INDEPENDENT SCHOOL DISTRICT NO. 2170
STAPLES, MINNESOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

INDEPENDENT SCHOOL DISTRICT NO. 2170
STAPLES, MINNESOTA
TABLE OF CONTENTS

Pages

INDEPENDENT SCHOOL DISTRICT NO. 2170
STAPLES, MINNESOTA
ROSTER OF SCHOOL OFFICIALS
June 30, 2023

Name	Title	Term Expires
Bryan Winkels	Chairman	December 31, 2024
Ryan Wright	Vice-Chairman	December 31, 2026
Lisa Anderson	Clerk	December 31, 2024
Jeremy Reeck	Treasurer	December 31, 2024
Chandler Trout	Director	December 31, 2026
Kyle Reese	Director	December 31, 2026
Shane Tappe	Superintendent	
Ellie Hill	Business Manager	

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BradyMartz

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Independent School District No. 2170
Staples, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining information of the Independent School District No. 2170, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 2170, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As described in Note 2 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining statements, schedule of changes in fund balances and net position and compliance table as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements, schedule of changes in fund balances and net position, compliance table, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Brady Martz

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

December 14, 2023

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This section of Independent School District No. 2170's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2023. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

For the year ending June 30, 2023, the District's unassigned general fund balance decreased from $3,162,443 to $3,056,303 or a decrease of $106,140.

Overview of the Financial Statements

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

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

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

<u>District-wide Statements</u>

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, liabilities, and deferred inflows/outflows of resources with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

Governmental funds: The District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, reconciliations have been provided following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances to help explain the relationship (or differences) between the governmental funds and governmental activities.

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

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

Financial Analysis of the District as a Whole

Net Position

The District's combined net position was $12,077,316 on June 30, 2023 (see details in Table A-1). This was an increase of 266.0 percent from the prior year.

Table A-1
Statement of Net Position

	2023	2022	Total Percentage Change
Current and Other Assets	$ 32,075,681	$ 22,469,903	42.7 %
Capital Assets	27,174,516	15,345,867	77.1
Total Assets	59,250,197	37,815,770	56.7
Deferred Outflows of Resources	2,682,675	3,272,015	(18.0)
Long-term Liabilities	31,003,083	17,405,992	78.1
Other Liabilities	9,675,164	5,387,650	79.6
Total Liabilities	40,678,247	22,793,642	78.5
Deferred Inflows of Resources	9,177,309	14,994,169	(38.8)
Net Position			
Net Investment in Capital Assets	15,791,992	10,543,622	49.8
Restricted	3,610,931	3,250,699	11.1
Unrestricted	(7,325,607)	(10,494,347)	30.2
Total Net Position	$ 12,077,316	$ 3,299,974	266.0 %

Change in Net Position

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

Table A-2
Change in Net Position

	2023	2022	Total Percentage Change
Revenues			
Program Revenues			
Charges for Services	$ 623,382	$ 501,368	24.3 %
Operating Grants and Contributions	3,425,452	5,058,082	(32.3)
Capital Grants and Contributions	1,763,828	644,186	173.8
General Revenues			
Property Taxes	5,187,413	2,656,173	95.3
Unrestricted State Aid	8,464,958	7,290,792	16.1
Other Sources	2,104,719	178,099	1,081.8
Total Revenues	21,569,752	16,328,700	32.1
Expenses			
Administration	651,438	672,089	(3.1)
District Support Services	531,044	611,837	(13.2)
Elementary & Secondary Regular Instruction	4,207,267	5,139,325	(18.1)
Vocational Education Instruction	200,761	260,101	(22.8)
Special Education Instruction	2,170,241	2,156,898	0.6
Community Education and Services	512,633	465,404	10.1
Instructional Support Services	944,602	754,150	25.3
Pupil Support Services	915,743	1,770,368	(48.3)
Sites and Buildings	1,919,334	1,749,479	9.7
Fixed Costs	132,726	90,665	46.4
Interest on Long-Term Debt	384,679	429,801	(10.5)
Depreciation - Unallocated	249,726	246,121	1.5
Total Expenses	12,820,194	14,346,238	(10.6)
Change in Net Position	8,749,558	1,982,462	
Net Position - Beginning	3,299,974	1,317,512	150.5
GASB 96 Adjustment - See Note 2	27,784		100.0
Net Position - Beginning, Restated	3,327,758	1,317,512	
Net Position - Ending	$ 12,077,316	$ 3,299,974	266.0 %

The District’s total revenues were $21,569,752 for the year ended June 30, 2023. Property taxes and state aid payments accounted for 73 percent of total revenue for the year.

The total cost of all programs and services was $12,820,194. The District’s expenses are predominantly related to educating and caring for students.

Total revenues surpassed expenses, increasing net position $8,749,558 over last year. For the year ended June 30, 2023, the net effect of the District's deferred inflows and outflows of resources and net pension liability related to TRA and PERA increased net position by $2,161,155. For the year ended June 30, 2022, the net effect of the District's deferred inflows and outflows of resources and net pension liability related to TRA and PERA increased net position by $703,563.

The net cost of governmental activities is their costs less program revenues applicable to each category.

Table A-3 presents these net costs.

Table A-3
Net Cost of Governmental Activities

	Total Cost of Services		Total Percentage Change	Net Cost of Services		Total Percentage Change
	2023	2022		2023	2022	
Expenses						
Administration	$ 651,438	$ 672,089	(3.1) %	$ 646,438	$ 667,089	(3.1) %
District Support Services	531,044	611,837	(13.2)	531,044	611,837	(13.2)
Elementary & Secondary						
Regular Instruction	4,207,267	5,139,325	(18.1)	2,903,395	3,716,514	(21.9)
Vocational Education Instruction	200,761	260,101	(22.8)	200,641	256,803	(21.9)
Special Education Instruction	2,170,241	2,156,898	0.6	980,661	528,546	85.5
Community Education and Services	512,633	465,404	10.1	104,401	(3,604)	(2,996.8)
Instructional Support Services	944,602	754,150	25.3	567,304	434,571	30.5
Pupil Support Services	915,743	1,770,368	(48.3)	97,388	37,749	158.0
Sites and Buildings	1,919,334	1,749,479	9.7	209,129	1,126,510	(81.4)
Fixed Costs	132,726	90,665	46.4	132,726	90,665	46.4
Interest on Long-Term Debt	384,679	429,801	(10.5)	384,679	429,801	(10.5)
Depreciation - Unallocated	249,726	246,121	1.5	249,726	246,121	1.5
	$ 12,820,194	$ 14,346,238	(10.6) %	$ 7,007,532	$ 8,142,602	(13.9) %

Financial Analysis of the District's Funds

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

Table A-4
Major Funds

	Fund Balance		Increase (Decrease)	Percentage Increase (Decrease)
	2023	2022		
Governmental Funds				
General	$ 6,142,175	$ 5,573,007	$ 569,168	10.2 %
Building Construction	13,038,421	8,483,680	4,554,741	(53.7)
Debt Service Fund	978,236	218,174	760,062	348.4

The increase in fund balance in the building construction fund is due to unspent bond proceeds.

The majority of the financial aid received by the District is determined based on the number of students enrolled during the year. Therefore, fluctuations in enrollment have a significant impact on the financial health of the District. The following table shows the trend in student enrollment counts over the past five years:

	Student Enrollment (Average Daily Membership)				
	2019	2020	2021	2022	2023
Pre K - 3	336	292	281	245	237
4 - 6	239	207	201	217	214
7 - 8	179	169	178	162	150
9 - 12	372	368	349	341	344
Total Student (ADM)	1,126	1,036	1,009	965	945
Percentage Change		-7.99%	-2.61%	-4.36%	-2.07%

General Fund

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

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

Table A-5
General Fund Revenue

	2023	2022	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources				
Property Taxes	$ 1,970,308	$ 2,271,740	$ (301,432)	(13.3) %
Interest Earnings	195,781	13,221	182,560	1,380.8
Other	459,872	623,474	(163,602)	(26.2)
State Sources	9,993,551	10,370,578	(377,027)	(3.6)
Federal Sources	2,228,745	1,206,132	1,022,613	84.8
Other	43,387	47,585	(4,198)	(8.8)
Total General Fund Revenue	$ 14,891,644	$ 14,532,730	$ 358,914	2.5 %

Total general fund revenue increased by $358,914 or 2.5 percent from the previous year. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including excess levy referendum and the property tax shift, involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in revenue.

Table A-6 presents a summary of general fund expenditures.

Table A-6
General Fund Expenditures

	2023	2022	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	$ 7,263,933	$ 7,276,406	$ (12,473)	(0.2) %
Employee Benefits	2,161,497	2,390,717	(229,220)	(9.6)
Purchased Services	2,238,188	2,066,719	171,469	8.3
Supplies and Materials	636,258	1,017,357	(381,099)	(37.5)
Capital Expenditures	1,973,256	711,655	1,261,601	177.3
Debt Service	24,485	18,009	6,476	36.0
Other Expenditures	132,725	111,621	21,104	18.9
Total General Fund Expenditures	$ 14,430,342	$ 13,592,484	$ 837,858	6.2 %

Total general fund expenditures decreased by $838,858 or 6.2 percent from the previous year.

<u>General Fund Budgetary Highlights</u>

During the year the District revised its budget.

The District's budget for the general fund anticipated that revenues and other financing sources would exceed expenditures and other financing uses by $372,493. The actual results for the year show a surplus of $569,168.

Capital Assets and Debt Administration

<u>Capital Assets</u>

Note 4 to the financial statements presents an analysis of capital asset and lease transactions occurring during the year ended June 30, 2023. Additions totaling $12,741,046 consisted primarily of remodeling of the elementary and high school.

<u>Long-Term Debt</u>

At year-end, the District had $24,684,990 of long-term debt. This consisted of bonded indebtedness net of premiums of $24,453,664, severance payable of $146,792, leases payable of $51,310, and SBITAs payable of $33,224. Note 9 to the financial statements presents details and payment provisions of these items.

