



Annual Financial Report

Independent School District No. 345

New London, Minnesota

For the year ended June 30, 2023



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 New London, Minnesota
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INTRODUCTORY SECTION
INDEPENDENT SCHOOL DISTRICT NO. 345
NEW LONDON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

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Independent School District No. 345
New London, Minnesota
Board of Education and Administration
For the Year Ended 2023

BOARD OF EDUCATION

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lucinda Dahlberg	Chairperson	12/31/2024
Mark Peterson	Vice-Chairperson	12/31/2026
Jeff Vetsch	Treasurer	12/31/2024
Susan Lange	Clerk	12/31/2024
Del Brouwer	Board Member	12/31/2026
Darryl Nelson	Board Member	12/31/2026
Laura Nelson	Board Member	12/31/2026

ADMINISTRATION

<u>Name</u>	<u>Title</u>
Jamie Boelter	Superintendent

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FINANCIAL SECTION
INDEPENDENT SCHOOL DISTRICT NO. 345
NEW LONDON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Independent School District No. 345
New London, Minnesota

Opinions

We have audited the accompanying financial statements of governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 345 (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis starting on page 17 and the schedule of Employer's Share of the Net Pension Liability, the schedule of Employer's Contributions, the related note disclosures, and the Schedule of Changes in the District's OPEB Liability and Related Ratios, starting on page 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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



Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Abdo
Minneapolis, Minnesota
December 21, 2023



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Management's Discussion and Analysis

As management of the Independent School District No. 345 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023.

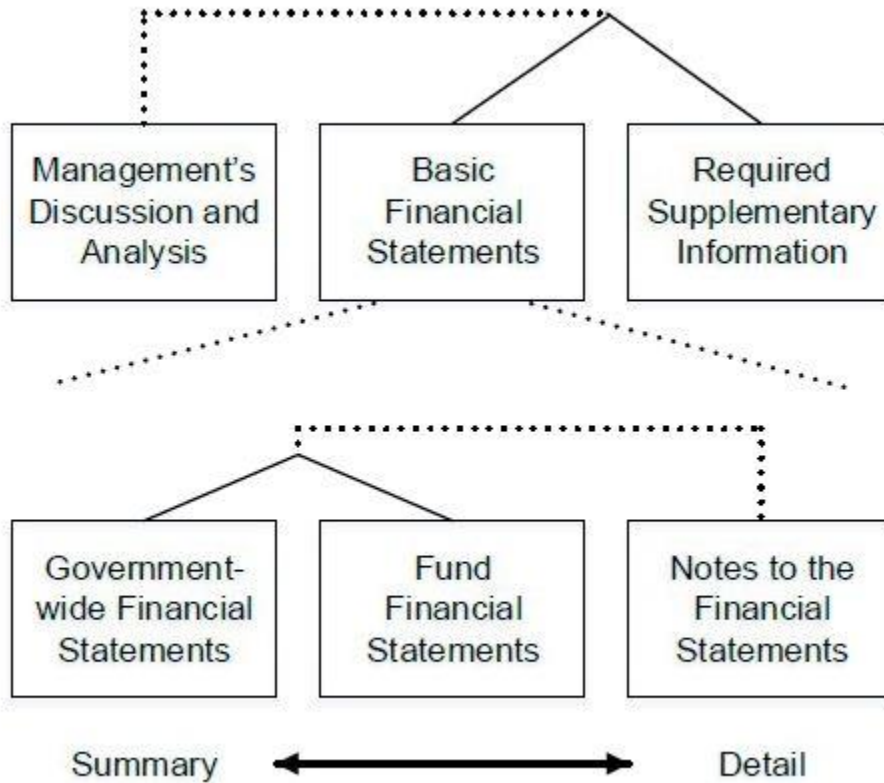
Financial Highlights

- The assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources of the District at the close of the most recent fiscal year by \$12,540,206 (net position).
- A deficit of \$13,039,383 (unrestricted net position) exists due to recognition of long-term pension liabilities in accordance with GASB Statement No. 68.
- The District's total net position increased by \$3,366,460 due to normal operations and recognition of pension expense in accordance with GASB Statement No. 68.
- For UFARS reporting, the District's unassigned fund balance in the General fund as of June 30, 2023, decreased from the prior year as shown in the Financial Analysis of District Funds. Since the District was able to pass an operating levy in November 2021, the intent will be to add to the fund balance in each of the upcoming years. The hope is to reach a fund balance percentage of approximately 20% over the next few years.
- For GASB reporting, as of the close of the current fiscal year, the District's governmental funds reported a decrease in ending fund balances in comparison with the prior year.
- The District's total long-term debt decreased during the current fiscal year. New debt was issued for the combined lease paying for the new interactive boards for classrooms and the security system project.
- The District has seen increased enrollment during the past few years. There was a decrease in the 2020-21 school year because of COVID-19 when some families chose online or homeschool options. For the 2022-2023 school year the student enrollment ADM was 1,541. Ten years ago, in 2012-2013, the enrollment was 1,394, and five years ago, in 2017-2018, the student enrollment ADM was 1,516. The District is hoping the upward trend will continue.

Overview of the Financial Statements

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

Organization of Independent School District No. 345 Annual Financial Report



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

Figure 2
Major Features of the District-wide and Fund Financial Statements

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

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

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

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

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

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

The district-wide financial statements start on page 30 of this report.

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

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

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

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

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

The basic governmental fund financial statements start on page 34 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the district-wide financial statements because the resources of those funds are not available to support the District’s own programs. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those whom the assets belong. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements start on page 39 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements start on page 41 of this report.

Required Supplementary Information. Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis starting on page 17 and the Schedule of Employer’s Shares of the Net Pension Liability and the Schedule of Employer’s Contributions starting on page 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund financial statements, schedules and table start on page 84 of this report.

District-wide Financial Analysis

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

By far, the largest portion of the District’s net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Independent School District No. 345’s Net Position

	Governmental Activities		
	2023	2022	Increase (Decrease)
Assets			
Current and other assets	\$ 9,754,513	\$ 9,285,615	\$ 468,898
Capital assets	44,249,745	44,377,212	(127,467)
Total Assets	54,004,258	53,662,827	341,431
Deferred Outflows of Resources	4,574,883	5,503,035	(928,152)
Liabilities			
Noncurrent liabilities outstanding	34,458,124	28,900,517	5,557,607
Other liabilities	2,819,572	2,091,359	728,213
Total Liabilities	37,277,696	30,991,876	6,285,820
Deferred Inflows of Resources	8,761,239	19,000,240	(10,239,001)
Net Position			
Net investment in capital assets	24,644,535	24,168,195	476,340
Restricted	935,054	1,043,971	(108,917)
Unrestricted	(13,039,383)	(16,038,420)	2,999,037
Total Net Position	\$ 12,540,206	\$ 9,173,746	\$ 3,366,460
Net Position as a Percent of Total			
Net investment in capital assets	196.5 %	263.4 %	
Restricted	7.5	11.4	
Unrestricted	(104.0)	(174.8)	
	100.0 %	100.0 %	

A portion of the District’s net position represents restricted money that will be subject to external restrictions on how they may be used once funding is received.

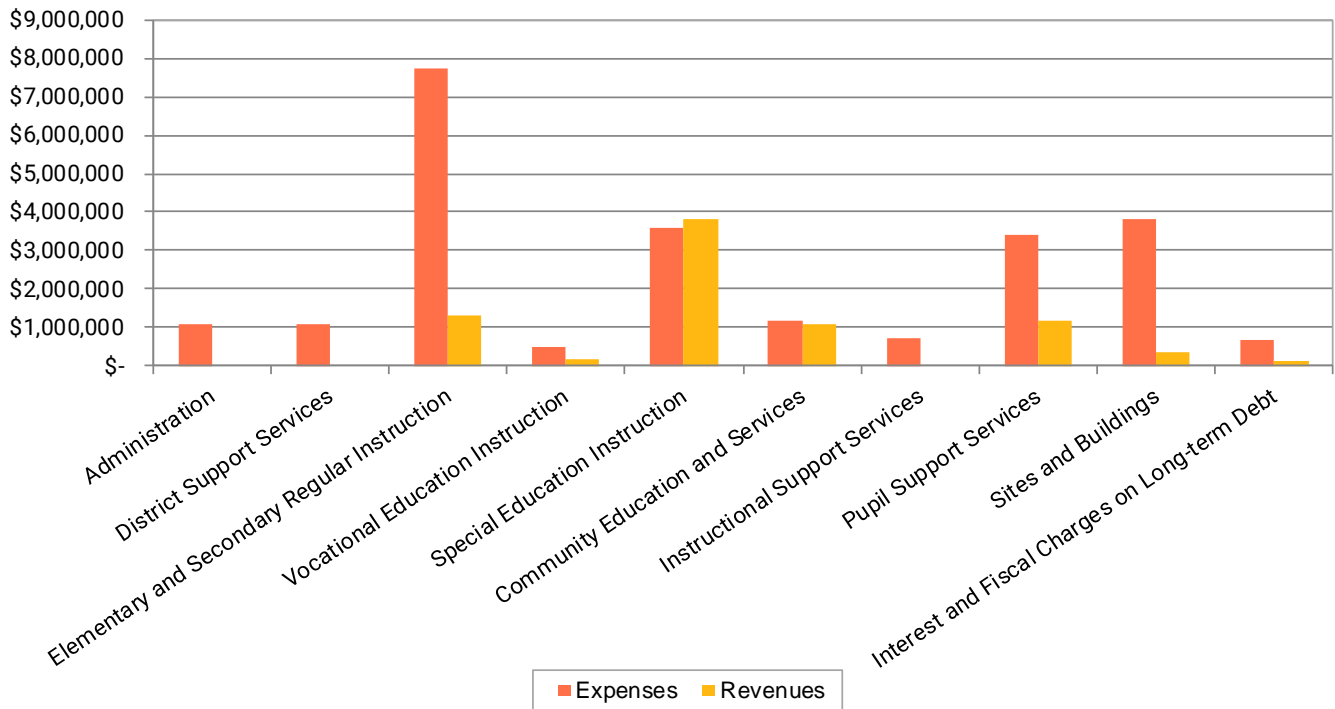
At the end of the current fiscal year, the District is unable to report a positive balance in unrestricted net position reporting a deficit as shown above.

The District's total net position increased during the current fiscal year as shown below. Key elements of this increase are as follows:

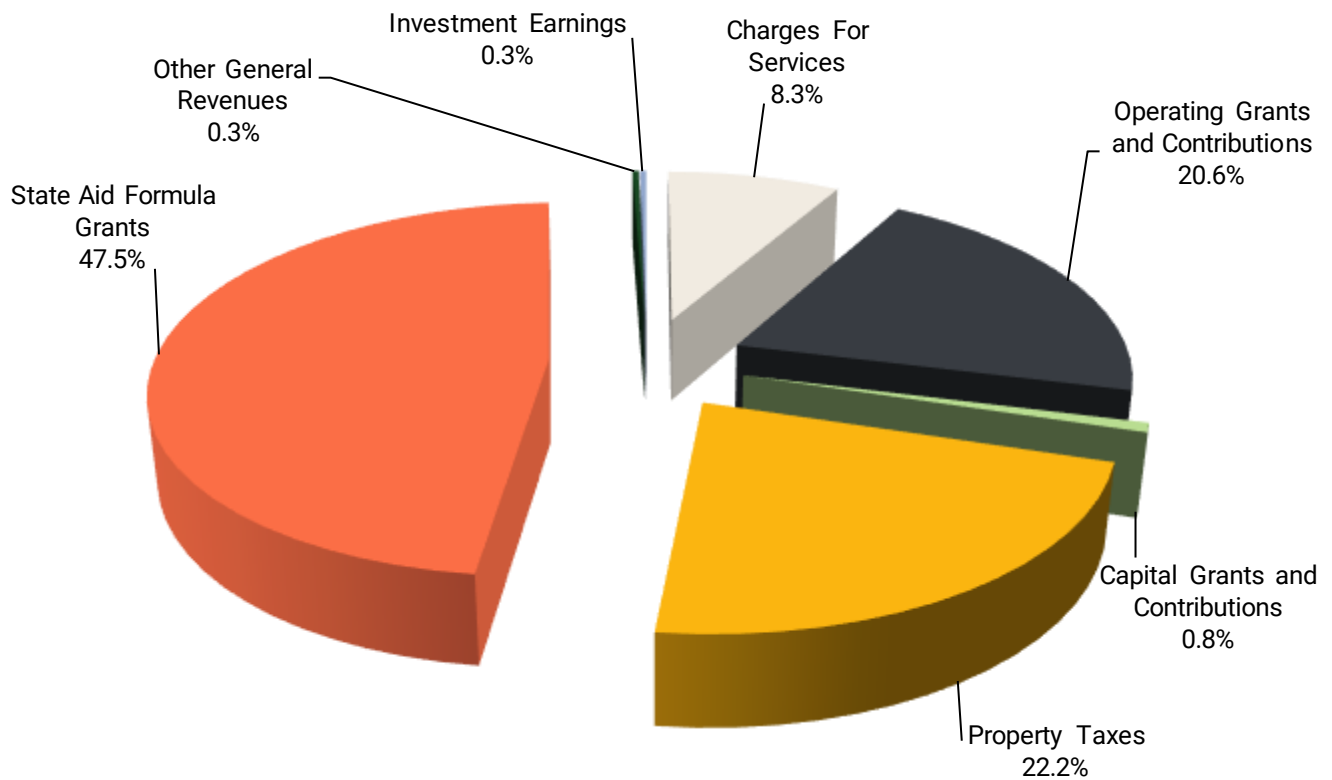
Independent School District No. 345's Changes in Net Position

