

**EASTERN CARVER COUNTY SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 112
CHASKA, MINNESOTA**

**FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2023



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EASTERN CARVER COUNTY SCHOOLS
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INTRODUCTORY SECTION

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
SCHOOL BOARD AND ADMINISTRATION
JUNE 30, 2023**

SCHOOL BOARD

NAME	TERM ON BOARD EXPIRES	BOARD POSITION
Jennifer Stone	January 1, 2027	Chairperson
Sean Olson	January 1, 2025	Vice Chairperson/Clerk
Angela Erickson	January 1, 2025	Treasurer
Tim Klein	January 1, 2027	Director
Ellie Krug	January 1, 2025	Director
Jeffrey Ross, Ph.D.	January 1, 2025	Director
Joseph Scott	January 1, 2027	Director

ADMINISTRATION

Lisa Sayles-Adams, Ed.D.	Superintendent
Karen DeVet	Director of Finance & Operations
Molly Lopez	Finance Manager
Rochelle Greenwood	Senior Accountant
Donna Quaas	Accountant

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

School Board
Eastern Carver County Schools
Independent School District No. 112
Chaska, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 112, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Independent School District No. 112'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 Independent School District No. 112, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 112 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, effective July 1, 2022, the District adopted new accounting guidance for subscription-based information technology arrangements (SBITAs). The guidance requires subscribers to recognize a right-to-use subscription asset and corresponding subscription liability for all SBITAs with agreement terms greater than twelve months. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Independent School District No. 112'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.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Independent School District No. 112's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Independent School District No. 112's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of change in the District's net OPEB liability, the schedule of money-weighted rate of return on plan assets for OPEB, and schedules of the District's proportionate share of the net pension liability and pension contributions 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 GAAS, 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 for the year ended June 30, 2023 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District No. 112's basic financial statements. The combining and individual fund financial schedules and Uniform Financial Accounting and Reporting Standards (UFARS) compliance table for the year ended June 30, 2023 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2023 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 GAAS. In our opinion, the combining and individual fund financial schedules and UFARS compliance table are fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2023.

We also previously audited, in accordance with GAAS, the basic financial statements of Independent School District No. 112 as of and for the year ended June 30, 2022, (not presented herein), and have issued our report thereon dated November 28, 2022 which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. The combining and individual fund financial schedules as of and for the year ended June 30, 2022 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2022 basic financial statements. The information was subjected to the audit procedures applied in the audit of the 2022 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual fund financial schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2022.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' 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.

Report on Summarized Comparative Information

We have previously audited the District's 2022 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information in our report dated November 10, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2024, on our consideration of Independent School District No. 112'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 Independent School District No. 112'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 Independent School District No. 112's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
March 21, 2024

REQUIRED SUPPLEMENTARY INFORMATION

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

This section of Independent School District No. 112's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2023. Please read it in conjunction with the district's financial statements, which immediately follow this letter.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Government Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.

Financial Highlights

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

- The District's total revenues exceeded expenses by \$33,896,413 during the fiscal year ended June 30, 2023, resulting in an ending net position of \$51,654,362.
- At June 30, 2023, the District's governmental funds, which includes General, Food Service, Community Service, Capital Projects and Debt Service funds, reported a combined ending fund balance of \$68,620,314, a decrease of \$3,665,583 from the prior year.
- After a number of years of enrollment growth, the District's Average Daily Membership (ADMs) decreased in fiscal year 2020 by .22%. ADMs decreased by 3.04% in fiscal year 2021, by 1.18% in fiscal year 2022, and by .84% in fiscal year 2023 Average Daily Membership impacts state aid revenues and can lead to financial constraints for the district.
- The District's General Fund, its primary operating fund, closed the fiscal year with an unassigned fund balance of \$14,195,134, an increase of \$1,827,302 from June 30, 2022, or from 9.09% to 10.30% of total expenditures.
- The District received a donation from the estate of Myron and Rhonda J Cottrell, former residents of Chaska. In 2020-21, the District received \$2.5 million and in 2021-22 the District received an additional \$1,278,183. As these funds are received, the District has put them into an assigned fund balance to be used for a new transportation center.
- The District has maintained the assigned fund balance for the Multi-Tiered System of Supports (MTSS) utilizing the revenue generated from the state funded Alternative Delivery of Specialized Instructional Services (ADSIS). These funds will be used for implementation of the MTSS framework for interventions to ensure that all students receive evidence-based instruction that leads to academic proficiency.
- As part of the 2020A crossover refunding of the 2012A and 2013A bonds, on February 1, 2022, the call date for the 2012A bonds, the \$13.3 million payment was paid from the escrow account. On February 1, 2023, the call date for the 2013A bonds, \$31,390,000 was paid from the escrow account to cover a portion of the remaining bonds.
- In February 2023, the District issued \$34,235,000 of General Obligation Facilities Maintenance Bonds, Series 2023A. The proceeds of this issue were used to provide funds for deferred capital maintenance projects at various District facilities as described in the District's ten-year facility plan.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

- The District maintains an internal service fund for medical, dental, and Chrome Book® self-insurance. The self-insured medical plan fund balance declined by \$287,249 to \$6,070,966 which provides stability to prevent future large increases in health insurance premiums. The District's self-insured dental plan fund balance decreased by \$63,815 and ended the fiscal year with a fund balance of \$376,897. The District's self-insured Chrome Book® plan allows parents to purchase insurance for any damage not covered under warranty. Repair costs are paid from the insurance premiums. The self-insured Chrome Book® reserve ended the year at \$94,116.

Overview of the Financial Statements

The financial section of the annual report consists of four parts: Independent Auditors' Report, Required Supplementary Information which includes MD&A (this section), the basic financial statements, and supplementary information. The basic financial statements include several statements that present different views of the District:

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

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

Government-Wide Statements

The government-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, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District 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 government-wide financial statements the District's activities are shown in one category:

- *Governmental Activities* – Most of the District's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds* – focusing on its most significant or “major” funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District may establish other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The District has three kinds of funds:

- *Governmental Funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements to explain the relationship (or differences) between them.
- *Proprietary Fund* – The District maintains one type of proprietary fund. The Internal Service Fund is used as an accounting device to accumulate and allocate costs internally among the District's various functions. The District uses its Internal Service Fund to account for its dental and health self-insurance programs and for Chrome Book® insurance. These services have been included within the governmental activities in the government-wide financial statements.
- *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 for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the government-wide financial and governmental fund statements because the District cannot use these assets to finance its operations.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's *combined* net position was \$51,654,362 on June 30, 2023 (see Table A-1).

The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2023, resulting in the District's net position to be \$51,654,362. The District's total net position was significantly impacted in fiscal 2023 and 2022 by the required actuarial calculation changes included in GASB Statements related to statewide pension plan. This effect increased net position by \$5,625,727 in 2022 and in 2023 resulted in a positive impact to net position of \$21,727,805. The District had \$9,804,431 of net position that was available to meet its ongoing obligations but restricted for specific uses.

A large part of the District's net position is the investment in capital assets (land, buildings and equipment) less depreciation and the related debt outstanding that was used to acquire the assets. The District uses the capital assets to provide educational services to students. These are not capital assets available for future spending. Even though the District's investment in capital assets is reported net of the related debt, the resources needed to repay this debt must be provided from other sources because the capital assets cannot be used to liquidate these liabilities.

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

	Governmental Activities as of June 30,		Percentage Change
	2023	2022	
Current and Other Assets	\$ 160,048,739	\$ 154,773,247	3.41 %
Capital Assets	238,953,348	232,935,434	2.58
Total Assets	<u>399,002,087</u>	<u>387,708,681</u>	2.91
Deferred Outflows of Resources	36,283,403	37,598,831	(3.50)
Current Liabilities	27,267,703	21,942,852	24.27
Net Pension Liability	107,563,018	57,481,948	87.12
Long-Term Liabilities	162,002,725	171,328,286	(5.44)
Total Liabilities	<u>296,833,446</u>	<u>250,753,086</u>	18.38
Deferred Inflows of Resources	<u>86,797,682</u>	<u>156,796,477</u>	(44.64)
Net Position:			
Net Investment in Capital Assets	113,535,100	101,925,549	11.39
Restricted	9,804,431	9,221,745	6.32
Unrestricted	(71,685,169)	(93,389,345)	(23.24)
Total Net Position	<u>\$ 51,654,362</u>	<u>\$ 17,757,949</u>	190.88

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Changes in Net Position

In Table A-2, Change in Net Position, operations are reported on a governmental-wide basis with no reference to funds.

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

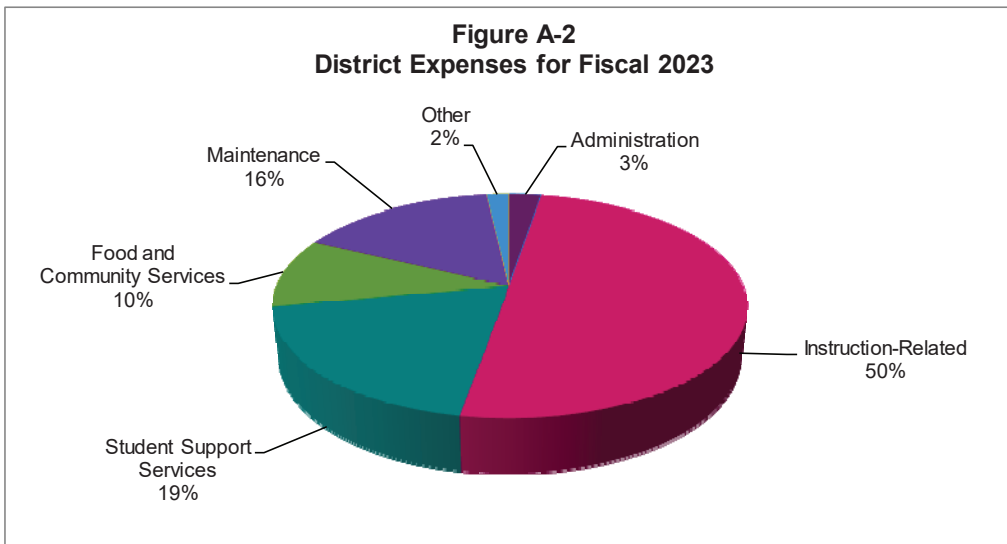
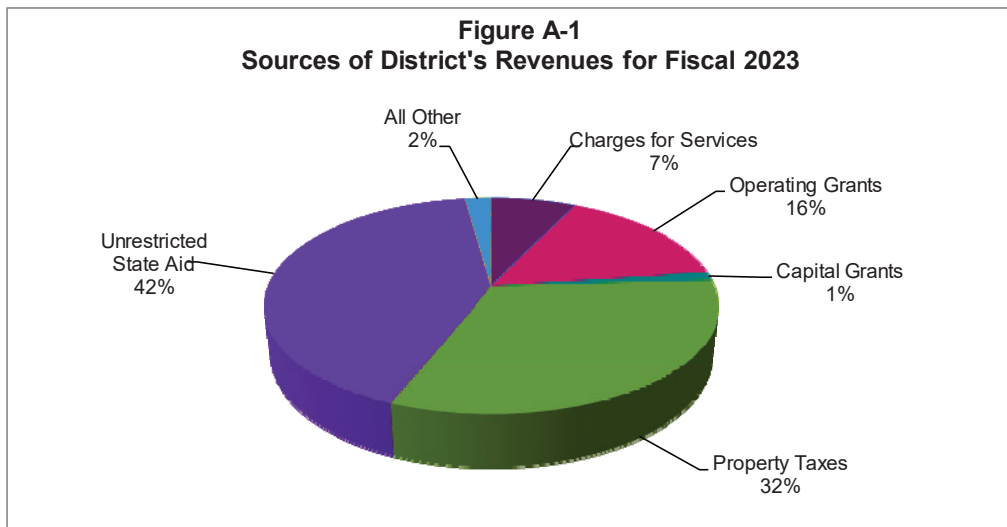
	Governmental Activities for the Fiscal Year Ended June 30,		Percentage Change
	2023	2022	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 12,522,411	\$ 8,845,569	41.57 %
Operating Grants and Contributions	27,162,140	35,625,962	(23.76)
Capital Grants and Contributions	2,205,593	1,798,584	22.63
<u>General Revenues</u>			
Property Taxes	55,575,294	51,273,598	8.39
Unrestricted State Aid	72,593,683	72,559,729	0.05
Investment Earnings	3,315,256	(87,338)	(3895.89)
Other	526,492	2,249,089	(76.59)
Total Revenues	<u>173,900,869</u>	<u>172,265,193</u>	0.95
Expenses			
Administration	3,685,199	4,336,194	(15.01)
District Support Services	4,472,810	3,687,034	21.31
Regular Instruction	49,253,855	62,372,604	(21.03)
Vocational Education Instruction	848,879	1,386,290	(38.77)
Special Education Instruction	20,063,827	22,073,550	(9.10)
Instructional Support Services	8,826,398	9,098,005	(2.99)
Pupil Support Services	13,648,633	12,813,583	6.52
Sites and Buildings	22,511,781	18,641,986	20.76
Fiscal and Other Fixed Cost Programs	817,382	632,351	29.26
Food Service	5,986,438	6,533,063	(8.37)
Community Service	8,181,129	7,044,888	16.13
Interest and Fiscal Charges on Long-Term Liabilities	1,708,125	135,846	1157.40
Total Expenses	<u>140,004,456</u>	<u>148,755,394</u>	(5.88)
Change in Net Position	33,896,413	23,509,799	
Beginning Net Position	<u>17,757,949</u>	<u>(5,751,850)</u>	
Ending Net Position	<u>\$ 51,654,362</u>	<u>\$ 17,757,949</u>	

Total revenues were \$173,900,869 while total expenses were \$140,004,456, increasing net position by \$33,896,413.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

The cost of all *governmental* activities this year was \$140,004,456.

- A portion of the cost was paid by the users of the District's programs (Table A-2, Charges for Services, \$12,522,411). The majority of this category, \$10.2 million, comes from food service meal sales and community education class tuition.
- The federal and state governments subsidized certain programs with grants and contributions (Table A-2, Operating and Capital Grants and Contributions, \$29,367,733).
- Most of the District's costs were supported by local property taxes, unrestricted state aid, investment earnings, and other general revenues. Governmental activities were sustained by accessing \$55,575,294 in property taxes, \$72,593,683 of unrestricted state aid, and with investment earnings and other general revenues.



**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

All governmental activities include not only funds received for the general operation of the District, which are used for classroom instruction, but also include resources from Food Service and Community Education funds. Funding for the general operation of the District is controlled by the State and the District does not have the latitude to allocate money received in Food Service or Community Education or for fiscal services to enhance general operation resources.

Table A-3, seen below, presents the cost of twelve major District activities such as, instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and others. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

**Table A-3
Program Expenses and Net Cost of Services**

	Total Cost of Services			Percentage Change	Net Cost of Services		
	2023	2022			2023	2022	Change
Administration	\$ 3,685,199	\$ 4,336,194	(15.01)%	\$ 165,472	\$ 2,881,208	(94.26)%	
District Support Services	4,472,810	3,687,034	21.31	4,468,885	3,681,966	21.37	
Regular Instruction	49,253,855	62,372,604	(21.03)	46,250,463	56,308,634	(17.86)	
Vocational Education Instruction	848,879	1,386,290	(38.77)	848,879	1,360,374	(37.60)	
Special Education Instruction	20,063,827	22,073,550	(9.10)	3,686,070	4,881,987	(24.50)	
Instructional Support Services	8,826,398	9,098,005	(2.99)	6,577,949	6,980,416	(5.77)	
Pupil Support Services	13,648,633	12,813,583	6.52	13,540,320	12,191,302	11.07	
Sites and Buildings	22,511,781	18,641,986	20.76	21,110,998	16,299,211	29.52	
Fiscal and Other Fixed Cost Programs	817,382	632,351	29.26	817,382	632,351	29.26	
Food Service	5,986,438	6,533,063	(8.37)	(590,781)	(2,282,423)	(74.12)	
Community Service	8,181,129	7,044,888	16.13	(469,450)	(585,593)	(19.83)	
Interest and Fiscal Charges on Long-Term Liabilities	1,708,125	135,846	1157.40	1,708,125	135,846	1157.40	
Total	<u>\$ 140,004,456</u>	<u>\$ 148,755,394</u>	(5.88)	<u>\$ 98,114,312</u>	<u>\$ 102,485,279</u>	(4.26)	

The cost of all governmental activities this year was \$140,004,456, a decrease of \$8,750,938 from the prior year. Regular instruction costs saw the largest decrease of \$13,118,749 during the year as a result of activity relating the change in the TRA net pension liability. This resulted in a \$14,774,503 reduction of expenses. After applying program specific revenue, the net cost of all governmental activities this year was \$98,114,312 or a decrease of \$4,370,967 from the prior year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. The General Fund's revenues and other financing sources exceeded its expenditures by \$314,328. The Food Service Fund's revenues exceeded its expenditures by \$135,016. The Community Service Fund's revenues exceeded its expenditures by \$856,506. The Capital Projects-Building Construction Funds revenues and other financing sources exceeded its expenditures by \$26,307,789. The Debt Service Fund had planned deficit spending. At the end of the 2022-23 fiscal year, the District's governmental funds reported combined fund balances (non-spendable, restricted, committed, assigned, and unassigned) of \$68,620,314, a net decrease in fund balances of \$3,665,583.