Factors Bearing on the District's Future

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

- The District receives 65% of its revenue from state sources. The District is significantly impacted by the results of the financial health of the State of Minnesota. School Districts have been fortunate for the past several years to receive additional increases in the general education funding formula from the State. These

increases, however, have not increased at the same rate as inflation. In addition, the State of Minnesota is currently projecting significant budget deficits.
- Declining student enrollment.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Administration Offices, Independent School District No. 2170, 905 4th Street NE, Staples, MN 56479.

INDEPENDENT SCHOOL DISTRICT NO. 2170
STAPLES, MINNESOTA
STATEMENT OF NET POSITION
June 30, 2023

GOVERNMENTAL ACTIVITIES		
ASSETS		
Cash and Investments	$	27,252,580
Property Taxes Receivable, Net of Allowance		2,965,876
Accounts Receivable		52,164
Due From MN School Districts		57,523
Due From Department of Education		839,162
Due From Federal Govt. - DOE		542,412
Due From Other Govt		1,975
Due From Fiduciary Trust		50,000
Prepaid Items		168,804
Inventory		27,932
Capital Assets		
Land, Construction in Process		17,004,818
Other Capital Assets, Net of Depreciation		10,169,698
Lease Assets, Net of Amortization		50,714
Right to Use SBITA , Net of Amortization		66,539
TOTAL ASSETS		59,250,197
DEFERRED OUTFLOWS OF RESOURCES		
Cost Sharing Defined Benefit Pension Plan		2,607,596
Other Postemployment Benefit Plan		73,485
Supplemental Pension		1,594
TOTAL DEFERRED OUTFLOWS OF RESOURCES		2,682,675
LIABILITIES		
Accounts Payable		4,417,919
Due To Other MN School Districts		108,574
Due To Other Governments		25,255
Payroll Deductions		880,264
Unearned Revenue		20,439
Interest Payable		359,663
Vacation Payable		37,384
Long-Term Liabilities Due Within One Year		3,825,666
Long-Term Liabilities		
Bonds, Net Unamortized Premiums (Discounts)		24,453,664
Severance Payable		146,792
Net Pension Liability		9,129,944
Net Other Postemployment Benefit Liability		801,232
Supplemental Pension Liability		212,583
Lease Payable		51,310
SBITA Payable		33,224
Less Amounts Due Within One Year		(3,825,666)
Total Long-Term Liabilities		31,003,083
TOTAL LIABILITIES		40,678,247

See Notes to the Financial Statements

DEFERRED INFLOWS OF RESOURCES	
Property Taxes Levied - Subs. Years	5,421,675
Cost Sharing Defined Benefit Pension Plan	3,018,588
Other Postemployment Benefit Plan	649,462
Supplemental Pension	87,584
TOTAL DEFERRED INFLOWS OF RESOURCES	9,177,309
NET POSITION	
Net Investment in Capital Assets	15,791,992
Restricted for:	
Student Activity	90,540
Staff Development	121,038
Operating Capital	540,787
Gifted and Talented	50,862
Safe School	57,353
LTFM	1,641,991
Medical Assistance	277,959
Food Service	311,860
Community Education	204,038
School Readiness	65,695
Adult Basic Education	5,786
Community Service	243,022
Unrestricted	(7,325,607)
TOTAL NET POSITION	$ 12,077,316

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 2170
STAPLES, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES					
Administration	$ 651,438	$ 5,000	$	$	$ (646,438)
District Support Services	531,044				(531,044)
Elementary & Secondary					
Regular Instruction	4,207,267	114,731	1,189,141		(2,903,395)
Vocational Education Instruction	200,761	120			(200,641)
Special Education Instruction	2,170,241	70,086	1,119,494		(980,661)
Community Education and Services	512,633	200,185	208,047		(104,401)
Instructional Support Services	944,602	31,120	346,178		(567,304)
Pupil Support Services	915,743	184,640	562,592	71,123	(97,388)
Sites and Buildings	1,919,334	17,500		1,692,705	(209,129)
Fixed Costs	132,726				(132,726)
Interest on Long-Term Debt	384,679				(384,679)
Depreciation - Unallocated	249,726				(249,726)
TOTAL GOVERNMENTAL ACTIVITIES	$ 12,820,194	$ 623,382	$ 3,425,452	$ 1,763,828	(7,007,532)

GENERAL REVENUES	
Taxes	
Property Taxes, Levied for General Purposes	1,973,245
Property Taxes, Levied for Community Education and Services	126,527
Property Taxes, Levied for Debt Services	3,087,641
Unrestricted State Aid	8,464,958
Unrestricted Investment Earnings	695,854
Other General Revenue	1,408,865
TOTAL GENERAL REVENUES	15,757,090
Change in Net Position	8,749,558
Net Position - Beginning	3,299,974
GASB 96 Adjustment - See Note 2	27,784
Net Position - Beginning, Restated	3,327,758
Net Position - Ending	$ 12,077,316

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 2170
STAPLES, MINNESOTA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2023

	General Fund	Building Construction Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Investments	$ 6,843,180	$ 16,899,342	$ 2,717,675	$ 792,383	$ 27,252,580
Current Property Taxes Receivable	724,216		2,095,162	54,580	2,873,958
Delinquent Property Taxes Receivable	43,808		45,054	3,056	91,918
Accounts Receivable	7,363			44,801	52,164
Due From Fiduciary Trust	50,000				50,000
Due From MN School Districts	55,953			1,570	57,523
Due From Department of Education	765,087		57,248	16,827	839,162
Due From Federal Govt. - DOE	489,041			53,371	542,412
Due From Other Govt. Units	1,975				1,975
Prepaid Items	165,555			3,249	168,804
Inventory				27,932	27,932
TOTAL ASSETS	$ 9,146,178	$ 16,899,342	$ 4,915,139	$ 997,769	$ 31,958,428
LIABILITIES					
Accounts Payable	$ 554,721	$ 3,860,921	$	$ 2,277	$ 4,417,919
Due To Other MN School Districts	108,574				108,574
Due To Other Governments	25,255				25,255
Payroll Deductions	861,691			18,573	880,264
Unearned Revenue				20,439	20,439
TOTAL LIABILITIES	1,550,241	3,860,921		41,289	5,452,451
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Delinquent Taxes	43,808		45,054	3,056	91,918
Property Taxes Levied - Subs. Years	1,409,954		3,891,849	119,872	5,421,675
TOTAL DEFERRED INFLOWS OF RESOURCES	1,453,762		3,936,903	122,928	5,513,593
FUND BALANCES					
Fund Balance:					
Nonspendable	165,555			31,181	196,736
Restricted	2,780,530	13,038,421	978,236	802,371	17,599,558
Committed	8,829				8,829
Assigned	130,958				130,958
Unassigned	3,056,303				3,056,303
TOTAL FUND BALANCES	6,142,175	13,038,421	978,236	833,552	20,992,384
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 9,146,178	$ 16,899,342	$ 4,915,139	$ 997,769	$ 31,958,428

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 2170
STAPLES, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2023

Total fund balances - governmental funds	$ 20,992,384
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	
Cost of capital assets	44,832,944
Less accumulated depreciation	(17,658,428)
Lease and SBITA assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	
Cost of lease assets	63,393
Cost of SBITA assets	84,216
Less accumulated amortization	(30,356)
Deferred outflows of resources relating to the cost sharing defined benefit plans, other postemployment benefits, and supplemental pension in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	2,682,675
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
Bonds	(22,315,000)
Unamortized premiums	(2,138,664)
Lease Payable	(51,310)
SBITA Payable	(33,224)
Severance payable	(146,792)
Net pension liability	(9,129,944)
Net other postemployment benefit liability	(801,232)
Supplemental pension liability	(212,583)
Deferred inflows of resources relating to the cost sharing defined benefit plans, other postemployment benefits, and supplemental pension in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	(3,755,634)
Vacation payable is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(37,384)
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds.	91,918
Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the debt service fund.	(359,663)
Net position - governmental activities	$ 12,077,316

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 2170
STAPLES, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	General Fund	Building Construction Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Local Property Tax Levies	$ 1,970,308	$	$ 3,054,804	$ 128,297	$ 5,153,409
Other Local & County Revenues	655,653	1,683,178	50,233	269,794	2,658,858
Revenue From State Sources	9,993,551		572,031	186,913	10,752,495
Revenue From Federal Sources	2,228,745			498,418	2,727,163
Sale/Other Conversion of Asset	43,387			159,619	203,006
TOTAL REVENUES	14,891,644	1,683,178	3,677,068	1,243,041	21,494,931
EXPENDITURES					
Current					
Administration	650,787				650,787
District Support Services	528,048				528,048
Elementary & Secondary Regular Instruction	5,399,210				5,399,210
Vocational Education Instruction	200,761				200,761
Special Education Instruction	2,157,144				2,157,144
Community Education and Services				501,225	501,225
Instructional Support Services	944,602				944,602
Pupil Support Services	1,101,316			796,470	1,897,786
Sites and Buildings	1,317,648				1,317,648
Fixed Costs	132,725				132,725
Debt Service					
Principal	23,333		2,755,000		2,778,333
Interest and Other Fees	1,512		847,352		848,864
Capital Outlay	1,973,256	10,807,513		139,684	12,920,453
TOTAL EXPENDITURES	14,430,342	10,807,513	3,602,352	1,437,379	30,277,586
Revenues Over (Under) Expenditures	461,302	(9,124,335)	74,716	(194,338)	(8,782,655)
OTHER FINANCING SOURCES (USES)					
Debt Issued	107,866	12,696,708	643,292		13,447,866
Premium on Debt Issued		982,368			982,368
Transfer In			42,054		42,054
Transfer Out				(42,054)	(42,054)
TOTAL OTHER FINANCING SOURCES (USES)	107,866	13,679,076	685,346	(42,054)	14,430,234
Net Change in Fund Balances	569,168	4,554,741	760,062	(236,392)	5,647,579
Fund Balances - Beginning	5,573,007	8,483,680	218,174	1,069,944	15,344,805
Fund Balances - Ending	$ 6,142,175	$ 13,038,421	$ 978,236	$ 833,552	$ 20,992,384