	Governmental Activities		
	2023	2022	Increase (Decrease)
Revenues			
Program Revenues			
Charges for services	\$ 2,252,787	\$ 1,784,369	\$ 468,418
Operating grants and contributions	5,589,725	5,712,212	(122,487)
Capital grants and contributions	214,399	215,439	(1,040)
General revenues			
Property taxes	6,017,251	4,353,847	1,663,404
State aid-formula grants	12,871,209	12,553,678	317,531
Other	160,050	91,938	68,112
Total Revenues	<u>27,105,421</u>	<u>24,711,483</u>	<u>2,393,938</u>
Expenses			
Administration	1,103,456	1,084,862	18,594
District support services	1,097,991	980,744	117,247
Elementary and secondary regular instruction	7,734,277	8,739,782	(1,005,505)
Vocational education instruction	503,289	572,723	(69,434)
Special education instruction	3,567,929	3,359,669	208,260
Community education and services	1,169,622	1,141,998	27,624
Instructional support services	714,730	825,108	(110,378)
Pupil support services	3,386,702	3,023,376	363,326
Sites and buildings	3,802,134	3,285,350	516,784
Interest and fiscal charges on long-term debt	658,831	623,672	35,159
Total Expenses	<u>23,738,961</u>	<u>23,637,284</u>	<u>101,677</u>
Change in Net Position	3,366,460	1,074,199	2,292,261
Net Position, July 1	<u>9,173,746</u>	<u>8,099,547</u>	<u>1,074,199</u>
Net Position, June 30	<u>\$ 12,540,206</u>	<u>\$ 9,173,746</u>	<u>\$ 3,366,460</u>

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

	General Fund	Debt Service Fund	Other Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances						
Nonspendable	\$ 128,634	\$ -	\$ 16,034	\$ 144,668	\$ 156,085	\$ (11,417)
Restricted for	176,180	381,666	651,152	1,208,998	1,294,968	(85,970)
Assigned for	42,212	-	-	42,212	42,988	(776)
Unassigned	223,482	-	(262,314)	(38,832)	90,636	(129,468)
	<u>\$ 570,508</u>	<u>\$ 381,666</u>	<u>\$ 404,872</u>	<u>\$ 1,357,046</u>	<u>\$ 1,584,677</u>	<u>\$ (227,631)</u>

As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances as shown in the table above. Additional information on the District's fund balances can be found in Note 1.

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

	Current Year Ending Balance	Prior Year Ending Balance	Increase/ (Decrease)
General Fund Fund Balances			
Nonspendable	\$ 128,634	\$ 141,507	\$ (12,873)
Restricted for	176,180	225,979	(49,799)
Assigned for	42,212	42,988	(776)
Unassigned	223,482	291,742	(68,260)
	<u>\$ 570,508</u>	<u>\$ 702,216</u>	<u>\$ (131,708)</u>
General Fund expenditures	\$ 23,467,707	\$ 19,555,746	
Unassigned as a percent of expenditures	1.0%	1.5%	
Total Fund Balance as a percent of expenditures	2.4%	3.6%	

The fund balance of the District's General fund decreased during the current fiscal year as shown in the table above. The decrease resulted from expenditures exceeding budgeted amounts.

Other major governmental fund analysis is shown below:

	December 31, 2023	December 31, 2022	Increase (Decrease)
Debt Service fund	\$ 381,666	\$ 352,819	\$ 28,847

The Debt Service fund increase in fund balance during the year was due to allocation of local property tax levy revenue and state revenues to the debt service fund exceeding scheduled principal and interest payments made on bonds during the year.

General Fund Budgetary Highlights

	Original Budgeted Amounts	Budget Amendments	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 21,615,949	\$ 338,834	\$ 21,954,783	\$ 22,437,894	\$ 483,111
Expenditures	21,420,248	510,120	21,930,368	23,467,707	(1,537,339)
Excess of Revenues Over Expenditures	195,701	(171,286)	24,415	(1,029,813)	(1,054,228)
Other Financing Sources (Uses) Financed purchase obligations issued	-	-	-	898,105	898,105
Net Change in Fund Balances	195,701	(171,286)	24,415	(131,708)	(156,123)
Fund Balances, January 1	702,216	-	702,216	702,216	
Fund Balances, December 31	<u>\$ 897,917</u>	<u>\$ (171,286)</u>	<u>\$ 726,631</u>	<u>\$ 570,508</u>	<u>\$ (156,123)</u>

The District's General fund budget was amended during the year as shown above. The budget amendment increased revenues relating to federal and state sources and increased current expenditures in administration and sites and buildings. Actual revenues and expenditures exceeded the final budget amounts as shown above.

Debt Service Fund Budgetary Highlights

	Original Budgeted Amounts	Budget Amendments	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 2,013,358	\$ 26,547	\$ 2,039,905	\$ 2,044,972	\$ 5,067
Expenditures	2,009,125	5,750	2,014,875	2,016,125	(1,250)
Net Change in Fund Balances	4,233	20,797	25,030	28,847	3,817
Fund Balances, January 1	352,819	-	352,819	352,819	
Fund Balances, December 31	<u>\$ 357,052</u>	<u>\$ 20,797</u>	<u>\$ 377,849</u>	<u>\$ 381,666</u>	<u>\$ 3,817</u>

The District's Debt Service fund budget was amended during the year as shown above. The budget amendment increased revenues relating to allocation of local property tax levy to the Debt service fund and increased expenditures for interest and other charges. Actual revenues and expenditures exceeded the final budget amounts as shown above.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2023, amounts to \$44,249,745 (net of accumulated depreciation). This investment in capital assets includes land, construction in process, buildings and system, improvements and machinery and equipment. The following is a schedule of capital assets as of June 30, 2023.

Independent School District No. 345's Capital Assets (Net of Depreciation)

	Governmental Activities		
	2023	2022	Increase (Decrease)
Land	\$ 95,819	\$ 95,819	\$ -
Land Improvements	2,793,461	2,923,745	(130,284)
Buildings and Improvements	39,221,752	40,304,522	(1,082,770)
Equipment	1,503,521	1,053,126	450,395
Total	<u>\$ 44,249,745</u>	<u>\$ 44,377,212</u>	<u>\$ (127,467)</u>

Additional information on the District's capital assets can be found in Note 3C starting on page 52 of this report.

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

Independent School District No. 345's Outstanding Debt

	Governmental Activities		
	2023	2022	Increase (Decrease)
General Obligation Bonds	\$ 17,195,000	\$ 18,530,000	\$ (1,335,000)
Bond Premium	1,141,100	1,223,933	(82,833)
Financed Purchase Obligation	1,269,110	455,084	814,026
Total	<u>\$ 19,605,210</u>	<u>\$ 20,209,017</u>	<u>\$ (603,807)</u>

The District's total long-term debt decreased due to regularly scheduled payments exceeding the issuance of additional financed purchase obligations.

Additional information on the District's long-term debt can be found in Note 3E starting on page 53 of this report.

Factors Bearing on the District Future

- Enrollment is always a large concern since Minnesota school districts are paid based on pupil units served. A decline in enrollment results in less revenue being received for operations. The District's ADM (average daily membership = pupil units served) for the past 15 years illustrates the downward trend the District faced for a number of years. The ADM's have been increasing slightly since 2014, although the COVID-19 virus caused a drop in enrollment for fiscal year 2021. The 2022-23 school year ended with enrollment of 1,541 and was higher than projected.
- The enrollment for 2023-24 is currently about 20 ADM's higher than was budgeted. The projection was conservative and based on the migration of students at the end of the 2022-23 school year. More kindergarten students enrolled than was expected, and other elementary grade levels have experienced increases in student count.
- Open enrollment from other districts adds many students each year. The most recent ADM report shows the District had 402.5 nonresident ADM's, and 151.4 residents attending schools in other districts for the year ended June 30, 2023. This is a net gain of 251.1 ADM's and is slightly higher than the prior year's net gain of 244.4.
- The New London-Spicer district is fortunate that its taxpayers voted in favor of an operating levy in November 2021. The referendum revenue authorization is \$1,020 per pupil for taxes payable in 2022 through 2031, with the additional revenue first received for the 2022-23 school year. The operating levy funds will be used to maintain programming and class sizes; create instructional and professional practice improvements through more staff development and additional curriculum tools; improve and create organizational efficiencies; advance technology, innovation, and security; and help to secure the district's financial future.
- School districts throughout the country incurred many additional costs due to the COVID-19 virus. The federal government allocated funds to schools to assist with expenses and the effects of decreased enrollment during the pandemic. New London-Spicer received over \$500,000 in additional revenue during fiscal year 2023. Some of the grants were specific in their uses while other grants could be used towards general operating expenses. A portion of the funds can be used through September 2024, and the remaining grants will be used during the 2023-24 school years.
- The Minnesota state legislature passed several bills during the 2023 session that are helpful to school districts. The bill passed making the largest impact for New London-Spicer schools is the additional amount towards the special education cross subsidy aid from 6.43% to 44.0% beginning in fiscal year 2024. Since the District serves many special education students, the increased aid will help to pay costs that have been paid by general fund dollars in the past.
- Another bill passed will provide free breakfast and lunch to all students in Minnesota as part of the state meals program. Schools receive the difference from the state of the amount paid by the federal government for one breakfast and one lunch for students participating. Schools will most likely see higher breakfast and lunch counts since parents will not have to pay the cost of the meals.
- A large project will begin in the summer of 2024 that was approved by the school board for upgrades and repairs to HVAC systems, indoor air quality, and a large roof project, among other things. The total cost of the project is expected to be slightly over \$30 million, and the proceeds from the first of two bonds was received in December 2023.

Requests for Information

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. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Superintendent, Independent School District No. 345, 101 4th Ave SW, New London, Minnesota 56273.

