborative.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. BUDGETS AND BUDGETARY ACCOUNTING

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent and Director of Business and Finance submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to budgeted amounts must be approved by the School Board.

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

Unencumbered expenditure appropriations lapse at year-end. Encumbrances are not recorded.

Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE

**Cash and Investments:**

The District's cash and cash equivalents are considered to be cash on hand, deposits and highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition.

The District may invest in the following types of investments as authorized by Minn. Stat. §§118A.04 and 118A.05:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. §118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers acceptances of United States bank;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less; and

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

**Cash and Investments:** (Cont'd)

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Cash and investments were comprised of demand deposit accounts, non-negotiable certificates of deposit, money market accounts, U.S. Treasury notes and external investments pool. Investments are recorded at fair value as determined by quoted market prices or amortized cost.

The District invests in the Minnesota School District Liquid Asset Fund external investment pool, which is created under a joint powers agreement pursuant to Minn. Stat. §471.59. The Minnesota School District Liquid Asset Fund is not registered with the Securities Exchange Commission (SEC), but satisfies the requirements of Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 CFR §270.2a-7), as amended. The investment in the pool is measured at the net asset value per share provided by the pool.

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

Cash balances from all funds of the District are pooled and invested, to the extent available, in allowable cash management accounts. Earnings from such accounts are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

For purposes of the Statement of Cash Flows, the District considers cash in bank and all highly liquid instruments (including restricted assets) to be cash and cash equivalents in its proprietary fund.

The District has an investment policy in place that addresses interest rate risk, credit risk, concentration of credit risk and custodial credit risk as follows:

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Minnesota Statutes require all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations of a state or local government rated "A" or better and revenue obligations of a state or local government rated "AA" or better; unrated general obligation securities of the District; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The District does not have a policy that further limits its collateral choices.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

**Cash and Investments:** (Cont'd)

*Custodial Credit Risk - Investments.* For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy on custodial credit risk states securities shall be held in third party safekeeping by an institution designated as custodial agent. The institution or dealer shall issue a safekeeping receipt to the District listing the specific instrument, the name of the issuer, the name in which the security is held, the rate, the maturity, serial numbers and other distinguishing marks, and other pertinent information related to the securities held.

*Interest Rate Risk.* This is the risk that the market value of securities will fall due to the changes in market interest rates. The District's policy states investment maturities shall be scheduled to coincide with projected District cash flow needs, taking into account large routine or scheduled expenditures, as well as anticipated receipt dates of anticipated revenues. Maturities for short-term and long-term investments shall be timed according to anticipated need. Within these parameters, portfolio maturities shall be staggered to avoid undue concentration of assets and a specific maturity sector. The maturities selected shall provide for stability of income and reasonable liquidity.

*Credit Risk.* This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law limits certain investments to the top two ratings issued by the rating organizations. The District's investment policy states it will comply with Minnesota Statutes Chapter 118A.

*Concentration Risk.* This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy states the District shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities.

**Accounts Receivable:**

Accounts receivable represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

Lease receivables represent amounts receivable from individuals, firms and corporations for the right to use of District assets. No substantial losses are anticipated from the present receivables balances and therefore, no allowance for uncollectible amounts is deemed necessary.

**Current Property Taxes Receivable:**

Current property taxes receivable represent current real and personal property tax levies, certified the previous December and collectible in the current calendar year, which have not been received by the District.

**Delinquent Property Taxes Receivable:**

Delinquent property taxes receivable represent taxes collectible in the years 2016 to 2022 that remain uncollected at June 30, 2023. They are equally offset by a deferred inflows of resources amount in the governmental fund financial statements.

**Prepaid Items:**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.



INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

**Inventories:**

Inventories are recorded using the consumption method of accounting and consist of paper, purchased food and supplies. Food, paper and supply purchases are recorded at invoice cost, computed on a first-in, first-out method.

**Capital Assets:**

Tangible and intangible capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Right to use assets are capitalized at the present value of the minimum lease payments. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District maintains a threshold level of \$5,000 for capitalizing tangible and intangible capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Tangible and intangible capital and right to use assets are recorded in the government-wide financial statements, but are not reported in the governmental fund financial statements. Capital and right to use assets are depreciated and amortized using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

Capital assets not being depreciated include land and construction in progress.

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

The District does not possess any material amounts of intangible capital assets.

**Deferred Outflows of Resources:**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future reporting period. During that future period, it will be recognized as an outflow of resources (expense/expenditure). The District has items that qualify for reporting in this category on the government-wide Statement of Net Position related to pensions and OPEB.

**Unearned Revenue**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and certain other payments received before eligibility requirements are met are also recorded as unearned revenue.

**Long-Term Obligations:**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Lease and subscription liabilities are measured at the present value of payments expected to be made and amortized as a component of interest expense over the lease and subscription term.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

**Long-Term Obligations:** (Cont'd)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The present value of lease and subscription payments expected to be made at the inception of a lease and subscription agreement is reported as other financing sources. Subsequent lease and subscription payments are reported as capital outlay expenditures.

**Compensated Absences:**

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation and certain sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide financial statements. The government-wide Statement of Net Position reports both current and noncurrent portions of compensated absences using full accrual accounting. The current portion consists of an amount based on a trend analysis of current usage of vacation and vested sick leave. The noncurrent portion consists of the remaining amount of vacation and total vested sick leave.

*Vacation Pay:*

Employees earn annual vacation pay at rates dependent upon each employee group labor contract. All outstanding unpaid vacation pay is payable upon termination of employment. At June 30, 2023, unpaid vacation pay totaling \$117,027 is recorded in the financial statements.

*Sick Pay:*

Substantially all District employees are entitled to sick leave at various rates. For certain employees, unused sick leave enters into the calculation of pay upon termination.

*Secretarial Staff:*

An unused sick leave payment is available to full-time secretaries who have completed at least 15 years of continuous service with the District and are at least 55 years of age. An eligible individual will receive an amount equal to 75% of the number of unused accumulated sick leave hours multiplied by the employee's hourly rate of pay, not to exceed 800 hours, less any TSA match the District contributed. Employees hired after July 1, 2000 are not eligible for an unused sick leave payment.

*Library Clerical Staff and General Paraprofessionals:*

An unused sick leave payment is available to library clerical staff and full-time general paraprofessionals whose combined part-time and full-time service is not less than 15 years of service with the District and are at least 55 years of age. An eligible individual will receive an amount equal to 75% of the number of unused accumulated sick leave days multiplied by the employee's daily rate of pay, not to exceed 120 days, less any TSA match the District contributed. Employees hired July 1, 2018 or later are not eligible for an unused sick leave payment.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

**Compensated Absences:** (Cont'd)

*Special Needs Paraprofessionals, Sign Language Interpreters and Job Coaches:*

An unused sick leave payment is available to full-time special needs paraprofessionals, full-time sign language interpreters and full-time job coaches who have completed at least 15 years of continuous service with the District and are at least 58 years of age. An eligible individual will receive an amount equal to 75% of the number of unused accumulated sick leave days multiplied by the employee's daily rate of pay, not to exceed 805 hours, less any TSA match the District contributed. Employees hired after July 1, 2002 will not be eligible for an unused sick leave payment.

*Food Service Staff:*

An unused sick leave payment is available to full-time food service staff who have completed at least 15 years of continuous service with the District and are at least 55 years of age. An eligible individual will receive an amount equal to 75% of the number of unused accumulated sick leave hours multiplied by the employee's hourly rate of pay, not to exceed 600 hours. Employees hired before July 1, 2022 must have a combined part-time and full-time FTE not less than 15 total years of service. Employees hired after July 1, 2022 will not be eligible for unused sick leave payment. Those hired prior will have severance reduced by District TSA matching contributions.

*Administrators:*

An unused sick leave payment is available to administrators who have completed at least 10 years of full-time service with the District and are at least 55 years of age but not more than 65 years of age. An eligible administrator will receive an amount equal to the number of unused accumulated sick leave days multiplied by the employee's daily rate of pay, not to exceed 175 days, less any TSA match the District contributed. Administrators hired after July 1, 2000 are not eligible for an unused sick leave payment.

*Teachers:*

An unused sick leave payment is available to teachers who have completed at least 15 years of combined part-time and Full-Time Equivalent (FTE) paid teaching service with the District and are at least 55 years of age. An eligible teacher will receive an amount equal to 50% of the number of unused accumulated sick leave days multiplied by the employee's daily rate of pay, not to exceed 90 days. Furthermore, an eligible teacher will receive an amount equal to the teacher's number of years of service multiplied by four days and the employee's daily rate of pay, not to exceed 100 days. The maximum combined total payment shall not exceed 150 days. Any TSA match the District contributed will be deducted from the payment. Teachers hired after July 1, 2000 are not eligible for this benefit.

*Custodians:*

Custodians shall earn ten days of severance pay credit for each full year of service, with accumulation to 150 days. In addition, an eligible custodian will receive severance pay for 50% of the number of unused accumulated sick leave days, not to exceed 90 days. Upon resignation of the employee at age 55 or older, the District shall pay severance equal to 75% of an employee's accumulated severance pay days up to a maximum of 150 days, at the employee's daily rate of pay. Must have a minimum of 5 years of service as a custodian to qualify.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

**Compensated Absences:** (Cont'd)

*Confidential Employees:*

An unused sick leave payment is available to full-time confidential employees who have completed at least 15 years of continuous service with the District and are at least 55 years of age. An eligible individual will receive an amount equal to 75% of the number of unused accumulated sick leave hours multiplied by the employee's hourly rate of pay, not to exceed 900 hours, less any TSA match the District contributed. The eligible confidential employee shall also earn ten days of severance pay credit for each full year of service, with accumulation to 100 days. The maximum combined severance shall not exceed 150 days. Confidential employees hired after July 1, 2004 are not eligible for this benefit.