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 2170
STAPLES, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Total net change in fund balances - governmental funds	$ 5,647,579
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense.	
Capital outlays	12,860,872
Depreciation/Amortization expense	(942,753)
The net effect of various transactions involving capital assets is to decrease net position.	
Payment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.	2,778,332
The issuance of long-term debt provides current financial resources to the governmental funds, but the issuance increases long-term liabilities in the statement of net position.	(13,447,866)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Also, governmental funds report the effect of premiums and discounts when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(518,183)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	34,003
Change in pension, OPEB and related deferred outflows and inflows:	
Net pension liability (PERA and TRA)	(3,723,792)
Deferred outflows and inflows of resources related to net pension liability (PERA and TRA)	5,884,947
Net other postemployment benefit liability	538,761
Deferred outflows and inflows of resources related to other postemployment benefit liability	(319,315)
Supplemental Pension Liability	143,884
Deferred outflows and inflows of resources related to supplemental pension liability	(78,328)
Recognition of additional pension expense and grant revenue for the District's proportionate share of the State of Minnesota's contribution to the PERA and TRA.	
In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid.)	
Vacation payable	(18,875)
Severance payable	(89,708)
Change in net position - governmental activities	$ 8,749,558

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 2170
STAPLES, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2023

	OPEB Trust Fund
ASSETS	
Cash and Investments	$ 421,875
TOTAL ASSETS	421,875
LIABILITIES	
Due to Fiscal Host	50,000
TOTAL LIABILITIES	50,000
NET POSITION	
Held in Trust for OPEB	$ 371,875

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 2170
STAPLES, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2023

		OPEB Trust Fund
ADDITIONS		
Investment Earnings:		
Interest	$	(5,366)
TOTAL ADDITIONS		(5,366)
DEDUCTIONS		
Administrative Fees		540
Postemployment Benefits Expense		50,000
TOTAL DEDUCTIONS		50,540
Change in Net Position		(55,906)
Net Position Held in Trust for OPEB - Beginning		427,781
Net Position Held in Trust for OPEB - Ending	$	371,875

See Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 2170 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

Independent School District No. 2170 (the District) is an educational entity established by the State of Minnesota. The government of the District is directed by an elected six-member Board of Education (the Board). The Board exercises legislative authority and determines all matters of policy. The Board appoints personnel responsible for the proper administration of all affairs relating to the District. The accompanying financial statements present the government entities for which the District is considered to be financially accountable.

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

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

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

C. Basic Financial Statement Presentation

The district-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the District.

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

Description of Funds

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

Major Governmental Funds

<u>General Fund</u> – Accounts for all financial resources of the general government, except those required to be accounted for in another fund.

<u>Building Construction Fund</u> – Accounts for the resources accumulated and payments made for building construction projects that were funded with bond proceeds.

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

Nonmajor Governmental Funds

Special Revenue Funds:

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

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

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

Fiduciary Fund

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

E. Specific Account Information

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

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

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

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

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

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

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

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

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

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred in the fund based financial statements because it is not known to be available to finance the operations of the District in the current year. For government-wide financial statements, no allowance for uncollectible taxes is considered necessary.

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

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

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

Capital Assets – Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The District maintains a threshold level of $2,500 or more for capitalizing capital assets. Expenditures for major additions and improvements that extend the useful lives of property and equipment are capitalized. Routine expenditures for repairs and maintenance are charged to expense as incurred.

Capital assets are recorded in the district-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 15 to 70 years for land improvements and buildings, and 5 to 30 years for equipment. Capital assets not being depreciated include land and construction in progress, if any.

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

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

Leases with an initial lease term of more than 12 months, or that contain an option to purchase that the District is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the District uses its incremental borrowing rate based on the information available at the lease commencement date. The District has made an accounting policy election to use a risk free rate based on US

Treasury T-bill rate as of the lease commencement. The District accounts for lease agreements with lease and non-lease components together as a single lease component for all underlying classes of assets.

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

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

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

Subscription-Based Information Technology Arrangements (SBITA) – Subscription-Based Information Technology Arrangements (SBITA) are contracts that conveys control of the right to use another party's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The determination of whether a SBITA asset and liability are to be recorded in the financial statements is made at inception by evaluating the maximum possible term of the SBITA.

A SBITA contract with an initial term of more than 12 months, or that contain an option to extend the contract more than 12 months that is reasonably expected to be exercised by the District, are recognized based on the present value of subscription payments over the contract term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the District uses its incremental borrowing rate based on the information available at the SBITA contract commencement date. The District has made an accounting policy election to use a risk free rate based on US Treasury T-bill rate as of the SBITA contract commencement.

The District continues to recognize short-term SBITA subscription payments as outflows of resources (expenditure) based on the payment provision of the SBITA contract. Short-term SBITA contracts have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

The amortizable life of SBITA assets are limited to the shorter of the expected agreement term or the useful life of the underlying asset.

Vacation Payable – The District permits some employees to accumulate varying amounts of vacation pay as determined by their contracts. All vacation pay eligible for payout has been accrued in the government-wide financial statements.

Sick Pay – The District's regular employees and teachers are entitled to sick leave at various rates. Employees are not directly compensated for unused sick leave upon termination of employment; however, unused sick leave does enter into the calculation of severance pay upon termination for certain employees.

Supplemental Pension (Severance) Plan – The District maintains various severance plans for its employee groups. The portion of these benefits based on years of service and/or minimum age requirements is considered to be a supplemental pension plan. Therefore, the present value of the District's future projected liabilities under this supplemental plan are calculated via an actuarial valuation, and this amount is accrued in the government-wide financial statements.

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

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

Other Postemployment Benefits (OPEB) – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Retiree Benefits Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of the purchase of one year or less, which are reported at cost. Postemployment healthcare expenditures have been funded through contributions to an irrevocable trust and on a pay as you go basis in the future.

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

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

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resource (expense/ expenditure) until then. The District has three items that qualify for reporting in this category named *Cost Sharing Defined Benefit Pension Plan, Supplemental Pension Plan,* and *Other Postemployment Benefits* which represents actuarial differences within pension plans and other postemployment benefit plans as well as amounts paid to the plans after the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has four types of items, one of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item, *property taxes levied – subs. years,* is reported as a deferred inflow of resources for both the Balance Sheet – Governmental Funds and the

Statement of Net Position as these amounts represent property tax revenue levied for a subsequent period. The third items, *Cost Sharing Defined Benefit Pension Plan* and *Supplemental Pension Plan* represent actuarial differences within pension plans. The last item, *Other Postemployment Benefits* represents changes in OPEB.

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

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

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

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

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

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

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

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

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

The District has formally adopted a policy under which it strives to maintain a minimum unassigned General Fund balance equal to approximately one month of operating expenditures.

F. Use of Estimates

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

NOTE 2 CHANGE IN ACCOUNTING PRINCIPLES

The District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* in the fiscal year ended June 30, 2023. GASB Statement No. 96 establishes uniform accounting and financial reporting requirements for SBITA's.

The adoption of GASB 96 resulted in the recognition of a right to use SBITA asset of $27,784 as of July 1, 2022. Results for periods prior to June 30, 2022 continue to be reported in accordance with the District's historical accounting treatment. See Note 11 for expanded disclosures regarding the District's SBITA's.

NOTE 3 DEPOSITS AND INVESTMENTS

The District maintains a cash account at its depository bank. Investments are carried at fair value.

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

	Governmental Activities	Fiduciary Fund	Total
Cash	$ 343,500	$ 9,487	$ 352,987
Investments	26,909,080	412,388	27,321,468
Total	$ 27,252,580	$ 421,875	$ 27,674,455

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

Investments	Fair Value Level 1	Fair Value Level 2	Total
State and Local Bonds	$	$ 1,056,190	$ 1,056,190
Federal Home Loan Bank		1,092,287	1,092,287
US Treasury		6,564,063	6,564,063
Total Investments (By Fair Value)		8,712,540	8,712,540
Minnesota School District Liquid Asset Fund	7,812,693		7,812,693
MN State Board of Investments	412,388		412,388
CDs	808,950		808,950
Money Market	9,574,897		9,574,897
Total Investments by Fair Value Level	$ 18,608,928	$ 8,712,540	$ 27,321,468

		Investment Maturities (in Years)	
Investments	Fair Value	<1	1 - 5
State and Local Bonds	$ 1,056,190	$ 1,056,190	$
Federal Home Loan Bank	1,092,287	1,092,287	
US Treasury	6,564,063	6,564,063	
Minnesota School District Liquid Asset Fund	7,812,693	7,812,693	
MN State Board of Investments	412,388	412,388	
CDs	808,950	808,950	
Money Market	9,574,897	9,574,897	
Total Investments by Fair Value Level	$ 27,321,468	$ 27,321,468	$ -

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

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

The assets of the OPEB Irrevocable Trust invested in the Minnesota State Board of Investments are also not subject to the fair value hierarchy or credit risk classification noted in GASB Statement No. 72. Instead, such investments are measured at amortized cost.

During 2023, the District had $695,854 in interest income. This was mainly due to the increase in fair market value over their investment accounts.

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

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

(a) Direct obligations or obligations guaranteed or insured issues by the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.
(b) General obligations and revenue obligations of any state or local government with taxing powers rated “A” and “AA”, respectively, and general obligations of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and rated “A” or better.
(c) Commercial paper issued by United States corporations or their Canadian subsidiaries, rated in the highest quality by at least two rating agencies, and maturing in 270 days or less.
(d) Time deposits that are fully insured by the FDIC or bankers acceptances of U.S. banks.
(e) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
(f) Repurchase or reverse repurchase agreements with banks that are qualified as a “depository” of public funds of the government entity, any other financial institution which is a member of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

(g) Guaranteed investment contracts (GIC's) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories, or in the top three rating categories for long-term GIC's issued by Minnesota banks.
(h) Securities lending agreements with financial institutions having its principal executive office in Minnesota and meeting the qualifications described in (f) above.