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DISTRICT-WIDE FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 345
NEW LONDON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

Independent School District No. 345

New London, Minnesota

Statement of Net Position

June 30, 2023

	<u>Governmental Activities</u>
Assets	
Cash and temporary investments	\$ 3,272,849
Receivables	
Taxes	2,883,744
Accounts	406,772
Due from Department of Education	2,486,920
Due from other governments	559,560
Prepaid items	144,668
Capital assets	
Land and construction in progress	731,011
Depreciable assets (net of accumulated depreciation)	43,518,734
Total Assets	<u>54,004,258</u>
Deferred Outflows of Resources	
Deferred pension resources	4,483,840
Deferred other post employment benefit resources	91,043
Total Deferred Outflows of Resources	<u>4,574,883</u>
Liabilities	
Accrued salaries payable	1,630,538
Accounts and other payables	708,868
Due to other governments	28,882
Due to other school districts	119,407
Accrued interest payable	281,300
Unearned revenue	50,577
Noncurrent liabilities	
Due within one year	
Long-term liabilities	1,517,130
Due in more than one year	
Long-term liabilities	18,427,307
Net pension liability	14,014,850
Net other postemployment benefits	498,837
Total Liabilities	<u>37,277,696</u>
Deferred Inflows of Resources	
Property taxes levied for subsequent year	5,841,513
Deferred pension resources	2,758,771
Deferred other post employment benefit resources	160,955
Total Deferred Inflows of Resources	<u>8,761,239</u>
Net Position	
Net investment in capital assets	24,644,535
Restricted for	
Educational purposes	176,497
Food service	606,903
Debt service	151,654
Unrestricted	<u>(13,039,383)</u>
Total Net Position	<u>\$ 12,540,206</u>

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

Independent School District No. 345
New London, Minnesota
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
Governmental Activities					
Administration	\$ 1,103,456	\$ -	\$ -	\$ -	\$ (1,103,456)
District support services	1,097,991	-	-	-	(1,097,991)
Elementary and secondary regular instruction	7,734,277	690,036	643,894	-	(6,400,347)
Vocational education instruction	503,289	142,992	20,961	-	(339,336)
Special education instruction	3,567,929	628	3,806,574	-	239,273
Community education and services	1,169,622	900,522	208,293	-	(60,807)
Instructional support services	714,730	-	-	-	(714,730)
Pupil support services	3,386,702	501,714	662,757	-	(2,222,231)
Sites and buildings	3,802,134	16,895	104,370	214,399	(3,466,470)
Interest and fiscal charges on long term debt	658,831	-	142,876	-	(515,955)
Total Governmental Activities	\$ 23,738,961	\$ 2,252,787	\$ 5,589,725	\$ 214,399	(15,682,050)
General Revenues					
Taxes					
Property taxes, levied for general purpose					3,975,454
Property taxes, levied for community service					138,888
Property taxes, levied for debt service					1,902,909
State aid-formula grants					12,871,209
Other general revenues					80,458
Investment earnings					79,592
Total General Revenues					<u>19,048,510</u>
Change In Net Position					3,366,460
Net Position, July 1					<u>9,173,746</u>
Net Position, June 30					<u>\$ 12,540,206</u>

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

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FUND FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 345
NEW LONDON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

Independent School District No. 345
New London, Minnesota
Balance Sheet
Governmental Funds
June 30, 2023

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and temporary investments	\$ 1,363,951	\$ 1,235,349	\$ 673,549	\$ 3,272,849
Receivables				
Taxes	1,954,571	862,113	67,060	2,883,744
Accounts	399,065	-	7,707	406,772
Due from Department of Education	2,463,901	14,284	8,735	2,486,920
Due from other governments	559,560	-	-	559,560
Prepaid items	128,634	-	16,034	144,668
	<u>128,634</u>	<u>-</u>	<u>16,034</u>	<u>144,668</u>
Total Assets	<u>\$ 6,869,682</u>	<u>\$ 2,111,746</u>	<u>\$ 773,085</u>	<u>\$ 9,754,513</u>
Liabilities				
Accrued salaries payable	\$ 1,548,238	\$ -	\$ 82,300	\$ 1,630,538
Accounts and other payables	603,964	-	104,904	708,868
Due to other governments	27,907	-	975	28,882
Due to other school districts	119,407	-	-	119,407
Unearned revenue	13,612	-	36,965	50,577
Total Liabilities	<u>2,313,128</u>	<u>-</u>	<u>225,144</u>	<u>2,538,272</u>
Deferred Inflows of Resources				
Unavailable revenue - delinquent property taxes	10,221	6,549	912	17,682
Property taxes levied for subsequent year	3,975,825	1,723,531	142,157	5,841,513
Total Deferred Inflows of Resources	<u>3,986,046</u>	<u>1,730,080</u>	<u>143,069</u>	<u>5,859,195</u>
Fund Balances				
Nonspendable	128,634	-	16,034	144,668
Restricted	176,180	381,666	651,152	1,208,998
Assigned	42,212	-	-	42,212
Unassigned	223,482	-	(262,314)	(38,832)
Total Fund Balances	<u>570,508</u>	<u>381,666</u>	<u>404,872</u>	<u>1,357,046</u>
	<u>570,508</u>	<u>381,666</u>	<u>404,872</u>	<u>1,357,046</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,869,682</u>	<u>\$ 2,111,746</u>	<u>\$ 773,085</u>	<u>\$ 9,754,513</u>

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

Independent School District No. 345
 New London, Minnesota
 Reconciliation of the Balance Sheet
 to the Statement of Net Position
 Governmental Funds
 June 30, 2023

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

Total Fund Balances - Governmental Funds	\$ 1,357,046
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	70,191,253
Less accumulated depreciation	(25,941,508)
Other long-term assets are not current financial resources and therefore are not reported in the funds.	
Net other postemployment benefits	(498,837)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Bonds payable	(17,195,000)
Bond premium	(1,141,100)
Financed purchase obligation	(1,269,110)
Compensated absences payable	(339,227)
Net pension liability	(14,014,850)
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	4,483,840
Deferred inflows of pension resources	(2,758,771)
Governmental funds do not report long-term amounts related to other post employment benefits.	
Deferred outflows of other post employment benefit resources	91,043
Deferred inflows of other post employment benefit resources	(160,955)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
	17,682
Governmental funds do not report a liability for accrued interest until due and payable.	
	<u>(281,300)</u>
Total Net Position - Governmental Activities	<u>\$ 12,540,206</u>

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

Independent School District No. 345
New London, Minnesota
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	General	Debt Service	Other Governmental Funds	Total
Revenues				
Local property tax levies	\$ 3,793,482	\$ 2,002,003	\$ 138,982	\$ 5,934,467
Other local and county revenue				
Interest earned on investments	79,473	-	119	79,592
Other	1,036,576	-	1,006,780	2,043,356
Revenue from state sources	16,728,936	42,969	161,127	16,933,032
Revenue from federal sources	799,427	-	555,766	1,355,193
Sales of food and other assets	-	-	501,714	501,714
Total Revenues	<u>22,437,894</u>	<u>2,044,972</u>	<u>2,364,488</u>	<u>26,847,354</u>
Expenditures				
Current				
Administration	1,260,300	-	-	1,260,300
District support services	1,055,688	-	-	1,055,688
Elementary and secondary regular instruction	9,706,868	-	-	9,706,868
Vocational education instruction	454,400	-	-	454,400
Special education instruction	4,035,734	-	-	4,035,734
Community education and services	-	-	1,261,971	1,261,971
Instructional support services	554,274	-	-	554,274
Pupil support services	2,345,866	-	1,039,349	3,385,215
Sites and buildings	2,049,272	-	-	2,049,272
Total current	<u>21,462,402</u>	<u>-</u>	<u>2,301,320</u>	<u>23,763,722</u>
Capital outlay				
District support services	1,762	-	-	1,762
Elementary and secondary regular instruction	69,480	-	-	69,480
Vocational education instruction	4,814	-	-	4,814
Community education and services	-	-	79,216	79,216
Instructional support services	1,099,071	-	-	1,099,071
Pupil support services	-	-	150,948	150,948
Sites and buildings	649,007	-	-	649,007
Total capital outlay	<u>1,824,134</u>	<u>-</u>	<u>230,164</u>	<u>2,054,298</u>
Debt service				
Principal	127,847	1,335,000	13,515	1,476,362
Interest and other charges	53,324	681,125	1,542	735,991
Total debt service	<u>181,171</u>	<u>2,016,125</u>	<u>15,057</u>	<u>2,212,353</u>
Total Expenditures	<u>23,467,707</u>	<u>2,016,125</u>	<u>2,546,541</u>	<u>28,030,373</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,029,813)	28,847	(182,053)	(1,183,019)
Other Financing Sources (Uses)				
Financed purchase obligations issued	898,105	-	57,283	955,388
Net Change in Fund Balances	(131,708)	28,847	(124,770)	(227,631)
Fund Balances, July 1	702,216	352,819	529,642	1,584,677
Fund Balances, June 30	<u>\$ 570,508</u>	<u>\$ 381,666</u>	<u>\$ 404,872</u>	<u>\$ 1,357,046</u>

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

Independent School District No. 345
New London, Minnesota
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances
to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2023

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

Total Net Change in Fund Balances - Governmental Funds	\$ (227,631)
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>	
Capital outlay	1,547,742
Depreciation	(1,675,209)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.</p>	
Principal repayments	
Bonds and financed purchase obligation payments	1,476,362
Financed purchase obligations issued	(955,388)
Current year amortization of bond premium	82,833
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	(5,673)
<p>Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.</p>	
	(10,074)
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	3,022,388
Direct aid contributions	128,006
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences	151,913
Other post employment benefits	(168,809)
	3,366,460
Change in Net Position - Governmental Activities	\$ 3,366,460

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

Independent School District No. 345
New London, Minnesota
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget And Actual
General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Local property tax levies	\$ 3,800,666	\$ 3,800,666	\$ 3,793,482	\$ (7,184)
Other local and county revenue				
Interest earned on investments	2,500	60,000	79,473	19,473
Other	859,100	930,625	1,036,576	105,951
Revenue from state sources	16,293,316	16,402,312	16,728,936	326,624
Revenue from federal sources	660,367	761,180	799,427	38,247
Total Revenues	<u>21,615,949</u>	<u>21,954,783</u>	<u>22,437,894</u>	<u>483,111</u>
Expenditures				
Current				
Administration	1,207,706	1,391,371	1,260,300	131,071
District support services	933,461	999,541	1,055,688	(56,147)
Elementary and secondary regular instruction	9,525,293	9,278,266	9,706,868	(428,602)
Vocational education instruction	488,029	469,612	454,400	15,212
Special education instruction	3,912,375	4,015,070	4,035,734	(20,664)
Instructional support services	535,071	546,678	554,274	(7,596)
Pupil support services	2,015,363	2,083,021	2,345,866	(262,845)
Sites and buildings	1,736,774	2,023,903	2,049,272	(25,369)
Total current	<u>20,354,072</u>	<u>20,807,462</u>	<u>21,462,402</u>	<u>(654,940)</u>
Capital outlay				
District support services	-	1,800	1,762	38
Elementary and secondary regular instruction	283,941	276,650	69,480	207,170
Vocational education instruction	4,000	4,500	4,814	(314)
Instructional support services	60,000	166,189	1,099,071	(932,882)
Sites and buildings	620,168	575,700	649,007	(73,307)
Total capital outlay	<u>968,109</u>	<u>1,024,839</u>	<u>1,824,134</u>	<u>(799,295)</u>
Debt service				
Principal	83,769	86,106	127,847	(41,741)
Interest and other charges	14,298	11,961	53,324	(41,363)
Total debt service	<u>98,067</u>	<u>98,067</u>	<u>181,171</u>	<u>(83,104)</u>
Total Expenditures	<u>21,420,248</u>	<u>21,930,368</u>	<u>23,467,707</u>	<u>(1,537,339)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	195,701	24,415	(1,029,813)	(1,054,228)
Other Financing Sources (Uses)				
Financed purchase obligations issued	-	-	898,105	898,105
Net Change in Fund Balances	195,701	24,415	(131,708)	(156,123)
Fund Balances, July 1	<u>702,216</u>	<u>702,216</u>	<u>702,216</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 897,917</u>	<u>\$ 726,631</u>	<u>\$ 570,508</u>	<u>\$ (156,123)</u>

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

Independent School District No. 345
New London, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023

	Private-purpose Trust Funds	Other Employee Benefit Trust Funds
Assets		
Cash and deposits	\$ 132,210	\$ -
Receivables		
Accounts	17,031	-
Investments		
Money market	-	7,038
Mutual funds	-	1,425,879
Total Investments	-	1,432,917
Total Assets	149,241	1,432,917
Liabilities		
Payables		
Bank overdraft	-	7,296
Due to primary government	-	230,571
Total Liabilities	-	237,867
Net Position		
Restricted		
Scholarship trusts	149,241	-
Postemployment benefits other than pensions	-	1,195,050
Total Net Position	\$ 149,241	\$ 1,195,050

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

Independent School District No. 345
New London, Minnesota
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023

	Private-purpose Trust Funds	Other Employee Benefit Trust Funds
Additions		
Contributions and donations	\$ 39,737	\$ -
Investment income		
Net increase (decrease) in fair value of investments	-	53,985
Interest and dividends	337	50,235
Total Investment Income	337	104,220
Total Additions	40,074	104,220
Deductions		
Scholarship awards	54,396	-
OPEB health insurance benefits	-	230,571
Administrative expense	-	10,143
Total Deductions	54,396	240,714
Change in Net Position	(14,322)	(136,494)
Net Position, July 1	163,563	1,331,544
Net Position, June 30	\$ 149,241	\$ 1,195,050

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

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Independent School District No. 345 (the District), New London, Minnesota was incorporated under the laws of the State of Minnesota (the State). The District operates under a Board of Education form of government for the purpose of providing educational services to individuals within the area. The District is governed by an elected Board of Education of seven members. The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The District has no component units that meet the GASB criteria.