**Other Postemployment Benefits:**

Under the terms of previous employment contracts, when certain qualified employees retired between the ages of 55 to 65, the District provided life and health insurance benefits which would cease when such employees attain the age of 65. This benefit is no longer available to employees; however, the District continues to pay health insurance for qualified individuals that retired when this benefit was in effect. All premiums are funded on a pay-as-you-go basis.

**Pensions:**

The District participates in various pension plans; total pension expense for the fiscal year ended was (\$4,728,959). The components of pension expense are noted in the plan summaries.

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. 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.

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. This 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 in 2015.

**Deferred Inflows of Resources:**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period. During that future period, it will be recognized as an inflow of resources (revenue). The District has items that qualify for reporting in this category on both the government-wide Statement of Net Position and the governmental fund financial statements related to property taxes, pensions, OPEB and leases.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

**Property Taxes Levied for Subsequent Year's Expenditures:**

Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2023, are included in this account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

**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 governmental funds. These classifications are as follows:

*Nonspendable* - consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact, such as, inventories and prepaid items.

*Restricted* - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

*Committed* - consists of amounts that are constrained for specific purposes that are internally imposed by formal action of the Board of Education. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. These constraints are established by Resolution of the Board of Education.

*Assigned* - consists of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board Policy, the Director of Business and Finance is authorized to establish assignments of fund balance.

*Unassigned* - is the residual classification for the General Fund and also reflects negative residual amounts in the remaining governmental funds.

The District requires 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 Board of Education formally adopted a fund balance policy for the General Fund. The District's policy is to strive to maintain a minimum unassigned fund balance of 6% of the General Fund expenditures.

**Net Position:**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the government-wide, proprietary fund, and fiduciary fund financial statements. Net investment in capital assets consists of capital and right to use assets, net of accumulated depreciation and amortization, reduced by the outstanding balance of any long-term liabilities used to build or acquire the capital and right to use assets. Net position is reported as restricted in the government-wide, proprietary fund, and fiduciary fund financial statements when there are limitations on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position consists of all other net position that does not meet the definition of restricted or net investment in capital assets.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. REVENUES AND EXPENDITURES

**Revenues:**

Property tax levies are established by the Board of Education in December each year and are certified to the County for collection in the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1. Taxes are due on May 15 and October 15. The County generally remits taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid through various state tax credits which are included in revenue from state sources in the governmental fund financial statements.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as deferred inflow of resources (property taxes levied for subsequent year's expenditures). The majority of District revenue in the General Fund (and to a lesser extent in the District's Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between 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."

In accordance with State law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum which is frozen at \$184,153 for the District. For the year ended June 30, 2020, State law is not requiring recognition of the current operating referendum and all other levies other than Career Technical and Reemployment Insurance. Career Technical and Reemployment Insurance tax levies are recognized early based on statutory requirements in the amounts of \$219,346 and (\$10,000), respectively.

Tax levies from prior years that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources at the fund level because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2023, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

**Expenditures:**

Expenditure recognition for governmental fund types is limited to amounts represented by current liabilities. Long-term liabilities are not recognized as governmental fund expenditures or liabilities.

G. USE OF ESTIMATES

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

H. PRIOR YEAR INFORMATION

The basic financial statements include certain prior-year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2022, from which the partial information was derived.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. VIOLATIONS OF FINANCE-RELATED OBLIGATIONS

There were no violations of finance-related obligations.

B. DEFICIT FUND BALANCES

There were no deficit fund balances.

C. EXPENDITURES EXCEEDING APPROPRIATIONS

The following funds had expenditures that exceeded appropriations:

	<u>Expenditures</u>	<u>Appropriations</u>
General Fund	\$ 68,555,833	\$ 68,142,256
Community Service Fund	2,912,331	2,875,577
Debt Service Fund	3,617,065	3,616,715

NOTE 3. CASH AND INVESTMENTS

A. DEPOSITS

The District's deposits were sufficiently covered by insurance through FDIC as well as collateralized with securities held by the pledging institution's trust department or agent in the District's name.

The District has the following deposits:

<u>Governmental Activities</u>	
Petty Cash	\$ 453
Pooled Cash in Checking Accounts	9,007,343
Money Market Deposit Account	2,693,906
Non-negotiable Certificates of Deposit	<u>30,200</u>
Total Deposits	<u>\$ 11,731,902</u>

B. INVESTMENTS

The District had the following investments:

	<u>Fair Value</u>	<u>Interest Rate Risk</u>
		<u>Maturity Date</u>
U.S. Treasury Notes	<u>\$ 6,388,365</u>	0-3 years

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 3. CASH AND INVESTMENTS (Cont'd)

B. INVESTMENTS (Cont'd)

	Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
<u>Governmental Activities</u>				
Investments at fair value:				
Cash Held in Tax Managed Fund	\$ 1,678,372	\$ 1,678,372	\$	\$
U.S. Treasury Notes	6,388,365	6,388,365		
Total Investments at Fair Value	8,066,737	<u>\$ 8,066,737</u>	<u>\$ 0</u>	<u>\$ 0</u>
Investment at amortized cost:				
External Investment Pool - MSDLAF Max Class	<u>2,358,050</u>			
Total Investments	<u>\$ 10,424,787</u>			

The following is a summary of deposits and investments:

Deposits (Note 3.A.)	\$ 11,731,902
Investments	<u>10,424,787</u>
Total Deposits and Investments	<u>\$ 22,156,689</u>

Deposits and Investments are presented in the basic financial statements as follows:

Statement of Net Position	
Cash and Investments	<u>\$ 22,156,689</u>

The District's investment in the Minnesota School District Liquid Asset Fund - Max classes were rated AAA and the U.S. Treasury Notes were rated Aaa by Standard & Poor's. The District's Cash Held in Tax Managed Fund were not rated.



INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 4. RECEIVABLES

A. COMPONENTS OF RECEIVABLES

Receivables are as follows:

	<u>Total Receivables</u>	<u>Amounts not Scheduled for Collection During the Subsequent Year</u>
<u>Governmental Activities</u>		
Receivables		
Property Taxes		
Current Property Taxes	\$ 4,134,435	\$
Delinquent Property Taxes	56,797	
Total Property Taxes	<u>4,191,232</u>	<u>0</u>
Other Governments		
Due from Other Minnesota School Districts	339,027	
Due from Minnesota Department of Education	5,255,830	
Due from Federal through Minnesota Department of Education	4,037,765	
Due from Other Governmental Units	51,678	
Total Other Governments	<u>9,684,300</u>	<u>0</u>
Lease Receivable	71,722	48,292
Other		
Other Receivables	<u>106,188</u>	
Total Governmental Activities	<u>\$ 14,053,442</u>	<u>\$ 48,292</u>

On July 1, 2020, the District leased office space to the Southwest-West Central Service Coop. The lease term is 4 years at a fixed interest rate of 3.25%. Ownership does not transfer at the end of the lease term.

On February 11, 2008, the District leased land to the Willmar Municipal Utilities Commission for the purpose of constructing and operating Wind Turbine No. 3. The lease term is 21 years at a fixed interest rate of 3.25%. The lease may be renegotiated at the end of the term. Ownership does not transfer at the end of the lease term.

On February 11, 2008, the District leased land to the Willmar Municipal Utilities Commission for the purpose of constructing and operating Wind Turbine No. 4. The lease term is 21 years at a fixed interest rate of 3.25%. The lease may be renegotiated at the end of the term. Ownership does not transfer at the end of the lease term.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 4. RECEIVABLES (Cont'd)

B. LEASE RECEIVABLES

The District's leases are summarized as follows:

	Lease Receivable Balance	Lease Revenue	Lease Interest Revenue
SWWC Service Coop			
Office Space	\$ 17,687	\$ 18,000	\$ 878
Land Lease - Wind Turbine No 3	28,403	3,565	986
Land Lease - Wind Turbine No 4	25,632	3,671	901
	<u>\$ 71,722</u>	<u>\$ 25,236</u>	<u>\$ 2,765</u>

NOTE 5. CAPITAL ASSETS

Capital asset activity was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 1,497,585	\$	\$	\$ 1,497,585
Construction in Progress	484,146	1,249,238	(907,403)	825,981
Total Capital Assets, Not Being Depreciated	1,981,731	1,249,238	(907,403)	2,323,566
Capital Assets, Being Depreciated				
Land Improvements	6,811,903	494,065		7,305,968
Buildings and Improvements	85,978,798	281,182		86,259,980
Equipment	10,138,503	337,377	(137,995)	10,337,885
Total Capital Assets, Being Depreciated	102,929,204	1,112,624	(137,995)	103,903,833
Right To Use Assets, Being Amortized				
Subscription IT Assets	198,677	62,731		261,408
Less Accumulated Depreciation for				
Land Improvements	(3,023,519)	(297,371)		(3,320,890)
Buildings and Improvements	(33,958,895)	(1,723,290)		(35,682,185)
Equipment	(3,830,342)	(557,820)	121,365	(4,266,797)
Total Accumulated Depreciation	(40,812,756)	(2,578,481)	121,365	(43,269,872)
Less Accumulated Amortized for				
Subscription IT Assets	(8,278)	(70,580)		(78,858)
Total Capital Assets Being Depreciated or Amortized, Net	62,306,847	(1,473,706)	(16,630)	60,816,511
Governmental Activities Net Capital Assets	<u>\$ 64,288,578</u>	<u>\$ (224,468)</u>	<u>\$ (924,033)</u>	<u>\$ 63,140,077</u>

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 5. CAPITAL ASSETS (Cont'd)

Depreciation and Amortization expense was charged to functions/programs as follows:

Governmental Activities	
District Support Services	\$ 53,401
Regular Instruction	771,361
Vocational Education Instruction	12,712
Special Education Instruction	5,882
Instructional Support Services	20,911
Pupil Support Services	35,895
Sites and Buildings	1,657,745
Food Service	76,003
Community Service	<u>15,151</u>
 Total Depreciation and Amortization Expense - Governmental Activities	 <u><u>\$ 2,649,061</u></u>

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. INTERFUND BALANCES

The composition of interfund balances is as follows:

<u>Due From Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
General Fund	Custodial Fund	\$ 17,522

The purpose of the above interfund loans was to cover negative cash in the custodial fund.