Revenues were \$175,561,266 plus other financing sources were \$38,139,680 for the District's governmental funds totaling \$213,700,946, while expenditures were \$185,976,529 plus other financing uses were \$31,390,000 totaling \$217,366,529. As a result, the District completed the year with a net change in fund balances of (\$3,665,583).

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

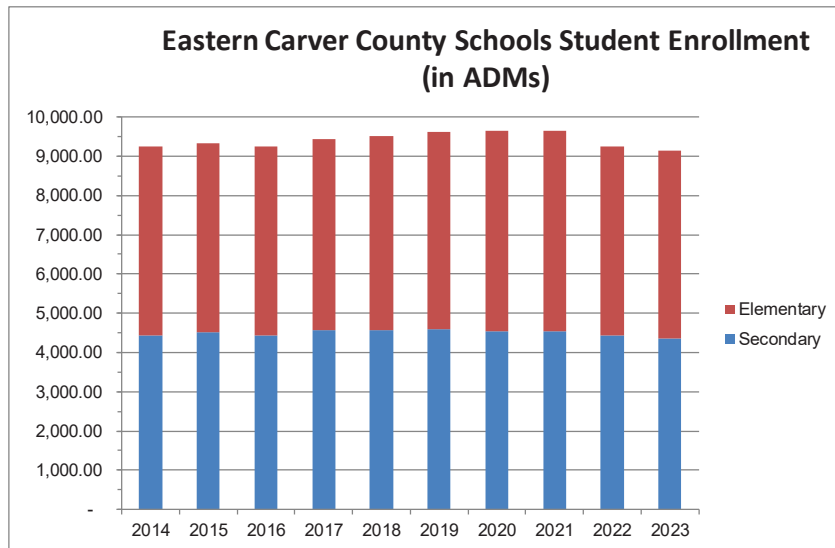
General Fund

The General Fund is used to account for all revenues and expenditures of the District not accounted for elsewhere. The General Fund is used to account for: K-12 educational activities; District instructional and student support programs; expenditures for the superintendent; District administration; normal operations and maintenance; pupil transportation; capital expenditures; and legal school District expenditures not specifically designated to be accounted for in any other fund.

Enrollment

Enrollment is a critical factor in determining revenue with approximately 70% of General Fund revenue being determined by enrollment. Like many other Minnesota school districts, the District has experienced enrollment loss during the last four years. The following chart shows the number of students served over the past ten years.

**Table A-4
Average Daily Membership (ADM)**



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Pre-K & KH	85	128	128	161	167	146	149	133	161	153
Reg K, Pre-K & KH	627	590	633	677	670	694	705	627	615	647
Elementary	4,111	4,106	4,107	4,101	4,205	4,243	4,245	4,056	4,029	4,023
Secondary	4,437	4,503	4,428	4,573	4,573	4,586	4,551	4,539	4,440	4,344
Total Students for Aid	9,259	9,326	9,296	9,511	9,615	9,670	9,649	9,355	9,244	9,167
Percentage Change	0.67%	0.72%	-0.33%	2.32%	1.09%	0.57%	-0.22%	-3.04%	-1.18%	-0.84%

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

The following schedule presents a summary of General Fund Revenues.

**Table A-5
General Fund Revenues**

	Year Ended		Change	
	June 30, 2023	June 30, 2022	Increase (Decrease)	% Change
Local Sources:				
Property Taxes	\$ 35,227,141	\$ 30,523,562	\$ 4,703,579	15.4 %
Earnings on Investments	1,261,315	113,418	1,147,897	1012.1
Other	4,559,706	6,956,744	(2,397,038)	(34.5)
State Sources	92,882,880	92,390,036	492,844	0.5
Federal Sources	4,061,303	5,717,833	(1,656,530)	(29.0)
Total General Fund Revenue	<u>\$ 137,992,345</u>	<u>\$ 135,701,593</u>	<u>\$ 2,290,752</u>	1.7

General Fund revenue increased by \$2,290,752 or 1.7% from the previous year. The changes in the major sources of revenue include:

Property Taxes increased by \$4,703,579 or 15.4%.

Earnings on Investments increased by \$1,147,897.

Other local revenue decreased by \$2,397,038 or 34.5%. The decrease was the result of donations received in 2022.

State Sources increased by \$492,844 or 0.5% due to several factors. The largest factor was General education revenue increased \$176,366 in the General Education Revenue.

Federal revenue is recorded in the year in which the related expenditure is made. Federal sources decreased by \$1,656,530 from fiscal year 2022, but is still at a higher level than pre-pandemic due to the federal stimulus funding. These federal funds have helped the district tremendously on maintaining services during the pandemic.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

General Fund Revenue is received in two major categories. In summary, the two categories are:

1. State Education Finance Appropriations

- A. General Education Aid – The largest share of the education finance appropriation, general education aid, is intended to provide the basic financial support for the education program and is enrollment driven.
- B. Categorical Aids – Categorical revenue formulas are used to meet costs of that program (i.e. special education) or promote certain types of programs (i.e., career and technical aid, adult basic education aid).

2. Property Tax Levies

The largest share of the levy is from voter-approved levies which include the operating referendum, which is enrollment driven.

The following schedule presents a summary of General Fund Expenditures.

**Table A-6
General Fund Expenditures**

	Year Ended		Change	
	June 30, 2023	June 30, 2022	Increase (Decrease)	Percent Change
Salaries	\$ 85,162,916	\$ 81,410,469	\$ 3,752,447	4.6 %
Employee Benefits	21,649,263	20,402,500	1,246,763	6.1
Purchased Services	15,906,215	15,477,506	428,709	2.8
Supplies and Materials	4,823,933	4,926,889	(102,956)	(2.1)
Capital Expenditures	8,544,390	12,695,717	(4,151,327)	(32.7)
Debt Service	1,025,392	429,521	595,871	138.7
Other Expenditures	707,734	678,759	28,975	4.3
Total General Fund Expenditures	<u>\$ 137,819,843</u>	<u>\$ 136,021,361</u>	<u>\$ 1,798,482</u>	1.3

Total General Fund expenditures increased \$1,798,482 or 1.3% from the previous year. The changes in the major expenditure categories include:

The salaries increase of \$3,752,447 or 4.6%, is primarily due to contract settlements. The teacher contract settlement for the 21-22 and 22-23 school years had more significant salary increase in the second year of the agreement. Most other groups were in the first year of two year agreements during the 22-23 school year.

Employee benefits increased by \$1,246,763 or 6.1%. The increase is due to the corresponding statutory benefits associated with salaries.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Capital Expenditures decreased in the General Fund by \$4,151,327 or 32.7%. The decrease is primarily due to large projects being finalized in FY23 and with additional planned projects starting after the end of the year.

The Debt Service category increased by \$595,871 due to payments related to the Certificates of Participation and Equipment Certificates issued during fiscal year 2022.

General Fund Budgetary Highlights

The District is required to adopt an operating budget prior to the beginning of its fiscal year (July 1) and is referred to as the original budget. Over the course of the year, the District revised its annual operating budget to the appropriate levels. The budget amendments fall into two categories:

- Implementing budgets for specially funded projects, which include both federal and state grants, adjusting staffing and various instructional allocations to the schools based on actual enrollment and unspent funds carried over from fiscal year 2021-22.
- Increase in appropriations for significant unbudgeted costs.

While the District anticipated that the net change in fund balance would be an increase of \$99,818, total fund balance increased \$314,328. Revenue was below budget by \$1,119,223 or 0.8%. Differences in expected and actual revenue from state and federal sources saw the largest decreases. Earnings and Investments and other revenue which includes donations, interest, fees, miscellaneous exceeded budget by \$973,370. The District continues to practice conservative budgeting for these items as they can fluctuate dramatically from year to year. Overall expenditures were \$1,284,513 below budget or 0.92%. The unassigned portion of the fund balance in the General Fund is % of expenditures which is within the Board policy guideline.

Food Service Fund

The Food Service Fund revenue for 2022-23 totaled \$6,687,421 and expenditures were \$6,552,405. The June 30, 2023 fund balance is \$4,710,011, an increase of \$135,016 from fiscal year 2022. This was an increase compared to an anticipated decrease of \$541,192 for the final budget. Federal revenue decreased from \$7,428,382 in fiscal year 2022 to \$2,674,858 in fiscal year 2023. Other revenue (primarily meal sales) increased from \$1,162,185 in fiscal year 2022 to \$3,567,310 in fiscal year 2023. These revenue changes were primarily driven by the federal government supplementing student meals during the COVID-19 pandemic and no longer supplementing meals for students in fiscal year 2023.

Community Service Fund

The Community Service Fund revenue for 2022-23 totaled \$9,822,229 and expenditures were \$8,965,723. Total fund balance increased by \$856,506 which was better than budgeted. Actual revenues were 3.2% or \$302,268 over budget and expenditures were 1.5% or \$135,548 under budget. year.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Capital Projects - Building Construction Fund

The District currently has three active construction categories: Capital Projects Levy, Long Term Facility Maintenance and Carver Elementary Addition.

The Capital Projects or Technology Levy – Building Construction Fund revenue for 2022-23 totaled \$2,226,071 which was funded through voter-approved property taxes. The District recognizes a portion of this levy in the general fund and the construction fund. The construction fund portion supports secured entrances upgrades and improvements as well as technology infrastructure and support. Expenditures were \$1,910,331 in 2022-23. This levy was renewed in the fall of 2019 for ten years. The remaining balance in the Capital Projects fund balance was \$718,071.

Long Term Facility Maintenance Revenue is generated through the sale of general obligation facility maintenance bonds approved by the Board. Revenue will be collected over 10 years and started in 2021-22. For 2022-23 fiscal year, the District recognized the sale of \$34,235,000 in bonds to support work identified in the 10 year facility maintenance plan. Significant work at the districts middle schools will be some of the earliest use of these funds.

The Carver Elementary addition which includes an additional six classrooms, three special education rooms, an art/music room and a storm shelter is being financed with the sale of \$9.1 million in certificates of participation. The original plan called for the construction to be completed by early fall of 2022, but due to delays in the supply chain for building supplies, the completion of the work will be finalized in the 2023-24 fiscal year. As a result of the project being nearly complete, the restricted balance for Certificates of Participation decreased from \$5,197,807 in fiscal year 2021-22 to just \$712,957 in fiscal year 2022-23.

Debt Service Fund

The Debt Service Fund is used to record revenues and expenditures for a school district's outstanding bonded indebtedness, whether for building construction or for initial or refunding bonds. In the fall of 2020, the district refunded the 2012A and 2013A bonds. The proceeds from this 2020A bond sale were deposited into an escrow account and on February 1, 2022 a portion of these proceeds were used to call the remaining principal on the 2012A bonds. The remaining portion of the proceeds were used to call a portion of the principal on the 2013A bonds as of February 1, 2023. The refunding will provide cash flow savings of \$2,570,500. The Debt Service Fund revenue for 2022-23 totaled \$17,971,892. Expenditures were \$17,861,114 for principal and interest payments. The total Debt Service Fund balance is \$3,352,130, a decrease of \$31,279,222 from fiscal year 2022. Revenue and expenditures were within 3.50% and 3.57% of budget, respectively.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of June 30, 2023, the District has invested just over \$385.5 million in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, administrative offices, and leased assets (see Table A-7). (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation and amortization expense for the year was slightly over \$10.6 million.

**Table A-7
Capital Assets**

	2023	2022	Percentage Change
Land	\$ 19,320,976	\$ 19,320,976	- %
Construction in Progress	15,137,304	3,460,148	337.5
Land Improvements	10,095,561	9,784,349	3.2
Buildings and Improvements	311,327,486	308,642,374	0.9
Equipment	23,612,463	22,104,201	6.8
Leased Assets	2,065,361	2,037,758	1.4
Less: Accumulated Depreciation/Amortization	(142,605,803)	(132,414,372)	7.7
Total Capital Assets Net of Depreciation/Amortization	<u>\$ 238,953,348</u>	<u>\$ 232,935,434</u>	2.6

Long-Term Liabilities

At year-end, the District had \$130,295,000 in general obligation bonds outstanding as shown in Note 6 to the financial statements. The District also had an estimated \$2,302,115 in net severance and compensated absences at June 30, 2023, a net increase of \$110,127 from June 30, 2022, as well as a net OPEB liability of \$2,948,541, an increase of \$397,591. The District also had an estimated \$107,563,018 in net pension liability related to the District's proportionate share of the net pension liability of the Teachers' Retirement Association (TRA) and Public Employees' Retirement Association (PERA).

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

	2023	2022	Percentage Change
General Obligation Bonds	\$ 130,295,000	\$ 139,885,000	(6.9)%
Net Bond Premium and Discount	10,168,494	8,977,257	13.3
Equipment Certificates Payable	5,299,000	6,139,000	N/A
Certificates of Participation Payable	8,205,000	8,435,000	N/A
Financed Purchases	1,076,345	1,282,780	(16.1)
Long-Term Leases	1,708,230	1,866,311	(8.5)
Net Pension Liability	107,563,018	57,481,948	87.1
Net Other Postemployment Benefits Liability	2,948,541	2,550,950	15.6
Severance Benefits Payable	1,307,255	1,365,679	(4.3)
Compensated Absences Payable	994,860	826,309	20.4
Total Long-Term Liabilities	<u>\$ 269,565,743</u>	<u>\$ 228,810,234</u>	17.8
Long-Term Liabilities:			
Due Within One Year	\$ 15,197,703	\$ 46,237,488	
Due in More Than One Year	254,368,040	182,572,746	
Total	<u>\$ 269,565,743</u>	<u>\$ 228,810,234</u>	

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of the voter-approved operating referendum, the District is dependent on the state of Minnesota for its revenue authority. The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. For the current biennium, fiscal years 2022 and 2023, the state of Minnesota provided an increase of 2.45% and 2.0%, respectively, on the basic funding formula. For years, state funding has not kept pace with inflation or increasing costs and does not resolve the funding gap for our special education services.

In June of 2021, the Eastern Carver County School Board unanimously approved putting an operating referendum in front of voters in the November 2, 2021 election. The referendum passed with 69% of voters approving the referendum question. The 10-year operating levy provides an increase in operating revenue of \$550 per pupil unit with inflation adjustments, which equated to approximately \$5.5 million of additional revenue for the district in the first year, fiscal year 2023.

The 2019 voters approved the renewal of the district's existing security and technology levy, which will provide approximately \$4.8 million per year for ten years to support school security systems, technology for students and staff, and related professional development and support.

In June 2023, the Minnesota state legislature provided school boards the authority to a one-time renewal of an expiring operating referendum. The Eastern Carver County School Board used this authority to renew a \$150.35 referenda that would have expired in fiscal year 2024.

The District has an additional operating referendum of \$829.19 that is set to expire in fiscal year 2026. Planning for the renewal and/or replacement of the expiring operating referendum has already started.

During 2021-22 federal funding provided the District with \$3.5 million in additional COVID-19 pandemic funding to support students in a variety of areas including special education, summer academic and mental health supports, expanded summer school and enrichment programs, contract tracing, personal protective equipment, cleaning and screening supplies. Federal funds were also used to provide resources for all learning models utilized during the pandemic including distance, hybrid and in-person. Federal funding from the COVID-19 pandemic has stopped, resulting in a decrease in federal revenue from the 2021-22 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and 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 Finance Office, Independent School District No. 112, 11 Peavey Road, Chaska, MN 55318.