The Minnesota School District Liquid Asset Fund is rated AAAm by Standard & Poor's.

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

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

Custodial Credit Risk - Investments - The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement 40.

NOTE 4 CAPITAL ASSETS

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

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	$ 881,939	$	$	$ 881,939
Construction in Progress	3,766,032	12,356,847		16,122,879
Total Capital Assets, Not Being Depreciated	4,647,971	12,356,847		17,004,818
Capital Assets, Being Depreciated:				
Land Improvements	854,745			854,745
Buildings	22,429,374			22,429,374
Equipment	4,216,091	384,199	56,283	4,544,007
Total Capital Assets, Being Depreciated	27,500,210	384,199	56,283	27,828,126
Less Accumulated Depreciation For:				
Land Improvements	682,958	14,158		697,116
Buildings	13,045,549	606,589		13,652,138
Equipment	3,073,807	291,650	56,283	3,309,174
Total Accumulated Depreciation	16,802,314	912,397	56,283	17,658,428
Total Capital Assets, Being Depreciated, Net	10,697,896	(528,198)		10,169,698
Governmental Activities Capital Assets, Net	$ 15,345,867	$ 11,828,649	$	$ 27,174,516

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

Administration	$ 651
District Support Services	3,054
Elementary & Secondary Regular Instruction	5,782
Special Education Instruction	13,097
Community Education and Services	11,408
Pupil Support Services	98,534
Sites and Buildings	530,145
	662,671
Unallocated	249,726
Total Depreciation Expense	$ 912,397

NOTE 5 DEFINED BENEFIT PENSION PLANS- STATEWIDE

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

Disclosures relating to these plans follow:

A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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

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

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

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

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

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2023, were $205,373. The District's contributions were equal to the required contributions as set by state statute.

Pension Costs – At June 30, 2023, the District reported a liability of $2,772,012 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 $81,208.

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 0.0350 at the end of the measurement period and 0.040% for the beginning of the period.

District's proportionate share of net pension liability	$	2,772,012
State of Minnesota's proportionate share of the net pension liability associated with the District		81,208
Total	$	2,853,220

For the year ended June 30, 2023, the District recognized pension expense of $311,953 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $5,760 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense for the annual $16 million contribution.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 23,154	$ 33,827
Difference between projected and actual investment earnings		88,853
Changes in actuarial assumptions	714,271	12,821
Changes in proportion	6,082	215,421
Contributions paid to PERA subsequent to the measurement date	205,373	
Total	$ 948,880	$ 350,922

$205,373 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30		Pension Expense Amount
2024	$	165,515
2025		184,665
2026		(208,279)
2027		250,684

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

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

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

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

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

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

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

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

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

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

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

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

District Proportionate Share of NPL		
1% Decrease (5.5%)	Current (6.5%)	1% Increase (7.5%)
$ 4,378,537	$ 2,772,012	$ 1,454,412

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

B. TEACHERS RETIREMENT ASSOCIATION

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

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

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

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

Tier I Benefits:

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

1st ten years if service years are July 1, 2006 or after	1.4 percent per year
All other years of service if service years are up to July 1, 2006	1.7 percent per year
All other years of service if service years are July 1, 2006 or after	1.9 percent per year

With these provisions:

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

or

Tier II Benefits:

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

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

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

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

<u>Contribution Rate</u> – Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal years ended June 30, 2021, June 30, 2022, and June 30, 2023, were:

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

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

Employer contributions reported in TRA's ACFR		*in thousands*
Statement of Changes in Fiduciary Net Position	$	482,679
Employer contributions not related to future contribution efforts		(2,178)
TRA's contributions not included in allocation		(572)
Total employer contributions		479,929
Total non-employer contributions		35,590
Total contributions reported in *Schedule of Employer and Non-Employer Allocations*	$	515,519

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

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Valuation Date	July 1, 2022
Measurement Date	June 30, 2022
Experience Study	June 28, 2019 (demographic and economic assumptions)
Actuarial Cost Method	Entry Age Normal

Actuarial Assumptions:

Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected Salary Increase	2.85 to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of Living Adjustment	1.00% for January 2019 through January 2023, then increasing by 0.10% each year up to 1.50% annually

Mortality Assumption

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Geometric Mean)
Domestic Equity	35.50%	5.10%
International Equity	17.50%	5.30%
Private Markets	25.00%	5.90%
Fixed Income	20.00%	0.75%
Unallocated Cash	2.00%	0.00%

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

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

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

<u>Net Pension Liability</u> - On June 30, 2023, the District reported a liability of $6,357,932 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. The District proportionate share was 0.0794% at the end of the measurement period and 0.0889% 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	$	6,357,932
State's proportionate share of the net pension liability associated with the District	$	311,792

For the year ended June 30, 2023, the District recognized pension expense of $(2,234,055). It also recognized $30,323 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 101,533	$ 60,505
Net difference between projected and actual earnings on plan inv.	53,409	
Changes in actuarial assumptions	1,084,098	1,512,191
Changes in proportion	19,121	1,094,970
Contributions paid to TRA subsequent to the measurement date	400,555	
Total	$ 1,658,716	$ 2,667,666

$400,555 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Year Ending June 30	Pension Expense Amount
2024	$ (1,841,664)
2025	(24,543)
2026	(136,824)
2027	677,402
2028	(83,876)

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

District Proportionate Share of NPL		
1% Decrease (6.0%)	Current (7.0%)	1% Increase (8.0%)
$ 10,022,934	$ 6,357,932	$ 3,353,773

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

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

The District recognized total pension expense of $(1,922,102) for all of the pension plans in which it participates.

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS

Plan Description – The District's Plan is a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The authority and requirement to provide these benefits is established in Minnesota Statutes Section 471.61, Subd. 2b. The benefit levels, employee contributions and employer contributions are governed by the District and can be amended by the District through the District's collective bargaining agreements with employee groups.

Benefits Provided – The District offers continuing group health and life insurance coverage after retirement for qualifying District employees. Teachers and certain other District personnel who retire from active employment after 55 years of age and 3 to 5 years of service to the District may continue their single or family coverage through the District plan at their expense. Additionally, teachers become eligible for partial subsidization of these benefits after 11 years of employment at the District and 30 years of overall service as an educator, while other qualifying employees become eligible for varying subsidies after 13 years of service at the District. These options are allowed as long as the District continues to sponsor a group health plan. Benefits and eligibility provisions have been established through negotiations between the District and the union representing the District's personnel and are renegotiated every two-year bargaining period.

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

Contributions – The District did not have any contractually required or actuarially determined contributions to the Plan during the year ended June 30, 2023. The District has established an irrevocable trust to fund all future benefits paid under the plan, and it is assumed that the District will be required to make no further contributions to the trust. However, the District occasionally elects to fund benefit payments through its General Fund, which mirrors a direct contribution to the Plan. Direct contributions of this nature total $50,000 for the measurement period. Benefit payments, including reimbursements and amounts due to the General Fund, total $50,000. Employees are not required to contribute to the OPEB plan.

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

Inactive plan members or beneficiaries currently receiving benefit payments	31
Active plan members	162
	193

Net OPEB Liability – The District's net OPEB liability of $801,232 was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2022.

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

Inflation	2.5 percent
Salary increases	service graded table
Investment rate	4.20 percent (net of investment expenses)
Healthcare cost trend rates	6.5 percent decreasing to 5 percent and then 4 percent

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

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
NR Equity Fund	15%	6.80%
NR Bond Fund	80%	3.80%
NR Cash Pool	5%	2.00%
Total	100%	4.20%

Discount Rate – The discount rate used to measure the total OPEB liability was 3.8 percent. The discount rate is based on the estimated yield of 20-year municipal bonds.

In the July 1, 2022 actuarial valuation, the entry age, level percentage of pay actuarial cost method was used.

Changes in the Net OPEB Liability:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 6/30/2022	$ 1,760,418	$ 420,425	$ 1,339,993
Changes for the year:			
Service Cost	48,467		48,467
Interest Cost	63,033		63,033
Assumption Changes	(396,414)		(396,414)
Plan Changes	91,417		91,417
Employer Contributions		223,058	(223,058)
Projected Investment Return		17,658	(17,658)
Differences between Expected and Actual Experience	(104,548)		(104,548)
Benefit Payments	(303,058)	(303,058)	
Administrative Expenses			
Net changes	(601,103)	(62,342)	(538,761)
Balances at 6/30/2023	$ 1,159,315	$ 358,083	$ 801,232

<u>Sensitivity of the Total OPEB Liability to Changes in the Discount Rate</u> – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.8 percent) or one percentage point higher (4.8 percent) than the current rate:

	District Total OPEB Liability	
1% Decrease (2.8%)	Current (3.8%)	1% Increase (4.8%)
$ 842,079	$ 801,232	$ 761,214

<u>Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates</u> – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.5 percent decreasing to 4.0 percent then 3.0 percent) or one percentage point higher (7.5 percent decreasing to 6.0 percent then to 5.0 percent) than the current healthcare cost trend rates:

	District Healthcare Cost Trend Rates	
(5.50% decreasing to 4.00% then 3.00%)	(6.50% decreasing to 5.00% then 4.00%)	(7.50% decreasing to 6.00% then 5.00%)
$ 732,172	$ 801,232	$ 879,346

<u>OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB</u> – For the year ended June 30, 2023, the District recognized OPEB expense of $3,613. 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	$	$ 235,316
Investment Losses/Gains	40,068	
Changes in Assumptions	33,417	414,146
Total	$ 73,485	$ 649,462

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

Year Ending June 30	OPEB Expense Amount
2024	$ (174,954)
2025	(163,103)
2026	(90,490)
2027	(117,857)
2028	(17,663)
Thereafter	(11,910)

NOTE 7 SUPPLEMENTAL PENSION PLAN

Plan Description – The District provides a single-employer, defined benefit supplemental pension benefit to certain eligible employees. All of the pension benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements. The pension is administered by the District's Board of Education and a separate report is not issued. The authority and requirement to provide these benefits is established in Minnesota Statutes Section 471.61, Subd. 2b. The benefit levels, employee contributions and employer contributions are governed by the District and can be amended by the District through the District's collective bargaining agreements with employee groups.