B. District-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contribution, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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

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

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

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

Description of Funds

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

Major Governmental Funds

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

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

Nonmajor Governmental Funds

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

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

The *OPEB Debt Service fund* is used to account for the financial resources relating to the bond issued for post-employment benefits.

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Fiduciary Funds

The *Private-purpose Trust fund* is used to account for trust arrangements under which principal and income benefits individuals, private organizations, or other governments. This fund accounts for gifts and bequests that are to be used for scholarships.

The *OPEB Trust fund* is used to account for the financial resources relating to post-employment benefits.

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

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

Deposits and Investments

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

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

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's recurring fair value measurements are listed in detail on page 48 and are valued using quoted market prices (Level 1 inputs).

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

Property Taxes

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

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

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

Accounts Receivable

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

Inventories and Prepaid Items

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

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

Independent School District No. 345
 New London, Minnesota
 Notes to the Financial Statements
 June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets include property, plant, equipment and infrastructure assets (e.g., roads, parking lots, sidewalks and similar items). Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Donated capital assets are recorded at acquisition value at the date of donation.

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

Assets	Useful Lives in Years
Land Improvements	20 - 50
Buildings and Improvements	20 - 50
Equipment	5 - 20

Deferred Outflows of Resources

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

Compensated Absences Payable and Net Other Postemployment Benefits

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

Severance pay - The district maintains severance pay plans for all eligible employees. Teachers, who leave the District at age 55 or more, with 15 years of service, will receive five days of pay for each year of service, up to a maximum of 100 days.

Other postemployment benefits (OPEB) - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Retiree Benefits Plan ("the Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. See the investment note for fair value measurements.

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Long-term Obligations

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

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

Pensions

Teachers Retirement Association (TRA)

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

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

Public Employees Retirement Association (PERA)

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

The total pension expense for the General Employee Plain (GERP) and TRA is as follows:

	GERP	TRA	Total Pension Expense
District's proportionate share	\$ 296,748	\$ (2,414,935)	\$ (2,118,187)
Proportionate share of State's contribution	12,000	116,005	128,005
Total Pension Expense	\$ 308,748	\$ (2,298,930)	\$ (1,990,182)

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

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

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

Net Position

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

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

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

Fund Balance

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

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

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

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

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

The District has formally adopted a fund balance policy for the General fund. The District's policy is to maintain a minimum unrestricted fund balance of three percent of the District's General fund operating budget.

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General, Food Service, Community Service and Debt Service funds. All annual appropriations lapse at fiscal year-end.

Budgets are prepared for each fund on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the funds. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year.

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

1. Each June, the budget is prepared by management to be adopted by the Board of Education.
2. Budgets for each of the respective funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
3. Budgeted amounts are as amended.
4. Budget appropriations lapse at year-end.
5. The legal level of control is the fund level.
6. The District does not use encumbrance accounting.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the Board of Education 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 Board of Education action. Revisions to budgeted amounts must be approved by the Board of Education.

Total fund expenditures in excess of the budget require approval of the Board of Education. 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. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 2: Stewardship, Compliance and Accountability (Continued)

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

B. Excess of Expenditures over Appropriations

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

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
Major			
General	\$ 21,930,368	\$ 23,467,707	\$ 1,537,339
Debt Service	2,014,875	2,016,125	1,250
Nonmajor			
Food Service	1,131,775	1,190,297	58,522
Community Service	1,150,000	1,354,702	204,702

The excess of expenditures over appropriations were funded with revenues in excess of budget and available fund balance.

C. Deficit Fund Equity

For the year ended June 30, 2023, the Nonmajor Community Service fund had deficit fund equity of \$246,363. The deficit will be funded with future community education grants.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

Minnesota statutes require that all District deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 3: Detailed Notes on All Funds (Continued)

- General obligation securities of any state or local government with taxing powers which is rated “A” or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated “AA” or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank’s public debt is rated “AA” or better by Moody’s Investors Service, Inc., or Standard & Poor’s Corporation; and
- Time deposits that are fully insured by any Federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the Board of Education.

At year-end, the District’s carrying amount of deposits was \$197,693 and the bank balance was \$522,288. Of the bank balance, \$513,318 was covered by Federal depository insurance and the remaining was covered by collateral held by the District’s agent in the District’s name.

Investments

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

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Level 1
Pooled Investments at Amortized Cost				
Minnesota School District Liquid Asset Fund	N/A	Less than 6 months	\$ 3,193,337	
Money Market	N/A	Less than 6 months	7,038	
Pooled Investments at Fair Value				
Mutual Funds	N/A	Less than 6 months	<u>1,432,612</u>	<u>\$ 1,432,612</u>
Total Investments			<u>\$ 4,632,987</u>	<u>\$ 1,432,612</u>

(1) Ratings are provided by various credit ratings agencies where applicable to indicate association’s credit risk.

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

N/A Indicates not applicable or available.

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

- *Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. The District has established guidelines within the investment policy to ensure credit risk minimized while taking advantage of maximum return. Minnesota statutes limit the District’s investments to the list on page 41 of the notes.

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 3: Detailed Notes on All Funds (Continued)

- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. In accordance with the Districts investment policy, the District typically limits its exposure by purchasing insured or registered investments.
- *Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. To manage this risk the District places limits on the amount that can be invested in any one issuer and are diversified with the intent to minimize the risk of investment losses.
- *Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting a majority of investments to less than five years.

The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40.

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

Carrying amount of deposits	\$ 197,693
Investments	<u>4,632,987</u>
 Total	 <u><u>\$ 4,830,680</u></u>
 Statement of net position	 \$ 3,272,849
Statement of fiduciary net position	<u>1,557,831</u>
 Total Cash and Temporary Investments	 <u><u>\$ 4,830,680</u></u>

B. Property Taxes

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

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

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

	Major Funds		Other Governmental Funds	Total
	General	Debt Service		
Current Taxes	\$ 1,944,350	\$ 855,564	\$ 66,148	\$ 2,866,062
Delinquent Taxes	<u>10,221</u>	<u>6,549</u>	<u>912</u>	<u>17,682</u>
 Total Reported Taxes Receivable	 <u><u>\$ 1,954,571</u></u>	 <u><u>\$ 862,113</u></u>	 <u><u>\$ 67,060</u></u>	 <u><u>\$ 2,883,744</u></u>

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 95,819	\$ -	\$ -	\$ 95,819
Construction in progress	-	635,192	-	635,192
Total Capital Assets not Being Depreciated	95,819	635,192	-	731,011
Capital Assets Being Depreciated				
Land improvements	3,548,366	48,343	-	3,596,709
Buildings and improvements	62,348,775	215,536	-	62,564,311
Equipment	2,650,551	648,671	-	3,299,222
Total Capital Assets Being Depreciated	68,547,692	912,550	-	69,460,242
Less Accumulated Depreciation for				
Land improvements	(624,621)	(178,627)	-	(803,248)
Buildings and improvements	(22,044,253)	(1,298,306)	-	(23,342,559)
Equipment	(1,597,425)	(198,276)	-	(1,795,701)
Total Accumulated Depreciation	(24,266,299)	(1,675,209)	-	(25,941,508)
Total Capital Assets Being Depreciated, Net	44,281,393	(762,659)	-	43,518,734
Governmental Activities Capital Assets, Net	<u>\$ 44,377,212</u>	<u>\$ (127,467)</u>	<u>\$ -</u>	<u>\$ 44,249,745</u>

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

District Support Services	\$ 24,155
Elementary and Secondary Regular Instruction	143,035
Vocational Education Instruction	7,277
Community Education and Services	7,641
Instructional Support Services	26,328
Pupil Support Services	17,266
Sites and Buildings	1,449,507
Total Depreciation Expense - Governmental Activities	<u>\$ 1,675,209</u>

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 3: Detailed Notes on All Funds (Continued)

D. Short-term Debt

Short-term Indebtedness

The District issued a line of credit with United Prairie Bank, with a maximum amount of \$1,000,000 that expires on December 31, 2023. The line of credit was issued to provide financing for cash flow purposes. The balance incurred interest at prime, which, at the time of issuance, was 3.75% per annum. As of June 30, 2023, the line of credit was not used and no interest was paid.

E. Long-term Liabilities

Financed Purchase Obligations

In 2017, the District entered into an agreement as lessee for financing the acquisition of the track and turf additions. These agreement qualifies as a financed purchase obligation for accounting purposes and, therefore have been recorded at the present value of the future minimum payments as of the date of its inception.

Financed purchase obligation currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End	Due Within One Year
Bremer Bank						
2017 Lease Purchase	\$ 857,000	2.76 %	04/20/17	02/01/27	\$ 368,987	\$ 88,489
Vantage Financial Lease	898,467	4.98	08/16/22	11/01/28	856,354	224,267
Fitness Center Equipment	57,283	9.02	03/25/23	03/25/27	43,769	9,568
Total					<u>\$ 1,269,110</u>	<u>\$ 322,324</u>

Annual debt service requirements to maturity for financed purchase obligations are as follows:

Year Ending June 30,	Financed Purchase Obligation		
	Principal	Interest	Total
2024	\$ 322,324	\$ 56,141	\$ 378,465
2025	228,444	56,484	284,928
2026	240,642	44,286	284,928
2027	253,595	31,333	284,928
2028	155,095	18,251	173,346
2029	69,010	7,595	76,605
Total	<u>\$ 1,269,110</u>	<u>\$ 214,090</u>	<u>\$ 1,483,200</u>

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund general obligation bonds and to fund the District's Post-Employment Benefits trust.

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 3: Detailed Notes on All Funds (Continued)

General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year-End
G.O. School Building Bonds 2016A	20,390,000	2.00 - 5.00	02/11/16	02/01/36	\$ 16,310,000
G.O. Tax Abatement Bonds Series 2018A	1,320,000	2.53	09/06/18	02/01/29	885,000
Total G.O. Bonds					<u>\$ 17,195,000</u>

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2024	\$ 1,110,000	\$ 634,050	\$ 1,744,050
2025	1,165,000	578,550	1,743,550
2026	1,225,000	520,300	1,745,300
2027	1,265,000	480,650	1,745,650
2028	1,320,000	428,550	1,748,550
2029 - 2033	6,670,000	1,258,051	7,928,051
2034 - 2036	4,440,000	225,375	4,665,375
Total	<u>\$ 17,195,000</u>	<u>\$ 4,125,526</u>	<u>\$ 21,320,526</u>

Changes in Long-term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 18,530,000	\$ -	\$ (1,335,000)	\$ 17,195,000	\$ 1,110,000
Bond premium	1,223,933	-	(82,833)	1,141,100	-
Total Bonds Payable	19,753,933	-	(1,417,833)	18,336,100	1,110,000
Financed Purchase Obligation	455,084	955,388	(141,362)	1,269,110	322,324
Compensated Absences Payable	491,140	122,785	(274,698)	339,227	84,806
Governmental Activity Long-term Liabilities	<u>\$ 20,700,157</u>	<u>\$ 1,078,173</u>	<u>\$ (1,833,893)</u>	<u>\$ 19,944,437</u>	<u>\$ 1,517,130</u>

The Debt Service fund has typically been used to liquidate the general obligation bond and capital lease payable obligations. The General fund has typically been used to liquidate the compensated absences payable obligation.