BASIC FINANCIAL STATEMENTS

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2022)**

	Governmental Activities	
	2023	2022
ASSETS		
Cash and Investments	\$ 116,475,396	\$ 80,692,192
Cash with Fiscal Agent	-	31,536,224
Receivables:		
Property Taxes	31,091,310	29,133,972
Other Governments	9,733,416	10,939,131
Other	702,763	235,921
Prepaid Items	104,723	270,484
Inventories	145,643	151,353
Lease Receivables	1,795,488	1,813,970
Capital Assets:		
Capital Assets Not Being Depreciated or Amortized	34,458,280	22,781,124
Other Capital Assets, Net of Depreciation and Amortization	204,495,068	210,154,310
Total Assets	399,002,087	387,708,681
DEFERRED OUTFLOWS OF RESOURCES		
Losses on Debt Refunding	282,139	33,401
Deferred Outflows - Pensions	35,313,469	36,717,983
Deferred Outflows - OPEB	687,795	847,447
Total Deferred Outflows	36,283,403	37,598,831
LIABILITIES		
Salaries Payable	13,154,581	12,734,754
Accounts and Contracts Payable	9,853,154	5,324,544
Accrued Interest	1,978,791	2,101,487
Due to Other Governmental Units	793,111	883,097
Due to Irrevocable Trust Fund	-	27,864
Unearned Revenue	1,488,066	871,106
Long-Term Liabilities:		
Net Pension Liability	107,563,018	57,481,948
Net Other Postemployment Benefits Liability	2,948,541	2,550,950
Portion Due Within One Year	15,197,703	46,237,488
Portion Due in More Than One Year	143,856,481	122,539,848
Total Liabilities	296,833,446	250,753,086
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Levied for Subsequent Year	57,808,516	53,911,579
Deferred Inflows - Lease Receivable	1,706,441	1,769,174
Gains on Debt Refunding	853,508	1,191,969
Deferred Inflows - Pensions	25,330,177	98,543,566
Deferred Inflows - Other Postemployment Benefits	1,099,040	1,380,189
Total Deferred Inflows of Resources	86,797,682	156,796,477
NET POSITION		
Net Investment in Capital Assets	113,535,100	101,925,549
Restricted for:		
General Fund Operating Capital Purposes	516,765	771,654
General Fund State-Mandated Reserves	1,116,411	1,244,094
Food Service	4,564,368	4,423,642
Community Service	2,202,551	1,345,394
Debt Service	1,401,599	1,034,630
Capital Projects - Building Construction	2,737	402,331
Unrestricted	(71,685,169)	(93,389,345)
Total Net Position	\$ 51,654,362	\$ 17,757,949

See accompanying Notes to Basic Financial Statements.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2022)**

Functions	2023				2022	
	Expenses	Program Revenues			Net (Expense)	Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change in Net Position	Revenue and Change in Net Position
					Total Governmental Activities	Total Governmental Activities
GOVERNMENTAL ACTIVITIES						
Administration	\$ 3,685,199	\$ 320,966	\$ 993,419	\$ 2,205,342	\$ (165,472)	\$ (2,881,208)
District Support Services	4,472,810	-	3,925	-	(4,468,885)	(3,681,966)
Regular Instruction	49,253,855	1,320,281	1,683,111	-	(46,250,463)	(56,308,634)
Vocational Education Instruction	848,879	-	-	-	(848,879)	(1,360,374)
Special Education Instruction	20,063,827	429,226	15,948,531	-	(3,686,070)	(4,881,987)
Instructional Support Services	8,826,398	193,821	2,054,628	-	(6,577,949)	(6,980,416)
Pupil Support Services	13,648,633	-	108,313	-	(13,540,320)	(12,191,302)
Sites and Buildings	22,511,781	-	1,400,532	251	(21,110,998)	(16,299,211)
Fiscal and Other Fixed Cost Programs	817,382	-	-	-	(817,382)	(632,351)
Food Service	5,986,438	3,554,908	3,022,311	-	590,781	2,282,423
Community Service	8,181,129	6,703,209	1,947,370	-	469,450	585,593
Interest and Fiscal Charges on Long-Term Liabilities	1,708,125	-	-	-	(1,708,125)	(135,846)
Total School District	<u>\$ 140,004,456</u>	<u>\$ 12,522,411</u>	<u>\$ 27,162,140</u>	<u>\$ 2,205,593</u>	<u>(98,114,312)</u>	<u>(102,485,279)</u>
GENERAL REVENUES						
Property Taxes Levied for:						
General Purposes					35,211,704	30,476,915
Community Service					1,045,159	1,002,523
Debt Service					17,093,335	16,996,637
Capital Projects					2,225,096	2,797,523
State Aid Not Restricted to Specific Purposes					72,593,683	72,559,729
Earnings on Investments					3,315,256	(87,338)
Miscellaneous					526,492	2,245,658
Gain on Sale of Capital Assets					-	3,431
Total General Revenues					<u>132,010,725</u>	<u>125,995,078</u>
CHANGE IN NET POSITION					33,896,413	23,509,799
Net Position - Beginning					<u>17,757,949</u>	<u>(5,751,850)</u>
NET POSITION - ENDING					<u>\$ 51,654,362</u>	<u>\$ 17,757,949</u>

See accompanying Notes to Basic Financial Statements.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2022)**

	Major Funds					Total Government Funds	Total Government Funds
	General	Food Service	Community Service	Capital Projects	Debt Service	2023	2022
ASSETS							
Cash and Investments	\$ 50,266,242	\$ 5,072,816	\$ 3,764,069	\$ 37,175,393	\$ 12,126,219	\$ 108,404,739	\$ 72,851,507
Cash with Fiscal Agent	-	-	-	-	-	-	31,536,224
Receivables:							
Current Property Taxes	20,853,860	-	588,787	-	9,496,338	30,938,985	28,986,304
Delinquent Property Taxes	101,101	-	2,860	-	48,364	152,325	147,668
Due from Other Minnesota School Districts	128,080	-	-	-	-	128,080	49,165
Due from Minnesota Department of Education	7,943,510	8,076	163,618	-	13,168	8,128,372	8,693,638
Due from Federal through Minnesota Department of Education	894,798	66,541	69,864	-	-	1,031,203	1,897,444
Due from Federal Government Received Directly	4,322	-	-	-	-	4,322	104,224
Due from Other Governmental Units	418,452	-	22,987	-	-	441,439	194,660
Accounts and Interest Receivable	250,890	27,302	36,260	332,800	55,511	702,763	235,921
Lease Receivable	1,795,488	-	-	-	-	1,795,488	1,813,970
Prepays	96,263	-	8,460	-	-	104,723	270,484
Inventory	-	145,643	-	-	-	145,643	151,353
Total Assets	\$ 82,753,006	\$ 5,320,378	\$ 4,656,905	\$ 37,508,193	\$ 21,739,600	\$ 151,978,082	\$ 146,932,562
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE							
Liabilities:							
Salaries and Compensated Absences Payable	\$ 9,291,610	\$ 257,989	\$ 465,240	\$ 53,917	\$ -	\$ 10,068,756	\$ 9,838,512
Payroll Deductions and Employer Contributions Payable	2,910,053	56,089	102,050	17,633	-	3,085,825	2,896,242
Accounts and Contracts Payable	2,656,437	34,591	104,732	5,528,716	-	8,324,476	4,342,150
Due to Other Governmental Units	759,170	5,230	28,711	-	-	793,111	883,097
Due to Other Funds	-	-	-	-	-	-	27,864
Unearned Revenue	631,684	256,468	599,914	-	-	1,488,066	871,106
Total Liabilities	16,248,954	610,367	1,300,647	5,600,266	-	23,760,234	18,858,971
Deferred Inflows of Resources:							
Unavailable Revenue - Property Taxes Levied for Subsequent Year	38,304,059	-	1,145,247	-	18,359,210	57,808,516	53,911,579
Unavailable Revenue - Delinquent Property Taxes	52,717	-	1,600	-	28,260	82,577	106,941
Lease Receivable	1,706,441	-	-	-	-	1,706,441	1,769,174
Total Deferred Inflows of Resources	40,063,217	-	1,146,847	-	18,387,470	59,597,534	55,787,694
Fund Balance:							
Nonspendable:							
Prepays	96,263	-	8,460	-	-	104,723	270,484
Inventory	-	145,643	-	-	-	145,643	151,353
Restricted for:							
Student Activities	209,997	-	-	-	-	209,997	216,126
Area Learning Center	79,987	-	-	-	-	79,987	62,136
Basic Skills Programs	-	-	-	-	-	-	188,160
Bond Refundings	-	-	-	-	-	-	31,537,443
Capital Projects Levy	297,783	-	-	718,071	-	1,015,854	713,237
Community Education	-	-	1,745,271	-	-	1,745,271	939,015
Early Childhood and Family Education	-	-	328,938	-	-	328,938	291,102
Medical Assistance	436,929	-	-	-	-	436,929	442,242
Operating Capital	516,765	-	-	-	-	516,765	771,654
Projects Funded by Certificates of Participation	-	-	-	712,957	-	712,957	5,197,807
Safe Schools Levy	91,715	-	-	-	-	91,715	24,524
School Readiness	-	-	104,973	-	-	104,973	62,034
Other Purposes	-	4,564,368	21,769	30,476,899	3,352,130	38,415,166	7,568,726
Assigned for:							
Transportation	-	-	-	-	-	-	513,510
Transportation Center	6,606,505	-	-	-	-	6,606,505	6,606,505
Construction	200,000	-	-	-	-	200,000	-
Separation/Retirement Benefits	1,700,000	-	-	-	-	1,700,000	1,700,000
Capital Maintenance - Victoria Field House	80,000	-	-	-	-	80,000	80,000
Quality Comp	346,728	-	-	-	-	346,728	458,894
Energy Efficiency	213,785	-	-	-	-	213,785	208,766
MTSS-ADSSIS	766,358	-	-	-	-	766,358	1,265,398
Site Carry-Over	602,886	-	-	-	-	602,886	648,949
Unassigned	14,195,134	-	-	-	-	14,195,134	12,367,832
Total Fund Balance	26,440,835	4,710,011	2,209,411	31,907,927	3,352,130	68,620,314	72,285,897
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 82,753,006	\$ 5,320,378	\$ 4,656,905	\$ 37,508,193	\$ 21,739,600	\$ 151,978,082	\$ 146,932,562

See accompanying Notes to Basic Financial Statements.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2022)**

	2023	2022
Total Fund Balance for Governmental Funds	\$ 68,620,314	\$ 72,285,897
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	19,320,976	19,320,976
Construction in Progress	15,137,304	3,460,148
Land Improvements, Net of Accumulated Depreciation	4,429,685	4,530,334
Buildings and Improvements, Net of Accumulated Depreciation	186,167,095	191,318,632
Equipment, Net of Accumulated Depreciation	12,267,672	12,480,361
Leased Assets, Net of Amortization	1,630,616	1,824,983
Some of the District's property tax revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows in the funds.		
	82,577	106,941
The District's net other postemployment benefits liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:		
Net Other Postemployment Benefits Liability	(2,948,541)	(2,550,950)
Deferred Inflows of Resources - Other Postemployment Benefits	(1,099,040)	(1,380,189)
Deferred Outflows of Resources - Other Postemployment Benefits	687,795	847,447
When a bond defeasance occurs the difference between the amount paid to the refunded bond escrow and the principal of the defeased debt is expensed in the governmental funds. These expenditures are capitalized on the statement of net position as deferred outflows and deferred inflows.		
Losses on Debt Refunding	282,139	33,401
Gains on Debt Refunding	(853,508)	(1,191,969)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
	(1,978,791)	(2,101,487)
The District's net pension liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:		
Net Pension Liability	(107,563,018)	(57,481,948)
Deferred Inflows of Resources - Pensions	(25,330,177)	(98,543,566)
Deferred Outflows of Resources - Pensions	35,313,469	36,717,983
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:		
Bonds Payable	(130,295,000)	(139,885,000)
Unamortized Premiums	(10,168,494)	(8,977,257)
Certificates of Participation Payable	(5,299,000)	(6,139,000)
Equipment Certificates Payable	(8,205,000)	(8,435,000)
Long-Term Leases Payable	(1,708,230)	(1,866,311)
Financed Purchase Agreement Payable	(1,076,345)	(1,282,780)
Severance Benefits Payable	(1,307,255)	(1,365,679)
Compensated Absences Payable	(994,860)	(826,309)
Internal service funds are used by management to charge the costs of health and dental insurance services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. Internal service fund net position at year-end is:		
	6,541,979	6,858,291
Total Net Position of Governmental Activities	\$ 51,654,362	\$ 17,757,949

See accompanying Notes to Basic Financial Statements.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2022)**

	Major Funds					Total Governmental Funds	Total Governmental Funds
	General	Food Service	Community Service	Capital Projects	Debt Service	2023	2022
REVENUES							
Local Sources:							
Property Taxes	\$ 35,227,141	\$ -	\$ 1,045,617	\$ 2,226,071	\$ 17,100,829	\$ 55,599,658	\$ 51,352,075
Earnings and Investments	1,261,315	131,289	79,599	858,863	739,130	3,070,196	(100,170)
Other	4,559,706	3,567,310	6,732,400	-	-	14,859,416	13,831,766
State Sources	92,882,880	313,714	1,762,025	2,695	131,933	95,093,247	94,401,717
Federal Sources	4,061,303	2,674,858	202,588	-	-	6,938,749	13,591,697
Total Revenues	<u>137,992,345</u>	<u>6,687,171</u>	<u>9,822,229</u>	<u>3,087,629</u>	<u>17,971,892</u>	<u>175,561,266</u>	<u>173,077,085</u>
EXPENDITURES							
Current:							
Administration	4,488,465	-	-	-	-	4,488,465	4,556,769
District Support Services	3,968,011	-	-	-	-	3,968,011	3,501,419
Elementary and Secondary Regular Instruction	58,050,289	-	-	-	-	58,050,289	56,127,958
Vocational Education Instruction	1,121,135	-	-	-	-	1,121,135	1,431,874
Special Education Instruction	24,681,532	-	-	-	-	24,681,532	23,119,903
Instructional Support Services	8,570,222	-	-	-	-	8,570,222	8,315,474
Pupil Support Services	12,257,336	-	-	-	-	12,257,336	11,931,594
Sites and Buildings	14,295,689	-	-	-	-	14,295,689	13,278,781
Fiscal and Other Fixed Cost Programs	817,382	-	-	-	-	817,382	632,351
Food Service	-	6,337,465	-	-	-	6,337,465	6,391,501
Community Service	-	-	8,939,228	-	-	8,939,228	7,878,330
Capital Outlay	8,544,390	214,940	26,495	14,777,444	-	23,563,269	19,769,643
Debt Service:							
Principal	622,119	-	-	-	13,275,000	13,897,119	13,795,115
Interest and Fiscal Charges	403,273	-	-	-	4,586,114	4,989,387	6,048,621
Total Expenditures	<u>137,819,843</u>	<u>6,552,405</u>	<u>8,965,723</u>	<u>14,777,444</u>	<u>17,861,114</u>	<u>185,976,529</u>	<u>176,779,333</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	172,502	134,766	856,506	(11,689,815)	110,778	(10,415,263)	(3,702,248)
OTHER FINANCING SOURCES							
Sale of Equipment	-	250	-	-	-	250	7,105
Insurance Recovery	114,223	-	-	-	-	114,223	9,422
Issuance of Long-Term Leases	27,603	-	-	-	-	27,603	171,292
Sale of Bonds	-	-	-	34,235,000	-	34,235,000	-
Bond Premium	-	-	-	3,762,604	-	3,762,604	-
Issuance of Certificates of Participation	-	-	-	-	-	-	8,435,000
Premium on Certificates of Participation	-	-	-	-	-	-	722,337
Issuance of Equipment Certificates	-	-	-	-	-	-	6,839,000
Payment to Refunded Bond Escrow Agent	-	-	-	-	(31,390,000)	(31,390,000)	(13,300,000)
Total Other Financing Sources	<u>141,826</u>	<u>250</u>	<u>-</u>	<u>37,997,604</u>	<u>(31,390,000)</u>	<u>6,749,680</u>	<u>2,884,156</u>
NET CHANGE IN FUND BALANCE	314,328	135,016	856,506	26,307,789	(31,279,222)	(3,665,583)	(818,092)
FUND BALANCES							
Beginning of Year	26,126,507	4,574,995	1,352,905	5,600,138	34,631,352	72,285,897	73,103,989
End of Year	<u>\$ 26,440,835</u>	<u>\$ 4,710,011</u>	<u>\$ 2,209,411</u>	<u>\$ 31,907,927</u>	<u>\$ 3,352,130</u>	<u>\$ 68,620,314</u>	<u>\$ 72,285,897</u>

See accompanying Notes to Basic Financial Statements.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE GOVERNMENTAL FUNDS
TO STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2022)**

	2023	2022
Net Change in Fund Balance - Total Governmental Funds	\$ (3,665,583)	\$ (818,092)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets or the long-term right to use assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. The amount by which depreciation/amortization exceeded capital outlays in the current period is:		
Capital Outlays	17,144,619	12,803,032
Gain/(Loss) on Disposal of Capital Assets	(440,468)	3,431
Proceeds from the Sales of Capital Assets	(250)	(7,105)
Depreciation and Amortization Expense	(10,685,987)	(10,556,736)
Delinquent property taxes will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds.	(24,364)	(78,477)
Some capital asset additions are financed through long-term leases. In governmental funds, a long-term lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of long-term lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.		
Other Financing Sources - Long-Term Leases	(27,603)	(171,292)
Principal Payments - Long-Term Leases	185,684	146,530
Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expense in the statement of activities is measured by the change in the net pension liability and the related deferred inflows and outflows of resources.	21,727,805	5,625,727
In the statement of activities, certain operating expenses - severance benefits and compensated absences - are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (amounts actually paid).	(110,127)	700,616
Other postemployment benefit (OPEB) expenditures in the governmental funds are measured by current year employer contributions. OPEB expenses on the statement of activities are measured by the change in the net OPEB liability and the related deferred inflows and outflows of resources.	(276,094)	(297,059)
The governmental funds reports the issuance of long-term liabilities as financing sources, while repayment of principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of long-term liabilities and related items is as follows:		
Sale of General Obligation Bonds	(34,235,000)	-
Bond Premiums	(3,762,604)	-
Issuance of Certificates of Participation	-	(8,435,000)
Premiums on Certificates of Participation	-	(722,337)
Issuance of Equipment Certificates	-	(6,839,000)
Payment to Refunded Bond Escrow Agent	31,390,000	13,300,000
Deferred Charges on Refunding Bonds	-	(625,843)
Repayment of Bond Principal	12,435,000	12,745,000
Repayment of Certificates of Participation Payable	1,070,000	700,000
Repayment of Financed Purchases	206,435	203,585
Change in Accrued Interest	122,696	454,606
Amortization of Bond Premium	2,571,367	5,880,173
Amortization of Deferred Charges on Refunding Bonds	587,199	203,839
Internal service funds are used by the District to charge the costs of employee health and dental benefits to individual funds. The net revenue of the internal service funds is reported with governmental activities.	(316,312)	(705,799)
Change in Net Position of Governmental Activities	\$ 33,896,413	\$ 23,509,799

See accompanying Notes to Basic Financial Statements.

INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
STATEMENT OF NET POSITION
PROPRIETARY FUND
INTERNAL SERVICE FUND
JUNE 30, 2023
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2022)

	Governmental Activities Internal Service Funds	
	2023	2022
ASSETS		
Cash and Cash Equivalents	\$ 8,070,657	\$ 7,840,685
Total Assets	8,070,657	7,840,685
 LIABILITIES		
Claims Payable	1,528,678	982,394
 NET POSITION		
Unrestricted	\$ 6,541,979	\$ 6,858,291

See accompanying Notes to Basic Financial Statements.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
PROPRIETARY FUND
INTERNAL SERVICE FUND
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2022)**

	Governmental Activities Internal Service Funds	
	2023	2022
OPERATING REVENUES		
Charges for Services:		
Health Insurance Premiums	\$ 9,959,519	\$ 9,589,193
Dental Insurance Premiums	759,478	746,649
Chrome Book Insurance Premiums	42,332	38,218
Total Operating Revenues	10,761,329	10,374,060
OPERATING EXPENSES		
Health Insurance Claim Payments	10,486,751	10,326,945
Dental Insurance Claim Payments	824,205	731,349
General Administration Fees	4,000	3,673
Supplies and Materials	7,745	30,724
Total Operating Expenses	11,322,701	11,092,691
OPERATING LOSS	(561,372)	(718,631)
NONOPERATING INCOME		
Earnings on Investments	245,060	12,832
CHANGE IN NET POSITION	(316,312)	(705,799)
Net Position - Beginning	6,858,291	7,564,090
NET POSITION - ENDING	\$ 6,541,979	\$ 6,858,291

See accompanying Notes to Basic Financial Statements.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
INTERNAL SERVICE FUND
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2022)**

	Governmental Activities Internal Service Funds	
	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Interfund Services Provided	\$ 10,718,997	\$ 10,372,930
Receipts from Insurance Premiums	42,332	38,218
Payments for Administrative Costs	(4,000)	(3,673)
Payments for Medical Fees and Insurance Claims	(10,764,672)	(10,934,563)
Payments for Supplies and Materials	(7,745)	(30,724)
Net Cash Used by Operating Activities	<u>(15,088)</u>	<u>(557,812)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	<u>245,060</u>	<u>12,832</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	229,972	(544,980)
Cash and Cash Equivalents - Beginning	<u>7,840,685</u>	<u>8,385,665</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 8,070,657</u>	<u>\$ 7,840,685</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (561,372)	\$ (718,631)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
(Increase) Decrease in Due from Other Funds	-	37,088
Increase (Decrease) in Claims Payable	546,284	127,392
Increase (Decrease) in Due to Other Governmental Units	-	(3,661)
Total Adjustments	<u>546,284</u>	<u>160,819</u>
Net Cash Used by Operating Activities	<u>\$ (15,088)</u>	<u>\$ (557,812)</u>

See accompanying Notes to Basic Financial Statements.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023**

	Scholarship Fund	OPEB Irrevocable Trust
ASSETS		
Cash and Cash Equivalents	\$ 160,010	\$ -
Investments:		
Domestic Fixed Income Securities	-	2,861,038
Domestic Equities	-	2,869,416
Money Markets	-	26,630
Total Assets	160,010	5,757,084
LIABILITIES		
Accounts and Contracts Payable	2,000	-
NET POSITION		
Restricted for Scholarship Fund	158,010	-
Restricted for OPEB	-	5,757,084
Total Net Position	\$ 158,010	\$ 5,757,084

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

	Scholarship Fund	OPEB Irrevocable Trust
ADDITIONS		
Contributions	\$ 100,163	\$ 90,545
Fund Raiser Revenue	298	-
Investment Income	3,734	386,581
Total Additions	104,195	477,126
DEDUCTIONS		
Benefits Paid to Plan Members	-	528,123
Scholarships Awarded	65,064	-
Administrative Expenses	-	3,115
Total Deductions	65,064	531,238
NET INCREASE (DECREASE) IN NET POSITION	39,131	(54,112)
Net Position - Beginning of Year	118,879	5,811,196
NET POSITION - END OF YEAR	\$ 158,010	\$ 5,757,084

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 112 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. Financial Reporting Entity

Independent School District No. 112 (the District) is an instrumentality of the state of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

GAAP requires that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separated from the District. In addition, the District's financial statements are to include all component units - entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities, or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. There are no other entities for which the District is financially accountable.

Adoption of New Accounting Standards:

In May 2020, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. This standard requires the recognition of certain subscription assets and liabilities for agreements that previously were classified as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for subscription accounting based on the foundational principle that SBITAs are financings of the right to use an underlying asset. Under this standard, a subscriber is required to recognize a subscription liability and an intangible right-to-use subscription asset.

The District adopted the requirements of the guidance effective July 1, 2022, and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this standard resulted in no changes for the District.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation

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

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

The District applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net position is available. Depreciation and amortization expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the statement of activities. Generally, the effect of material interfund activity has been removed from the government-wide financial statements through conversion entries.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service fund is charges for services in the form of health and dental insurance premiums, early retirement incentive costs, and sick pay.

Operating expenses for the internal service fund include the cost of services (claims and administrative costs). All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 government-wide, internal service fund, and the fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar 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:

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

2. Recording of Expenditures

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

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds

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

Major Governmental Funds

General Fund

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

Food Service Special Revenue Fund

The Food Service Fund is used to account for food service revenues and expenditures.

Community Service Special Revenue Fund

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

Capital Projects Fund – Building Construction Fund

The Capital Projects Fund is used to account for financial resources used for the acquisition or construction of major capital facilities.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general obligation bond principal, interest, and related costs.

Proprietary Fund

Internal Service Fund

The Internal Service Fund is used to account for the financial resources used for the District's self-insurance of the employee dental and health insurance programs. As a proprietary fund, the internal service fund employs the economic resources measurement focus and is accounted for on the accrual basis.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Fiduciary Funds

Scholarship Fund

The Scholarship Fund is a custodial fund used to account for resources held in trust to be used by various other third parties to award scholarships to students.

Other Postemployment Benefit Trust

The Other Postemployment Benefit Trust Fund is used to account for resources set aside and held in an irrevocable trust arrangement for postemployment benefits.

E. Budgeting

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

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

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

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting (Continued)

Budgeted amounts include mid-year budget amendments that amended revenue and expenditure budgets as follows:

	Original Budget	Amendments	Amended Budget
<u>Revenues</u>			
General Fund	\$ 138,929,479	\$ 182,089	\$ 139,111,568
Special Revenue Fund:			
Food Service Fund	5,436,825	618,448	6,055,273
Community Service Fund	9,369,961	150,000	9,519,961
Capital Projects Fund	2,226,071	163,300	2,389,371
Debt Service Fund	17,364,743	-	17,364,743
 <u>Expenditures</u>			
General Fund	\$ 136,712,696	\$ 2,391,660	\$ 139,104,356
Special Revenue Fund:			
Food Service Fund	5,535,951	1,060,514	6,596,465
Community Service Fund	8,913,792	187,479	9,101,271
Capital Projects Fund	2,226,071	10,064,613	12,290,684
Debt Service Fund	17,244,916	-	17,244,916

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

At the end of each fiscal year, if the General Fund has a net unassigned deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota school districts which excludes certain restricted balances specified in Minnesota Statutes, exceeding 2.5% of expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with a "special operating plan" approved by the Commissioner of the Department of Education.

F. Cash and Investments

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

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Investments (Continued)

Cash with Fiscal Agent includes balances held in segregated accounts that are established for specific purposes. In the Debt Service Fund, the refunding bond escrow account held by trustee can be used only to retire refunded bond issues and to pay interest on refunding bond issues until the crossover refunding dates. Interest earned on these investments is allocated directly to the escrow account.

Investments are stated at their fair value as determined by quoted market prices, except for money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less which are recorded at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Money market investments are short-term, highly liquid debt instruments including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations. Investments in external investment pools are valued at net asset value.

G. Accounts Receivable

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

H. Inventories

Inventories are recorded using the consumption method of accounting and consist 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, and surplus commodities are stated at standardized cost, as determined by the Department of Agriculture.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are expensed in the periods benefitted.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheet 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Deferred Outflows/Inflows of Resources (Continued)

The District has three types of items that qualify for reporting in this category. When refunding debt issuances, the difference between the reacquisition price of the refunded debt and the net carrying amount of that debt (net of any unamortized premium or discount) is considered a deferred outflow of resources and amortized as a component of interest expense over the shorter of the remaining life of the refunded debt or the life of the new refunding debt. The second is deferred outflows of resources related to pensions. See Note 8 for details. The third is deferred outflows of resources related to other postemployment benefits. See Note 10 for details.

In addition to liabilities, the statement of financial position and balance sheet 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 assets 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 six types of deferred inflows, two of which are related to revenue recognition. The first is property taxes levied for subsequent year. As an imposed nonexchange revenue transaction, property taxes received or reported as a receivable before the period for which the property taxes are levied are reported as a deferred inflow of resources in the government-wide financial statements and in the governmental fund financial statements. The second type of deferred inflow of resources is delinquent property taxes. Governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's year-end) under the modified accrual basis of accounting. Delinquent taxes not collected within 60 days after the District's year-end are considered unavailable and reported as a deferred inflow of resources in the governmental fund financial statements. The third type is the unamortized deferred inflow related to long-term leases. The fourth type is a gain on debt refunding, similar to the loss on debt refunding described in the previous paragraph. The fifth and sixth items and deferred inflows of resources related to pensions and other postemployment benefits. See Notes 8 and 10, respectively, for details.

K. Lease Receivable

For lease receivables, the District determines if an arrangement is a lease at inception. Leases are included in lease receivables and deferred inflows of resources in the statements of net position and fund financial statements.

Lease receivables represent the District's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Lease Receivable (Continued)

Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term.

The District recognizes payments received for short-term leases with a lease term of 12 months or less as revenue as the payments are received. These leases are not included as lease receivables or deferred inflows on the statements of net position and fund financial statements.

L. Property Taxes

Property tax levies are established by the School Board in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes and are responsible for spreading all levies over taxable property. Such taxes become a lien on January 1. Taxes are generally due on May 15 and October 15 and counties generally remit taxes to the Districts at periodic intervals as they are collected. A portion of property taxes levied is paid through state 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 a deferred inflow of resources (property taxes levied for subsequent year). The majority of District revenue in the General Fund and Debt Service Fund (and to a lesser extent in the District's Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift."

In accordance with state law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy (frozen at \$1,809,945) advance recognized as revenue each year with no corresponding state aid adjustment. Certain other portions of the District's 2022 pay 2023 levy, normally revenue for the 2023-24 fiscal year, are also advance recognized as June 30, 2023, as required by state statute to match revenue with the same fiscal year as the related expenditures.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Property Taxes (Continued)

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

M. 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 estimated acquisition value at the date of donation. The District maintains a capital asset threshold level of \$5,000 or more and an estimated useful life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the Government-wide financial statement but are not reported in the Fund financial statements. Capital assets are depreciated (or amortized in the case of leased assets) using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

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

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

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Capital Assets (Continued)

SBITA assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets. Useful lives vary from three to five years for SBITA assets.

N. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in governmental activities. Bond premiums and discounts are amortized as a component of interest expense over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

O. 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's 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. This direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the state of Minnesota for the merger of the Duluth Teachers Retirement Fund Association (DTRFA) in 2015. Additional information can be found in Note 8.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Accrued Employee Benefits

Vacation Pay

Under the terms of union contracts, certain employees accrue vacation at varying rates, portions of which are carried over to future years. Employees are reimbursed for any unused, accrued vacation upon termination. Vacation pay is accrued when incurred as compensated absences payable in the government-wide financial statements. Vacation pay is accrued in the governmental fund financial statements only when used or matured due to employee termination or similar circumstances.

Sick Pay

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

Severance or Retirement Pay

Members of certain district employee groups, including teachers, may become eligible to receive lump sum severance or retirement pay benefits. Teachers who began teaching full-time after July 1, 1991 are not eligible for early retirement incentive payments but are eligible for deferred compensation matching programs. Eligibility for these benefits is based on years of service and/or minimum age requirements. The amount of the severance or retirement benefit is calculated by converting a portion of unused accumulated sick leave. No employee can receive severance or retirement benefits that exceed one year's salary. Retirement benefits for certain eligible employees are paid into a postemployment tax-advantaged medical savings account. For all other employees, severance benefits are paid out directly to the employee.

Postemployment Health Care Benefits

Under the terms of certain collectively bargained employment contracts, including the teachers' contract, the District is required to pay the health insurance premiums for retired employees until they reach age 65. For employees meeting certain length of service experience requirements, the amount to be paid is equal to the same insurance premium benefit as a full-time employee. See Note 10 for further information.

Q. Restricted Assets

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture. Restricted assets in these financial statements are labeled "Cash with Fiscal Agent".

R. Unearned Revenue

Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported unearned revenues for prepaid General Fund and Community Service Fund revenues and school lunch balances for students in the Food Service Fund.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Fund Balance

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

Nonspendable – portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund.

Restricted – funds are constrained from outside parties (statute, grantors, bond agreements, etc.).

Committed – funds are established and modified by a resolution approved by the School Board.

Assigned – consists of internally imposed constraints. The School Board passed a resolution authorizing the Superintendent and Finance and Operations Director to assign fund balances and their intended uses.

Unassigned – is the residual classification for the General Fund and also reflects negative residual amounts in other funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance.

When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

The District formally adopted a fund balance policy for the General Fund. The policy establishes a year-end minimum unassigned fund balance target of 5% of the annual operating budget.

Under the Uniform Financial Accounting and Reporting System (UFARS) for Minnesota School Districts, the District has a negative restricted fund balance of (\$150,561) in the General Fund. As negative restricted fund balances are not allowed under GASB accounting standards, this negative balance has been netted with unassigned fund balance in the General Fund for financial statement reporting purposes.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. 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.

U. Net Position

Net position represents the difference between assets, deferred outflow of resources and liabilities, and deferred inflows of resources in the government-wide, Proprietary and Fiduciary Fund financial statements. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

V. Use of Estimates

The preparation of financial statement 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. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

Excess of Expenditures Over Budget:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Capital Projects Fund	\$ 12,290,684	\$ 14,777,444	\$ 2,486,760
Debt Service Fund	48,634,916	49,251,114	616,198

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position and the balance sheet as "Cash and Investments." In accordance with Minnesota Statutes, the District maintains deposits at financial institutions which are authorized by the School District's Board.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

The carrying value and bank balance of the District's deposits in banks at June 30, 2023 is \$3,950,408 and \$5,140,627, respectively, and were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

At June 30, 2023, the District's petty cash fund totaled \$3,280.

B. Investments

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

- Direct obligations or obligations guaranteed by the United States or its agencies
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less
- General obligations rated "A" or better; revenue obligations rated "AA" or better
- General obligations of the Minnesota Housing Finance Agency rate "A" or better
- Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less
- Guaranteed investment contracts 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
- Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers
- Investments related to the OPEB Revocable Trust Fund may be invested in accordance with Minnesota Statute 356A.06

At June 30, 2023, the District’s investment balances were as follows:

	Fair Value
Municipal Bonds	\$ 50,000
Federal Home Loan Bank	9,562,546
Federal Hom Loan Mortgage Corporation	7,352,408
Federal Farm Credit Bank	746,288
U.S. Treasuries with Maturities at Purchase of Greater than 1 Year	8,604,251
Total	\$ 26,315,493
	Amortized
	Cost
Minnesota School District Liquid Asset Fund Term	\$ 39,000,000
Minnesota School District Liquid Asset Fund Plus Liquid Class	285,443
Minnesota School District Liquid Asset Fund Plus Max Class	3,772,936
MN Trust Investment Shares	7,644,510
U.S. Treasuries with Maturities at Purchase of Less than 1 Year	6,338,273
Money Markets	29,325,063
Total	\$ 86,366,225

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Investments Held in Other Postemployment Benefit Trust –

The following investments are held within the other postemployment benefit trust. The funds are invested in accordance with the investment policy adopted by the District for the OPEB Trust. State statute does not limit the allowable investments for OPEB trust assets.

Mutual Fund - Equity	\$ 2,861,038
Mutual Fund - Fixed Income	2,869,416
Money Market Mutual Funds	26,630
Total	\$ 5,757,084

Credit Risk and Interest Rate Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District's investment policies do not limit the maturities of investments; however, when purchasing investments the District considers such things as interest rates and cash flow needs.

The credit ratings and maturities of the District's investments are as follows:

Type	Total	Maturity Duration in Years			No Maturities	Rating
		Less Than 1	1 to 2	2 to 5		
MSDLAF+ Liquid Class	\$ 285,443	\$ -	\$ -	\$ -	\$ 285,443	AAAf
MSDLAF+ Max Class	3,772,936	-	-	-	3,772,936	AAAf
MSDLAF TERM	39,000,000	-	-	-	39,000,000	AAAf
Federal Home Loan Bank	9,562,546	4,915,658	4,646,888	-	-	Aaa
Federal Hom Loan Mortgage Corporation	7,352,408	6,246,407	1,106,001	-	-	Aaa
Federal Farm Credit Bank	746,288	746,288	-	-	-	Aaa
MN Trust Investment Shares	7,644,510	-	-	-	7,644,510	AAAf
Municipal Bonds	50,000	50,000	-	-	-	AA to AAA
U.S. Treasury Notes	14,942,524	12,057,437	2,885,087	-	-	Aaa
Money Market	29,325,063	-	-	-	29,325,063	NR
Total	\$ 112,681,718	\$ 24,015,790	\$ 8,637,976	\$ -	\$ 80,027,952	

The credit ratings and average duration for the OPEB Trust assets are as follows:

Type	Total	Maturity Duration in Years				No Maturities	Rating
		Less Than 1	1 to 2	2 to 5	Over 5		
Mutual Fund - Equity	\$ 2,861,038	\$ -	\$ -	\$ -	\$ -	\$ 2,861,038	NR
Mutual Fund - Fixed Income	2,869,416	-	64,875	128,744	2,675,797	-	NR
Money Market Mutual Funds	26,630	-	-	-	-	26,630	AAAam
Total	\$ 5,757,084	\$ -	\$ 64,875	\$ 128,744	\$ 2,675,797	\$ 2,887,668	

Custodial Credit Risk – For an investment, custodial risk is the risk that, in the event of failure of the counterparty, the School District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The School District's investment policy requires that brokers provide insurance to cover balances held in each investment account. As of June 30, 2023, the investment balances were fully covered by insurance for each brokerage firm.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Concentration of Credit Risk

The District places no limit on the amount that the District may invest in any one issuer. Currently, the District did not have investments with any issuer which individually comprised more than 5% of total investments.