B. INTERFUND TRANSFERS

There were no interfund transfers is the current year.

NOTE 7. LONG-TERM LIABILITIES

A. COMPONENTS OF LONG-TERM LIABILITIES

	<u>Original Amount Issued</u>	<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Balance Outstanding</u>
<u>Governmental Activities</u>				
General Obligation Bonds, Series 2015A	\$ 51,615,000	02/01/2036	2.00-4.00%	\$ 37,720,000
Bond Premium - Net				775,780
Financed Purchase - 2021 Apple iPads				199,563
Long-Term Subscription Arrangements				118,993
Compensated Absences Payable				<u>1,622,977</u>
 Total Governmental Activities				 <u><u>\$ 40,437,313</u></u>

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

B. DESCRIPTION OF LONG-TERM LIABILITIES

**General Obligation Bonds:**

On August 4, 2015, the District issued \$51,615,000 of General Obligation Bonds, Series 2015A for the building of a new school and other school building maintenance and improvements. The bonds are due in varying annual installments each February 1 from February 1, 2017 through February 1, 2036 with interest at a rate of 2.00%-4.00% due semi-annually on February 1 and August 1. Future ad valorem tax levies are dedicated to the retirement of these bonds.

**Financed Purchase:**

On June 4, 2021, the District entered into a lease agreement for the purchase of iPads. The assets under the financed purchase agreement were \$586,246.

**Compensated Absences Payable:**

Compensated absences payable consists of unused vacation at June 30, 2023 and other compensated absences paid at retirement for certain employees based on the employment contract.

C. CHANGES IN LONG-TERM LIABILITIES

The following table summarizes changes in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
Bonds Payable	\$ 39,995,000	\$	\$ (2,275,000)	\$ 37,720,000	\$ 2,365,000
Bond Premium	837,431		(61,651)	775,780	61,651
Financed Purchase	399,126		(199,563)	199,563	199,563
Long-Term Subscription Arrangements	112,454	62,731	(56,192)	118,993	57,364
Compensated Absences Payable*	1,740,763		(117,786)	1,622,977	250,036
Total Governmental Activities	<u>\$ 43,084,774</u>	<u>\$ 62,731</u>	<u>\$ (2,710,192)</u>	<u>\$ 40,437,313</u>	<u>\$ 2,933,614</u>

\* The change in the compensated absences liability is presented as a net change.

D. FINANCED PURCHASES

Year Ending June 30,	Financed Purchase - 2021 Apple iPads	
	Principal	Interest
2024	<u>\$ 199,563</u>	<u>\$ 0</u>

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

E. MINIMUM DEBT PAYMENTS

Minimum principal and interest payments required to retire the general obligation bonds and the capital lease are as follows:

Year Ending June 30,	General Obligation Bonds, Series 2015A	
	Principal	Interest
2024	\$ 2,365,000	\$ 1,247,290
2025	2,460,000	1,152,690
2026	2,555,000	1,054,290
2027	2,635,000	977,640
2028	2,710,000	898,590
2029-2033	14,865,000	3,191,520
2034-2036	10,130,000	704,456
	<u>\$ 37,720,000</u>	<u>\$ 9,226,476</u>

NOTE 8. LONG-TERM SUBSCRIPTIONS

At June 30, 2023, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. This implementation allows the District to report its right to use subscription assets and related long-term subscription arrangements.

Subscription arrangements are summarized as follows:

	Origination Date	Payment Terms	Payment Amount	Interest Rate
Frontline Education HR Management System	5/1/2022	4 years	Variable	3.50%
PowerSchool-Schoology	7/1/2022	3 years	\$ 21,888	4.75%
	Original Subscription Liability	Current Year Additional Outflows	Remeasurement	Balance Outstanding
Frontline Education HR Management System	\$ 118,845	\$	\$	\$ 78,150
PowerSchool-Schoology	62,731			40,843
	<u>\$ 181,576</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 118,993</u>

On May 1, 2022, the District agreed to terms with Frontline Education for use of their HR Management System program. The subscription term is 4 years at a fixed interest rate of 3.50%. Right to use ends at the end of the agreed term.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 8. LONG-TERM SUBSCRIPTIONS (Cont'd)

On July 1, 2022, the District agreed to terms with PowerSchool for use of their Schoology LMS License and Subscription. The subscription term is 3 years at a fixed interest rate of 4.75%. Right to use ends at the end of the agreed term.

Annual requirements to amortize lease obligations and related interest are as follows:

Year Ending June 30	Frontline Education HR Management System		PowerSchool - Schoology	
	Principal	Interest	Principal	Interest
2024	\$ 37,416	\$ 2,735	\$ 19,948	\$ 1,940
2025	40,734	1,426	20,895	993
	<u>\$ 78,150</u>	<u>\$ 4,161</u>	<u>\$ 40,843</u>	<u>\$ 2,933</u>

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 9. FUND BALANCE

The following is a summary of fund balance components:

	<u>General</u>	<u>Food Service</u>	<u>Community Service</u>	<u>Debt Service</u>	<u>Total</u>
<b>Nonspendable</b>					
Prepaid Items	\$ 685,754	\$	\$ 11,842	\$	\$ 697,596
Inventories	17,148				17,148
Total Nonspendable	<u>702,902</u>	<u>0</u>	<u>11,842</u>	<u>0</u>	<u>714,744</u>
<b>Restricted</b>					
Student Activities	125,779				125,779
Scholarships	40,639				40,639
Staff Development	437,984				437,984
Operating Capital	312,504				312,504
Community Education			366,098		366,098
ECFE			185,559		185,559
Gifted and Talented	56,502				56,502
School Readiness			499,052		499,052
Adult Basic Education			130,552		130,552
Basic Skills					
Extended Time	179,096				179,096
Long-Term Facility					
Maintenance	209,285				209,285
Medical Assistance	281,391				281,391
Other Fund Activities		2,125,452		756,616	2,882,068
Total Restricted	<u>1,643,180</u>	<u>2,125,452</u>	<u>1,181,261</u>	<u>756,616</u>	<u>5,706,509</u>
<b>Committed</b>					
Severance	1,200,000				1,200,000
Middle School Building					
Project	3,549,672				3,549,672
Elementary ELC					
Curriculum	105,000				105,000
Total Committed	<u>4,854,672</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,854,672</u>
<b>Assigned</b>					
Sr High Football Gifts & Grants	75,539				75,539
<b>Unassigned</b>					
	<u>9,338,924</u>				<u>9,338,924</u>
	<u>\$ 16,615,217</u>	<u>\$ 2,125,452</u>	<u>\$ 1,193,103</u>	<u>\$ 756,616</u>	<u>\$ 20,690,388</u>

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 9. FUND BALANCE (Cont'd)

**Fund Equity:**

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. The following is a summary of the potential restricted fund balances for the governmental funds:

A. RESTRICTED FOR STUDENT ACTIVITIES

The fund balance restriction represents unspent resources available for student activity expenditures.

B. RESTRICTED FOR SCHOLARSHIPS

The fund balance restriction represents unspent resources available for scholarship expenditures.

C. RESTRICTED FOR STAFF DEVELOPMENT

In accordance with state statute, the District is required to restrict 2.0% of basic General Education revenue for staff development. The cumulative excess of such revenues over staff development expenditures is reported as a restriction of fund balance in the General Fund.

D. RESTRICTED FOR OPERATING CAPITAL

The District levies taxes and receives state aid to be used for the purchase of equipment, books and vehicles and to purchase, rent, improve, and repair school facilities as allowed by state statute. The cumulative excess of such revenues over equipment and facilities expenditures is reported as a restriction of fund balance in the General Fund.

E. RESTRICTED FOR COMMUNITY EDUCATION

The fund balance restriction represents accumulated resources available to provide general community education programming.

F. RESTRICTED FOR ECFE (EARLY CHILDHOOD AND FAMILY EDUCATION)

This fund balance restriction represents accumulated resources available to provide services for early childhood family education programming.

G. RESTRICTED FOR GIFTED AND TALENTED

The fund balance restriction represents accumulated resources available to provide gifted and talented programming in accordance with funding made available for that purpose.

H. RESTRICTED FOR SCHOOL READINESS

The fund balance restriction represents accumulated resources available to provide services for the school readiness program.

I. RESTRICTED FOR ADULT BASIC EDUCATION

The fund balance restriction represents accumulated resources available to provide adult basic education programming in accordance with funding made available for that purpose.



INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 9. FUND BALANCE (Cont'd)

**Fund Equity:** (Cont'd)

J. RESTRICTED FOR BASIC SKILLS EXTENDED TIME

The fund balance restriction represents accumulated resources available for extended time activities to provide for the educational needs of pupils who enroll under-prepared to learn and whose progress toward meeting state or local content or performance standards is below the level that is appropriate for learners of their age in accordance with funding made available for that purpose.

K. RESTRICTED FOR LONG-TERM FACILITY MAINTENANCE

The fund balance restriction represents accumulated resources available to be used for LTFM projects in accordance with the 10 Year Plan.

L. RESTRICTED FOR MEDICAL ASSISTANCE

The fund balance restriction represents unspent resources available for medical assistance expenditures.

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. PLAN DESCRIPTION

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

**General Employees Retirement Plan (GERP; General Employees Plan; accounted for in the General Employees Fund):**

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

**Teachers Retirement Association (TRA):**

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 (except those employed by St. Paul schools or Minnesota State colleges and universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through the Defined Contribution Plan (DCR) administered by the State of Minnesota.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

B. BENEFITS PROVIDED

**GERP Benefits:**

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

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

**TRA Benefits:**

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

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

B. BENEFITS PROVIDED (Cont'd)

**TRA Benefits:** (Cont'd)

Tier I Benefits:

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

With these provisions:

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

or

Tier II Benefits:

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

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

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

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

C. CONTRIBUTIONS

**GERP Contributions:**

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2023 were \$834,578. The District's contributions were equal to the required contributions as set by state statute.