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 3: Detailed Notes on All Funds (Continued)

F. Components of Fund Balance

At June 30, 2023, portions of the District's fund balance are not available for appropriation due to not being in spendable form (Nonspendable) and legal restrictions (Restricted). The following schedule summarizes the components of fund balances based on GASB 54 reporting standards:

	General	Debt Service	Other Governmental Funds	Total
Nonspendable				
Prepaid items	\$ 128,634	\$ -	\$ 16,034	\$ 144,668
Restricted for				
Student Activities	\$ 176,180	\$ -	\$ -	\$ 176,180
Debt Service	-	381,666	44,332	425,998
Food Service	-	-	606,503	606,503
Community Service	-	-	317	317
Total Restricted	\$ 176,180	\$ 381,666	\$ 651,152	\$ 1,208,998
Assigned to				
School to Career Opportunities				
Partnership Endeavor	\$ 8,750	\$ -	\$ -	\$ 8,750
Wildcat Clothing	22,796	-	-	22,796
Girls United	10,666	-	-	10,666
Total Assigned	\$ 42,212	\$ -	\$ -	\$ 42,212
Unassigned	\$ 223,482	\$ -	\$ (262,314)	\$ (38,832)

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 3: Detailed Notes on All Funds (Continued)

The UFARS fund balance reporting standards are slightly different than the reporting standards under GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. Below is a reconciliation between the fund balances reporting under GASB 54 and UFARS reporting standards:

	GASB Balance	Reconciling Items	UFARS Balance
Nonspendable			
Prepaid items	\$ 144,668	\$ -	\$ 144,668
Restricted for			
Student Activities	\$ 176,180	\$ -	\$ 176,180
Long Term Facilities Maintenance (General Fund)	-	(113,584)	(113,584)
Debt Service	425,998	-	425,998
Food Service	606,503	-	606,503
Community Education	-	(69,570)	(69,570)
Early Childhood Family Education	-	(92,816)	(92,816)
School Readiness	-	(99,928)	(99,928)
Community Service	317	-	317
Total Restricted	<u>\$ 1,208,998</u>	<u>\$ (375,898)</u>	<u>\$ 833,100</u>
Assigned to			
School to Career Opportunities			
Partnership Endeavor	\$ 8,750	\$ -	\$ 8,750
Wildcat Clothing	22,796	-	22,796
Girls United	10,666	-	10,666
Total Assigned	<u>\$ 42,212</u>	<u>\$ -</u>	<u>\$ 42,212</u>
Unassigned	<u>\$ (38,832)</u>	<u>\$ 375,898</u>	<u>\$ 337,066</u>

Restricted for Student Activities - This amount represents available resources for student activities. Revenues are derived from donations and fundraising and expenditures are for student activities at each site.

Restricted for Long Term Facilities Maintenance - This amount represents resources available for maintaining facilities.

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 3: Detailed Notes on All Funds (Continued)

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

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

Restricted for Community Education - This amount represents available resources for community education programs. Revenues are derived from local tax levies and State aids and expenditures are for salaries, benefits and supplies.

Restricted for Community Service - This amount represents available resources for community service programs. Revenues are derived from State aids and expenditures are for salaries, benefits and supplies.

Restricted for Early Childhood Family Education (ECFE) - This amount represents available resources for ECFE classes. Revenues are derived from local tax levies and State aids and expenditures are for salaries, benefits and supplies.

Restricted for School Readiness - This amount represents available resources to provide services for learning readiness programs. Related to Finance Code 344, School Readiness, Minnesota statute 124D.16, includes aids, fees, grants and all other revenues received by the District.

G. Noncash Assistance - Commodities

Of the amount reported in the accompanying schedule of expenditures of federal awards included within the National School Lunch Program, of the commodities distribution, \$84,132 represents noncash assistance comprised of the value of commodities issued to the District for the year.

Note 4: Defined Benefit Pension Plans - Statewide

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

Disclosures relating to these plans follow.

A. Teacher Retirement Association (TRA)

1. Plan Description

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

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

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

2. Benefits Provided

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

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

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

With these provisions:

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

or

Tier II: For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated members and 2.7 percent per year for Basic members applies. Beginning July 1, 2015, 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. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 4: Defined Benefit Pension Plans - Statewide (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 or the retiree - no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is also eligible for a refund of their employee contributions plus interest.

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

3. Contribution Rate

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

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

The District's contributions to TRA for the years ending June 30, 2023, 2022 and 2021 were \$805,157, \$725,740 and \$713,505, respectively. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

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

Employer Contributions Reported in TRA's Annual Comprehensive Financial Report Statement of Char in Fiduciary Net Position	\$ 482,679,000
Deduct employer contributions not related to future contribution efforts	(2,178,000)
Deduct TRA's contributions not included in allocation	<u>(572,000)</u>
Total Employer Contributions	479,929,000
Total Non-employer Contributions	<u>35,590,000</u>
 Total Contributions Reported in Schedule of Employer and Non-employer Allocations	 <u><u>\$ 515,519,000</u></u>

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

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

4. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Valuation date	July 1, 2022
Measurement date	June 30, 2022
Experience study	June 5, 2019 (demographic and economic assumptions)*
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% thereafter
Projected salary increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% thereafter
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually
Mortality Assumption	
Pre-retirement	RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale
Post-retirement	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability	RP-2014 disabled retiree mortality table, without adjustment

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

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

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2015 is 6.00 years. The "Difference Between Expected and Actual Experience" and "Changes of Assumptions" use the amortization period of 6.00 years in the schedule presented. The amortization period for "Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments" is 5 years as required by GASB 68.

Changes in actuarial assumptions since the 2021 valuation:

- None

5. Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. The discount rate used to measure the TPL at the Prior Measurement Date was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2021 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).

6. Net Pension Liability

On June 30, 2023, the District reported a liability of \$11,274,519 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.1408 percent as of June 30, 2022 and was 0.1467 percent as of June 30, 2021.

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

District's Proportionate Share of Net Pension Liability	\$ 11,274,519
State's Proportionate Share of Net Pension Liability Associated with the District	835,977

For the year ended June 30, 2023, the District recognized a negative pension expense of \$2,414,935. It also recognized \$116,005 as an increase to pension expense for the support provided by direct aid.

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 169,358	\$ 97,912
Changes of Assumptions	1,881,801	2,405,717
Net Difference Between Projected and Actual Earnings on Plan Investments	150,184	-
Changes in Proportion	532,867	214,809
Contributions to TRA Subsequent to the Measurement Date	805,157	-
Total	\$ 3,539,367	\$ 2,718,438

Deferred outflows of resources totaling \$805,157 related to pensions resulting from the District's contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

2024	\$ (2,286,560)
2025	323,397
2026	(143,056)
2027	1,284,268
2028	831,099
Thereafter	6,624

7. Pension Liability Sensitivity

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

District Proportionate Share of NPL		
1 Percent Decrease (6.00%)	Current (7.00%)	1 Percent Increase (8.00%)
\$ 17,773,666	\$ 11,274,519	\$ 5,947,246

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

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

8. Pension Plan Fiduciary Net Position

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

B. Public Employees Retirement Association (PERA)

1. Plan Description

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

General Employees Retirement Plan

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

2. Benefits Provided

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

General Employee Plan Benefits

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

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

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

3. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ending June 30, 2023, 2022 and 2021 were \$227,049, \$122,430 and \$187,402, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

4. Pension Costs

General Employee Fund Pension Costs

At June 30, 2023, the District reported a liability of \$2,740,331 for its proportionate share of the General Employee Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2022. 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 \$80,306. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The District's proportion was 0.0346 percent which was a decrease of 0.0001 percent from its proportion measured as of June 30, 2021.

District's Proportionate Share of Net Pension Liability	\$ 2,740,331
State's Proportionate Share of Net Pension Liability Associated with the District	80,306

For the year ended June 30, 2023, the District recognized pension expense of \$296,748 for its proportionate share of General Employees Plan's pension expense. In addition, the District recognized an additional \$12,000 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.

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 22,890	\$ 29,320
Changes in Actuarial Assumptions	621,925	11,013
Net Difference Between Projected and Actual Earnings on Plan Investments	43,140	-
Changes in Proportion	29,469	-
Contributions to GERS Subsequent to the Measurement Date	227,049	-
Total	\$ 944,473	\$ 40,333

The \$227,049 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2024	\$ 268,175
2025	249,431
2026	(88,337)
2027	247,822

5. Actuarial Assumptions

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

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service and 6.0 percent per year thereafter. Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The table is adjusted slightly to fit PERA's experience.

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

Independent School District No. 345
 New London, Minnesota
 Notes to the Financial Statements
 June 30, 2023

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	33.5 %	5.10 %
Private Markets	25.0	5.90
Fixed Income	25.0	0.75
International Equity	16.5	5.30
Total	<u>100.0 %</u>	

6. Discount Rate

The discount rate used to measure the total pension liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

7. Pension Liability Sensitivity

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

District Proportionate Share of NPL		
1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
\$ 4,328,497	\$ 2,740,331	\$ 1,437,791

8. Pension Plan Fiduciary Net Position

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

Note 5: Postemployment Benefits Other Than Pensions

A. Plan Description

The District operates a single-employer retiree benefit plan ("the Plan") that provides health, life and dental insurance to eligible employees and their families through the District's health insurance plan. The full cost of the benefits is covered by the plan. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available report.

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

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	19
Active Plan Members	237
Total Plan Members	256

B. Funding Policy

Contribution requirements are also negotiated between the District and union representatives. The District contributes a predetermined portion of the cost of current-year premiums for eligible retired plan members and their spouses based on the employment contract in effect at the time of retirement. For fiscal year 2023, the District contributed \$200,079 to the Plan.

Independent School District No. 345
 New London, Minnesota
 Notes to the Financial Statements
 June 30, 2023

Note 5: Postemployment Benefits Other Than Pensions (Continued)

C. Investments

The District’s policy in regards to the allocation of invested assets is established and may be amended by the School Board. The following was the District’s adopted asset allocation policy as of June 30, 2023:

Asset Class	Target Allocation
Domestic Equity	44.00 %
Fixed Income	56.00
Total	100.00 %

Information regarding the concentration of investments and other investment policies of the District, can be found in Note 3 of this report.

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 4.30 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Actuarial Methods and Assumptions

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, 2022.

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

Discount Rate	3.90%
Expected Long-term Investment Return	4.30%, net of investment expense
20-Year Municipal Bond Yield	3.80%
Inflation Rate	2.50%
Salary Increases	Varies based on years of service
Medical Trend Rate	6.25% in 2021 grading to 5% over 5 years

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale. The actuarial assumptions used in the July 1, 2022 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 5: Postemployment Benefits Other Than Pensions (Continued)

The long-term return on assets has been set based on the plan’s target investment allocation along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2023 are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Domestic Equity	4.30 %
Fixed Income	4.30

The discount rate used to measure the total OPEB liability was 3.90 percent. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate.

E. Sensitivity of the Net OPEB Liability

The following presents the net OPEB liability of the District, as well as what the District’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.90 percent) or 1-percentage-point higher (4.90 percent) than the current discount rate:

1 Percent Decrease (2.9%)	Current (3.9%)	1 Percent Increase (4.9%)
\$ 571,260	\$ 498,837	\$ 428,139

The following presents the net OPEB liability of the District, as well as what the District’s net OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is 1-percentage point lower (5.00 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.00 percent decreasing to 6.00 percent) than the current discount rate:

1 Percent Decrease (5.0% Decreasing to 4.0%)	Healthcare Cost Trend Rates (6.0% Decreasing to 5.0%)	1 Percent Increase (7.0% Decreasing to 6.0%)
\$ 399,498	\$ 498,837	\$ 612,592

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 5: Postemployment Benefits Other Than Pensions (Continued)

F. Changes in the Total OPEB Liability (Asset)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2022	\$ 1,635,034	\$ 1,336,550	\$ 298,484
Changes for the Year:			
Service cost	62,475	-	62,475
Interset	61,791	-	61,791
Assumption changes	53,307	29,654	23,653
Plan changes	177,065	-	177,065
Projected investment return	-	57,256	(57,256)
Differences between expected and actual experience	(67,375)	-	(67,375)
Benefit payments	(228,410)	(228,410)	-
Net Changes	<u>58,853</u>	<u>(141,500)</u>	<u>200,353</u>
Balances at June 30, 2023	<u>\$ 1,693,887</u>	<u>\$ 1,195,050</u>	<u>\$ 498,837</u>

Plan Fiduciary Net Position as a Percentage of the
Total OPEB Liability 70.55 %

Since the prior measurement date, the following assumption changes occurred:

- The discount rate was changed from 2.8 to 3.9%.

Since the prior measurement date, there have been no changes to benefits.