The deposits and investments are presented in the financial statements as follows:

Cash and Investments - Statement of Net Position	\$ 116,475,396
Cash and Cash Equivalents - Statement of Fiduciary Net Position	5,917,094
Total Cash and Investments	\$ 122,392,490

C. Fair Value Measurements

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The District follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants and would use in pricing the asset.

**INDEPENDENT SCHOOL DISTRICT NO. 112
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Fair Value Measurements (Continued)

Assets of the District measured at fair value on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury Notes	\$ 8,604,251	\$ -	\$ -	\$ 8,604,251
Federal Home Loan Bank	-	9,562,546	-	9,562,546
Federal Hom Loan Mortgage Corporation	-	7,352,408	-	7,352,408
Federal Farm Credit Bank	-	746,288	-	746,288
Municipal Bonds	-	50,000	-	50,000
Total	<u>\$ 8,604,251</u>	<u>\$ 17,711,242</u>	<u>\$ -</u>	<u>26,315,493</u>
Investments Measured at Amortized Cost				86,366,225
Total				<u>\$ 112,681,718</u>

Assets of the OPEB Trust measured at fair value on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Fund - Equity	\$ 2,861,038	\$ -	\$ -	\$ 2,861,038
Mutual Fund - Fixed Income	2,869,416	-	-	2,869,416
Total	<u>\$ 5,730,454</u>	<u>\$ -</u>	<u>\$ -</u>	<u>5,730,454</u>
Investments Measured at Amortized Cost				26,630
Total				<u>\$ 5,757,084</u>

NOTE 4 CAPITAL ASSETS

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

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
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JUNE 30, 2023**

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated or Amortized:				
Land	\$ 19,320,976	\$ -	\$ -	\$ 19,320,976
Construction in Progress	3,460,148	12,154,779	(477,623)	15,137,304
Total Capital Assets, Not Being Depreciated or Amortized	<u>22,781,124</u>	<u>12,154,779</u>	<u>(477,623)</u>	<u>34,458,280</u>
Capital Assets, Being Depreciated:				
Land Improvements	9,784,349	311,212	-	10,095,561
Buildings and Improvements	308,642,374	2,685,112	-	311,327,486
Equipment	22,104,201	2,443,536	(935,274)	23,612,463
Leased Assets, Being Amortized:				
Land and Land Improvements	1,709,301	-	-	1,709,301
Equipment	328,457	27,603	-	356,060
Total Capital Assets, Being Depreciated/Amortized	<u>342,568,682</u>	<u>5,467,463</u>	<u>(935,274)</u>	<u>347,100,871</u>
Accumulated Depreciation for:				
Land Improvements	(5,254,015)	(411,861)	-	(5,665,876)
Buildings and Improvements	(117,323,742)	(7,836,649)	-	(125,160,391)
Equipment	(9,623,840)	(2,215,507)	494,556	(11,344,791)
Accumulated Amortization for:				
Land and Land Improvements	(148,635)	(148,635)	-	(297,270)
Equipment	(64,140)	(73,335)	-	(137,475)
Total Accumulated Depreciation/Amortization	<u>(132,414,372)</u>	<u>(10,685,987)</u>	<u>494,556</u>	<u>(142,605,803)</u>
Total Capital Assets, Being Depreciated/Amortized, Net	<u>210,154,310</u>	<u>(5,218,524)</u>	<u>(440,718)</u>	<u>204,495,068</u>
Governmental Activities Capital Assets, Net	<u>\$ 232,935,434</u>	<u>\$ 6,936,255</u>	<u>\$ (918,341)</u>	<u>\$ 238,953,348</u>

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities

District Support Services	\$ 31,780
Regular Instruction	8,064,226
Special Education Instruction	5,800
Instructional Support Services	528,320
Pupil Support Services	1,255,487
Sites and Buildings	661,509
Food Service	138,865
Total Depreciation/Amortization Expense, Governmental Activities	\$ 10,685,987

NOTE 5 LONG-TERM LEASE RECEIVABLES

The District, acting as lessor, leases certain real property to several communications companies on which to install cell towers under long-term, noncancelable lease agreements. All three leases expire in fiscal year 2051. During the year ended December 31, 2023, the District recognized \$62,733 and \$54,271 in lease revenue and interest revenue, respectively, pursuant to these contracts.

NOTE 6 LONG-TERM LIABILITIES

A. Components of General Long-Term Debt

	Net Interest Rate	Original Issue	Maturities	Principal Outstanding	
Bond Issue				Due Within One Year	Total
2013A GO Building Refunding Bonds	3.00% - 4.00%	\$ 65,815,000	2018-2028	\$ 5,565,000	\$ 5,565,000
2016A GO Building Bonds	3.50% - 5.00%	57,650,000	2018-2036	2,915,000	50,740,000
2020A GO Refunding Bonds	2.00%	44,080,000	2023-2028	4,295,000	39,755,000
2023A GO Facility Maintenance Bonds	4.00% - 5.00%	34,235,000	2028 - 2038	-	34,235,000
Total General Obligation Bonds				12,775,000	130,295,000
Certificates of Participation					
2021A Certificates of Participation	2.00% - 4.00%	8,435,000	2023-2042	209,325	8,205,000
Equipment Certificates					
2021B GO Equipment Certificates	1.45%	6,839,000	2022-2029	852,000	5,299,000
Bond Premiums				-	10,168,494
Financed Purchases				209,325	1,076,345
Long-Term Leases				196,328	1,708,230
Severance Benefits Payable				-	1,307,255
Compensated Absences Payable				955,725	994,860
Total				\$ 15,197,703	\$ 159,054,184

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

B. Descriptions of Long-Term Liabilities

General Obligation Bonds Payable

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

In March 2013, the District issued \$65,815,000 of General Obligation School Building Refunding Bonds, Series 2013A. The proceeds were placed in an escrow account and used to refund the remaining maturities of the 2007A at the crossover date of February 1, 2017. Maturity payments on these bonds occur annually through February 1, 2028, with installment amounts ranging from \$4.3 to \$8.8 million.

In February 2016, the District issued \$57,650,000 of General Obligation School Building Bonds, Series 2016A. The proceeds of this issue were used to finance the acquisition and betterment of school sites and facilities in the District including the purchase of land for and construction of a new elementary school; a multi-purpose athletic facility; a swimming pool and related improvements at Pioneer Ridge Middle School; the construction and equipping of additions to the Clover Ridge and Victoria Elementary School facilities; and the completion of deferred maintenance projects at various school sites and facilities. Maturity payments on these bonds occur annually through February 1, 2036, with installment amounts ranging from \$210,000 to \$4.9 million.

In November 2020, the District issued \$44,080,000 of Taxable General Obligation Refunding Bonds, Series 2020A. A portion of the proceeds of this issuance were used in 2022 to advance refund the February 1, 2022 through 2025 maturities of the District's \$47,830,000 General Obligation Alternative Facilities and Refunding Bonds, Series 2012 bonds. This resulted in a cash flow savings of \$988,700 and a net present value savings of \$973,696. The remaining portion was used in fiscal year 2023 to advance refund the February 1, 2025 through 2028 maturities of the District's \$65,815,000 General Obligation School Building Refunding Bonds, Series 2013A Bonds.

In February 2023, the District issued \$34,235,000 of General Obligation Facilities Maintenance Bonds, Series 2023A. The proceeds of this issue were used to provide funds for deferred capital maintenance projects at various District facilities as described in the District's ten-year facility plan. Maturity payments on these bonds occur annually from February 1, 2029 through February 1, 2038, with installments ranging from \$2,315,000 to \$3,340,000.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

B. Descriptions of Long-Term Liabilities (Continued)

Certificates of Participation Payable

In August 2021, the District issued \$8,435,00 in Certificates of Participation, Series 2021A. The proceeds of the Certificates will be used to finance the construction of an addition to Carver elementary School for additional classroom space.

Financed Purchases and Equipment Certificates

In August 2020, the District entered into a financed purchase arrangement for \$1,710,426 for the purchase of 15 school buses. The agreement calls for annual payments totaling of \$224,394 for eight years.

In August 2021, the District issued \$6,839,000 General Obligation Equipment Certificates, Series 2021. The proceeds of these certificates were used to finance the costs of acquiring new and used school buses. Principal payments on the certificates are due annually and extend through February 1, 2029.

Long-Term Leases

The District leases equipment as well as land for various terms under long-term, non-cancelable lease agreements. The equipment leases expire at various dates between fiscal year 2025 and fiscal year 2027. The land leases with the City of Victoria expires in fiscal year 2033. Right-to-use assets acquired through outstanding leases are shown below, by underlying asset class.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

C. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term debt, not including pension, severance, and health benefits payable are as follows:

Year Ending June 30.	General Obligation Bonds Payable		Finance Purchase Agreement		Certificates of Participation	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 12,775,000	\$ 4,617,106	\$ 209,325	\$ 15,069	\$ 330,000	\$ 226,300
2025	13,285,000	4,222,700	212,256	12,138	340,000	218,050
2026	11,455,000	3,865,200	215,227	9,167	345,000	209,550
2027	11,770,000	3,539,800	218,241	6,154	355,000	200,925
2028	12,120,000	3,203,600	221,296	3,098	365,000	192,050
2029-2033	38,510,000	10,799,850	-	-	1,995,000	783,325
2034-2038	30,380,000	3,048,775	-	-	2,355,000	428,150
Thereafter	-	-	-	-	2,120,000	107,000
Total	\$ 130,295,000	\$ 33,297,031	\$ 1,076,345	\$ 45,626	\$ 8,205,000	\$ 2,365,350

Equipment Certificates		Long-Term Leases		Total	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 852,000	\$ 76,836	\$ 196,328	\$ 51,532	\$ 14,362,653	\$ 4,986,843
864,000	64,482	203,232	44,910	14,904,488	4,562,280
877,000	51,954	183,937	38,420	13,076,164	4,174,291
889,000	39,237	176,122	32,449	13,408,363	3,818,565
902,000	26,347	153,634	27,314	13,761,930	3,452,409
915,000	13,268	794,977	61,647	42,214,977	11,658,090
-	-	-	-	32,735,000	3,476,925
-	-	-	-	2,120,000	107,000
\$ 5,299,000	\$ 272,124	\$ 1,708,230	\$ 256,272	\$ 146,583,575	\$ 36,236,403

D. Changes in Long-Term Debt

	June 30, 2022	Additions	Retirements	June 30, 2023
Bonds Payable	\$ 139,885,000	\$ 34,235,000	\$ 43,825,000	\$ 130,295,000
Bond Premiums	8,977,257	3,762,604	2,571,367	10,168,494
Equipment Certificates	6,139,000	-	840,000	5,299,000
Certificates of Participation	8,435,000	-	230,000	8,205,000
Financed Purchases	1,282,780	-	206,435	1,076,345
Long-Term Leases Payable	1,866,311	27,603	185,684	1,708,230
Severance Benefits Payable	1,365,679	1,307,255	1,365,679	1,307,255
Compensated Absences Payable	826,309	1,474,184	1,305,633	994,860
Total	\$ 168,777,336	\$ 40,806,646	\$ 50,529,798	\$ 159,054,184

Governmental compensated absences and severance benefits are typically liquidated (paid) by the general fund.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 FUND BALANCES AND NET POSITION

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. A description of deficit balance reserves is included herein since the District has specific statutory authority to levy taxes for such deficits.

Restricted and Assigned fund balances at year-end are as follows:

Restricted for Student Activities – Represents the resources available for the extracurricular activity funds raised by students.

Restricted for Area Learning Center – Represents amounts restricted for students attending area learning centers.

Restricted for Capital Projects Levy – Represents available resources from the capital projects levy to be used for building construction and other projects under Minnesota Statutes.

Restricted for Medical Assistance – Represents available resources to be used for Medical Assistance expenditures.

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

Restricted for Safe Schools Levy – Represents the unspent resources available from the safe schools levy.

Restricted for Community Education Programs – Represents accumulated resources available to provide general community education programming.

Restricted for Early Childhood and Family Education Programs – Represents accumulated resources available to provide services for early childhood and family education programming.

Restricted for School Readiness – Represents accumulated resources available to provide school readiness programming.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 FUND BALANCES AND NET POSITION (CONTINUED)

Restricted for Projects Funded by Certificates of Participation – Represents the balance in the building construction fund for projects funded by certificates of participation/lease purchase agreement with related lease levy authority under Minnesota Statutes.

Restricted for Other Purposes – Represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Amounts included in Restricted for Other Purposes are as follows:

Restricted for Food Service	\$ 4,564,368
Restricted for Community Education	21,769
Restricted for Capital Projects	30,476,899
Restricted for Debt Service	<u>3,352,130</u>
Total Restricted for Other Purposes	<u><u>\$ 38,415,166</u></u>

Assigned for Transportation – Represents amounts that are assigned for transportation costs.

Assigned for Transportation Center – Represents funds set aside from the Cottrell Estate and sale of land in Victoria to be used for costs associated with a new transportation center.

Assigned for Separation/Retirement Benefits – Represents amounts assigned for retirement benefits, including compensated absences, pension, other postemployment benefits, and termination benefits.

Assigned for Construction – Represents amounts assigned for future construction projects.

Assigned for Capital Maintenance – Victoria Field House – Represents dollars assigned for the capital maintenance of the Victoria Field House.

Assigned for Quality Comp (Alternative Compensation) – Represents dollars assigned for unspent Q-Comp Aid and Levy revenue.

Assigned for Energy Efficiency – Represents dollars assigned for energy efficiency projects and initiatives within the District.

Assigned for MTSS-ADSIS – Represents dollars assigned for Multi-Tiered System of Supports and Alternative Delivery of Specialized Instructional Services.

Assigned for Site Carryover – Represents dollars assigned for unspent site supply allocations.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 FUND BALANCES AND NET POSITION (CONTINUED)

The District presents certain portions of net position as net investment in capital assets. This amount represents the net amounts invested in capital assets (original cost net of accumulated depreciation and amortization) less capital related debt including the outstanding balances of any long-term, capital related liabilities and the corresponding unamortized premiums, discounts, and gains or losses on refunding. Below is the calculation of the District's net investment in capital assets at June 30, 2023:

Capital Assets, Net of Accumulated Depreciation/Amortization	\$ 238,953,348
Capital-Related Long-Term Liabilities	(146,583,575)
Unamortized Premiums on Capital-Related Debt	(10,168,494)
Deferred Inflows and Deferred Outflows on Refundings	(571,369)
Unspent Bond Proceeds	712,957
Net Investment in Capital Assets	\$ 82,342,867

NOTE 8 DEFINED BENEFIT PENSION PLANS

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. Plan Description

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

1. General Employees Retirement Plan

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

2. Teachers Retirement Fund (TRA)

The Teacher's 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.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

2. Teachers Retirement Fund (TRA) (Continued)

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).

B. Benefits Provided

PERA and TRA provide 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.

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 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 is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits

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

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

Tier I Benefits

Tier 1	Step Rate Formula	Percentage
Basic	First Ten Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First Ten Years if Service Years Are Up to July 1, 2006	1.2% per Year
	First Ten Years if Service Years Are July 1, 2006 or After	1.4% per Year
	All Other Years of Service if Service Years Are Up to July 1, 2006	1.7% per Year
	All Other Years of Service if Service Years Are July 1, 2006 or After	1.9% per Year

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) 3.0% per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

Tier II Benefits

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

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

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

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

C. Contributions

1. General Employees Plan 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% of their annual covered salary in fiscal year 2023 and the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2023 were \$1,909,854. The District's contributions were equal to the required contributions as set by state statute.

2. TRA Contributions

Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year for coordinated were 7.5% for the employee and 8.55% for the employer. Basic rates were 11.00% for the employee and 12.55% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2023 were \$5,652,651. The District's contributions were equal to the required contributions for each year as set by state statute.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs

1. General Employees Plan Pension Costs

At June 30, 2023, the District reported a liability of \$24,781,783 for its proportionate share of the General Employees Plan'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 \$726,588. 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 .3129% at the end of the measurement period and .2653% for the beginning of the period.

The District's Proportionate Share of the Net Pension Liability	\$ 24,781,783
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the District	726,588
Total	\$ 25,508,371

For the year ended June 30, 2023, the District recognized pension expense of \$3,546,863 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$108,569 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

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EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Plan Pension Costs (Continued)

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 206,995	\$ 264,728
Changes in Actuarial Assumptions	5,608,567	100,792
Net Difference Between Projected and Actual		
Earnings on Plan Investments	429,853	-
Changes in Proportion	2,164,996	860,628
District Contributions Subsequent to the Measurement Date	1,909,854	-
Total	<u>\$ 10,320,265</u>	<u>\$ 1,226,148</u>

\$1,909,854 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2024	\$ 2,577,291
2025	2,493,897
2026	(128,064)
2027	2,241,139
Thereafter	-

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs

At June 30, 2023 the District reported a liability of \$82,781,235 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the state of Minnesota, city of Minneapolis, and Minneapolis School District. The District's proportionate share was 1.0338% at the end of the measurement period and 1.0546% at the beginning of the period.