**TRA Contributions:**

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

	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>
Basic:			
Employee	11.00%	11.00%	11.00%
Employer	12.13%	12.34%	12.55%
Coordinated:			
Employee	7.50%	7.50%	7.50%
Employer	8.13%	8.34%	8.55%

The District's contributions to TRA for the plan's fiscal year ended June 30, 2023 were \$2,528,131. The District's contributions were equal to the required contributions for each year as set by state statute.

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

Employer Contributions Reported in TRA's ACFR, 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 Allocations	<u>\$ 515,519,000</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 #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

D. PENSION COSTS

**GERP Pension Costs:**

At June 30, 2023 the District reported a liability of \$11,689,969 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$342,654. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.1476% at the end of the measurement period and 0.1485% for the beginning of the period.

Districts Proportionate Share of the Net Pension Liability	\$ 11,689,969
State of Minnesota's Proportionate Share of the Net Pension Liability Associated With the District	<u>342,654</u>
Total	<u>\$ 12,032,623</u>

There were no provision changes during the measurement period.

For the year ended June 30, 2023, the District recognized pension expense of \$1,810,429 for its proportionate share of GERP's pension expense. In addition, the District recognized \$51,200 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution to the General Employees Fund.

At June 30, 2023 the District reported its proportionate share of GERP'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	\$ 97,644	\$ 125,684
Changes in Actuarial Assumptions	2,661,297	48,028
Differences Between Projected and Actual Investment Earnings	179,726	
Changes in Proportion	44,230	46,812
Contributions Paid to GERP Subsequent to Measurement Date	<u>834,578</u>	
Totals	<u>\$ 3,817,475</u>	<u>\$ 220,524</u>

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

**GERP Pension Costs:** (Cont'd)

The \$834,578 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>Pension Expense Amount</u>
2024	\$ 1,047,169
2025	1,049,242
2026	(391,221)
2027	1,057,183

**TRA Pension Costs:**

On June 30, 2023, the District reported a liability of \$33,118,900 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.4136% at the end of the measurement period and 0.4221% for the beginning of the year.

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

District's Proportionate Share of Net Pension Liability	\$ 33,118,900
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>2,456,214</u>
Total	<u><u>35,575,114</u></u>

For the year ended June 30, 2023, the District recognized pension expense of \$4,935,853. It also recognized \$337,737 as an increase to pension expense for the support provided by direct aid.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 486,212	\$ 295,124
Changes in Actuarial Assumptions	5,414,383	6,806,973
Differences Between Projected and Actual Investment Earnings	675,538	
Changes in Proportion	638,387	461,209
Contributions Paid to TRA Subsequent to Measurement Date	<u>2,528,131</u>	
Totals	<u><u>\$ 9,742,651</u></u>	<u><u>\$ 7,563,306</u></u>

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

**TRA Pension Costs:** (Cont'd)

\$2,528,131 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:

Year ended June 30,	Pension Expense Amount	
2024	\$	(5,906,512)
2025		972,882
2026		250,826
2027		4,372,664
2028		(38,646)

E. LONG-TERM EXPECTED RETURN ON INVESTMENT

**GERP:**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	25.00%	5.90%
	100.00%	

**TRA:**

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

The 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.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

E. LONG-TERM EXPECTED RETURN ON INVESTMENT

**TRA:** (Cont'd)

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	25.00%	0.75%
Total	100.00%	

F. ACTUARIAL ASSUMPTIONS

**GERP:**

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.

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

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

The following changes in actuarial assumptions occurred in 2022:

Changes in Actuarial Assumptions:

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



INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

E. ACTUARIAL ASSUMPTIONS (Cont'd)

**TRA:**

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

Actuarial Information

Valuation Date	July 1, 2022
Measurement Date	June 30, 2022
Experience Study	June 28, 2019 (Demographic Assumptions)
Actuarial Cost Method	Entry Age Normal

Actuarial Assumptions

Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected Salary Increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of Living Adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Mortality Assumptions

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

The following changes in actuarial assumptions occurred since the 2021 valuation:

None.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

F. DISCOUNT RATE

**GERP:**

The discount rate used to measure the total pension liability in 2022 was 6.5 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 positions of the General Employees Fund were 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.

**TRA:**

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

G. 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 paragraphs, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

		<u>GERP</u>		<u>TRA</u>
1% Lower	5.50%	\$ 18,464,918	6.00%	\$ 52,210,143
Current Discount Rate	6.50%	11,689,969	7.00%	33,118,900
1% Higher	7.50%	6,133,465	8.00%	17,470,034

H. PENSION PLAN FIDUCIARY NET POSITION

**GERP:**

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

**TRA:**

Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at [www.MinnesotaTRA.org](http://www.MinnesotaTRA.org), by writing to 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 #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 11. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN

A. PLAN DESCRIPTION

The District operates a single-employer retiree benefit plan (the Plan) that provides health, dental, and life insurance to eligible employees and their spouses through the District's commercial insurance plans. There are 524 active participants and 24 retired participants. Benefit and eligibility provisions are established through negotiations between the District and employee groups including a union. The union contract is renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report. No assets are accumulated in a trust that meets all of the criteria in GASB Statement No. 75, paragraph 4.

B. TOTAL OPEB LIABILITY

The District's total OPEB liability of \$1,941,967 was measured as of June 30, 2023, and was determined by an actuarial valuation as of that date.

C. CHANGES IN TOTAL OPEB LIABILITY

Changes in the total OPEB liability were as follows:

	<u>Total OPEB Liability</u>
Beginning of Year	\$ 2,106,924
Changes for the Year:	
Service Cost	141,998
Interest	75,954
Changes of Assumptions	(1,799)
Benefit Payments	<u>(381,110)</u>
Net Changes	<u>(164,957)</u>
End of Year	<u>\$ 1,941,967</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.69% in 2022 to 3.86% in 2023.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86%) or 1-percentage-point higher (4.86%) than the current discount rate:

	<u>1.0% Decrease in Discount Rate (2.86%)</u>	<u>Discount Rate (3.86%)</u>	<u>1.0% Increase in Discount Rate (4.86%)</u>
Total OPEB Liability	\$ 1,938,188	\$ 1,941,967	\$ 1,915,578

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 11. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN (Cont'd)

C. CHANGES IN TOTAL OPEB LIABILITY (Cont'd)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.70% decreasing to 2.70%) or 1-percentage-point higher (7.70% decreasing to 4.70%) than the current healthcare cost trend rates:

	1.0% Decrease (5.70% decreasing to 2.70%)	Healthcare Cost Trend Rates (6.70% decreasing to 3.70%)	1.0% Increase (7.70% decreasing to 4.70%)
Total OPEB Liability	\$ 1,825,735	\$ 1,941,967	\$ 2,053,066

D. OPEB EXPENSE, 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 (\$261,806). At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 121,427	\$ 829,133
Changes in Actuarial Assumptions or Other Inputs	99,684	122,567
Totals	<u>\$ 221,111</u>	<u>\$ 951,700</u>

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

Year ended June 30,	OPEB Expense Amount
2024	\$ (98,648)
2025	(98,648)
2026	(98,648)
2027	(98,648)
2028	(98,648)
Thereafter	(237,349)

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 11. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN (Cont'd)

E. ACTUARIAL METHODS AND ASSUMPTIONS

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary Increases	Based on the most recently disclosed assumptions for the pension plan in which the employee participates.
Healthcare Cost Trend Rates	6.70% for 2023, gradually decreasing over several decades to an ultimate rate of 3.70% for 2075 and later years.
Retiree's Share of Benefit-Related Costs	Assumed to decrease with healthcare trend rates.

A discount rate of 3.86% was applied in the measurement of the total OPEB liability. The discount rate is based on the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

From the July 1, 2022 Teachers Retirement Association of Minnesota (TRA) actuarial valuation, mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2015, and other adjustments.

From the July 1, 2022 PERA of Minnesota General Employees Retirement Plan actuarial valuation, mortality rates were based on the Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2020, and other adjustments.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2021–June 30, 2022.

NOTE 12. SUPPLEMENTAL PENSION PLAN

A. GENERAL INFORMATION ABOUT THE PENSION PLAN

**Plan Description:**

The District participates in a single employer lump-sum defined benefit pension plan administered by the District. At June 30, 2023, the plan covered 101 active members.

**Benefits Provided:**

Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year or three-year bargaining period. The Plan does not issue a publicly available report.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 12. SUPPLEMENTAL PENSION PLAN (Cont'd)

B. NET PENSION LIABILITY AND OTHER RELATED AMOUNTS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2022	\$ 418,191	\$	\$ 418,191
Changes for the Year:			
Service Cost	39,137		39,137
Interest	14,622		14,622
Changes of Assumptions	(2,240)		(2,240)
Benefit Payments	(122,140)		(122,140)
Net Changes	<u>(70,621)</u>	<u>0</u>	<u>(70,621)</u>
Balances at 6/30/2023	<u>\$ 347,570</u>	<u>\$ 0</u>	<u>\$ 347,570</u>

For the year ended June 30, 2023, the District recognized pension expense of (\$71,643) for its supplemental pension plan.

At June 30, 2023, the District had supplemental pension plan deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Liability	\$ 29,887	\$ 26,265
Change of Assumptions	<u>3,136</u>	<u>24,920</u>
Totals	<u>\$ 33,023</u>	<u>\$ 51,185</u>

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

Year ended June 30,	Pension Expense Amount
2024	\$ (2,836)
2025	(372)
2026	(8,134)
2027	(6,530)
2028	(290)

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 12. SUPPLEMENTAL PENSION PLAN (Cont'd)

B. NET PENSION LIABILITY AND OTHER RELATED AMOUNTS (Cont'd)

**Actuarial Assumptions:**

The total pension liability in the June 30, 2021 actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Inflation Rate:	2.25 percent
Expected Long-Term Investment Return:	N/A
Amortization Method:	Straight-line amortization over a closed period
Remaining Amortization Period:	5 years
Discount Rate:	3.86 percent

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2015, and other adjustments for teachers and mortality rates for non-teachers were based on the Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2020, and other adjustments.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2022 - June 30, 2023.