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$122,265. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 110,243
Changes in Actuarial Assumptions	33,578	50,712
Net Difference Between Projected and Actual Earnings on Plan Investments	<u>57,465</u>	<u>-</u>
Total	<u>\$ 91,043</u>	<u>\$ 160,955</u>

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 5: Postemployment Benefits Other Than Pensions (Continued)

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

2024	\$	(62,467)
2025		(18,748)
2026		37,563
2027		(18,971)
2028		(7,289)

Note 6: Other Information

A. Risk Management

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

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

B. Federal and State Programs

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

Note 7: Subsequent Event

On November 20, 2023, the District issued 2023A General Obligation Bonds in the amount of \$14,380,000. The bonds will mature on February 1, 2044 and will be used for the purpose of financing certain facilities and site maintenance projects approved by the Commissioner of Education.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 345
NEW LONDON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

Independent School District No. 345
New London, Minnesota
Required Supplementary Information
For the Year Ended June 30, 2023

A. Schedule of Changes in the District's Total OPEB Liability (Asset) and Related Ratios

	2023	2022	2022	2021	2020	2019	2018
Total OPEB Liability							
Service cost	\$ 62,475	\$ 72,933	\$ 85,563	\$ 75,629	\$ 68,913	\$ 71,837	\$ 75,739
Interest	61,791	49,302	47,927	53,268	65,867	58,960	58,994
Plan changes	177,065	-	342,913	-	-	-	-
Differences between expected and actual experience	(67,375)	-	(30,347)	-	(233,540)	-	-
Changes in assumptions	23,653	(70,124)	(7,927)	25,168	32,871	(36,677)	-
Benefit payments	(228,410)	(200,079)	(135,108)	(164,774)	(135,481)	(137,518)	(126,246)
Net Change in Total OPEB Liability	29,199	(147,968)	303,021	(10,709)	(201,370)	(43,398)	8,487
Total OPEB Liability - Beginning	1,630,028	1,777,996	1,474,975	1,485,684	1,687,054	1,730,452	1,721,965
Total OPEB Liability - Ending (a)	<u>\$ 1,659,227</u>	<u>\$ 1,630,028</u>	<u>\$ 1,777,996</u>	<u>\$ 1,474,975</u>	<u>\$ 1,485,684</u>	<u>\$ 1,687,054</u>	<u>\$ 1,730,452</u>
Plan Fiduciary Net Position							
Net investment income	\$ 57,256	\$ 76,320	\$ 66,825	\$ 120,404	\$ 116,776	\$ 125,183	\$ 160,113
Differences between expected and actual experience	-	(319,574)	302,500	-	-	-	-
Benefit payments	(228,410)	(200,079)	(135,108)	(164,774)	(135,481)	(137,518)	(126,246)
Administrative expense	-	-	(13,399)	(6,666)	(5,935)	-	-
Other changes and adjustments	-	-	-	-	(96,078)	1,994	-
Net Change in Plan Fiduciary Net Position	(171,154)	(443,333)	220,818	(51,036)	(120,718)	(10,341)	33,867
Total Plan Fiduciary Net Position - Beginning	1,331,544	1,774,877	1,554,059	1,605,095	1,725,813	1,736,154	1,702,287
Total Plan Fiduciary Net Position - Ending (b)	<u>\$ 1,160,390</u>	<u>\$ 1,331,544</u>	<u>\$ 1,774,877</u>	<u>\$ 1,554,059</u>	<u>\$ 1,605,095</u>	<u>\$ 1,725,813</u>	<u>\$ 1,736,154</u>
District's Net OPEB Liability (Asset) - Ending (a) - (b)	<u>\$ 498,837</u>	<u>\$ 298,484</u>	<u>\$ 3,119</u>	<u>\$ (79,084)</u>	<u>\$ (119,411)</u>	<u>\$ (38,759)</u>	<u>\$ (5,702)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	142.99 %	122.42 %	100.18 %	94.91 %	92.56 %	97.75 %	99.67 %
Covered - Employee Payroll	\$ 11,638,860	\$ 11,200,007	\$ 10,873,793	\$ 10,410,301	\$ 10,107,088	\$ 9,045,233	\$ 8,781,780
District's Net OPEB Liability (Asset) as a Percentage of Covered Employee Payroll	(4.29) %	(2.67) %	(0.03) %	0.76 %	1.18 %	0.43 %	0.06 %

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

B. Schedule of the District's Contributions

	2021	2020	2019	2018	2017
Contractually Required Employer Contribution	\$ 228,410	\$ 164,774	\$ 135,481	\$ 135,524	\$ 126,246
Contributions in Relation to the Contractually Required Employer Contribution	<u>228,410</u>	<u>164,774</u>	<u>135,481</u>	<u>135,524</u>	<u>126,246</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - Employee Payroll	\$ 10,873,793	\$ 10,410,301	\$ 10,107,088	\$ 9,045,233	\$ 8,781,780
Contributions as a Percentage of Covered Employee Payroll	2.10 %	1.58 %	1.34 %	1.50 %	1.44 %

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

Independent School District No. 345
New London, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2023

C. Schedule of Investment Returns

	2022	2021	2020	2019	2018	2017
Annual Money-Weighted Rate of Return, Net of Investment Expense	4.30 %	7.50 %	7.50 %	6.77 %	7.20 %	9.40 %

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

Notes to the Required Supplementary Information - OPEB

Changes in Assumptions

In 2021, the health care trend rates, mortality tables and salary increase rates were updated and the discount rate changed from 3.20% to 2.80%.

In 2020, the twenty-year municipal bond rate was changed from 3.10% to 2.40% and the discount rate was changed from 3.60% to 3.20%.

In 2019, the following assumption changes occurred:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.

In 2018, the discount rate was changed from 3.40% as of June 30, 2017 to 3.90% as of June 30, 2018.

In 2017, the following assumptions changes:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality table was updated from RP-2000 projected to 2014 with Scale BB to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.
- The withdrawal table for all employees and retirement table for only employees eligible to retire with Rule of 90 also were updated.
- The discount rate was changed from 5.50% to 3.40%.

Changes in Benefits

In 2018, 2019, 2020, and 2021 there were no changes in benefits.

In 2017, the following benefit changes occurred:

- Principals with 20 or more years of service at retirement no longer have post-retirement benefit increases. The district contribution is frozen at the time of retirement.
- The annual district contribution for the Payroll/HR/Finance Officer increased from \$2,400 to the full single premium plus VEBA contribution.
- A subsidy was added for the Administrative Assistant/Student Management System Coordinator that is the same as the Payroll/HR/Finance Officer.

Independent School District No. 345
New London, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2023

The following schedules present trend information about the amounts contributed to the TRA and PERA plans by the District:

D. Schedule of Employer's Share of Teachers Retirement Association Net Pension Liability

Fiscal Year Ended	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2022	0.1408 %	\$ 11,274,519	\$ 835,977	\$ 12,110,496	\$ 8,701,918	129.6 %	76.2 %
6/30/2021	0.1467	6,420,031	541,551	6,961,582	8,776,199	73.2	86.6
6/30/2020	0.1458	10,771,899	902,611	11,674,510	8,246,692	130.6	75.5
6/30/2019	0.1249	7,961,152	704,780	8,665,932	6,336,939	125.6	78.2
6/30/2018	0.1420	8,916,951	837,735	9,754,686	7,843,613	113.7	78.1
6/30/2017	0.1357	27,088,182	2,618,216	29,706,398	7,272,587	372.5	51.6
6/30/2016	0.1262	30,101,711	3,022,140	33,123,851	6,566,307	458.4	44.9
6/30/2015	0.1252	7,744,858	950,272	8,695,130	6,379,907	121.4	76.8
6/30/2014	0.1339	6,170,016	433,993	6,604,009	5,703,173	2,362.3	81.1

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

E. Schedule of Employer's Teachers Retirement Association Contributions

Fiscal Year Ended	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/2023	\$ 805,157	\$ 805,157	\$ -	\$ 9,417,039	8.55 %
6/30/2022	725,740	725,740	-	8,701,918	8.34
6/30/2021	713,505	713,505	-	8,776,199	8.13
6/30/2020	653,138	653,138	-	8,246,692	7.92
6/30/2019	488,578	488,578	-	6,336,939	7.71
6/30/2018	588,271	588,271	-	7,843,613	7.50
6/30/2017	545,444	545,444	-	7,272,587	7.50
6/30/2016	492,473	492,473	-	6,566,307	7.50
6/30/2015	478,493	478,493	-	6,379,907	7.50

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

Independent School District No. 345
New London, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2023

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

2022- No changes noted.

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

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

2019 - No changes noted.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

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

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The cost of living adjustment was not assumed to increase to 2.5 percent but remain at 2.0 percent for all future years. The investment return assumption was changed from 8.25 percent to 8.00 percent.

2014 - The cost of living adjustment was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2034.

Independent School District No. 345
New London, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2023

Notes to the Required Supplementary Information – TRA (Continued)

Changes in Plan Provisions

2022- No changes noted.

2021 – No changes noted.

2020 - No changes noted.

2019 - No changes noted.

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

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

2017 - None

2016 - None

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

Independent School District No. 345
New London, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2023

F. Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability

Fiscal Year Ended	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2022	0.0346 %	\$ 2,740,331	\$ 80,306	\$ 2,820,637	\$ 1,632,394	167.9 %	76.7 %
6/30/2021	0.0347	1,481,845	45,304	1,527,149	2,498,693	59.3	87.0
6/30/2020	0.0342	2,050,446	63,131	2,113,577	2,436,400	84.2	79.0
6/30/2019	0.0323	1,785,795	55,498	1,841,293	2,287,853	78.1	80.2
6/30/2018	0.0335	1,858,443	60,962	1,919,405	2,251,067	82.6	79.5
6/30/2017	0.0323	2,062,011	25,939	2,087,950	2,081,733	99.1	75.9
6/30/2016	0.0297	2,411,493	31,403	2,442,896	1,842,720	130.9	68.9
6/30/2015	0.0294	1,523,661	-	1,523,661	1,698,760	89.7	78.2
6/30/2014	0.0309	1,451,527		1,451,527	31,173	4,656.4	78.7

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

G. Schedule of Employer's Public Employees Retirement Association Contributions

Fiscal Year Ended	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/2023	\$ 227,049	\$ 227,049	\$ -	\$ 3,027,316	7.50 %
6/30/2022	122,430	122,430	-	1,632,394	7.50
6/30/2021	187,402	187,402	-	2,498,693	7.50
6/30/2020	182,730	182,730	-	2,436,400	7.50
6/30/2019	171,589	171,589	-	2,287,853	7.50
6/30/2018	168,830	168,830	-	2,251,067	7.50
6/30/2017	156,130	156,130	-	2,081,733	7.50
6/30/2016	138,204	138,204	-	1,842,720	7.50
6/30/2015	127,407	127,407	-	1,698,760	7.50

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

Independent School District No. 345
New London, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2023

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

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

2021- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

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

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

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Independent School District No. 345
New London, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2023

Notes to the Required Supplementary Information - PERA (Continued)

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions

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

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

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

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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

2016 - None

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

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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS, SCHEDULES AND TABLE

INDEPENDENT SCHOOL DISTRICT NO. 345
NEW LONDON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

Independent School District No. 345
New London, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2023

	Special Revenue		Debt Service	Total
	Food Service	Community Service	OPEB	
Assets				
Cash and temporary investments	\$ 721,714	\$ (92,642)	\$ 44,477	\$ 673,549
Receivables				
Taxes	-	66,653	407	67,060
Accounts	7,707	-	-	7,707
Due from Department of Education	-	8,735	-	8,735
Prepaid items	400	15,634	-	16,034
Total Assets	<u>\$ 729,821</u>	<u>\$ (1,620)</u>	<u>\$ 44,884</u>	<u>\$ 773,085</u>
Liabilities				
Salaries and wages payable	\$ 1,524	\$ 80,776	\$ -	\$ 82,300
Accounts and other payables	88,329	16,430	145	104,904
Due to other governments	-	975	-	975
Unearned revenue	33,065	3,900	-	36,965
Total Liabilities	<u>122,918</u>	<u>102,081</u>	<u>145</u>	<u>225,144</u>
Deferred Inflows of Resources				
Unavailable revenue - delinquent property taxes	-	505	407	912
Property taxes levied for subsequent year	-	142,157	-	142,157
Total Deferred Inflows of Resources	<u>-</u>	<u>142,662</u>	<u>407</u>	<u>143,069</u>
Fund Balances				
Nonspendable	400	15,634	-	16,034
Restricted	606,503	317	44,332	651,152
Unassigned	-	(262,314)	-	(262,314)
Total Fund Balances	<u>606,903</u>	<u>(246,363)</u>	<u>44,332</u>	<u>404,872</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 729,821</u>	<u>\$ (1,620)</u>	<u>\$ 44,884</u>	<u>\$ 773,085</u>

Independent School District No. 345
New London, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended June 30, 2023