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:

Description	Amount
District's Proportionate Share of the TRA Net Pension Liability	\$ 82,781,235
State's Proportionate Share of the Net Pension Liability Associated with the District	6,138,962
Total	\$ 88,920,197

For the year ended June 30, 2023, the District recognized a decrease in pension expense of \$17,683,806. It also recognized \$1,740,649 as a decrease to pension expense and negative grant revenue for the support provided by direct aid.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 1,210,850	\$ 727,249
Changes in Actuarial Assumptions	13,261,342	17,518,160
Net Difference Between Projected and Actual Earnings on Plan Investments	2,312,445	-
Changes in Proportion	2,555,916	5,858,620
District Contributions Subsequent to the Measurement Date	5,652,651	-
Total	<u>\$ 24,993,204</u>	<u>\$ 24,104,029</u>

A total of \$5,652,651 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2024	\$ (15,341,682)
2025	1,819,788
2026	(383,813)
2027	9,444,264
2028	(302,033)
Thereafter	-

3. Aggregate Pension Costs

	TRA	GERF	Total
Net Pension Liability	\$ 82,781,235	\$ 24,781,783	\$ 107,563,018
Deferred Outflows of Resources	24,993,204	10,320,265	35,313,469
Deferred Inflows of Resources	24,104,029	1,226,148	25,330,177
Pension Expense	(19,424,455)	3,655,432	(15,769,023)

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Long-Term Expected Return on Investment

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

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

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5% for PERA and 7% for TRA. 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% for PERA and 7% for TRA was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan and benefit increases after retirement are assumed to be 1.25% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

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

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

TRA pre-retirement mortality rates were based on the 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. Postretirement mortality rates were based on the 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 mortality rates were based on the RP-2014 disabled retiree mortality table, without adjustment.

Inflation is assumed to be 2.5% for TRA. Benefit increases after retirement are assumed to be 1.0% for January 2020 through January 2023 then increasing by 0.10% each year up to 1.5% annually.

Salary growth assumptions for TRA range in the annual increments from 2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028.

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

General Employees Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2010 to Scale MP-2021.

G. Discount Rate

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

The discount rate used to measure the TRA pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee contribution will be made at the fiscal year 2022 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

H. 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:

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
<u>General Employees Plan Discount Rate</u>	5.50%	6.50%	7.50%
District's Proportionate Share of the General Employees Plan Net Pension Liability	\$ 39,144,125	\$ 24,781,783	\$ 13,002,447
<u>TRA Discount Rate</u>	6.00%	7.00%	8.00%
District's Proportionate Share of the TRA Net Pension Liability	\$ 130,500,110	\$ 82,781,235	\$ 43,666,637

I. Pension Plan Fiduciary Net Position

Detailed information about General Employees Plan's fiduciary's net position is available in a separately issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org.

Detailed information about TRA'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 #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-657-3669.

NOTE 9 COMMITMENTS AND CONTINGENCIES

A. Federal and State Programs

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

B. Contingencies

The District is subject to legal proceedings and claims which arise in the ordinary course of business. As of the date of these financial statements, it is not determinable what the outcome of these issues will be or the potential liability, if any, to the District.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS PLAN

A. Plan Description

The District operates and administers a single-employer defined benefit other postemployment benefit plan (the Plan) that provides health insurance to eligible employees and their spouses through the District's self-insured health insurance plan. There are 1,270 active participants and 56 retired participants. Benefit and eligibility provisions are established through individual contracts and negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. Retirees are responsible for paying the entire premium for such group-insurance coverage. Principals, Directors and Teachers meeting specific criteria are also eligible to receive a District contribution to their Health Care Savings Plan. The Plan does not issue a publicly available financial report.

B. Funding Policy

The District has assets designated for OPEB. These assets are in a qualified irrevocable trust which is included as a fiduciary fund in these financial statements. The District's investment policy is to follow state statutes as listed in Note 2. The District is assumed to make no future contributions to the trust. Benefit payments equal implicit subsidy are assumed to be made from the trust.

Contribution requirements are also negotiated between the District and union representatives. The eligibility for, amount of, duration of, and District's contribution to the cost of the benefits provided varies by contract and date of retirement. For fiscal year 2023, the District was reimbursed by its irrevocable trust for the explicit and implicit cost of benefits for retirees and made no additional contributions to the irrevocable trust and, therefore, made no contributions to the Plan.

C. Net OPEB Liability (Asset) of the District

The components of the net OPEB liability (asset) of the District at June 30, 2023 were as follows:

Total OPEB Liability	\$ 8,705,625
Plan Fiduciary Net Position	<u>5,757,084</u>
District's Net OPEB Liability (Asset)	<u><u>\$ 2,948,541</u></u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	66%

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

D. Actuarial Methods and Assumptions

The long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that (1) the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and (2) OPEB plan assets are expected to be invested using a strategy to achieve that return, and a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), to the extent that the conditions above are not met.

The District's net OPEB liability 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, 2021. Liabilities in this report were calculated as of the valuation date and rolled forward to the measurement date using standard actuarial roll-forward techniques.

The total OPEB liability was determined by an actuarial valuation as of July 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	Service Graded Table
Investment Rate of Return	6.10%
20-Year Municipal Bond Yield	3.90%
Health Care Trend Rates	6.00% decreasing to 5.00% over 5 years

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2014 through June 30, 2018.

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 asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.00%).

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

D. Actuarial Methods and Assumptions (Continued)

Best estimates of geometric real and nominal rates of return for each major asset class included in the OPEB plan's asset allocation as of the measurement date are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Fixed Income	50.00 %	4.60 %
Domestic Equity	33.00	7.70
International Equity	17.00	7.50
Total	<u>100.00 %</u>	<u>6.10</u>
Reduced for Assumed Investment Expense		-
Net Assumed Investment Return (Weighted Avg, Rounded to 1/4%)		<u>6.10 %</u>

The discount rate used to measure the total OPEB liability was 4.20%. The projection of cash flows and OPEB trust assets used to determine the discount rate were based on recent employer contribution history and their stated funding policy. The OPEB trust's long-term assumed investment return was used to discount projected benefit payments for as long as projected trust assets are available to fund OPEB payments. Once projected trust assets are exhausted, the municipal bond index rate of 3.90% was applied to the remaining expected benefit payments.

The expected employer asset return is based on the long-term expected return on short-term/cash-equivalent assets using our capital market assumption model.

Since the most recent valuation, the following changes have been made:

- For the fiscal year ended June 30, 2023:
 - The rate of inflation was changed from 2.00% to 2.50%.
 - The expected long-term investment return was changed from 5.90% to 6.10%.
 - The discount rate was changed from 4.10% to 4.20%.

E. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 6.10%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

F. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Beginning Balance	\$ 8,362,146	\$ 5,811,196	\$ 2,550,950
Changes for the Year:			
Service Cost	559,858	-	559,858
Interest Cost	355,084	-	355,084
Assumption Changes	(43,340)	-	(43,340)
Contributions-Employer	-	90,545	(90,545)
Net Investment Income	-	386,581	(386,581)
Benefit Payments	(528,123)	(528,123)	-
Administrative Expense	-	(3,115)	3,115
Other Changes	-	-	-
Net Changes	<u>343,479</u>	<u>(54,112)</u>	<u>397,591</u>
Ending Balance	<u>\$ 8,705,625</u>	<u>\$ 5,757,084</u>	<u>\$ 2,948,541</u>

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

	1% Decrease (3.20%)	Discount Rate (4.20%)	1% Increase (5.20%)
Net OPEB Liability (Asset)	\$ 3,472,412	\$ 2,948,541	\$ 2,441,573

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% point lower (5.00% decreasing to 4.00% then 3.00%) or 1% point higher (7.00% decreasing to 6.00 then 5.00%) than the current healthcare cost trend rates:

	Healthcare Cost		
	1% Decrease (5.00% Decreasing to 4.00% then 3.00%)	Current Trend Rates (6.00% Decreasing to 5.00% then 4.00%)	1% Increase (7.00% Decreasing to 6.00% then 5.00%)
Net OPEB Liability (Asset)	\$ 2,031,514	\$ 2,948,541	\$ 4,026,339

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

F. Changes in the Net OPEB Liability (Continued)

For the year ended June 30, 2023, the District recognized OPEB expense of \$276,094. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 266,428	\$ 499,951
Change of Assumptions	36,148	599,089
Net Difference Between Projected and Actual Investment Earnings	385,219	-
Total	<u>\$ 687,795</u>	<u>\$ 1,099,040</u>

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

Year Ending June 30,	Future Recognition
2024	\$ (172,520)
2025	(20,441)
2026	166,231
2027	(204,662)
2028	(173,628)
Thereafter	(6,225)
Total	<u>\$ (411,245)</u>

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 SELF-INSURANCE

The District maintains an Internal Service Fund to account for and finance self-insurance programs for health and dental benefits. Accordingly, the District has not purchased outside insurance for the risks of losses to which it is exposed for amounts under its stop-loss limit of \$150,000 at which point reinsurance coverage is available. The District also has aggregate stop-loss coverage in place which limits the District's liability to 125% of the prior years' claims. District management believes it is more economical to manage its risks internally and set aside assets for claim settlement. The Internal Service Fund currently services all claims and risk of loss to which the District is exposed for health expenses. Claims have not exceeded the District's aggregate stop-loss limit for the current or past two years (fiscal year 2014 was the first year the District was self-insured for health benefits).

Participants in the program make premium payments to the fund based on the insurance premium. The excess amount received above current year claims is used to establish a reserve for future claims. At June 30, 2023, there is a reserve of \$6,541,979.

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

There were no liabilities in excess of claims paid at June 30, 2023. There is a possibility for loss if claims are in excess of the premiums collected. The District does not believe this occurrence would have a material financial effect on the District. The District held \$8,070,657 in cash and investments at June 30, 2023, for payment of claims.

Changes in the balances of claim liabilities during fiscal years 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Beginning of Fiscal Year Liability - July 1,	\$ 982,394	\$ 855,002
Current Year Claims, Changes in Estimates, and Other Charges	11,310,956	11,058,294
Current Year Claims Paid, Including an Estimate of Claims Incurred But Not Reported (IBNR)	<u>(10,764,672)</u>	<u>(10,930,902)</u>
End of Fiscal Year Liability - June 30,	<u>\$ 1,528,678</u>	<u>\$ 982,394</u>

REQUIRED SUPPLEMENTARY INFORMATION

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Property Taxes	\$ 36,052,958	\$ 36,052,958	\$ 35,227,141	\$ (825,817)
Earnings and Investments	50,000	500,000	1,261,315	761,315
Other	4,322,651	4,347,651	4,559,706	212,055
State Sources	94,296,719	93,498,732	92,882,880	(615,852)
Federal Sources	4,207,151	4,712,227	4,061,303	(650,924)
Total Revenues	<u>138,929,479</u>	<u>139,111,568</u>	<u>137,992,345</u>	<u>(1,119,223)</u>
EXPENDITURES				
Current:				
Administration	4,419,651	4,494,707	4,488,465	(6,242)
District Support Services	4,186,756	4,302,517	3,968,011	(334,506)
Elementary and Secondary Regular Instruction	59,301,640	59,120,999	58,050,289	(1,070,710)
Vocational Education Instruction	1,533,989	1,483,943	1,121,135	(362,808)
Special Education Instruction	25,533,031	25,231,445	24,681,532	(549,913)
Instructional Support Services	9,260,731	9,512,892	8,570,222	(942,670)
Pupil Support Services	12,180,868	12,644,572	12,257,336	(387,236)
Sites and Buildings	10,666,567	11,325,498	14,295,689	2,970,191
Fiscal and Other Fixed Cost Programs	802,393	817,542	817,382	(160)
Capital Outlay	8,602,675	8,732,039	8,544,390	(187,649)
Debt Service:				
Principal	206,435	1,092,149	622,119	(470,030)
Interest and Fiscal Charges	17,960	346,053	403,273	57,220
Total Expenditures	<u>136,712,696</u>	<u>139,104,356</u>	<u>137,819,843</u>	<u>(1,284,513)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,216,783	7,212	172,502	165,290
OTHER FINANCING SOURCES				
Insurance Recovery	-	92,606	114,223	21,617
Issuance of Capital Leases	-	-	27,603	27,603
Total Other Financing Sources	<u>-</u>	<u>92,606</u>	<u>141,826</u>	<u>49,220</u>
NET CHANGE IN FUND BALANCE	<u>\$ 2,216,783</u>	<u>\$ 99,818</u>	314,328	<u>\$ 214,510</u>
FUND BALANCE				
Beginning of Year			<u>26,126,507</u>	
End of Year			<u>\$ 26,440,835</u>	

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Earnings and Investments	\$ 40,000	\$ 8,000	\$ 131,289	\$ 123,289
Other - Primarily Meal Sales	3,717,050	3,395,359	3,567,310	171,951
State Sources	308,825	317,579	313,714	(3,865)
Federal Sources	1,370,950	2,334,085	2,674,858	340,773
Total Revenues	<u>5,436,825</u>	<u>6,055,023</u>	<u>6,687,171</u>	<u>632,148</u>
EXPENDITURES				
Current:				
Food Service	5,415,951	6,379,211	6,337,465	(41,746)
Capital Outlay	120,000	217,254	214,940	(2,314)
Total Expenditures	<u>5,535,951</u>	<u>6,596,465</u>	<u>6,552,405</u>	<u>(44,060)</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(99,126)	(541,442)	134,766	676,208
OTHER FINANCING SOURCES				
Sale of Equipment	-	250	250	-
NET CHANGE IN FUND BALANCE	<u>\$ (99,126)</u>	<u>\$ (541,192)</u>	135,016	<u>\$ 676,208</u>
FUND BALANCE				
Beginning of Year			<u>4,574,995</u>	
End of Year			<u>\$ 4,710,011</u>	

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Property Taxes	\$ 1,040,424	\$ 1,040,424	\$ 1,045,617	\$ 5,193
Earnings and Investments	-	-	79,599	79,599
Other - Primarily Tuition and Fees	6,425,000	6,421,873	6,732,400	310,527
State Sources	1,779,537	1,782,664	1,762,025	(20,639)
Federal Sources	125,000	275,000	202,588	(72,412)
Total Revenues	<u>9,369,961</u>	<u>9,519,961</u>	<u>9,822,229</u>	<u>302,268</u>
EXPENDITURES				
Current:				
Community Service	8,889,292	9,065,716	8,939,228	(126,488)
Capital Outlay	24,500	35,555	26,495	(9,060)
Total Expenditures	<u>8,913,792</u>	<u>9,101,271</u>	<u>8,965,723</u>	<u>(135,548)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 456,169</u>	<u>\$ 418,690</u>	856,506	<u>\$ 437,816</u>
FUND BALANCE				
Beginning of Year			<u>1,352,905</u>	
End of Year			<u>\$ 2,209,411</u>	

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY (ASSET)
AND RELATED RATIOS
LAST SEVEN FISCAL YEARS***

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability							
Service Cost	\$ 559,858	\$ 551,361	\$ 731,921	\$ 681,442	\$ 503,435	\$ 474,096	\$ 495,806
Interest	355,084	272,335	235,974	261,220	256,717	252,157	240,822
Changes of Benefit Terms	-	-	-	500,555	-	-	-
Differences Between Expected and Actual Experience	-	(571,716)	-	621,665	-	(641,079)	-
Assumption Changes	(43,340)	(600,372)	129,011	29,518	82,424	(242,654)	-
Plan Changes	-	526,195	-	-	-	-	-
Benefit Payments	(528,123)	(679,215)	(302,253)	(652,767)	(340,657)	(359,309)	(403,432)
Other Changes	-	(478,285)	-	-	-	-	-
Net Change in Total OPEB Liability	<u>343,479</u>	<u>(979,697)</u>	<u>794,653</u>	<u>1,441,633</u>	<u>501,919</u>	<u>(516,789)</u>	<u>333,196</u>
Total OPEB Liability - Beginning	<u>8,362,146</u>	<u>9,341,843</u>	<u>8,547,190</u>	<u>7,105,557</u>	<u>6,603,638</u>	<u>7,120,427</u>	<u>6,787,231</u>
Total OPEB Liability - Ending (a)	<u>\$ 8,705,625</u>	<u>\$ 8,362,146</u>	<u>\$ 9,341,843</u>	<u>\$ 8,547,190</u>	<u>\$ 7,105,557</u>	<u>\$ 6,603,638</u>	<u>\$ 7,120,427</u>
Plan Fiduciary Net Position							
Contributions - Employer	\$ 90,545	\$ 66,432	\$ -	-	\$ -	\$ -	\$ -
Net Investment Income	386,581	(953,832)	1,371,101	392,528	414,913	409,420	540,837
Benefit Payments	(528,123)	(679,215)	(302,253)	(652,767)	(340,657)	(359,309)	(403,432)
Administrative Expense	(3,115)	(3,506)	(4,078)	(4,189)	(3,853)	(3,793)	-
Net Change in Plan Fiduciary Net Position	<u>(54,112)</u>	<u>(1,570,121)</u>	<u>1,064,770</u>	<u>(264,428)</u>	<u>70,403</u>	<u>46,318</u>	<u>137,405</u>
Plan Fiduciary Net Position - Beginning	<u>5,811,196</u>	<u>7,381,317</u>	<u>6,316,547</u>	<u>6,580,975</u>	<u>6,510,572</u>	<u>6,464,254</u>	<u>6,326,849</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,757,084</u>	<u>\$ 5,811,196</u>	<u>\$ 7,381,317</u>	<u>\$ 6,316,547</u>	<u>\$ 6,580,975</u>	<u>\$ 6,510,572</u>	<u>\$ 6,464,254</u>
District's Net OPEB Liability - Ending (a) - (b)	<u>\$ 2,948,541</u>	<u>\$ 2,550,950</u>	<u>\$ 1,960,526</u>	<u>\$ 2,230,643</u>	<u>\$ 524,582</u>	<u>\$ 93,066</u>	<u>\$ 656,173</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	66.13%	69.49%	79.01%	73.90%	92.62%	98.59%	90.78%
Covered-Employee Payroll	\$ 84,159,957	\$ 81,708,696	\$ 83,953,550	\$ 81,508,301	\$ 72,780,783	\$ 70,660,954	\$ 64,837,602
District's Net OPEB Liability as a Percentage of Covered-Employee Payroll	3.50%	3.12%	2.34%	2.74%	0.72%	0.13%	1.01%