The discount rate was changed from 3.69% to 3.86% based on updated 20-year municipal bond rates.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate:**

The following presents the net pension liability calculated using the discount rate of 3.86 percent, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (2.86%)	Discount Rate (3.86%)	1% Increase in Discount Rate (4.86%)
District's Net Pension Liability	\$ 360,872	\$ 347,570	\$ 334,592

**Pension Plan Fiduciary Net Position:**

The District does not have separately-issued financial reports on the plan's fiduciary net position.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 13. DEFINED CONTRIBUTION PLAN

The District implemented a 403(b) plan effective July 1, 2004. Employees who are regularly employed at least 12 months and at least 30 hours per week shall be eligible to participate. The District shall make monthly contributions, up to a maximum amount, equal to the amount contributed by the employee. Maximum monthly contributions vary by employee group. Maximum career matching contribution by the District is \$15,000.

Employees hired prior to July 1, 2004 will continue to be covered under the severance plan. The District shall subtract the employer contributions to the 403(b) plan matching contribution from the severance pay. The balance shall be paid by the employer. Employees hired after July 1, 2004 will not be eligible for the severance plan.

For year ended June 30, 2023 the District and employee match was \$458,525 and \$765,550, respectively.

NOTE 14. SELF-INSURED DENTAL PLAN

The District has elected to self-insure their employee dental insurance program. The District has entered into an agreement with an insurance company to provide stop-loss insurance to limit the losses on individual and aggregate claims and to provide claims processing and other administrative duties. The individual stop-loss amount is \$1,200 per participant. The District established an internal service fund to account for contributions from other funds for dental insurance and to establish a reserve for catastrophic losses. Contributions during the year were based on maximum claims before reinsurance is effective. The amounts charged to expenses include administrative fees, stop-loss insurance premiums, claims paid and accruals for claims incurred but not paid at year end. The District recorded expenses of \$278,219 for the year ended June 30, 2023 which includes administrative costs of \$27,575.

The liability for unpaid claims is included in the Internal Service Fund as accounts payable.

	June 30,	
	2023	2022
Unpaid Claims, Beginning of Year	\$ 20,799	\$ 11,589
Incurred Claims	250,644	234,477
Claims Payments (cash basis)	(259,346)	(225,267)
Unpaid Claims, End of Year	<u>\$ 12,097</u>	<u>\$ 20,799</u>

NOTE 15. COMMITMENTS AND CONTINGENCIES

A. 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.



INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 15. COMMITMENTS AND CONTINGENCIES (Cont'd)

B. CONSTRUCTION COMMITMENT

The District has active construction projects, including the following:

	<u>Original Contract</u>	<u>Remaining Commitment</u>
Middle School Partial Reroof and Replacement	\$ 573,400	\$ 573,400
Middle School Tennis Courts	317,298	317,298
Senior High Sound System	84,131	63,098
Kennedy Chiller Project	604,000	576,640
Door Access Control Project	129,230	64,615

NOTE 16. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and workers' compensation. To mitigate these risks, the District has obtained commercial property and casualty insurance and workers' compensation coverage. The District pays an annual premium with no additional assessments.

The District has joined together with other school districts in Minnesota in the Southwest - West Central Service Cooperative Gross Self-Insured Health Insurance Plan, a public entity risk pool currently operating as a common risk management and insurance program for member districts. The District pays monthly premiums to this plan for its health insurance coverage. These premiums are used to purchase reinsurance through commercial companies. The administrators of the plan believe assessment to participating districts for future losses sustained is extremely remote.

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

NOTE 17. RECLASSIFICATIONS

Certain immaterial prior year financial statement amounts have been reclassified to conform to current year's presentation. There was no effect on total Net Position or Fund Balance.

NOTE 18. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The following is a summary of the major components of deferred outflows and inflows as presented in the Statement of Net Position:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Related to Pensions	\$ 13,593,149	\$ 7,835,015
Related to OPEB	221,111	951,700
Property Taxes Levied for Subsequent Year Leases		8,002,033
		<u>71,722</u>
Totals	<u>\$ 13,814,260</u>	<u>\$ 16,860,470</u>

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 19. PRIOR PERIOD ADJUSTMENT

As mentioned in Note 8, the District implemented GASB 96 which requires a government to record a subscription liability and right to use subscription asset. The following changes occurred:

The net position of the governmental activities has been adjusted to reflect a change in accounting principle. The District recognized \$190,399 in net book value of right to use subscription assets, a subscription liability of \$112,454 and district support services expenses of \$77,945 for the year ending June 30, 2022. The governmental activities net position for the year ending June 30, 2022 was restated from (\$9,717,965) to (\$9,640,020), a net increase of \$77,945.

In the General Fund, the District recognized a subscription arrangement issuance in amount of \$118,845 and capital outlay expenses of \$118,845 for the year ending June 30, 2022. There is no affect on the fund balance.

REQUIRED SUPPLEMENTARY INFORMATION

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INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
FOR PENSION PLANS ADMINISTERED THROUGH A TRUST  
JUNE 30, 2023

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) and the State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (a+b)	Employer's Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<u>Pensions</u>							
<u>GERP</u>							
6/30/2022	0.1476%	\$ 11,689,969	\$ 342,654	\$ 12,032,623	\$ 11,045,240	108.94%	76.67%
6/30/2021	0.1485%	6,341,615	193,742	6,535,357	10,721,343	60.96%	87.00%
6/30/2020	0.1491%	8,939,226	275,658	9,214,884	10,621,731	86.76%	79.06%
6/30/2019	0.1459%	8,066,484	250,822	8,317,306	10,118,572	82.20%	80.23%
6/30/2018	0.1436%	7,966,339	261,292	8,227,631	9,553,785	86.12%	79.53%
6/30/2017	0.1373%	8,765,141	110,224	8,875,365	8,905,707	99.66%	75.90%
6/30/2016	0.1425%	11,570,293	151,048	11,721,341	8,821,466	132.87%	68.91%
6/30/2015	0.1450%	7,514,653		7,514,653	8,415,120	89.30%	78.19%
6/30/2014	0.1469%	6,900,626		6,900,626	7,740,462	89.15%	78.75%

See Accompanying Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
FOR PENSION PLANS ADMINISTERED THROUGH A TRUST  
JUNE 30, 2023

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) and the State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (a+b)	Employer's Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<u>Pensions</u>							
<u>TRA</u>							
6/30/2022	0.4136%	\$ 33,118,900	\$ 2,456,214	\$ 35,575,114	\$ 27,040,228	131.56%	76.17%
6/30/2021	0.4221%	18,472,358	1,557,938	20,030,296	25,616,335	78.19%	86.63%
6/30/2020	0.4156%	30,705,085	2,573,012	33,278,097	24,301,023	136.94%	75.48%
6/30/2019	0.4169%	26,573,294	2,351,685	28,924,979	23,923,450	120.91%	78.21%
6/30/2018	0.4017%	25,230,380	2,370,257	27,600,637	22,501,776	122.66%	78.07%
6/30/2017	0.4050%	80,845,347	7,815,939	88,661,286	21,922,200	404.44%	51.57%
6/30/2016	0.4005%	95,528,806	9,588,605	105,117,411	20,898,836	502.98%	44.88%
6/30/2015	0.4306%	26,636,869	3,267,150	29,904,019	22,097,506	135.33%	76.77%
6/30/2014	0.4403%	20,288,707	1,427,361	21,716,068	20,120,785	107.93%	81.50%

The District implemented GASB Statement No. 68 for fiscal year ended June 30, 2015. Information for prior years is not available. Additional years will be reported as they become available.

INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FOR PENSION PLANS ADMINISTERED THROUGH A TRUST  
JUNE 30, 2023

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
<u>Pensions</u>					
<u>GERP</u>					
6/30/2023	\$ 834,578	\$ 834,578	\$	\$ 11,132,924	7.50%
6/30/2022	828,393	828,393		11,045,240	7.50%
6/30/2021	804,212	804,212		10,721,343	7.50%
6/30/2020	797,031	797,031		10,621,731	7.50%
6/30/2019	758,781	758,781		10,118,572	7.50%
6/30/2018	716,534	716,534		9,553,787	7.50%
6/30/2017	667,928	667,928		8,905,707	7.50%
6/30/2016	661,610	661,610		8,821,466	7.50%
6/30/2015	631,134	631,134		8,415,120	7.50%
<u>TRA</u>					
6/30/2023	2,528,131	2,528,131		29,568,784	8.55%
6/30/2022	2,255,155	2,255,155		27,040,228	8.34%
6/30/2021	2,082,608	2,082,608		25,616,335	8.13%
6/30/2020	1,924,641	1,924,641		24,301,023	7.92%
6/30/2019	1,844,498	1,844,498		23,923,450	7.71%
6/30/2018	1,687,633	1,687,633		22,501,773	7.50%
6/30/2017	1,644,165	1,644,165		21,922,200	7.50%
6/30/2016	1,567,327	1,567,327		20,898,836	7.50%
6/30/2015	1,657,313	1,657,313		22,097,506	7.50%

The District implemented GASB Statement No. 68 for fiscal year ended June 30, 2015. Information for prior years is not available. Additional years will be reported as they become available.

INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL PENSION LIABILITY  
FOR PENSION PLANS NOT ADMINISTERED THROUGH A TRUST  
JUNE 30, 2023

	Measurement Date							
	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Service Cost	\$ 39,137	\$ 50,622	\$ 17,359	\$ 19,185	\$ 23,308	\$ 70,995	\$ 16,337	\$ 15,278
Interest	14,622	9,526	5,336	6,895	12,807	48,386	6,678	8,474
Differences Between Expected and Actual Experience				105,555		(76,364)		
Changes of Assumptions	(2,240)	(27,379)	2,477	(8,979)	6,267	(14,766)	(4,278)	
Changes of Benefit Terms		(20,241)	303,397	(70,279)	(119,797)	(887,788)	1,215,024	
Benefit Payments	(122,140)	(79,697)	(87,322)	(18,738)	(85,156)	(134,256)	(169,778)	(5,932)
Net Change in Total Pension Liability	(70,621)	(67,169)	241,247	33,639	(162,571)	(993,793)	1,063,983	17,820
Total Pension Liability - Beginning of Year	418,191	485,360	244,113	210,474	373,045	1,366,838	302,855	285,035
Total Pension Liability - End of Year	<u>\$ 347,570</u>	<u>\$ 418,191</u>	<u>\$ 485,360</u>	<u>\$ 244,113</u>	<u>\$ 210,474</u>	<u>\$ 373,045</u>	<u>\$ 1,366,838</u>	<u>\$ 302,855</u>
District's Total Pension Liability - Ending	<u>\$ 347,570</u>	<u>\$ 418,191</u>	<u>\$ 485,360</u>	<u>\$ 244,113</u>	<u>\$ 210,474</u>	<u>\$ 373,045</u>	<u>\$ 1,366,838</u>	<u>\$ 302,855</u>
Payroll for Measurement Period	<u>\$ 6,395,723</u>	<u>\$ 6,435,106</u>	<u>\$ 6,728,518</u>	<u>\$ 6,886,563</u>	<u>\$ 8,783,762</u>	<u>\$ 8,425,778</u>	<u>\$10,025,698</u>	<u>\$ 8,632,095</u>
Total Pension Liability as a % of Employee Payroll	<u>5.4%</u>	<u>6.5%</u>	<u>7.2%</u>	<u>3.5%</u>	<u>2.4%</u>	<u>4.4%</u>	<u>13.6%</u>	<u>3.5%</u>

The District implemented GASB Statement No. 73 for fiscal year ended June 30, 2016. Information for prior years is not available. Additional years will be reported as they become available.



INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY  
JUNE 30, 2023

	Measurement Date					
	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Service Cost	\$ 141,998	\$ 175,249	\$ 188,128	\$ 315,055	\$ 266,826	\$ 255,218
Interest	75,954	40,265	63,870	128,685	137,082	137,381
Changes in Benefit Terms			(303,710)	(72,227)	121,850	
Differences Between Expected and Actual Experience		144,981		(1,265,517)		
Change in Assumptions	(1,799)	18,065	(42,260)	(118,657)	151,875	(25,300)
Benefit Payments	(381,110)	(387,018)	(418,937)	(310,648)	(492,030)	(475,787)
Net Change in Total OPEB Liability	(164,957)	(8,458)	(512,909)	(1,323,309)	185,603	(108,488)
Total OPEB Liability - Beginning of Year	2,106,924	2,115,382	2,628,291	3,951,600	3,765,997	3,874,485
Total OPEB Liability - End of Year	<u>\$ 1,941,967</u>	<u>\$ 2,106,924</u>	<u>\$ 2,115,382</u>	<u>\$ 2,628,291</u>	<u>\$ 3,951,600</u>	<u>\$ 3,765,997</u>
Covered Employee Payroll	<u>\$ 34,674,212</u>	<u>\$ 33,832,147</u>	<u>\$ 34,017,542</u>	<u>\$ 33,664,951</u>	<u>\$ 32,187,700</u>	<u>\$ 33,884,934</u>
Total OPEB Liability as a % of Covered Employee Payroll	<u>5.60%</u>	<u>6.23%</u>	<u>6.22%</u>	<u>7.81%</u>	<u>12.28%</u>	<u>11.11%</u>

The District implemented GASB Statement No. 75 for fiscal year ended June 30, 2018. Information for prior years is not available. Additional years will be reported as they become available.

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INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023

NOTE 1. CHANGES IN PLAN PROVISIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

**2022 Changes:**

There have been no changes since the prior valuation.

**2021 Changes:**

There have been no changes since the prior valuation.

**2020 Changes:**

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 Changes:**

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 Changes:**

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 Changes:**

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.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023

NOTE 1. CHANGES IN PLAN PROVISIONS (Cont'd)

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP) (Cont'd)

**2016 Changes:**

There have been no changes since the prior valuation.

**2015 Changes:**

On January 1, 2015 the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

**2014 Changes:**

There have been no changes since the prior valuation.

B. TEACHERS RETIREMENT ASSOCIATION (TRA)

**2022 Changes:**

There have been no changes since the prior valuation.

**2021 Changes:**

There have been no changes since the prior valuation.

**2020 Changes:**

There have been no changes since the prior valuation.

**2019 Changes:**

There have been no changes since the prior valuation.

**2018 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.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023

NOTE 1. CHANGES IN PLAN PROVISIONS (Cont'd)

B. TEACHERS RETIREMENT ASSOCIATION (TRA) (Cont'd)

**2018 Changes:** (Cont'd)

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

**2017 Changes:**

There have been no changes since the prior valuation.

**2016 Changes:**

There have been no changes since the prior valuation.

**2015 Changes:**

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

**2014 Changes:**

The increase in the post-retirement benefit adjustment (COLA) is to be made once the System is 90% funded (on a market value basis) in two consecutive years, rather than just one year.

C. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) NOT ADMINISTERED IN A TRUST

**2023 Changes:**

There have been no changes since the prior valuation.

**2022 Changes:**

Retiree premiums were updated to current levels.

**2021 Changes:**

There have been no changes since the prior valuation.

**2020 Changes:**

Retiree premiums were updated to current levels.

The severance benefit for the Community Education Director was removed.

The severance benefit for Confidential Employees was removed because there are no longer any employees eligible for this benefit.

The severance eligibility and benefit were updated for the Library and General Paraprofessionals.

The maximum 403(b) contribution was updated for teachers.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023

NOTE 1. CHANGES IN PLAN PROVISIONS (Cont'd)

C. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) NOT ADMINISTERED IN A TRUST (Cont'd)

**2019 Changes:**

There have been no changes since the prior valuation.

**2018 Changes:**

There have been no changes since the prior valuation.

D. PENSION PLANS NOT ADMINISTERED IN A TRUST

**2023 Changes:**

There have been no changes since the prior valuation.

**2022 Changes:**

There have been no changes since the prior valuation.

**2021 Changes:**

There have been no changes since the prior valuation.

**2020 Changes:**

The maximum 403(b) contribution was updated for teachers.

**2019 Changes:**

There have been no changes since the prior valuation.

**2018 Changes:**

The severance benefit for the High School Coordinator was removed.

The severance eligibility and benefit were updated for the Community Education Director.

The severance payment form was updated for Administrators, Principals and Teachers.

**2017 Changes:**

Payment form and benefit type were updated for the Custodial and Teacher contract groups.

**2016 Changes:**

There have been no changes since the prior valuation.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

**2022 Changes:**

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP) (Cont'd)

**2021 Changes:**

The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.

The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

**2020 Changes:**

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 Changes:**

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP) (Cont'd)

**2018 Changes:**

The mortality projection was changed from MP-2015 to MP-2017.

The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

**2017 Changes:**

The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.

The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

**2016 Changes:**

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

The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.

Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

**2015 Changes:**

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

B. TEACHERS RETIREMENT ASSOCIATION (TRA)

**2022 Changes:**

There have been no changes since the prior valuation.

**2021 Changes:**

The investment return assumption was changed from 7.50% to 7.00%.

**2020 Changes:**

Assumed termination rates were changed to more closely reflect actual experience.

The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 5 years and female rates set back 7 years. Generational projection uses the MP-2015 scale.

Assumed form of annuity election proportions were changed to a more closely reflect actual experience for female retirees.



INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

B. TEACHERS RETIREMENT ASSOCIATION (TRA) (Cont'd)

**2019 Changes:**

There have been no changes since the prior valuation.

**2018 Changes:**

The investment return assumption was changed from 8.50% to 7.50%.

The price inflation assumption was lowered from 3.00% to 2.50%.

The payroll growth assumption was lowered from 3.50% to 3.00%.

The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for 10 years followed by 0.75%, thereafter.

The total salary increase assumption was adjusted by the wage inflation change.

The amortization date for the funding of the Unfunded Actuarial Accrued Liability (UAAL) was reset to June 30, 2048 (30 years).

A mechanism in the law that provided the TRA Board with some authority to set contribution rates was eliminated.

**2017 Changes:**

Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.

The investment return assumption was changed from 8.00% to 7.50%.

The price inflation assumption was lowered from 2.75% to 2.50%.

The payroll growth assumption was lowered from 3.50% to 3.00%.

The general wage growth assumption was lowered from 3.50% to 2.85% for 10 years followed by 3.25%, thereafter.

The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

**2016 Changes:**

The price inflation assumption was lowered from 3.00% to 2.75%.

The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.50%.

Minor changes at some durations for the merit scale of the salary increase assumption.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

B. TEACHERS RETIREMENT ASSOCIATION (TRA) (Cont'd)

**2016 Changes:** (Cont'd)

The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 6 years and female rates set back 5 years. Generational projection uses the MP-2015 scale.

The post-retirement mortality assumption was changed to the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.

The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustment.

Separate retirement assumptions for members hired before or after July 1, 1989 were created to better reflect each group's behavior in light of different requirements for retirement eligibility.

Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.

A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made.

**2015 Changes:**

The Cost of Living Adjustment was not assumed to increase to 2.5%, but remain at 2.0% for all future years.

The investment return assumption was changed from 8.25% to 8.00%.

**2014 Changes:**

The Cost of Living Adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2034.

C. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) NOT ADMINISTERED IN A TRUST

**2023 Changes:**

The discount rate was changed from 3.69% to 3.86% based on updated 20-year municipal bond rates.

**2022 Changes:**

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 and new plan offerings.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

C. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) NOT ADMINISTERED IN A TRUST (Cont'd)

**2022 Changes:** (Cont'd)

Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the 7/1/2019 PERA General Employees Plan and 7/1/2019 Teachers Retirement Association valuations to the rates used in the 7/1/2021 valuations.