	Special Revenue		Debt Service	Total
	Food Service	Community Service	OPEB	
Revenues				
Local property tax levies	\$ -	\$ 138,169	\$ 813	\$ 138,982
Other local and county revenue				
Interest earned on investments	119	-	-	119
Other	-	1,006,780	-	1,006,780
Revenue from state sources	56,431	104,696	-	161,127
Revenue from federal sources	555,766	-	-	555,766
Sales of food and other assets	501,714	-	-	501,714
Total Revenues	<u>1,114,030</u>	<u>1,249,645</u>	<u>813</u>	<u>2,364,488</u>
Expenditures				
Current				
Community education and services	-	1,261,971	-	1,261,971
Pupil support services	1,039,349	-	-	1,039,349
Total current	<u>1,039,349</u>	<u>1,261,971</u>	<u>-</u>	<u>2,301,320</u>
Capital outlay				
Community education and services	-	79,216	-	79,216
Pupil support services	150,948	-	-	150,948
Total capital outlay	<u>150,948</u>	<u>79,216</u>	<u>-</u>	<u>230,164</u>
Debt service				
Principal	-	13,515	-	13,515
Interest and other charges	-	-	1,542	1,542
Total debt service	<u>-</u>	<u>13,515</u>	<u>1,542</u>	<u>15,057</u>
Total Expenditures	<u>1,190,297</u>	<u>1,354,702</u>	<u>1,542</u>	<u>2,546,541</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(76,267)	(105,057)	(729)	(182,053)
Other Financing Sources (Uses)				
Financed purchase obligations issued	-	57,283	-	57,283
Net Change in Fund Balances	(76,267)	(47,774)	(729)	(124,770)
Fund Balances, July 1	683,170	(198,589)	45,061	529,642
Fund Balances, June 30	<u>\$ 606,903</u>	<u>\$ (246,363)</u>	<u>\$ 44,332</u>	<u>\$ 404,872</u>

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Independent School District No. 345

New London, Minnesota

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued on the Following Pages)

For the Year Ended June 30, 2023

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

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance With Final Budget	Actual Amounts
	Original	Final			
Revenues					
Local property tax levies	\$ 3,800,666	\$ 3,800,666	\$ 3,793,482	\$ (7,184)	\$ 2,106,705
Other local and county revenue					
Interest income on investments	2,500	60,000	79,473	19,473	4,736
Other	859,100	930,625	1,036,576	105,951	950,349
Revenue from state sources	16,293,316	16,402,312	16,728,936	326,624	16,033,986
Revenue from federal sources	660,367	761,180	799,427	38,247	836,005
Total Revenues	<u>21,615,949</u>	<u>21,954,783</u>	<u>22,437,894</u>	<u>483,111</u>	<u>19,931,781</u>
Expenditures					
Current					
Administration					
Salaries	822,610	895,176	886,930	8,246	765,240
Fringe benefits	331,296	452,595	333,789	118,806	288,286
Purchased services	25,000	17,000	17,671	(671)	12,462
Supplies and materials	8,000	5,800	2,848	2,952	14,719
Other	20,800	20,800	19,062	1,738	20,309
Total administration	<u>1,207,706</u>	<u>1,391,371</u>	<u>1,260,300</u>	<u>131,071</u>	<u>1,101,016</u>
District support services					
Salaries	436,560	456,871	454,469	2,402	279,549
Fringe benefits	213,961	208,370	278,672	(70,302)	245,175
Purchased services	227,040	281,900	246,082	35,818	381,622
Supplies and materials	32,400	28,400	52,052	(23,652)	29,797
Other	23,500	24,000	24,413	(413)	23,983
Total district support services	<u>933,461</u>	<u>999,541</u>	<u>1,055,688</u>	<u>(56,147)</u>	<u>960,126</u>
Elementary and secondary					
regular instruction					
Salaries	6,282,563	6,149,082	6,375,113	(226,031)	5,738,837
Fringe benefits	2,067,657	1,787,964	1,872,805	(84,841)	1,644,239
Purchased services	523,773	524,068	629,768	(105,700)	547,859
Supplies and materials	284,100	433,152	458,622	(25,470)	249,740
Other	367,200	384,000	370,560	13,440	428,859
Total elementary and secondary	<u>9,525,293</u>	<u>9,278,266</u>	<u>9,706,868</u>	<u>(428,602)</u>	<u>8,609,534</u>
regular instruction					
Vocational education instruction					
Salaries	350,289	321,525	318,216	3,309	297,838
Fringe benefits	101,336	109,087	96,284	12,803	86,038
Purchased services	204	2,300	4,051	(1,751)	2,646
Supplies and materials	36,200	36,700	35,849	851	43,068
Total vocational education instruction	<u>488,029</u>	<u>469,612</u>	<u>454,400</u>	<u>15,212</u>	<u>429,590</u>

Independent School District No. 345
New London, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023			Variance With Final Budget	2022
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Expenditures (Continued)					
Current (continued)					
Special education instruction					
Salaries	\$ 2,601,272	\$ 2,879,258	\$ 2,754,490	\$ 124,768	\$ 2,345,521
Fringe benefits	963,234	860,412	906,060	(45,648)	793,703
Purchased services	337,019	231,850	320,244	(88,394)	223,843
Supplies and materials	10,850	11,050	13,242	(2,192)	9,578
Other	-	32,500	41,698	(9,198)	31,519
Total special education instruction	<u>3,912,375</u>	<u>4,015,070</u>	<u>4,035,734</u>	<u>(20,664)</u>	<u>3,404,164</u>
Instructional support services					
Salaries	374,044	412,144	382,666	29,478	423,965
Fringe benefits	54,267	53,884	59,425	(5,541)	61,922
Purchased services	34,710	37,300	43,683	(6,383)	59,469
Supplies and materials	72,050	43,350	68,500	(25,150)	96,906
Total instructional support services	<u>535,071</u>	<u>546,678</u>	<u>554,274</u>	<u>(7,596)</u>	<u>642,262</u>
Pupil support services					
Salaries	267,748	311,302	319,065	(7,763)	240,049
Fringe benefits	65,733	77,397	87,373	(9,976)	73,158
Purchased services	1,674,382	1,689,622	1,917,657	(228,035)	1,618,932
Supplies and materials	7,500	4,700	21,771	(17,071)	36,801
Total pupil support services	<u>2,015,363</u>	<u>2,083,021</u>	<u>2,345,866</u>	<u>(262,845)</u>	<u>1,968,940</u>
Sites and buildings					
Salaries	531,508	573,614	632,543	(58,929)	495,675
Fringe benefits	161,611	249,903	183,929	65,974	139,071
Purchased services	732,655	889,044	954,585	(65,541)	838,480
Supplies and materials	290,000	308,342	278,215	30,127	298,763
Other	21,000	3,000	-	3,000	4,417
Total sites and buildings	<u>1,736,774</u>	<u>2,023,903</u>	<u>2,049,272</u>	<u>(25,369)</u>	<u>1,776,406</u>
Total current	<u>20,354,072</u>	<u>20,807,462</u>	<u>21,462,402</u>	<u>(654,940)</u>	<u>18,892,038</u>
Expenditures (Continued)					
Capital outlay					
Direct support services	-	1,800	1,762	38	36,759
Elementary and secondary					
Regular instruction	283,941	276,650	69,480	207,170	176,049
Vocational education instruction	4,000	4,500	4,814	(314)	1,537
Instructional support services	60,000	166,189	1,099,071	(932,882)	184,272
Sites and buildings	620,168	575,700	649,007	(73,307)	164,524
Total capital outlay	<u>968,109</u>	<u>1,024,839</u>	<u>1,824,134</u>	<u>(799,295)</u>	<u>563,141</u>
Debt service					
Principal	83,769	86,106	127,847	(41,741)	83,768
Interest and other charges	14,298	11,961	53,324	(41,363)	16,799
Total debt service	<u>98,067</u>	<u>98,067</u>	<u>181,171</u>	<u>(83,104)</u>	<u>100,567</u>
Total Expenditures	<u>21,420,248</u>	<u>21,930,368</u>	<u>23,467,707</u>	<u>(1,537,339)</u>	<u>19,555,746</u>

Independent School District No. 345
 New London, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual (Continued)
 For the Year Ended June 30, 2023
 (With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance With Final Budget	Actual Amounts
	Original	Final			
Excess (Deficiency) of Revenues Over (Under) Expenditures	195,701	24,415	(1,029,813)	(1,054,228)	376,035
Other Financing Sources (Uses) Financed purchase obligations issued	-	-	898,105	898,105	-
Net Change in Fund Balances	195,701	24,415	(131,708)	(156,123)	376,035
Fund Balances, July 1	702,216	702,216	702,216	-	326,181
Fund Balances, June 30	<u>\$ 897,917</u>	<u>\$ 726,631</u>	<u>\$ 570,508</u>	<u>\$ (156,123)</u>	<u>\$ 702,216</u>

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Independent School District No. 345
New London, Minnesota
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023			Variance with Final Budget	2022
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Other local and county revenue					
Interest earned on investments	\$ 300	\$ 300	\$ 119	\$ (181)	\$ 1
Revenue from state sources	64,000	60,000	56,431	(3,569)	42,499
Revenue from federal sources	357,200	513,579	555,766	42,187	1,230,851
Sales of food and other assets	503,500	491,121	501,714	10,593	167,552
Total Revenues	<u>925,000</u>	<u>1,065,000</u>	<u>1,114,030</u>	<u>49,030</u>	<u>1,440,903</u>
Expenditures					
Current					
Pupil support services					
Salaries	286,500	129,500	115,687	13,813	255,176
Employee benefits	153,525	62,575	55,701	6,874	125,916
Purchased services	332,375	690,100	762,872	(72,772)	73,537
Supplies and materials	90,200	94,200	103,479	(9,279)	585,359
Other	2,400	2,400	1,610	790	4,243
Total current	<u>865,000</u>	<u>978,775</u>	<u>1,039,349</u>	<u>(60,574)</u>	<u>1,044,231</u>
Capital outlay					
Pupil support services	15,000	153,000	150,948	2,052	19,544
Total Expenditures	<u>880,000</u>	<u>1,131,775</u>	<u>1,190,297</u>	<u>(58,522)</u>	<u>1,063,775</u>
Net Change in Fund Balances	45,000	(66,775)	(76,267)	(9,492)	377,128
Fund Balances, July 1	<u>683,170</u>	<u>683,170</u>	<u>683,170</u>	<u>-</u>	<u>306,042</u>
Fund Balances, June 30	<u>\$ 728,170</u>	<u>\$ 616,395</u>	<u>\$ 606,903</u>	<u>\$ (9,492)</u>	<u>\$ 683,170</u>

Independent School District No. 345
New London, Minnesota
Community Service Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Local property tax levies	\$ 138,445	\$ 138,445	\$ 138,169	\$ (276)	\$ 137,204
Other local and county revenue					
Interest earned on investments	100	100	-	(100)	5
Other	753,175	926,575	1,006,780	80,205	924,968
Revenue from state sources	103,280	109,880	104,696	(5,184)	105,340
Total Revenues	<u>995,000</u>	<u>1,175,000</u>	<u>1,249,645</u>	<u>74,645</u>	<u>1,167,517</u>
Expenditures					
Current					
Community education and services					
Salaries	626,063	778,300	853,206	(74,906)	776,696
Employee benefits	172,137	189,360	188,282	1,078	177,909
Purchased services	129,500	142,900	176,363	(33,463)	135,654
Supplies and materials	44,700	36,600	42,991	(6,391)	52,918
Other	600	600	1,129	(529)	676
Total current	<u>973,000</u>	<u>1,147,760</u>	<u>1,261,971</u>	<u>(114,211)</u>	<u>1,143,853</u>
Capital outlay					
Community education and services	2,000	2,240	79,216	(76,976)	47,323
Debt service					
Principal	-	-	13,515	(13,515)	-
Total Expenditures	<u>975,000</u>	<u>1,150,000</u>	<u>1,354,702</u>	<u>(204,702)</u>	<u>1,191,176</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	20,000	25,000	(105,057)	(130,057)	(23,659)
Other Financing Sources (Uses)					
Financed purchase obligations issued	-	-	57,283	57,283	-
Net Change in Fund Balances	20,000	25,000	(47,774)	(72,774)	(23,659)
Fund Balances, July 1	(198,589)	(198,589)	(198,589)	-	(174,930)
Fund Balances, June 30	<u>\$ (178,589)</u>	<u>\$ (173,589)</u>	<u>\$ (246,363)</u>	<u>\$ (72,774)</u>	<u>\$ (198,589)</u>