Teachers and certain other District personnel who retire from active employment after 55 years of age and sufficient years of service become eligible for benefits. The pension benefit ranges from 5 days per year of services times the daily rate to 60 days per year of service times the daily rate. Payments are made in three equal annual installments paid to a 403(b) plan. Some contracts also reduce the pension benefits by the total matching contribution made by the District to the employee's qualified retirement account over the course of that individual's employment with the District.

Funding Policy – Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for payment of future benefits. The General fund is used for funding all pension/retirement benefits. The employer makes all contributions.

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

Inactive plan members or beneficiaries currently receiving benefit payments	10
Active plan members	20
	30

Total Supplemental Pension Liability – The District's total supplemental pension liability of $212,583 was measured as of June 30, 2023, and the total supplemental pension liability used to calculate the total supplemental pension liability was determined by an actuarial valuation as of July 1, 2022.

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

Inflation	2.5 percent
Salary increases	service graded table

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

Discount Rate – The discount rate used to measure the total supplemental pension liability was 3.8 percent. The discount rate is based on the estimate yield of 20-year AA-rated municipal bonds.

In the July 1, 2022 actuarial valuation, the entry age, level percentage of pay actuarial cost method was used.

Changes in the Supplemental Pension Liability:

	Total Supplemental Pension Liability
Balances at 6/30/2022	$ 356,467
Changes for the year:	
Service Cost	6,786
Interest Cost	12,825
Assumption Changes	(17,966)
Plan Changes	(6,211)
Differences between Expected and Actual Experience	(87,314)
Benefit Payments	(52,004)
Net changes	(143,884)
Balances at 6/30/2023	$ 212,583

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total supplemental pension liability of the District, as well as what the District's total supplemental pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.8 percent) or one percentage point higher (4.8 percent) than the current rate:

District Total Supplemental Pension Liability		
1% Decrease (2.8%)	Current (3.8%)	1% Increase (4.8%)
$ 220,710	$ 212,583	$ 204,640

Supplemental Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Supplemental Pension Liability – For the year ended June 30, 2023, the District recognized supplemental pension expense of $(13,555). At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to total supplemental pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 1,594	$ 65,491
Changes in Assumptions		22,093
Total	$ 1,594	$ 87,584

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

Year Ending June 30	Pension Expense Amount
2024	$ (29,295)
2025	(30,374)
2026	(26,321)

NOTE 8 DEFINED CONTRIBUTION PLAN

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the Plan). The District has contracted with a private brokerage firm to establish the Plan, and plan assets are not held in a formal trust meeting the criteria defined by GASB No. 73, par 4. The District's Board of Education acts as the plan administrator, but the District is not involved with the investment decisions for plan assets. Contributions are invested in tax deferred annuities selected and owned by Plan participants. Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. The District's contributions to the Plan total $55,827 for the year ended June 30, 2023, in addition to the $52,004 contributed to the Plan through the District's supplemental pension arrangements previously described.

NOTE 9 LONG-TERM LIABILITIES

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

Summary of Long-Term Debt

Primary Government:	Beginning Balance	Additions	Retired	Ending Balance	Due Within One Year
General Obligation Bonds	$ 11,730,000	$ 11,180,000	$ 2,755,000	$ 20,155,000	$ 3,160,000
Certificate of Participation		2,160,000		2,160,000	105,000
Unamortized Premium	1,555,927	982,368	399,631	2,138,664	537,398
Total Bonds	13,285,927	14,322,368	3,154,631	24,453,664	3,802,398
Lease Payable		63,393	12,083	51,310	12,279
SBITA Payable		44,473	11,249	33,224	10,989
Severance Payable	57,084	89,708		146,792	
Total Long-Term Liabilities	$ 13,343,011	$ 14,519,942	$ 3,177,963	$ 24,684,990	$ 3,825,666

The District's interest expense for the year ended June 30, 2023, was $384,679.

Severance, Lease, and SBITA payables are generally liquidated by the general fund.

A. General Obligation Bonds

Description	Date of Issue	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 6/30/2023
GO Facilities Maintenance	2019	5.00%	2026	$ 1,305,000	$ 285,000	$ 745,000
GO Facilities Maintenance & Tax Abatement	2021	5.00%	2026	10,700,000	2,355,000	8,345,000
GO Facilities Maintenance	2022	3-4%	2037	3,680,000		3,565,000
GO Facilities Maintenance	2023	5.00%	2029	7,500,000		7,500,000
Certificate of Participation	2023	4-5%	2038	2,160,000		2,160,000
						$ 22,315,000

Annual debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2024	$ 3,265,000	$ 993,286
2025	3,415,000	902,980
2026	3,400,000	736,230
2027	3,565,000	570,430
2028	3,755,000	392,180
2029-2033	2,825,000	683,775
2034-2038	2,090,000	230,005
	$ 22,315,000	$ 4,508,886

NOTE 10 SEVERANCE PAY

The District has several severance pay plans for various groups of employees. The plans call for employees to be paid for unused portions of their sick leave upon termination of employment. At June 30, 2023, the estimated liability under these plans was $146,792.

NOTE 11 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

The District entered into a subscription-based information technology arrangement (SBITA) with Securly for the usage of web filtering. The SBITA contract commenced on July 1, 2022 and terminates on August 31, 2026, with an annual payment of $11,249.

The following is a schedule of activity of SBITA assets and SBITA liabilities for the year ended June 30, 2023:

SBITA Assets	Beginning of Year	Additions	Modifications & Remeasurements	Subtractions	End of Year	Amounts Due Within One Year
Software	$ 27,783	$ 56,433	$	$	$ 84,216	
Less: Accumulated Amortization						
Software		(17,677)			(17,677)	
Total Lease Assets, net	$	$ 38,756	$	$	$ 66,539	
SBITA Liabilities	$	$ 44,473	$	$ 11,249	$ 33,224	$ 10,989

The following is a schedule, by years, of future minimum payments required under the SBITA contract:

Year Ending June 30,	Principal	Interest
2024	$ 10,989	$ 260
2025	11,074	174
2026	11,161	87
	$ 33,224	$ 521

NOTE 12 LEASES

The District leases copy machines at its school locations in Staples, Minnesota. The term of the lease is for a period of 60 months, terminating on June 30, 2027, with a monthly payment of $1,133.

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

Lease expense	Year Ending 2023-06
Amortization expense by class of underlying asset	
Copy Machine	$ 12,678
Total amortization expense	12,678
Interest on lease liabilities	1,512
Variable lease expense	
Total	$ 14,190

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

Lease Assets	Beginning of Year	Additions	Modifications & Remeasurements	Subtractions	End of Year	Amounts Due Within One Year
Copy Machine	$	$ 63,393	$	$	$ 63,393	
Less: Accumulated Amortization						
Copy Machine		(12,679)			(12,679)	
Total Lease Assets, net	$	$ 50,714	$	$	$ 50,714	
Lease Liabilities	$	$ 63,393	$	$ 12,083	$ 51,310	$ 12,279

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

Year Ending June 30,	Principal	Interest
2024	$ 12,279	$ 1,316
2025	12,638	958
2026	13,007	589
2027	13,386	210
	$ 51,310	$ 3,073

NOTE 13 FUND BALANCE CLASSIFICATIONS

At June 30, 2023, governmental fund equity includes the following:

	General	Building Construction	Debt Service	Nonmajor Governmental	Total
Nonspendable					
Prepaids	$ 165,555	$	$	$ 3,250	$ 168,805
Inventory				27,931	27,931
Total Nonspendable	165,555			31,181	196,736
Restricted					
Student Activity	90,540				90,540
Staff Development	121,038				121,038
Operating Capital	540,787				540,787
Gifted and Talented	50,862				50,862
Safe School	57,353				57,353
LTFM	1,641,991	7,647,360			9,289,351
Medical Assistance	277,959				277,959
Building Construction		2,557,462			2,557,462
Capital Project Levy		1,192,870			1,192,870
Funded by COP		1,640,729			1,640,729
Debt Service			978,236		978,236
Food Service				283,137	283,137
ECFE				3,151	3,151
Community Education				204,038	204,038
School Readiness				65,695	65,695
Adult Education				5,786	5,786
Community Service				240,564	240,564
Total Restricted	2,780,530	13,038,421	978,236	802,371	17,599,558
Committed					
Deferred Maintenance	8,829				8,829
Total Committed	8,829				8,829
Assigned					
Concessions	23,929				23,929
Middle School Activities	2,887				2,887
Q Comp	21,576				21,576
Referendum - Textbooks	56,088				56,088
Referendum - Safe Schools	26,478				26,478
Total Assigned	130,958				130,958
Unassigned	3,056,303				3,056,303
	$ 6,142,175	$ 13,038,421	$ 978,236	$ 833,552	$ 20,992,384

NOTE 14 CONTINGENCIES

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

NOTE 15 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and workers compensation. The District purchases commercial insurance coverage for such risks.

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 16 COMMITTED CONTRACTS

During the current year, the District entered into various contracts for construction services. Remaining commitment under these contracts as of June 30, 2023 totals $15,400,000. This does not include retainage, which has been accrued in these financial statements.

NOTE 17 NEW PRONOUNCEMENTS

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

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).

- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement are effective as follows:

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

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

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

GASB Statement No. 101, *Compensated Absences,* provides guidance on the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made.

Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

INDEPENDENT SCHOOL DISTRICT NO. 2170
STAPLES, MINNESOTA
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
For the Year Ended June 30, 2023

	Final Budget	Actual	Over (Under) Original Budget
REVENUES			
Local Property Tax Levies	$ 1,814,688	$ 1,970,308	$ 155,620
Other Local & County Revenues	495,000	655,653	160,653
Revenue From State Sources	10,198,581	9,993,551	(205,030)
Revenue From Federal Sources	2,106,378	2,228,745	122,367
Sale/Other Conversion of Asset		43,387	43,387
TOTAL REVENUES	14,614,647	14,891,644	276,997
EXPENDITURES			
Current			
Administration	723,094	650,787	(72,307)
District Support Services	450,348	528,048	77,700
Elementary & Secondary			
Regular Instruction	5,406,419	5,399,210	(7,209)
Vocational Education Instruction	176,497	200,761	24,264
Special Education Instruction	2,474,883	2,157,144	(317,739)
Instructional Support Services	397,610	944,602	546,992
Pupil Support Services	1,231,295	1,101,316	(129,979)
Sites and Buildings	1,421,510	1,317,648	(103,862)
Fixed Costs	164,685	132,725	(31,960)
Debt Service			
Principal		23,333	23,333
Interest		1,512	1,512
Capital Outlay	1,795,813	1,973,256	177,443
TOTAL EXPENDITURES	14,242,154	14,430,342	188,188
Revenues Over (Under) Expenditures	372,493	461,302	88,809
OTHER FINANCING SOURCES			
Debt Issued		107,866	107,866
TOTAL OTHER FINANCING SOURCES		107,866	107,866
Net Change in Fund Balances	372,493	569,168	196,675
Fund Balances - Beginning	5,573,007	5,573,007	
Fund Balances - Ending	$ 5,945,500	$ 6,142,175	$ 196,675

See Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT NO. 2170
STAPLES, MINNESOTA
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 YEARS

	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability							
Service Cost	$ 48,467	$ 89,808	$ 108,568	$ 108,248	$ 93,444	$ 134,027	$ 135,949
Interest	63,033	43,073	53,816	73,359	101,501	99,974	104,670
Assumption Changes	(396,414)	(95,256)	(34,190)	56,843	31,697	(29,396)	
Plan Changes	91,417						
Differences Between Expected and Actual Experience	(104,548)		(11,886)		(504,890)		
Benefit Payments	(303,058)	(288,928)	(295,461)	(322,059)	(343,581)	(404,292)	(358,091)
Net Change in Total OPEB Liability	(601,103)	(251,303)	(179,153)	(83,609)	(621,829)	(199,687)	(117,472)
Total OPEB Liability - Beginning	1,760,418	2,011,721	2,190,874	2,274,483	2,896,312	3,095,999	3,213,471
Total OPEB Liability Ending (a)	$ 1,159,315	$ 1,760,418	$ 2,011,721	$ 2,190,874	$ 2,274,483	$ 2,896,312	$ 3,095,999
Plan Fiduciary Net Position							
Contributions - Employer	$ 223,058	$ 206,237	$ 185,461	$ 228,243	$ 233,581	$ 294,292	$ 243,091
Projected Investment Return	17,658	24,182	25,109	27,825	33,875	34,225	49,645
Differences Between Expected and Actual Experience		(96,277)	26,646	38,278	33,442		(7,984)
Benefit Payments	(303,058)	(288,928)	(295,461)	(322,059)	(343,581)	(404,292)	(358,091)
Administrative Expenses	-	(540)	(426)	(366)	(548)	(544)	(554)
Net Change in Plan Fiduciary Net Position	(62,342)	(155,326)	(58,671)	(28,079)	(43,231)	(76,319)	(73,893)
Plan Fiduciary Net Position - Beginning	420,425	575,751	634,422	662,501	705,732	782,051	855,944
Plan Fiduciary Net Position - Ending (b)	$ 358,083	$ 420,425	$ 575,751	$ 634,422	$ 662,501	$ 705,732	$ 782,051
District's Net OPEB Liability - Ending (a) - (b)	$ 801,232	$ 1,339,993	$ 1,435,970	$ 1,556,452	$ 1,611,982	$ 2,190,580	$ 2,313,948
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	30.89%	23.88%	28.62%	28.96%	29.13%	24.37%	25.26%
Covered Payroll	$ 6,958,745	$ 7,787,780	$ 7,560,952	$ 7,530,830	$ 7,311,486	$ 7,734,338	$ 7,509,066
District's Net OPEB Liability as a Percentage of Covered Payroll	11.51%	17.21%	18.99%	20.67%	22.05%	28.32%	30.82%

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

See Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT NO. 2170
STAPLES, MINNESOTA
SCHEDULE OF CHANGES IN THE DISTRICT'S SUPPLEMENTAL PENSION LIABILITY AND RELATED RATIOS
LAST 10 YEARS

	2023	2022	2021	2020	2019	2018
Total Supplemental Pension Liability						
Service Cost	$ 6,786	$ 13,615	$ 16,850	$ 18,981	$ 16,584	$ 23,618
Interest	12,825	8,365	10,620	14,026	19,669	17,787
Assumption Changes	(17,966)	(16,221)	(2,049)	9,360	5,928	(8,110)
Plan Changes	(6,211)					
Differences Between Expected and Actual Experience	(87,314)		6,377		(111,469)	
Benefit Payments	(52,004)	(67,668)	(77,645)	(23,042)	(61,898)	(93,243)
Net Change in Total Supplemental Pension Liability	(143,884)	(61,909)	(45,847)	19,325	(131,186)	(59,948)
Total Supplemental Pension Liability - Beginning	356,467	418,376	464,223	444,898	576,084	636,032
Total Supplemental Pension Liability - Ending	$ 212,583	$ 356,467	$ 418,376	$ 464,223	$ 444,898	$ 576,084
Covered Payroll	$ 1,057,871	$ 1,763,755	$ 1,712,383	$ 2,294,386	$ 2,227,559	$ 3,180,240
District's Supplemental Pension Liability as a Percentage of Covered Payroll	20.10%	20.21%	24.43%	20.23%	19.97%	18.11%

The District implemented GASB No. 73 for the fiscal year ended June 30, 2017. Information from prior years is not available

INDEPENDENT SCHOOL DISTRICT NO. 2170
STAPLES, MINNESOTA
SCHEDULE OF DISTRICT CONTRIBUTIONS
LAST 10 YEARS

	Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
PERA						
	2015	$ 204,647	$ 204,647	$	$ 2,772,995	7.38
	2016	197,810	197,810		2,637,467	7.50
	2017	200,259	200,259		2,670,120	7.50
	2018	210,347	210,347		2,804,627	7.50
	2019	215,606	215,606		2,874,747	7.50
	2020	213,004	213,004		2,840,053	7.50
	2021	203,953	203,953		2,719,373	7.50
	2022	195,613	195,613		2,664,154	7.34
	2023	205,373	205,373		2,764,731	7.43
TRA						
	2015	$ 400,840	$ 400,840	$	$ 5,344,533	7.50
	2016	339,223	339,223		4,526,973	7.49
	2017	397,020	397,020		5,293,600	7.50
	2018	387,605	387,605		5,168,067	7.50
	2019	379,609	379,609		4,923,593	7.71
	2020	409,511	409,511		5,170,593	7.92
	2021	417,356	417,356		5,133,530	8.13
	2022	408,504	408,504		4,933,772	8.28
	2023	400,555	400,555		4,678,945	8.56

The amounts presented for each fiscal year were determined as of the District's year end which is June 30th.

See Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT NO. 2170
STAPLES, MINNESOTA
SCHEDULE OF DISTRICT'S SHARE OF NET PENSION LIABILITY
LAST 10 YEARS

Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the District (if Applicable)	Total	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA							
2014	0.0511 %	$ 2,400,422	$	$ 2,400,422	$ 2,682,916	89.47 %	78.70 %
2015	0.0472	2,446,149		2,446,149	2,772,995	88.21	78.19
2016	0.0424	3,442,670	44,963	3,487,633	2,637,467	130.53	68.90
2017	0.0412	2,630,181	33,072	2,663,253	2,670,120	98.50	75.90
2018	0.0383	2,124,727	69,694	2,194,421	2,804,627	75.76	79.53
2019	0.0403	2,228,097	69,252	2,297,349	2,874,747	77.51	80.23
2020	0.0398	2,386,192	73,533	2,459,725	2,840,053	84.02	79.06
2021	0.0400	1,708,179	52,137	1,760,316	2,719,373	62.82	87.00
2022	0.0350	2,772,012	81,208	2,853,220	2,664,154	104.05	76.67
TRA							
2014	0.1063 %	$ 4,898,227	$ 34,650	$ 4,932,877	$ 4,850,184	100.99 %	81.50 %
2015	0.1053	6,513,846	798,877	7,312,723	5,344,533	121.88	76.80
2016	0.1031	24,591,810	2,467,320	27,059,130	4,526,973	543.23	44.80
2017	0.0986	19,682,349	1,902,628	21,584,977	5,293,600	371.81	51.57
2018	0.0892	5,605,042	526,486	6,131,528	5,168,067	108.46	78.07
2019	0.0884	5,634,635	498,528	6,133,163	4,923,593	114.44	78.21
2020	0.0890	6,575,439	551,278	7,126,717	5,170,593	127.17	75.48
2021	0.0845	3,697,973	311,792	4,009,765	5,133,530	72.04	86.63
2022	0.0794	6,357,932	471,009	6,828,941	4,933,772	128.87	76.17

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

See Notes to the Required Supplementary Information

NOTE 1 BUDGETARY DATA

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

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

NOTE 2 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2023, expenditures exceeded appropriations in the general fund by $188,188. The over expenditures were funded by greater than anticipated revenues.

NOTE 3 DEFINED BENEFIT PLANS

PERA

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

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

TRA

Changes in Actuarial Assumptions Since the 2021 Valuation: None

NOTE 4 OTHER POSTEMPLOYMENT BENEFITS

Plan Changes:
- The sunset date and match election restriction was removed from the professional and support staff subsidized retiree medical and life benefits.
- 12-month professionals and 12-month support staff are both eligible for the subsidized retiree life benefits for the $50,000 life insurance policy.
- Professionals and support staff hired after July 1st, 2022 must participate in the district insurance plan to get Board contribution.

Assumption Changes:
- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.

- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The retirement and withdrawal rates were updated to reflect the latest experience study.