*The District implemented GASB Statement Nos. 74 and 75 in fiscal year 2017, and the above table will be expanded to 10 years of information as the information becomes available.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN ON PLAN ASSETS - OPEB
LAST TEN FISCAL YEARS**

Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2023	6.10%
2022	5.90%
2021	2.30%
2020	2.60%
2019	6.34%
2018	6.31%
2017	8.46%

*The District implemented GASB Statement Nos. 74 and 75 in fiscal year 2017, and the above table will be expanded to 10 years of information as the information becomes available.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
TRA SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST NINE MEASUREMENT DATES***

	Measurement Date June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Collective Net Pension Liability	1.0338%	1.0546%	1.1110%	1.0975%	1.0464%	1.0332%	1.0154%	0.9896%	1.0319%
District's Proportionate Share of the Collective Net Pension Liability	\$ 82,781,235	\$ 46,152,449	\$ 82,082,169	\$ 69,954,880	\$ 65,723,959	\$ 206,245,462	\$ 242,197,127	\$ 61,216,547	\$ 47,524,026
State's Proportionate Share of the Collective Net Pension Liability Associated with District	6,138,962	3,892,293	6,878,723	6,190,796	6,174,859	19,937,507	24,309,844	7,508,902	3,345,045
Total	<u>\$ 88,920,197</u>	<u>\$ 50,044,742</u>	<u>\$ 88,960,892</u>	<u>\$ 76,145,676</u>	<u>\$ 71,898,818</u>	<u>\$ 226,182,969</u>	<u>\$ 266,506,971</u>	<u>\$ 68,725,449</u>	<u>\$ 50,869,071</u>
District's Covered Payroll	\$ 63,881,043	\$ 62,452,694	\$ 64,635,139	\$ 62,396,602	\$ 58,771,280	\$ 56,020,080	\$ 53,050,160	\$ 50,681,707	\$ 47,576,600
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	129.59%	73.90%	126.99%	112.11%	111.83%	368.16%	456.54%	120.79%	99.89%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.17%	86.63%	75.48%	78.21%	78.07%	51.57%	44.88%	76.80%	81.50%

*The District implemented GASB Statement No. 68 in fiscal year 2015, and the above table will be expanded to 10 years of information as the information becomes available.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
TRA SCHEDULE OF DISTRICT CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily Required Contribution	\$ 5,652,651	\$ 5,327,679	\$ 5,077,404	\$ 5,119,103	\$ 4,810,778	\$ 4,407,846	\$ 4,201,506	\$ 3,978,762	\$ 3,801,128	\$ 3,330,362
Contributions in Relation to the Statutorily Required Contribution	(5,652,651)	(5,327,679)	(5,077,404)	(5,119,103)	(4,810,778)	(4,407,846)	(4,201,506)	(3,978,762)	(3,801,128)	(3,330,362)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 66,112,877	\$ 63,881,043	\$ 62,452,694	\$ 64,635,139	\$ 62,396,602	\$ 58,771,280	\$ 56,020,080	\$ 53,050,160	\$ 50,681,707	\$ 47,576,600
Contributions as a Percentage of Covered Payroll	8.55%	8.34%	8.13%	7.92%	7.71%	7.50%	7.50%	7.50%	7.50%	7.00%

See accompanying Notes to Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
GERF SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST NINE MEASUREMENT DATES***

	Measurement Date June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.3129%	0.2653%	0.2936%	0.2823%	0.2905%	0.2853%	0.2827%	0.2857%	0.3156%
District's Proportionate Share of the Net Pension Liability	\$ 24,781,783	\$ 11,329,499	\$ 17,602,662	\$ 15,607,735	\$ 16,115,749	\$ 18,213,364	\$ 22,953,838	\$ 14,806,457	\$ 14,830,383
State's Proportionate Share of the Net Pension Liability Associated with the District	726,588	345,977	542,887	485,102	528,574	228,979	299,794	-	-
Total	<u>\$ 25,508,371</u>	<u>\$ 11,675,476</u>	<u>\$ 18,145,549</u>	<u>\$ 16,092,837</u>	<u>\$ 16,644,323</u>	<u>\$ 18,442,343</u>	<u>\$ 23,253,632</u>	<u>\$ 14,806,457</u>	<u>\$ 14,830,383</u>
District's Covered Payroll	\$ 23,483,160	\$ 23,483,160	\$ 20,672,920	\$ 19,977,560	\$ 19,627,627	\$ 18,396,040	\$ 17,595,507	\$ 16,914,210	\$ 16,569,766
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	105.53%	48.25%	85.15%	78.13%	82.11%	99.01%	130.45%	87.54%	89.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.67%	87.00%	79.06%	80.23%	79.53%	75.90%	68.90%	78.20%	78.70%

*The District implemented GASB Statement No. 68 in fiscal year 2015, and the above table will be expanded to 10 years of information as the information becomes available.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
GERF SCHEDULE OF THE DISTRICT CONTRIBUTIONS
LAST TEN FISCAL YEARS***

	Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily Required Contribution	\$ 1,909,854	\$ 1,761,237	\$ 1,408,265	\$ 1,550,469	\$ 1,498,317	\$ 1,472,072	\$ 1,379,703	\$ 1,319,663	\$ 1,247,423	\$ 1,201,308
Contributions in Relation to the Statutorily Required Contribution	(1,909,854)	(1,761,237)	(1,408,265)	(1,550,469)	(1,498,317)	(1,472,072)	(1,379,703)	(1,319,663)	(1,247,423)	(1,201,308)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 25,464,720	\$ 23,483,160	\$ 23,483,160	\$ 20,672,920	\$ 19,977,560	\$ 19,627,627	\$ 18,396,040	\$ 17,595,507	\$ 16,914,210	\$ 16,569,766
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.38%	7.250%

See accompanying Notes to Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

A. General Employees Fund

2022

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

2021

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

2020

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS
(CONTINUED)**

2019

- The mortality projection scale was changed from MP-2017 to MP-2018.
- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed postretirement benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

2017

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

2016

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS
(CONTINUED)**

The following changes were reflected in the valuation performed on behalf of the Teachers Retirement Association for the year ended June 30:

A. Coordinated Plan

2022

- There were no changes in actuarial assumptions for financial reporting purposes.

2021

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

2020

- No changes.

2019

- No changes.

2018

- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 4 years, (7.92% in 2019, 8.13% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.
- The single discount rate was changed from 5.12% to 7.5%.

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS
(CONTINUED)**

2017

- The COLA was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for 10 years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

The single discount rate was changed from 4.66% to 5.12%.

2016

- There was a change in actuarial assumptions that affected the measurement of the total liability since the prior measurement date.
- Postretirement benefit adjustments are now assumed to stay level at 2.0% annually.
- The single discount rate was changed from 8.0% to 4.66%.

The following changes were reflected in the valuation performed on behalf of the District's Postemployment Benefits Plan for the year ended June 30:

2023

- The rate of inflation was changed from 2.00% to 2.50%.
- The expected long-term investment return was changed from 5.90% to 6.10%.
- The discount rate was changed from 4.10% to 4.20%.

2022

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

2021

- The expected long-term investment return was changed from 4.00% to 3.50%.
- The discount rate was changed from 2.60% to 2.30%

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS
(CONTINUED)**

2020

- Nineteen Teachers, who retired by June 30, 2020 under an Early Retirement Incentive, each received a lump sum payment of \$15,000 (pro-rated if less than 1.0 FTE) to a Health Savings Account. The increase in liability also reflects an increase in the implicit rate subsidy due to these employees retiring earlier than expected.
- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.
- The expected long-term investment return was changed from 4.50% to 4.00%.
- For The discount rate was changed from 3.50% to 2.60%.

2019

- The discount rate was changed from 3.70% to 3.50%

2018

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality table was updated from RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.
- The expected long-term investment return was changed from 3.40% to 3.70%.
- For The discount rate was changed from 3.40% to 3.70%.

SUPPLEMENTARY INFORMATION

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
GENERAL FUND
BALANCE SHEET
JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2022)**

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and Investments	\$ 50,266,242	\$ 46,018,350
Receivables:		
Current Taxes	20,853,860	19,554,404
Delinquent Taxes	101,101	91,503
Accounts and Interest Receivable	250,890	152,523
Due from Other Minnesota School Districts	128,080	47,430
Due from Minnesota Department of Education	7,943,510	8,513,095
Due from Federal Through the Minnesota Department of Education	894,798	1,561,151
Due from Federal Government Received Directly	4,322	104,224
Due from Other Governmental Units	418,452	180,145
Long-Term Lease Receivables	1,795,488	1,813,970
Prepays	96,263	260,905
Total Assets	<u>\$ 82,753,006</u>	<u>\$ 78,297,700</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities:		
Salaries and Compensated Absences Payable	\$ 9,291,610	\$ 8,975,945
Payroll Deductions and Employer Contributions Payable	2,910,053	2,704,956
Accounts and Contracts Payable	2,656,437	1,917,554
Due to Other Minnesota School Districts	246,166	368,890
Due to Other Governmental Units	513,004	479,609
Due to Other Funds	-	27,864
Unearned Revenue	631,684	122,905
Total Liabilities	<u>16,248,954</u>	<u>14,597,723</u>
Deferred Inflows:		
Unavailable Revenue - Property Taxes Levied for Subsequent Year	38,304,059	35,737,412
Unavailable Revenue - Delinquent Taxes	52,717	66,884
Long-Term Lease Receivables	1,706,441	1,769,174
Total Deferred Inflows of Resources	<u>40,063,217</u>	<u>37,573,470</u>
Fund Balance:		
Nonspendable:		
Prepays	96,263	260,905
Restricted for:		
Student Activities	209,997	216,126
Area Learning Center	79,987	62,136
Basic Skills Programs	-	188,160
Capital Projects Levy	297,783	310,906
Medical Assistance	436,929	442,242
Operating Capital	516,765	771,654
Safe Schools Levy	91,715	24,524
Assigned for:		
Transportation	-	513,510
Transportation Center	6,606,505	6,606,505
Construction	200,000	-
Separation/Retirement Benefits	1,700,000	1,700,000
Capital Maintenance - Victoria Field House	80,000	80,000
Quality Comp	346,728	458,894
Energy Efficiency	213,785	208,766
MTSS-ADSIS	766,358	1,265,398
Site Carry-Over	602,886	648,949
Unassigned	14,195,134	12,367,832
Total Fund Balance	<u>26,440,835</u>	<u>26,126,507</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 82,753,006</u>	<u>\$ 78,297,700</u>

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2022)**

	2023			2022
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES				
Local Sources:				
Property Taxes	\$ 36,052,958	\$ 35,227,141	\$ (825,817)	\$ 30,523,562
Earnings and Investments	500,000	1,261,315	761,315	113,418
Other	4,347,651	4,559,706	212,055	6,956,744
State Sources	93,498,732	92,882,880	(615,852)	92,390,036
Federal Sources	4,712,227	4,061,303	(650,924)	5,717,833
Total Revenues	<u>139,111,568</u>	<u>137,992,345</u>	<u>(1,119,223)</u>	<u>135,701,593</u>
EXPENDITURES				
Current:				
Administration:				
Salaries	3,478,076	3,494,456	16,380	3,596,397
Employee Benefits	881,297	849,529	(31,768)	819,171
Purchased Services	53,651	49,498	(4,153)	56,017
Supplies and Materials	5,964	4,415	(1,549)	11,291
Other Expenditures	75,719	90,567	14,848	73,893
Total Administration	<u>4,494,707</u>	<u>4,488,465</u>	<u>(6,242)</u>	<u>4,556,769</u>
District Support Services:				
Salaries	2,770,891	2,792,889	21,998	2,381,717
Employee Benefits	697,262	644,758	(52,504)	541,939
Purchased Services	462,488	417,680	(44,808)	486,543
Supplies and Materials	390,973	146,916	(244,057)	120,324
Other Expenditures	(19,097)	(34,232)	(15,135)	(29,104)
Total District Support Services	<u>4,302,517</u>	<u>3,968,011</u>	<u>(334,506)</u>	<u>3,501,419</u>
Elementary and Secondary Regular Instruction:				
Salaries	42,541,961	41,711,860	(830,101)	40,180,441
Employee Benefits	10,775,435	10,463,237	(312,198)	10,067,595
Purchased Services	2,636,495	3,232,470	595,975	3,301,538
Supplies and Materials	2,718,708	2,208,776	(509,932)	2,164,895
Other Expenditures	448,400	433,946	(14,454)	413,489
Total Elementary and Secondary Regular Instruction	<u>59,120,999</u>	<u>58,050,289</u>	<u>(1,070,710)</u>	<u>56,127,958</u>

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2022)**

	2023			2022
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
EXPENDITURES (Continued)				
Current (Continued):				
Vocational Education Instruction:				
Salaries	\$ 706,172	\$ 693,670	\$ (12,502)	\$ 732,772
Employee Benefits	204,292	195,335	(8,957)	207,845
Purchased Services	562,170	220,293	(341,877)	474,164
Supplies and Materials	6,550	7,789	1,239	12,863
Other Expenditures	4,759	4,048	(711)	4,230
Total Vocational Education Instruction	<u>1,483,943</u>	<u>1,121,135</u>	<u>(362,808)</u>	<u>1,431,874</u>
Special Education Instruction:				
Salaries	19,097,776	18,825,171	(272,605)	17,537,991
Employee Benefits	5,081,230	4,974,237	(106,993)	4,661,918
Purchased Services	603,937	582,821	(21,116)	619,837
Supplies and Materials	322,500	161,446	(161,054)	173,140
Other Expenditures	126,002	137,857	11,855	127,017
Total Special Education Instruction	<u>25,231,445</u>	<u>24,681,532</u>	<u>(549,913)</u>	<u>23,119,903</u>
Instructional Support Services:				
Salaries	6,328,824	6,264,303	(64,521)	6,158,883
Employee Benefits	1,614,100	1,588,607	(25,493)	1,443,999
Purchased Services	483,192	356,981	(126,211)	417,547
Supplies and Materials	1,020,099	306,359	(713,740)	241,526
Other Expenditures	66,677	53,972	(12,705)	53,519
Total Instructional Support Services	<u>9,512,892</u>	<u>8,570,222</u>	<u>(942,670)</u>	<u>8,315,474</u>
Pupil Support Services:				
Salaries	7,366,549	7,348,645	(17,904)	6,875,049
Employee Benefits	1,830,005	1,792,208	(37,797)	1,584,188
Purchased Services	2,381,700	2,182,733	(198,967)	2,388,407
Supplies and Materials	1,046,148	916,378	(129,770)	1,059,912
Other Expenditures	20,170	17,372	(2,798)	24,038
Total Pupil Support Services	<u>12,644,572</u>	<u>12,257,336</u>	<u>(387,236)</u>	<u>11,931,594</u>

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2022)**

	2023			2022
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
EXPENDITURES (Continued)				
Current (Continued):				
Sites and Buildings:				
Salaries	\$ 4,271,067	\$ 4,031,922	\$ (239,145)	\$ 3,947,219
Employee Benefits	1,209,649	1,141,352	(68,297)	1,075,845
Purchased Services	5,262,548	8,046,357	2,783,809	7,101,102
Supplies and Materials	548,179	1,071,854	523,675	1,142,938
Other Expenditures	34,055	4,204	(29,851)	11,677
Total Sites and Buildings	<u>11,325,498</u>	<u>14,295,689</u>	<u>2,970,191</u>	<u>13,278,781</u>
Fiscal and Other Fixed Costs:				
Purchased Services	817,542	817,382	(160)	632,351
Capital Outlay:				
Administration	750	182	(568)	5,590
District Support Services	111,969	408,562	296,593	306,303
Regular Instruction	1,748,515	1,983,001	234,486	1,287,737
Special Education Instruction	306,438	163,235	(143,203)	88,717
Instructional Support Services	355,006	1,029,482	674,476	1,557,329
Pupil Support Services	205,460	187,362	(18,098)	5,105,174
Sites and Buildings	6,001,834	4,770,499	(1,231,335)	4,344,867
Total Capital Outlay	<u>8,732,039</u>	<u>8,544,390</u>	<u>(187,649)</u>	<u>12,695,717</u>
Debt Service:				
Principal	1,092,149	622,119	(470,030)	350,115
Interest and Fiscal Charges	346,053	403,273	57,220	79,406
Total Debt Service	<u>1,438,202</u>	<u>1,025,392</u>	<u>(412,810)</u>	<u>429,521</u>
Total Expenditures	<u>139,104,356</u>	<u>137,819,843</u>	<u>(1,284,513)</u>	<u>136,021,361</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	7,212	172,502	165,290	(319,768)
OTHER FINANCING SOURCES				
Sale of Equipment	-	-	-	7,105
Insurance Recovery	92,606	114,223	21,617	9,422
Issuance of Long-Term Leases	-	27,603	27,603	171,292
Issuance of Equipment Certificates	-	-	-	6,839,000
Total Other Financing Sources	<u>92,606</u>	<u>141,826</u>	<u>49,220</u>	<u>7,026,819</u>
NET CHANGE IN FUND BALANCE	<u>\$ 99,818</u>	<u>314,328</u>	<u>\$ 214,510</u>	<u>6,707,051</u>
FUND BALANCE				
Beginning of Year		<u>26,126,507</u>		<u>19,419,456</u>
End of Year		<u>\$ 26,440,835</u>		<u>\$ 26,126,507</u>