Medical Plan	FY 2022 Valuation	FY 2021 Valuation
VEBA \$1,200	N/A	20%
VEBA \$2,600	40%	40%
VEBA \$3,250	30%	20%
VEBA \$6,350	30%	20%

The inflation assumption was changed from 2.50% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.

**2021 Changes:**

Changes of assumptions and other inputs reflect a change in the discount rate from 2.45% in 2020 to 1.92% in 2021.

**2020 Changes:**

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 capital 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 7/1/2017 PERA General Employees Retirement Plan and 7/1/2017 Teachers Retirement Association valuations to the rates used in the 7/1/2019 valuations.

The percent of future retirees assumed to elect life insurance coverage at retirement changed from 75% to 50% to reflect recent plan experience.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

C. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) NOT ADMINISTERED IN A TRUST (Cont'd)

**2020 Changes:** (Cont'd)

The percent of future non Medicare eligible retirees electing each medical plan changed to reflect recent plan experience. The following table provides the changes for the assumed percent electing each plan:

Medical Plan	FY 2020 Valuation	FY 2019 Valuation
VEBA \$1,200	20%	25%
VEBA \$2,600	40%	40%
VEBA \$3,250	20%	25%
VEBA \$6,350	20%	10%

The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market.

**2019 Changes:**

Changes of benefit terms reflect an increase in the retirees' share of health insurance premiums from 6.90% in 2018 to 6.30% in 2019.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.62% in 2018 to 3.13% in 2019.

**2018 Changes:**

Changes of benefit terms reflect an increase in the retirees' share of health insurance premiums from 6.80% in 2017 to 6.90% in 2018.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.53% in 2017 to 3.62% in 2018.

The actuarial cost method changed from using the Projected Unit Credit cost method to the Entry Age Normal level percent of pay cost method due to new GASB 74/75 accounting rules.

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.

Withdrawal, retirement and mortality rates were updated from the rates used in the 7/1/2015 PERA General Employees Retirement Plan and 7/1/2015 Teachers Retirement Association valuations to the rates used in the 7/1/2017 valuations.

A salary scale assumption was added to reflect the cost method change. Rates are from the 7/1/2017 PERA General Employees Retirement Plan and 7/1/2017 Teachers Retirement Association valuations.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

C. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) NOT ADMINISTERED IN A TRUST (Cont'd)

**2018 Changes:** (Cont'd)

The percent of future retirees not eligible for a medical direct subsidy assumed to elect coverage at retirement changed from 50% to 40% to reflect recent plan experience.

The percent of current and future retirees assumed to continue medical coverage after age 65 changed from 10% to 5% to reflect recent plan experience.

The percent of retirees not eligible for a subsidy and electing spouse coverage changed from 10% to 20% to reflect recent plan experience.

The percent of future non Medicare eligible retirees electing each medical plan changed to reflect recent plan experience. The following table provides the changes for the assumed percent electing each plan:

Medical Plan	7/1/2015 Valuation	6/30/2017 Valuation
VEBA \$1,200	30%	25%
VEBA \$2,600	40%	40%
VEBA \$3,250	25%	25%
VEBA \$6,350	5%	10%

D. PENSION PLANS NOT ADMINISTERED IN A TRUST

**2023 Changes:**

The discount rate was changed from 3.69% to 3.86% based on updated 20-year municipal bond rates.

**2022 Changes:**

The discount rate was changed from 1.92% to 3.69% based on updated 20-year municipal bond rates.

Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the 7/1/2019 PERA General Employees Plan and 7/1/2019 Teachers Retirement Association valuations to the rates used in the 7/1/2021 valuations.

The inflation assumption was changed from 2.50% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.

**2021 Changes:**

The discount rate was changed from 2.45% to 1.92% based on updated 20-year municipal bond rates.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

D. PENSION PLANS NOT ADMINISTERED IN A TRUST (Cont'd)

**2020 Changes:**

The discount rate was changed from 3.13% to 2.45% based on updated 20-year municipal bond rates.

Withdrawal, retirement, mortality and salary increase rates were updated from the rates used in the 7/1/2017 PERA General Employees Retirement Plan and 7/1/2017 Teachers Retirement Association valuations to the rates used in the 7/1/2019 valuations.

The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations..

**2019 Changes:**

The discount rate was changed from 3.62% to 3.13% based on updated 20-year municipal bond rates.

**2018 Changes:**

The discount rate was changed from 3.53% to 3.62% based on updated 20-year municipal bond rates.

Withdrawal, retirement, mortality and salary increase rates were updated from the rates used in the 7/1/2015 PERA General Employees Retirement Plan and 7/1/2015 Teachers Retirement Association valuations to the rates used in the 7/1/2017 valuations.

**2017 Changes:**

The discount rate was changed from 2.85% to 3.53% based on updated 20-year municipal bond rates.

**2016 Changes:**

There have been no changes since the prior valuation.

SUPPLEMENTARY INFORMATION

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INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 DEBT SERVICE FUND  
 YEAR ENDED JUNE 30, 2023  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			Over (Under) Final Budget	2022
	Budgeted Amounts		Actual		Actual
	Original	Final			
<b>REVENUES</b>					
Local Sources					
Property Taxes	\$ 3,235,184	\$ 3,211,112	\$ 3,216,583	\$ 5,471	3,223,827
Interest Earnings	2,577	2,577	15,143	12,566	846
State Sources	366,626	390,697	388,149	(2,548)	364,005
Total Revenues	<u>3,604,387</u>	<u>3,604,386</u>	<u>3,619,875</u>	<u>15,489</u>	<u>3,588,678</u>
<b>EXPENDITURES</b>					
Debt Service					
Bond Principal	2,275,000	2,275,000	2,275,000		2,185,000
Bond Interest	1,338,290	1,338,290	1,338,290		1,425,690
Paying Agent Fees and Other	3,425	3,425	3,775	350	3,425
Total Expenditures	<u>3,616,715</u>	<u>3,616,715</u>	<u>3,617,065</u>	<u>350</u>	<u>3,614,115</u>
Net Change in Fund Balance	<u>\$ (12,328)</u>	<u>\$ (12,329)</u>	2,810	<u>\$ 15,139</u>	(25,437)
FUND BALANCE, BEGINNING OF YEAR			<u>753,806</u>		<u>779,243</u>
FUND BALANCE, END OF YEAR			<u>\$ 756,616</u>		<u>\$ 753,806</u>

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## REQUIRED REPORTS

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INDEPENDENT SCHOOL DISTRICT #347

UFARS COMPLIANCE TABLE  
YEAR ENDED JUNE 30, 2023

	Audited	UFARS	Difference		Audited	UFARS	Difference
<b><u>01 GENERAL FUND</u></b>							
Total Revenue	\$ 68,434,055	\$ 68,434,055	\$	<i>Unassigned:</i>	\$	\$	\$
Total Expenditures	68,555,833	68,555,834	(1)	463 Unassigned			
<i>Nonspendable:</i>							
460 Nonspendable	702,902	702,901	1	<b><u>06 BUILDING CONSTRUCTION</u></b>			
<i>Restricted/Reserved:</i>							
401 Student Activities	125,779	125,779		Total Revenue			
402 Scholarships	40,639	40,639		Total Expenditures			
403 Staff Development	437,984	437,984		<i>Nonspendable:</i>			
405 Deferred Maintenance				460 Nonspendable			
406 Health and Safety				<i>Restricted/Reserved:</i>			
407 Capital Projects Levy				407 Capital Projects Levy			
408 Cooperative Revenue				409 Alternative Facilities Program			
409 Alternative FAC Program				413 Project Funded by COP/LP			
413 Project Funded by Cop				467 LTFM			
414 Operating Debt				<i>Restricted:</i>			
416 Levy Reduction				464 Restricted			
417 Taconite Building Maintenance				<i>Unassigned:</i>			
423 Certain Teacher Programs				463 Unassigned			
424 Operating Capital	312,504	312,504		<b><u>07 DEBT SERVICE</u></b>			
426 \$25 Taconite				Total Revenue	3,619,875	3,619,876	(1)
427 Disabled Accessibility				Total Expenditures	3,617,065	3,617,065	
428 Learning & Development				<i>Nonspendable:</i>			
434 Area Learning Center				460 Nonspendable			
435 Contracted Alt. Programs				<i>Restricted/Reserved:</i>			
436 State Approved Alt. Programs				425 Bond Refundings			
438 Gifted & Talented	56,502	56,502		451 QZAB and QSCB Payments			
440 Teacher Development & Eval				<i>Restricted:</i>			
441 Basic Skills Programs				464 Restricted	756,616	756,616	
445 Career & Technical Programs				<i>Unassigned:</i>			
448 Achievement and Integration				463 Unassigned			
449 Safe Schools Levy				<b><u>08 TRUST</u></b>			
450 Transition for Pre-Kindergarten				Total Revenue			
451 QZAB and QSCB Payments				Total Expenditures			
452 OPEB Liab Not Held in a Trust				<i>Unassigned:</i>			
453 Unfunded Sev & Retirement Levy				422 Net Assets			
459 Basic Skills Ext Time	179,096	179,096		<b><u>18 CUSTODIAL FUND</u></b>			
467 LTFM	209,285	209,285		Total Revenue	79,617	79,617	
472 Medical Assistance	281,391	281,391		Total Expenditures	79,617	79,617	
<i>Restricted:</i>							
464 Restricted				<i>Unassigned:</i>			
<i>Committed:</i>							
418 Separation/Retirement Benefits	1,200,000	1,200,000		422 Unassigned			
461 Committed	3,654,672	3,654,672		<b><u>20 INTERNAL SERVICE</u></b>			
<i>Assigned:</i>							
462 Assigned	75,539	75,539		Total Revenue	285,423	285,423	
<i>Unassigned:</i>							
422 Unassigned	9,338,924	9,338,923	1	Total Expenditures	278,219	278,218	1
				<i>Unassigned:</i>			
				422 Net Assets	113,232	113,233	(1)
<b><u>02 FOOD SERVICE</u></b>							
Total Revenue	4,210,796	4,210,796		<b><u>25 OPEB REVOCABLE TRUST</u></b>			
Total Expenditures	4,014,863	4,014,862	1	Total Revenue			
<i>Nonspendable:</i>							
460 Nonspendable				Total Expenditures			
<i>Restricted/Reserved:</i>							
452 OPEB Liab Not Held in a Trust				<i>Unassigned:</i>			
<i>Restricted:</i>							
464 Restricted	2,125,452	2,125,452		422 Net Assets			
<i>Unassigned:</i>							
463 Unassigned				<b><u>45 OPEB IRREVOCABLE TRUST</u></b>			
<b><u>04 COMMUNITY SERVICE</u></b>							
Total Revenue	3,125,908	3,125,908		Total Revenue			
Total Expenditures	2,912,331	2,912,331		Total Expenditures			
<i>Nonspendable:</i>							
460 Nonspendable	11,842	11,842		<i>Unassigned:</i>			
<i>Restricted/Reserved:</i>							
426 \$25 Taconite				422 Net Assets			
431 Community Education	366,098	366,098		<b><u>47 OPEB DEBT SERVICE</u></b>			
432 E. C. F. E	185,559	185,559		Total Revenue			
444 School Readiness	499,052	499,052		Total Expenditures			
447 Adult Basic Education	130,552	130,552		<i>Nonspendable:</i>			
452 OPEB Liab Not Held in a Trust				460 Nonspendable			
464 Restricted				<i>Restricted:</i>			
				425 Bond Refundings			
				464 Restricted			
				<i>Unassigned:</i>			
				463 Unassigned			