Method Changes:
- None

NOTE 5 SUPPLEMENTAL PENSION PLAN

Plan Changes:
- The professional and support staff benefits now are based on months worked instead of group. 12-month professional and support staff hired prior to July 1, 2010 and not electing the 403(b) match are eligible for the severance benefit. 9 and 10-month professional and support staff hired prior to July 1, 2014 and not electing the 403(b) match are eligible for the severance benefit.

Assumption Changes:
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The retirement and withdrawal rates were updated to reflect the latest experience study.

Method Changes: None

INDEPENDENT SCHOOL DISTRICT NO. 2170
STAPLES, MINNESOTA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023

	Special Revenue Funds		Total
	Food Service Fund	Community Service Fund	Nonmajor Governmental Funds
ASSETS			
Cash and Investments	$ 217,562	$ 574,821	$ 792,383
Current Property Taxes Receivable		54,580	54,580
Delinquent Property Taxes Receivable		3,056	3,056
Accounts Receivable	29,585	15,216	44,801
Due From MN School Districts	1,570		1,570
Due From Department of Education	5,481	11,346	16,827
Due From Federal Govt. - DOE	53,371		53,371
Prepaid Expense	791	2,458	3,249
Inventory	27,932		27,932
TOTAL ASSETS	$ 336,292	$ 661,477	$ 997,769
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$ 739	$ 1,538	$ 2,277
Payroll Deductions	3,254	15,319	18,573
Unearned Revenue	20,439		20,439
TOTAL LIABILITIES	24,432	16,857	41,289
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Delinquent Taxes		3,056	3,056
Property Taxes Levied - Subs. Years		119,872	119,872
TOTAL DEFERRED INFLOWS OF RESOURCES		122,928	122,928
FUND BALANCES			
Fund Balance:			
Nonspendable	28,723	2,458	31,181
Restricted	283,137	519,234	802,371
TOTAL FUND BALANCES	311,860	521,692	833,552
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 336,292	$ 661,477	$ 997,769

INDEPENDENT SCHOOL DISTRICT NO. 2170
STAPLES, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	Special Revenue Funds		Debt Service	Total
	Food Service Fund	Community Service Fund	OPEB Debt Service	Total Nonmajor Governmental Funds
REVENUES				
Local Property Tax Levies	$	$ 128,297	$	$ 128,297
Other Local & County Revenues	12,181	257,613		269,794
Revenue From State Sources	40,849	146,064		186,913
Revenue From Federal Sources	486,418	12,000		498,418
Sale/Other Conversion of Asset	159,619			159,619
TOTAL REVENUES	699,067	543,974		1,243,041
EXPENDITURES				
Current				
Community Education and Services		501,225		501,225
Pupil Support Services	796,470			796,470
Capital Outlay	139,684			139,684
TOTAL EXPENDITURES	936,154	501,225		1,437,379
Revenues Over (Under) Expenditures	(237,087)	42,749		(194,338)
OTHER FINANCING USES				
Transfer Out			(42,054)	(42,054)
TOTAL OTHER FINANCING USES			(42,054)	(42,054)
Net Change in Fund Balances	(237,087)	42,749	(42,054)	(236,392)
Fund Balances - Beginning	548,947	478,943	42,054	1,069,944
Fund Balances - Ending	$ 311,860	$ 521,692	$	$ 833,552

INDEPENDENT SCHOOL DISTRICT NO. 2170
STAPLES, MINNESOTA
SCHEDULE OF CHANGES IN FUND BALANCES AND NET POSITION
For the Year Ended June 30, 2023

Governmental Funds	UFARS Balance Beginning of Year	Revenues	Expenditures	Transfers	Debt Issued	UFARS Balance End of Year
General Fund						
Nonspendable for Prepaid	$ 110,267	$	$	$ 55,288	$	$ 165,555
Restricted for:						
Student Activity	80,638	70,514	60,612			90,540
Staff Development	77,642	74,403	31,007			121,038
Operating Capital	414,684	302,810	176,707			540,787
Learning and Development		186,802	186,802			
Gifted and Talented	38,606	13,525	1,269			50,862
Safe School	56,900	34,794	34,341			57,353
LTFM	1,328,518	367,313	53,840			1,641,991
Medical Assistance	183,767	94,192				277,959
Committed: Deferred Maintenance	10,450			(1,621)		8,829
Assigned for:						
Concessions	9,208			14,721		23,929
Middle School Activities	2,887					2,887
Q Comp	5,218			16,358		21,576
Referendum - Bus Purchase	9,213			(9,213)		
Referendum - Textbooks	56,088					56,088
Referendum - Safe Schools	26,478					26,478
Unassigned	3,162,443	13,747,291	13,885,764	(75,533)	107,866	3,056,303
Food Service Fund						
Nonspendable for Prepaid	515			277		792
Nonspendable for Inventory	17,220			10,711		27,931
Restricted: Food Service	531,212	699,067	936,154	(10,988)		283,137
Community Service Fund						
Nonspendable for Prepaid	3,686			(1,228)		2,458
Restricted for:						
Community Education	184,871	216,656	197,489			204,038
ECFE	(50,808)	75,773	21,814			3,151
School Readiness	132,160	163,341	229,806			65,695
Adult Basic Education	5,786					5,786
Community Service	203,248	88,204	52,116	1,228		240,564

INDEPENDENT SCHOOL DISTRICT NO. 2170
STAPLES, MINNESOTA
SCHEDULE OF CHANGES IN FUND BALANCES AND NET POSITION (CONTINUED)
For the Year Ended June 30, 2023

	UFARS Balance Beginning of Year	Revenues	Expenditures	Transfers	Debt Issued	UFARS Balance End of Year
Building Fund						
Restricted for:						
LTFM	$ 6,165,771	$	$ 7,970,222	$	$ 9,451,811	$ 7,647,360
Capital Projects Levy			774,507		1,967,377	1,192,870
Fund by COP			619,159		2,259,888	1,640,729
Building Construction	2,317,909	1,683,178	1,443,625			2,557,462
Debt Service Fund						
Restricted for:						
Debt Service	218,174	3,677,068	3,602,352	42,054	643,292	978,236
OPEB Debt Service Fund						
Restricted for:						
OPEB Debt Service	42,054			(42,054)		
Fiduciary Fund						
OPEB Trust Fund						
Held in Trust for OPEB	427,781	(5,366)	50,540			371,875

BradyMartz

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Education
Independent School District No. 2170
Staples, Minnesota

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2170 as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2023.

Legal Compliance

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 public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Purpose of the Report

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

Brady Martz

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

December 14, 2023

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

To the Board of Education
Independent School District No. 2170
Staples, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2170, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2023.

Report on Internal Control over Financial Reporting

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

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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-003 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 to be significant deficiencies.

Report on Compliance and Other Matters

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

The District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs and corrective action plan. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Brady Martz

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

December 14, 2023

BradyMartz

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

To the Board of Education
Independent School District No. 2170
Staples, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Independent School District No. 2170's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Independent School District No. 2170 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 requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 judgement made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023-004. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-004 to be a material weakness.

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

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

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

Brady Martz

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

December 14, 2023

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INDEPENDENT SCHOOL DISTRICT NO. 2170
STAPLES, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal AL Number		Amount
U.S. Department of Education			
Direct Award			
Indian Education	84.060	$	9,642
Passed-Through Minnesota Department of Education:			
Title II, Part A	84.367		66,303
Title I	84.010		484,204
Title IV	84.424		24,464
COVID-19 Education Stabilization Fund	84.425D		577,651
COVID-19 Education Stabilization Fund	84.425U		1,020,062
Total AL 84.425			1,597,713
Passed-Through Freshwater Education District:			
Special Education Cluster:			
IDEA Part B 611	84.027		46,419
Total Special Education Cluster			46,419
Total U.S. Department of Education			2,228,745
U.S. Department of Treasury			
Passed-Through Minnesota Department of Education:			
COVID-19 American Rescue Plan	21.027		12,000
Total U.S. Department of Treasury			12,000
U.S. Department of Agriculture			
Passed-Through Minnesota Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553		126,635
National School Lunch Program	10.555		282,407
National School Lunch Program (Nonmonetary Assistance)	10.555		53,721
COVID-19 Summer Food Program for Children	10.559		23,655
Total Child Nutrition Cluster			486,418
Total U.S. Department of Agriculture			486,418
TOTAL FEDERAL AWARDS		$	2,727,163

See Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 INDIRECT COST RATE

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

NOTE 3 BASIS OF PRESENTATION

The Schedule includes the federal award activity of Independent School District No. 2170 under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Independent School District No. 2170, it is not intended to be and does not present the financial position or changes in net position of Independent School District No. 2170.

NOTE 4 COMMODITY DISTRIBUTION

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

NOTE 5 PASS-THROUGH ENTITIES

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

NOTE 6 SUBRECIPIENTS

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

Section I-Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

AL Number(s)	Name of Federal Program or Cluster
84.425D	COVID-19 Education Stabilization Funds
84.425U	COVID-19 Education Stabilization Funds

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

Section II-Financial Statement Findings

2023-001 FINDING

Criteria
A proper system of internal control has the proper segregation of duties between authorization, custody, record keeping, and reconciliation.

Condition
There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keepings, and reconciliation.

Cause
The District is subject to size and budget constraints limiting the number of personnel within the accounting department.

Effect
The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Repeat Finding
Yes. Prior audit finding 2022-001

Recommendation
We recommend the District review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The Board should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports provided by individuals with knowledge of current operations and accounting principles.

Views of Responsible Officials and Planned Corrective Actions
The District agrees with the recommendation and will review on an annual basis.

2023-002 FINDING

Criteria
An appropriate system of internal controls requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition
The District's personnel prepare periodic financial information for internal use that meets the needs of management and the Board of Education. However, the District currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause
The District elected to not allocate resources for the preparation of the financial statements.

Effect
There is an increased risk of material misstatement to the District's financial statements.

Repeat Finding
Yes. Prior audit finding 2022-002

Recommendation
We recommend the District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the District should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions
The District agrees with the recommendation and will review the financial statement preparation on an annual basis.