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
FOOD SERVICE FUND
BALANCE SHEET
JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2022)**

	2023	2022
ASSETS		
Cash and Investments	\$ 5,072,816	\$ 4,821,637
Receivables:		
Accounts and Interest Receivable	27,302	8,825
Due from Other Minnesota School Districts	-	763
Due from Minnesota Department of Education	8,076	4,334
Due from Federal Through the Minnesota Department of Education	66,541	200,711
Inventory	145,643	151,353
Total Assets	\$ 5,320,378	\$ 5,187,623
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Salaries and Compensated Absences Payable	\$ 257,989	\$ 235,040
Payroll Deductions and Employer Contributions Payable	56,089	51,354
Accounts and Contracts Payable	34,591	75,758
Unearned Revenue	256,468	250,476
Total Liabilities	610,367	612,628
 Fund Balance:		
Nonspendable:		
Inventory	145,643	151,353
Restricted for:		
Food Service	4,564,368	4,423,642
Total Fund Balance	4,710,011	4,574,995
Total Liabilities and Fund Balance	\$ 5,320,378	\$ 5,187,623

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2022)**

	2023			2022
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES				
Local Sources:				
Earnings and Investments	\$ 8,000	\$ 131,289	\$ 123,289	\$ 10,701
Other - Primarily Meal Sales	3,395,359	3,567,310	171,951	1,162,185
State Sources	317,579	313,714	(3,865)	222,539
Federal Sources	2,334,085	2,674,858	340,773	7,428,382
Total Revenues	<u>6,055,023</u>	<u>6,687,171</u>	<u>632,148</u>	<u>8,823,807</u>
EXPENDITURES				
Current:				
Salaries	2,160,721	2,185,836	25,115	2,053,203
Employee Benefits	496,707	499,304	2,597	456,126
Purchased Services	368,850	372,806	3,956	591,985
Supplies and Materials	3,352,333	3,278,948	(73,385)	3,289,734
Other Expenditures	600	571	(29)	453
Capital Outlay	217,254	214,940	(2,314)	290,716
Total Expenditures	<u>6,596,465</u>	<u>6,552,405</u>	<u>(44,060)</u>	<u>6,682,217</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(541,442)	134,766	676,208	2,141,590
OTHER FINANCING SOURCES				
Sale of Equipment	250	250	-	-
NET CHANGE IN FUND BALANCE	<u>\$ (541,192)</u>	135,016	<u>\$ 676,208</u>	2,141,590
FUND BALANCE				
Beginning of Year		<u>4,574,995</u>		<u>2,433,405</u>
End of Year		<u>\$ 4,710,011</u>		<u>\$ 4,574,995</u>

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
COMMUNITY SERVICE FUND
BALANCE SHEET
JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2022)**

	2023	2022
ASSETS		
Cash and Investments	\$ 3,764,069	\$ 2,745,413
Receivables:		
Current Taxes	588,787	536,636
Delinquent Taxes	2,860	2,856
Accounts and Interest Receivable	36,260	5,474
Due from Minnesota Department of Education	163,618	149,067
Due from Federal Through the Minnesota Department of Education	69,864	135,582
Due from Other Governmental Units	22,987	14,515
Prepays	8,460	9,579
Total Assets	\$ 4,656,905	\$ 3,600,094
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities:		
Salaries and Compensated Absences Payable	\$ 465,240	\$ 495,588
Payroll Deductions and Employer Contributions Payable	102,050	102,219
Accounts and Contracts Payable	104,732	74,567
Due to Other Minnesota School Districts	20,163	29,983
Due to Other Governmental Units	8,548	4,615
Unearned Revenue	599,914	497,725
Total Liabilities	1,300,647	1,204,697
Deferred Inflows:		
Property Taxes Levied for Subsequent Year	1,145,247	1,040,424
Unavailable Revenue - Delinquent Taxes	1,600	2,068
Total Deferred Inflows of Resources	1,146,847	1,042,492
Fund Balance:		
Nonspendable:		
Prepays	8,460	9,579
Restricted for:		
Community Education	1,745,271	939,015
Early Childhood and Family Education	328,938	291,102
School Readiness	104,973	62,034
Other Purposes	21,769	51,175
Total Fund Balance	2,209,411	1,352,905
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 4,656,905	\$ 3,600,094

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
COMMUNITY SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2022)**

	2023			2022
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES				
Local Sources:				
Property Taxes	\$ 1,040,424	\$ 1,045,617	\$ 5,193	\$ 1,004,057
Earnings and Investments	-	79,599	79,599	6,732
Other - Primarily Tuition and Fees	6,421,873	6,732,400	310,527	5,702,334
State Sources	1,782,664	1,762,025	(20,639)	1,511,345
Federal Sources	275,000	202,588	(72,412)	445,482
Total Revenues	<u>9,519,961</u>	<u>9,822,229</u>	<u>302,268</u>	<u>8,669,950</u>
EXPENDITURES				
Current:				
Salaries	5,575,965	5,563,231	(12,734)	5,061,993
Employee Benefits	1,348,594	1,264,089	(84,505)	1,145,580
Purchased Services	1,581,578	1,620,841	39,263	1,178,387
Supplies and Materials	517,700	478,955	(38,745)	424,300
Other Expenditures	41,879	12,112	(29,767)	68,070
Capital Outlay	35,555	26,495	(9,060)	24,244
Total Expenditures	<u>9,101,271</u>	<u>8,965,723</u>	<u>(135,548)</u>	<u>7,902,574</u>
NET CHANGE IN FUND BALANCE	<u>\$ 418,690</u>	856,506	<u>\$ 437,816</u>	767,376
FUND BALANCE				
Beginning of Year		<u>1,352,905</u>		<u>585,529</u>
End of Year		<u>\$ 2,209,411</u>		<u>\$ 1,352,905</u>

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
CAPITAL PROJECTS – BUILDING CONSTRUCTION FUND
BALANCE SHEET
JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2022)**

	2023	2022
ASSETS		
Cash and Investments	\$ 37,175,393	\$ 7,999,233
Receivables:		
Accounts and Interest Receivable	332,800	44,828
Total Assets	\$ 37,508,193	\$ 8,044,061
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Salaries and Compensated Absences Payable	\$ 53,917	\$ 131,939
Payroll Deductions and Employer Contributions Payable	17,633	37,713
Accounts and Contracts Payable	5,528,716	2,274,271
Total Liabilities	5,600,266	2,443,923
Fund Balance:		
Restricted for:		
Capital Projects Levy	718,071	402,331
Projects Funded by Certificates of Participation	712,957	5,197,807
Restricted for Capital Projects	30,476,899	-
Total Fund Balance	31,907,927	5,600,138
Total Liabilities and Fund Balance	\$ 37,508,193	\$ 8,044,061

**INDEPENDENT SCHOOL DISTRICT NO. 112
 EASTERN CARVER COUNTY SCHOOLS
 CAPITAL PROJECTS – BUILDING CONSTRUCTION FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
 BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2023
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2022)**

	2023		Over (Under) Final Budget	2022
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Local Sources:				
Property Taxes	\$ 2,226,071	\$ 2,226,071	\$ -	\$ 2,801,805
Earnings and Investments	163,300	858,863	695,563	7,851
Other	-	-	-	3
State Sources	-	2,695	2,695	4,114
Total Revenues	<u>2,389,371</u>	<u>3,087,629</u>	<u>698,258</u>	<u>2,813,773</u>
EXPENDITURES				
Current:				
Salaries	781,624	783,522	1,898	1,227,554
Employee Benefits	254,917	232,889	(22,028)	352,560
Purchased Services	3,681,622	2,908,753	(772,869)	799,384
Other Expenditures	-	2,695	2,695	4,114
Capital Outlay	7,571,302	10,829,313	3,258,011	4,375,354
Total Expenditures	<u>12,290,684</u>	<u>14,777,444</u>	<u>2,486,760</u>	<u>6,758,966</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(9,901,313)	(11,689,815)	(1,788,502)	(3,945,193)
OTHER FINANCING SOURCES				
Sale of Bonds	34,235,000	34,235,000	-	-
Bond Premium	3,762,604	3,762,604	-	-
Issuance of Certificates of Participation	-	-	-	8,435,000
Premium on Certificates of Participation	-	-	-	722,337
Total Other Financing Sources	<u>37,997,604</u>	<u>37,997,604</u>	<u>-</u>	<u>9,157,337</u>
NET CHANGE IN FUND BALANCE	<u>\$ 28,096,291</u>	26,307,789	<u>\$ (1,788,502)</u>	5,212,144
FUND BALANCE				
Beginning of Year		<u>5,600,138</u>		<u>387,994</u>
End of Year		<u>\$ 31,907,927</u>		<u>\$ 5,600,138</u>

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
DEBT SERVICE FUND
BALANCE SHEET
JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2022)**

	Totals	
	2023	2022
ASSETS		
Cash and Investments	\$ 12,126,219	\$ 11,266,874
Cash with Fiscal Agent	-	31,536,224
Receivables:		
Current Taxes	9,496,338	8,895,264
Delinquent Taxes	48,364	53,309
Accounts and Interest Receivable	55,511	24,271
Due from Minnesota Department of Education	13,168	27,142
	\$ 21,739,600	\$ 51,803,084
 DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Deferred Inflows:		
Property Taxes Levied for Subsequent Year	\$ 18,359,210	\$ 17,133,743
Unavailable Revenue - Delinquent Taxes	28,260	37,989
Total Deferred Inflows of Resources	18,387,470	17,171,732
Restricted for:		
Bond Refunding	-	31,537,443
Debt Service	3,352,130	3,093,909
Total Fund Balance	3,352,130	34,631,352
	\$ 21,739,600	\$ 51,803,084

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2022)**

	2023		Over (Under) Final Budget	2022
	Final Budgeted Amounts	Actual Amounts		Actual Amounts
REVENUES				
Local Sources:				
Property Taxes	\$ 17,133,743	\$ 17,100,829	\$ (32,914)	\$ 17,022,651
Earnings and Investments	131,000	739,130	608,130	(238,872)
State Sources	100,000	131,933	31,933	273,683
Total Revenues	<u>17,364,743</u>	<u>17,971,892</u>	<u>607,149</u>	<u>17,067,962</u>
EXPENDITURES				
Debt Service:				
Bond Principal	13,275,000	13,275,000	-	13,445,000
Bond Interest	3,960,916	4,580,716	619,800	5,924,776
Paying Agent Fees and Other	9,000	5,398	(3,602)	44,439
Total Expenditures	<u>17,244,916</u>	<u>17,861,114</u>	<u>616,198</u>	<u>19,414,215</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	119,827	110,778	(9,049)	(2,346,253)
OTHER FINANCING SOURCES (USES)				
Payment to Refunded Bond Escrow Agent	(31,390,000)	(31,390,000)	-	(13,300,000)
Total Other Financing Sources (Uses)	<u>(31,390,000)</u>	<u>(31,390,000)</u>	<u>-</u>	<u>(13,300,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (31,270,173)</u>	(31,279,222)	<u>\$ (9,049)</u>	(15,646,253)
FUND BALANCE				
Beginning of Year		<u>34,631,352</u>		<u>50,277,605</u>
End of Year		<u>\$ 3,352,130</u>		<u>\$ 34,631,352</u>

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2023**

	AUDIT	UFARS	DIFFERENCE
01 GENERAL FUND			
Total Revenue	\$ 137,992,345	\$ 139,398,514	\$ (1,406,169)
Total Expenditures	137,819,843	138,168,635	(348,792)
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	96,263	96,263	-
<i>Restricted:</i>			
401 Student Activities	209,997	209,997	-
403 Scholarships	-	-	-
403 Staff Development	-	-	-
406 Health and Safety	-	-	-
407 Capital Project Levy	297,783	297,783	-
408 Cooperative Programs	-	-	-
413 Projects Funded by COP	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maintenance	-	-	-
424 Operating Capital	516,765	1,394,375	(877,610)
426 \$25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning and Development	-	-	-
434 Area Learning Center	79,987	79,987	-
435 Contracted Alternative Programs	-	-	-
436 State-Approved Alternative Programs	-	-	-
438 Gifted and Talented	-	-	-
440 Teacher Development and Evaluations	-	-	-
441 Basic Skills Programs	-	-	-
445 Career and Technical Programs	-	-	-
448 Achievement and Integration	-	14,529	(14,529)
449 Safe Schools Crime Levy	91,715	100,963	(9,248)
451 QZAB Payments	-	-	-
452 OPEB Liability Not Held in Trust	-	-	-
453 Unfunded Severance & Retirement Levy	-	-	-
467 LTFM	(602,913)	(1,318,248)	715,335
472 Medical Assistance	436,929	472,326	(35,397)
464 Restricted Fund Balance	-	-	-
<i>Committed:</i>			
418 Committed for Separation	-	-	-
461 Committed Fund Balance	-	-	-
<i>Assigned:</i>			
462 Assigned Fund Balance	10,516,262	14,653,281	(4,137,019)
<i>Unassigned:</i>			
422 Unassigned Fund Balance	14,195,134	14,653,281	(458,147)
02 FOOD SERVICE			
Total Revenue	6,687,171	6,611,496	75,675
Total Expenditures	6,552,405	6,552,405	-
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	145,643	145,643	-
<i>Restricted:</i>			
452 OPEB Liability Not Held in Trust	-	-	-
464 Restricted Fund Balance	4,564,368	4,488,694	75,674
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-
04 COMMUNITY SERVICE			
Total Revenue	9,822,229	9,813,423	8,806
Total Expenditures	8,965,723	8,953,320	12,403
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	8,460	8,460	-
<i>Restricted:</i>			
426 \$25 Taconite	-	-	-
431 Community Education	1,745,271	1,992,846	(247,575)
432 E.C.F.E.	328,938	80,768	248,170
440 Teacher Development and Evaluations	-	-	-
444 School Readiness	104,973	105,868	(895)
447 Adult Basic Education	-	-	-
452 OPEB Liability Not Held in Trust	-	-	-
464 Restricted Fund Balance	21,769	21,469	300
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
COMPLIANCE TABLE
JUNE 30, 2023
(UNAUDITED)**

	AUDIT	UFARS	DIFFERENCE
06 BUILDING CONSTRUCTION			
Total Revenue	\$ 3,087,629	\$ 858,863	\$ 2,228,766
Total Expenditures	14,777,444	14,059,416	718,028
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>			
407 Capital Projects Levy	718,071	(1,507,999)	2,226,070
413 Projects Funded by COP	712,957	712,957	-
467 LTFM	-	-	-
464 Restricted Fund Balance	30,476,899	31,192,233	(715,334)
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-
07 DEBT SERVICE			
Total Revenue	17,971,892	17,971,893	(1)
Total Expenditures	17,861,114	17,861,116	(2)
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>			
425 Bond Refunding	-	-	-
451 QZAB and QSCB Payments	-	-	-
464 Restricted Fund Balance	3,352,130	3,352,130	-
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-
08 TRUST			
Total Revenue	-	-	-
Total Expenditures	-	-	-
<i>Net Position:</i>			
422 Net Position	-	-	-
18 CUSTODIAL			
Total Revenue	104,195	104,195	-
Total Expenditures	65,064	65,065	(1)
<i>Restricted/Reserved:</i>			
401 Student Activities	-	(165)	165
402 Scholarships	158,010	158,174	(164)
448 Achievement and Integration	-	-	-
20 INTERNAL SERVICE			
Total Revenue	11,006,389	11,006,388	1
Total Expenditures	11,322,701	11,322,701	-
<i>Net Position:</i>			
422 Net Position	6,541,979	6,541,979	-
25 OPEB REVOCABLE TRUST			
Total Revenue	-	-	-
Total Expenditures	-	-	-
<i>Net Position:</i>			
422 Net Position	-	-	-
45 OPEB IRREVOCABLE TRUST			
Total Revenue	477,126	386,611	90,515
Total Expenditures	531,238	440,692	90,546
<i>Net Position:</i>			
422 Net Position	5,757,084	5,757,114	(30)
47 OPEB DEBT SERVICE			
Total Revenue	-	-	-
Total Expenditures	-	-	-
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>			
425 Bond Refunding	-	-	-
464 Restricted Fund Balance	-	-	-
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-



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