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INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2023

Federal Grantor\ Pass-Through Grantor\ Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Agriculture			
Minnesota Department of Education			
Child Nutrition Cluster:			
National School Lunch Program:			
Regular Lunch			\$ 461,668
Free and Reduced Lunch			1,296,665
After School Snack			43,943
Food Distribution (Commodities-noncash)			265,116
Supply Chain Assistance Funding			114,917
Total National School Lunch Program	10.555	0000193883	2,182,309
Special Milk Program for Children	10.556	0000193883	1,733
School Breakfast Program	10.553	0000193883	909,660
Summer Food Service Program for Children	10.559	0000193883	77,293
Total Child Nutrition Cluster			3,170,995
Local Food for Schools Cooperative Agreement Program	10.185	0000193883	2,192
Child and Adult Care Food Program	10.558	0000193883	21,256
Child Nutrition Discretionary Grants	10.579	0000193883	26,428
Fresh Fruit and Vegetable Program	10.582	0000193883	141,825
Pandemic EBT Administrative Costs	10.649	0000193883	3,135
Total U.S. Department of Agriculture			3,365,831
U.S. Department of Education			
Minnesota Department of Education			
Adult Education - Basic Grants to States	84.002	0000193883	41,079
Title I - Grants to Local Educational Agencies	84.010 *	0000193883	1,118,940
Title II, Part A - Supporting Effective Instruction State Grants	84.367	0000193883	124,976
Title III, Part A - English Language Acquisition State Grants	84.365	0000193883	200,399
Title IV, Part A - Student Support and Academic Enrichment Program	84.424A	0000193883	74,951
Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act			
Elementary and Secondary School Emergency Relief Fund	84.425D *	0000193883	2,098,609
American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U *	0000193883	5,219,396
Total Education Stabilization Fund Under the Coronavirus Aid, Relief and Economic Security Act			7,318,005
SW/WC Service Cooperative			
Special Education Grants to States			313,004
COVID-19 Special Education Grants to States			88,323
Total Special Education Cluster	84.027	Not Assigned	401,327
Special Education Preschool Grants			29,891
COVID-19 Special Education Preschool Grants			17
Total Special Education Preschool Grants	84.173	Not Assigned	29,908
Total Special Education Cluster			431,235
Ridgewater College			
Career and Technical Education - Basic Grants to States	84.048A	Not Assigned	36,645
Total U.S. Department of Education			9,346,230
U.S. Department of Treasury			
Minnesota Department of Education			
Coronavirus State and Local Fiscal Recovery Fund	21.027 *	0000193883	369,951
U.S. Department of Health and Human Services			
Minnesota Department of Management and Budget			
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	0000193883	104,011
Child Care and Development Block Grant	93.575	0000193883	56,284
Total U.S. Department of Health and Human Services			160,295
Total Federal Awards			\$ 13,242,307

\* Denotes Major Program

See Accompanying Notes to Schedule of Expenditures of Federal Awards

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INDEPENDENT SCHOOL DISTRICT #347

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2023

NOTE 1. REPORTING ENTITY

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Independent School District #347, Willmar, Minnesota. The District's reporting entity is defined in Note 1 to the financial statements.

NOTE 2. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Independent School District #347 under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of the Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the District.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 *U.S. Code of Federal Regulations* Part 200, Subpart E - Cost Principles, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 4. FOOD DISTRIBUTION

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

NOTE 5. SUBRECIPIENTS

During the year ended June 30, 2023, the District did not pass any federal money to subrecipients.

NOTE 6. DE MINIMIS COST RATE

The District elected not to charge the de minimis indirect cost rate of 10% to federal programs.

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COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To The Board of Education  
Independent School District #347  
Willmar, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Independent School District #347's basic financial statements, and have issued our report thereon dated November 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-bid laws, depositories of public funds and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. §6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

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

*Conway, Deuth & Schmiesing, PLLP*

CONWAY, DEUTH & SCHMIESING, PLLP  
CPAS & ADVISORS  
WILLMAR, MINNESOTA

November 13, 2023

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<b>Willmar Office</b> 331 Third St SW, Ste 2 PO Box 570 Willmar, MN 56201 (320) 235-3311 (888) 388-1040	<b>Benson Office</b> 1209 Pacific Ave, Ste 3 Benson, MN 56215 (320) 843-2302	<b>Morris Office</b> 401 Atlantic Ave Morris, MN 56267 (320) 589-2602	<b>Litchfield Office</b> 820 Sibley Ave N Litchfield, MN 55355 (320) 693-7975	<b>Sartell Office</b> Ste 110 2351 Connecticut Ave Sartell, MN 56377 (320) 252-7565 (800) 862-1337
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## INDEPENDENT AUDITOR'S REPORT ON STUDENT ACTIVITIES COMPLIANCE

Members of the Board of Education, Advisors, and Students  
Independent School District #347  
Willmar, Minnesota

We have audited Independent School District #347's compliance with the types of compliance requirements described in the *Manual for Activity Fund Accounting* issued by the Minnesota Department of Education, pursuant to Minnesota Statutes §123B.49 for the year ended June 30, 2023. The *Manual for Activity Fund Accounting* provides uniform financial accounting and reporting standards for student activities.

We believe that our audit provides a reasonable basis for our opinion on compliance with the *Manual for Activity Fund Accounting*. Our audit does not provide a legal determination of the District's compliance with those requirements.

### Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the Student Activity Fund for the year ended June 30, 2023.

### Management's Responsibility

Management is responsible for compliance with the requirements referred to above.

### Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit. 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 *Manual for Activity Fund Accounting*. Those standards and the *Manual for Activity Fund Accounting* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the District occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

*Conway, Deuth & Schmiesing, PLLP*

CONWAY, DEUTH & SCHMIESING, PLLP  
CPAS & ADVISORS  
WILLMAR, MINNESOTA

November 13, 2023

<b>Willmar Office</b> 331 Third St SW, Ste 2 PO Box 570 Willmar, MN 56201 (320) 235-3311 (888) 388-1040	<b>Benson Office</b> 1209 Pacific Ave, Ste 3 Benson, MN 56215 (320) 843-2302	<b>Morris Office</b> 401 Atlantic Ave Morris, MN 56267 (320) 589-2602	<b>Litchfield Office</b> 820 Sibley Ave N Litchfield, MN 55355 (320) 693-7975	<b>Sartell Office</b> Ste 110 2351 Connecticut Ave Sartell, MN 56377 (320) 252-7565 (800) 862-1337
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To The Board of Education  
Independent School District #347

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #437, Willmar, 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 November 13, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as 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 over financial reporting.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

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## Report on Compliance and Other Matters

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

### 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Conway, Deuth & Schmiesing, PLLP*

CONWAY, DEUTH & SCHMIESING, PLLP  
CPAS & ADVISORS  
WILLMAR, MINNESOTA

November 13, 2023



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

To the Board of Education  
Independent School District #347  
Willmar, Minnesota

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Independent School District #347's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

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## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and 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 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.

## Report on Internal Control Over Compliance (Cont'd)

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Conway, Deuth & Schmiesing, PLLP*

CONWAY, DEUTH & SCHMIESING, PLLP  
CPAS & ADVISORS  
WILLMAR, MINNESOTA

November 13, 2023

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INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2023

I. SUMMARY OF AUDITOR'S RESULTS

A. FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? No

Noncompliance material to financial statements noted? No

B. FEDERAL AWARDS

Type of auditor's report issued on compliance for major program(s): Unmodified

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? No

Any audit findings disclosed that are required to be reported in accordance with Part 200.516(a) of the Uniform Guidance? No

C. IDENTIFICATION OF MAJOR PROGRAMS

ALN No.: 21.027, 84.425D, 84.425U, and 84.010

Name of Federal Program or Cluster: Coronavirus State and Local Fiscal Recovery Fund  
Education Stabilization Fund  
Title I Grants to LEAs

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

Auditee qualified as low-risk auditee? Yes

INDEPENDENT SCHOOL DISTRICT #347

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2023

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>Year Finding Initially Occurred</u>	<u>If not corrected, Provide Planned Corrective Action or Other Explanation</u>
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Financial Statement Findings:

None

Minnesota Legal Compliance Findings:

None

Federal Awards Findings:

None