2023-003 FINDING

Criteria
To receive reimbursement payment for meals served, the District must submit the number of meals served and all claims must be supported by accurate meal counts by category and type.

Condition
During an MDE food service review, it was discovered the District submitted claims with errors.

Cause
The District does not have controls to ensure proper meal counts are reported on the claim.

Effect
The District had under claimed meals served.

Repeat Finding
Yes. Prior audit finding 2022-003

Recommendation
We recommend the District should review procedures for submitting meal counts for reimbursement.

Views of Responsible Officials and Planned Corrective Actions
The District agrees with the recommendation and will review its procedures.

Section III- Federal Award Findings and Questioned Costs

2023-004 FINDING

Federal Program
COVID-19 Education Stabilization Funds (AL 84.425D, 84.425U)
Special Tests – Wage Rate Requirements

Criteria
Uniform Guidance states “the contractor or subcontractor must submit to the nonfederal entity weekly, for each week in which any contract is performed, a copy of the payroll and statement of compliance (certified payrolls)”.

Condition
Three vendors whose construction projects were overseen by the District were missing signed contracts and did not have the required certified payrolls submitted.

Questioned Costs
None

Context
The District did not have signed contracts or certified payrolls from three contractors of the twelve selected for testing.

Cause
Oversight by management.

Effect
The District is not in compliance with the wage rate requirement.

Repeat Finding
No.

Recommendation
The District should implement policies and procedures to ensure all construction contracts financed by federal assistance follow the wage rate requirements.

Views of Responsible Officials and Planned Corrective Actions
The District agrees with the recommendation and will review its procedures.

2022-001 Finding

Criteria
A proper system of internal control has the proper segregation of duties between authorization, custody, record keeping, and reconciliation.

Condition
There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keepings, and reconciliation.

Cause
The District is subject to size and budget constraints limiting the number of personnel within the accounting department.

Effect
The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation
We recommend the District review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The Board should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports provided by individuals with knowledge of current operations and accounting principles.

Corrective Action Taken
No action taken. See current year finding 2023-001 and Corrective Action Plan.

2022-002 Finding

Criteria
An appropriate system of internal controls requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition
The District's personnel prepare periodic financial information for internal use that meets the needs of management and the Board of Education. However, the District currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause
The District elected to not allocate resources for the preparation of the financial statements.

Effect
There is an increased risk of material misstatement to the District's financial statements.

Recommendation
We recommend the District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the District should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Corrective Action Taken
No action taken. See current year finding 2023-002 and Corrective Action Plan.

2022-003 FINDING

Federal Program
Child Nutrition Cluster (AL 10.553, 10.555, 10.559)
Reporting

Criteria
To receive reimbursement payment for meals served, the District must submit the number of meals served and all claims must be supported by accurate meal counts by category and type.

Condition
We randomly selected four months during the year and tested the monthly meal reimbursement reports submitted for reimbursement. Three of the four months had differences between the meals on the supporting documentation and the meals submitted for reimbursement. The net dollar amount of the differences for the three months was $3,505 claimed and received in excess of supporting documentation.

Questioned Costs
None

Context
The District misstated the daily meal counts in the monthly reports submitted for reimbursement.

Cause
The District does not have sufficient procedures in place to ensure all meals are reported correctly.

Effect
The District misstated the monthly meal counts submitted for reimbursement.

Corrective Action Taken
No action taken. See current year finding 2023-003 and Corrective Action Plan.

Staples-Motley School District
905 4th St. NE
Staples, MN 56479
(218) 894-5400
Isd2170.k12.mn.us

2023-001 FINDING

Contact Person – Shane Tappe, Superintendent

Corrective Action Plan – The District will continue to monitor internal controls and staffing needs. We will continue to contract for bank reconciliation services. All purchase orders and check requests have a 3 step approval system and any expenses over $1,000 are approved by the Superintendent. Journal entries have system approvals.

Completion Date – Ongoing

2023-002 FINDING

Contact Person – Shane Tappe, Superintendent

Corrective Action Plan – The District will research how other Districts our size meet this requirement. We will connect with MDE and other professional agencies like MSBA and MASBO for recommendations.

Completion Date – Ongoing

2023-003 FINDING

Contact Person – Shane Tappe, Superintendent

Corrective Action Plan – The District is looking into new software to assist with collection and reporting data to be implemented in July 2024. The Business Manager will review all meal claims with the Food Service Director before claims are submitted.

Completion Date – December 20, 2023

2023-004 FINDING

Contact Person – Shane Tappe, Superintendent

Corrective Action Plan – The District will review and update processes over wage rate requirements. The District will not pay contractors with federal funds until the proper wage statements are received. The Superintendent will review and sign off on all construction payments.

Completion Date – December 20, 2023

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INDEPENDENT SCHOOL DISTRICT NO. 2170
STAPLES, MINNESOTA
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
June 30, 2023

District Name: INDEPENDENT SCHOOL DISTRICT NO. 2170 **District Number:** 2170

	Audit	UFARS	Variance
01 GENERAL FUND			
Total Revenue	14,891,644	14,891,644	
Total Expenditures	14,430,342	14,430,342	
Non Spendable			
460 Non Spendable Fund Balance	165,555	165,554	1
Restricted/Reserved:			
401 Student Activities	90,540	90,541	
402 Scholarships			
403 Staff Development	121,038	121,038	
407 Capital Projects Levy			
408 Cooperative Revenue			
413 Project Funded by COP			
414 Operating Debt			
416 Levy Reduction			
417 Taconite Building Maintenance			
424 Operating Capital	540,787	540,787	
426 $25 Taconite			
427 Disabled Accessibility			
428 Learning & Development			
434 Area Learning Center			
435 Contracted Alt Programs			
436 State Approved Alt Program			
438 Gifted & Talented	50,862	50,863	(1)
440 Teacher Development and Eval.			
441 Basic Skills Programs			
448 Achievement & Integration			
449 Safe Schools Levy	57,353	57,353	
451 QZAB Payments			
452 OPEB Liab Not In Trust			
453 Unfunded Sev & Retiremt Levy			
467 Long Term Facilities Maintenance	1,641,991	1,641,991	
472 Medical Assistance	277,959	277,959	
Restricted			
464 Restricted Fund Balance			
Committed			
418 Committed for Separation			
461 Committed	8,829	8,829	
Assigned			
462 Assigned Fund Balance	130,958	130,958	
Unassigned:			
422 Unassigned Fund Balance	3,056,303	3,056,300	3
Reconciliation of General	35,464,161	35,464,159	2
02 FOOD SERVICE			
Total Revenue	699,067	699,068	(1)
Total Expenditures	936,154	936,154	
Non Spendable			
460 Non Spendable Fund Balance	28,723	28,723	
Restricted/Reserved:			
452 OPEB Liab Not In Trust			
Restricted			
464 Restricted Fund Balance	283,137	283,136	1
Unassigned			
463 Unassigned Fund Balance			
Reconciliation of Food Service	1,947,081	1,947,081	
04 COMMUNITY SERVICE			
Total Revenue	543,974	543,975	(1)
Total Expenditures	501,225	501,225	
Non Spendable			
460 Non Spendable Fund Balance	2,458	2,457	1
Restricted/Reserved:			
426 $25 Taconite			
431 Community Education	204,038	204,038	
432 E.C.F.E.	3,151	3,151	
440 Teacher Development and Eval.			
444 School Readiness	65,695	65,695	
447 Adult Basic Education	5,786	5,786	
452 OPEB Liab Not In Trust			
Restricted			
464 Restricted Fund Balance	240,564	240,565	(1)
Unassigned			
463 Unassigned Fund Balance			
Reconciliation of Community Service	1,566,891	1,566,892	(1)

	Audit	UFARS	Variance
06 BUILDING CONSTRUCTION			
Total Revenue	1,683,178	1,683,178	
Total Expenditures	10,807,513	10,807,513	
Non Spendable			
460 Non Spendable Fund Balance			
Restricted/Reserved:			
407 Capital Projects Levy	1,192,870	1,192,870	
413 Projects Funded By COP	1,640,729	1,640,729	
467 LTFM	7,647,360	7,647,360	
Restricted			
464 Restricted Fund Balance	2,557,462	2,557,462	
Unassigned:			
463 Unassigned Fund Balance			
Reconciliation of Building Construction	25,529,112	25,529,112	
07 DEBT SERVICE			
Total Revenue	3,677,068	3,677,069	(1)
Total Expenditures	3,602,352	3,602,352	
Non Spendable			
460 Non Spendable Fund Balance			
Restricted/Reserved:			
425 Bond Refundings			
451 QZAB Payments			
Restricted			
464 Restricted Fund Balance	978,236	978,236	
Unassigned:			
463 Unassigned Fund Balance			
Reconciliation of Debt Service	8,257,656	8,257,657	(1)
08 TRUST			
Total Revenue			
Total Expenditures			
Unassigned:			
402 Scholarships			
422 Unassigned Fund Balance			
Reconciliation of Trust			
20 INTERNAL SERVICE			
Total Revenue			
Total Expenditures			
Unassigned:			
422 Unassigned Fund Balance			
Reconciliation of Internal Service			
25 OPEB REVOCABLE TRUST FUND			
Total Revenue			
Total Expenditures			
Unassigned:			
422 Unassigned Fund Balance			
Reconciliation of OPEB Revocable Trust			
45 OPEB IRREVOCABLE TRUST FUND			
Total Revenue	(5,366)	(5,366)	
Total Expenditures	50,540	50,540	
Unassigned:			
422 Unassigned Fund Balance	371,875	371,874	1
Reconciliation of OPEB Irrevocable Trust	417,049	417,048	1
47 OPEB DEBT SERVICE FUND			
Total Revenue			
Total Expenditures			
Non Spendable			
460 Non Spendable Fund Balance			
Restricted			
425 Bond Refunding			
464 Restricted Fund Balance			
Unassigned			
463 Unassigned Fund Balance			
Reconciliation of OPEB Debt Service			