Independent School District No. 345
New London, Minnesota
Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Local property tax levies	\$ 1,976,858	\$ 1,992,970	\$ 2,002,003	\$ 9,033	\$ 1,742,218
Other local and county revenue					
Interest earned on investments	500	4,000	-	(4,000)	-
Revenue from state sources	36,000	42,935	42,969	34	33,716
Total Revenues	<u>2,013,358</u>	<u>2,039,905</u>	<u>2,044,972</u>	<u>5,067</u>	<u>1,775,934</u>
Expenditures					
Debt service					
Principal	1,335,000	1,335,000	1,335,000	-	1,060,000
Interest and other charges	674,125	679,875	681,125	(1,250)	718,228
Total Expenditures	<u>2,009,125</u>	<u>2,014,875</u>	<u>2,016,125</u>	<u>(1,250)</u>	<u>1,778,228</u>
Net Change in Fund Balances	4,233	25,030	28,847	3,817	(2,294)
Fund Balances, July 1	<u>352,819</u>	<u>352,819</u>	<u>352,819</u>	<u>-</u>	<u>355,113</u>
Fund Balances, June 30	<u>\$ 357,052</u>	<u>\$ 377,849</u>	<u>\$ 381,666</u>	<u>\$ 3,817</u>	<u>\$ 352,819</u>

Independent School District No. 345
 New London, Minnesota
 Private-Purpose Trusts - Scholarships Fund
 Schedule of Changes in Fiduciary Net Position - Budget and Actual
 For the Year Ended June 30, 2023
 (With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Additions					
Contributions and donations	\$ 55,000	\$ 43,000	\$ 39,737	\$ (3,263)	\$ 41,405
Investment income					
Interest and dividends	-	-	337	337	417
Total Additions	<u>55,000</u>	<u>43,000</u>	<u>40,074</u>	<u>(2,926)</u>	<u>41,822</u>
Deductions					
Scholarship awards	<u>55,000</u>	<u>58,000</u>	<u>54,396</u>	<u>3,604</u>	<u>62,517</u>
Change in Net Position	-	(15,000)	(14,322)	678	(20,695)
Net Position, July 1	<u>163,563</u>	<u>163,563</u>	<u>163,563</u>	-	<u>184,258</u>
Net Position, June 30	<u><u>\$ 163,563</u></u>	<u><u>\$ 148,563</u></u>	<u><u>\$ 149,241</u></u>	<u><u>\$ 678</u></u>	<u><u>\$ 163,563</u></u>

Independent School District No. 345
 New London, Minnesota
 OPEB Trust Fund
 Schedule of Changes in Fiduciary Net Position - Budget and Actual
 For the Year Ended June 30, 2023
 (With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023			Variance with Final Budget	2022
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			Amounts
Additions					
Investment income					
Net increase (decrease) in fair value of investments	\$ -	\$ -	\$ 53,985	\$ 53,985	\$ (277,999)
Interest and dividends	100,000	150,000	50,235	(99,765)	44,937
Total Additions	<u>100,000</u>	<u>150,000</u>	<u>104,220</u>	<u>(45,780)</u>	<u>(233,062)</u>
Deductions					
OPEB health insurance benefits	215,000	211,000	230,571	(19,571)	200,079
Administrative expense	-	9,000	10,143	(1,143)	10,192
Total Deductions	<u>215,000</u>	<u>220,000</u>	<u>240,714</u>	<u>(20,714)</u>	<u>210,271</u>
Change in Net Position	(115,000)	(70,000)	(136,494)	(66,494)	(443,333)
Net Position, July 1	<u>1,331,544</u>	<u>1,331,544</u>	<u>1,331,544</u>	-	<u>1,774,877</u>
Net Position, June 30	<u>\$ 1,216,544</u>	<u>\$ 1,261,544</u>	<u>\$ 1,195,050</u>	<u>\$ (66,494)</u>	<u>\$ 1,331,544</u>

Fiscal Compliance Report - 6/30/2023

District: NEW LONDON-SPICER (345-1)

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$22,437,894	<u>\$22,437,898</u>	(\$4)	Total Revenue	\$0	<u>\$0</u>	\$0
Total Expenditures	\$23,467,707	<u>\$23,467,714</u>	(\$7)	Total Expenditures	\$0	<u>\$0</u>	\$0
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$128,634	<u>\$128,634</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
<i>Restricted / Reserved:</i>				<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$176,180	<u>\$176,180</u>	\$0	4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0
4.02 Scholarships	\$0	<u>\$0</u>	\$0	4.13 Funded by COP/FP	\$0	<u>\$0</u>	\$0
4.03 Staff Development	\$0	<u>\$0</u>	\$0	4.67 LTFM	\$0	<u>\$0</u>	\$0
4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0	<i>Restricted:</i>			
4.08 Cooperative Revenue	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0
4.13 Funded by COP/FP	\$0	<u>\$0</u>	\$0	<i>Unassigned:</i>			
4.14 Operating Debt	\$0	<u>\$0</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.16 Levy Reduction	\$0	<u>\$0</u>	\$0	07 DEBT SERVICE			
4.17 Taconite Building Maint	\$0	<u>\$0</u>	\$0	Total Revenue	\$2,044,972	<u>\$2,044,972</u>	\$0
4.24 Operating Capital	\$0	<u>\$0</u>	\$0	Total Expenditures	\$2,016,125	<u>\$2,016,125</u>	\$0
4.26 \$25 Taconite	\$0	<u>\$0</u>	\$0	<i>Non Spendable:</i>			
4.27 Disabled Accessibility	\$0	<u>\$0</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
4.28 Learning & Development	\$0	<u>\$0</u>	\$0	<i>Restricted / Reserved:</i>			
4.34 Area Learning Center	\$0	<u>\$0</u>	\$0	4.25 Bond Refundings	\$0	<u>\$0</u>	\$0
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	\$0	4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	\$0
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	\$0	4.51 QZAB Payments	\$0	<u>\$0</u>	\$0
4.38 Gifted & Talented	\$0	<u>\$0</u>	\$0	4.67 LTFM	\$0	<u>\$0</u>	\$0
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	\$0	<i>Restricted:</i>			
4.41 Basic Skills Programs	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$381,666	<u>\$381,665</u>	\$1
4.48 Achievement and Integration	\$0	<u>\$0</u>	\$0	<i>Unassigned:</i>			
4.49 Safe Schools Levy	\$0	<u>\$0</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.51 QZAB Payments	\$0	<u>\$0</u>	\$0	08 TRUST			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0	Total Revenue	\$40,074	<u>\$40,077</u>	(\$3)
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	\$0	Total Expenditures	\$54,396	<u>\$54,396</u>	\$0
4.59 Basic Skills Extended Time	\$0	<u>\$0</u>	\$0	<i>Restricted / Reserved:</i>			
4.67 LTFM	(\$113,584)	<u>(\$113,584)</u>	\$0	4.01 Student Activities	\$0	<u>\$0</u>	\$0
4.72 Medical Assistance	\$0	<u>\$0</u>	\$0	4.02 Scholarships	\$0	<u>\$0</u>	\$0
<i>Restricted:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$149,241	<u>\$149,242</u>	(\$1)
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0	18 CUSTODIAL			
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
<i>Committed:</i>				<i>Restricted / Reserved:</i>			
4.18 Committed for Separation	\$0	<u>\$0</u>	\$0	4.01 Student Activities	\$0	<u>\$0</u>	\$0
4.61 Committed Fund Balance	\$0	<u>\$0</u>	\$0	4.02 Scholarships	\$0	<u>\$0</u>	\$0
<i>Assigned:</i>				4.48 Achievement and Integration	\$0	<u>\$0</u>	\$0
4.62 Assigned Fund Balance	\$42,212	<u>\$42,212</u>	\$0	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0
<i>Unassigned:</i>				20 INTERNAL SERVICE			
4.22 Unassigned Fund Balance	\$337,066	<u>\$337,065</u>	\$1	Total Revenue	\$0	<u>\$0</u>	\$0
02 FOOD SERVICES				Total Expenditures	\$0	<u>\$0</u>	\$0
Total Revenue	\$1,114,030	<u>\$1,114,029</u>	\$1	<i>Restricted / Reserved:</i>			
Total Expenditures	\$1,190,297	<u>\$1,190,296</u>	\$1	4.01 Student Activities	\$0	<u>\$0</u>	\$0
<i>Non Spendable:</i>				4.02 Scholarships	\$0	<u>\$0</u>	\$0
4.60 Non Spendable Fund Balance	\$400	<u>\$400</u>	\$0	4.48 Achievement and Integration	\$0	<u>\$0</u>	\$0
<i>Restricted / Reserved:</i>				4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0	25 OPEB REVOCABLE TRUST			
<i>Restricted:</i>				Total Revenue	\$0	<u>\$0</u>	\$0
4.64 Restricted Fund Balance	\$606,503	<u>\$606,502</u>	\$1	Total Expenditures	\$0	<u>\$0</u>	\$0
<i>Unassigned:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0	45 OPEB IRREVOCABLE TRUST			
04 COMMUNITY SERVICE				Total Revenue	\$104,220	<u>\$104,220</u>	\$0
Total Revenue	\$1,249,645	<u>\$1,249,647</u>	(\$2)	Total Expenditures	\$240,714	<u>\$240,714</u>	\$0
Total Expenditures	\$1,354,702	<u>\$1,354,703</u>	(\$1)	<i>Restricted / Reserved:</i>			
<i>Non Spendable:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$1,195,050	<u>\$1,195,049</u>	\$1
4.60 Non Spendable Fund Balance	\$15,634	<u>\$15,634</u>	\$0				

Restricted / Reserved:

4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.31 Community Education	(\$69,570)	<u>(\$69,571)</u>	<u>\$0</u>
4.32 E.C.F.E	(\$92,816)	<u>(\$92,816)</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	(\$99,928)	<u>(\$99,928)</u>	<u>\$0</u>
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$317	<u>\$320</u>	<u>(\$3)</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

47 OPEB DEBT SERVICE

Total Revenue	\$813	<u>\$814</u>	<u>(\$1)</u>
Total Expenditures	\$1,542	<u>\$1,542</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$44,332	<u>\$44,332</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

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OTHER REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 345
NEW LONDON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

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**INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE**

Members of the Board of Education
Independent School District No. 345
New London, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 345 (the District), New London, Minnesota as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2023.

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

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



Abdo
Minneapolis, Minnesota
December 21, 2023

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

Members of the Board of Education
Independent School District No. 345
New London, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 345 (the District), Minnesota, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 21, 2023.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings, Responses and Questioned Costs as items 2023-001 and 2023-002 we consider to be significant deficiencies.

Compliance and Other Matters

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

The District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Abdo
Minneapolis, Minnesota
December 21, 2023



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FEDERAL FINANCIAL AWARD PROGRAM
INDEPENDENT SCHOOL DISTRICT NO. 345
NEW LONDON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

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

Members of the Board of Education
Independent School District No. 345
New London, Minnesota

Opinion on Each Major Federal Program

We have audited the Independent School District No. 345's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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



Abdo
Minneapolis, Minnesota
December 21, 2023



Independent School District No. 345
New London, Minnesota
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Funding Source	Administering Department	Grant Name	Federal Domestic Assistance Number	Federal Program Clusters	Federal Program Detail	Total Federal Expenditures
U.S. Department of Agriculture	MN Department of Education	School Breakfast Program	10.553	\$ 81,572		
U.S. Department of Agriculture	MN Department of Education	National School Lunch Program	10.555	322,415		
U.S. Department of Agriculture	MN Department of Education	Supply Chain Assistance Funds	10.555C	67,647		
U.S. Department of Agriculture	MN Department of Education	Commodity Distribution - Non-Cash	10.555	84,132		
		Total Child Nutrition Cluster				\$ 555,766
U.S. Department of Agriculture	MN Department of Education	State Pandemic Electronic Benefit Transfer Administrative Costs Grants	10.649			628
U.S. Department of Health and Human Services	MN Department of Education	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			37,216
U.S. Department of Education	MN Department of Education	Special Education Grants to States	84.027	174,508		
U.S. Department of Education	MN Department of Education	Special Education - Preschool Grants (IDEA Preschool)	84.173	3,742		
		Total Special Education Cluster				178,250
U.S. Department of Education	MN Department of Education	Title I Grants to Local Educational Agencies	84.010			75,601
U.S. Department of Education	MN Department of Education	Improving Teacher Quality State Grants	84.367			22,240
U.S. Department of Education	MN Department of Education	Student Support and Academic Enrichment Program	84.424			10,000
U.S. Department of Education	MN Department of Education	COVID-19 - Education Stabilization Fund Under The Coronavirus Aid, Relief, And Economic Security Act	84.425D		82,246	
U.S. Department of Education	MN Department of Education	COVID-19 - Education Stabilization Fund Under The Coronavirus Aid, Relief, And Economic Security Act	84.425U		377,288	
		Total	84.425			459,534
U.S. Department of Education	MN Department of Education	Career and Technical Education Basic Grants	84.048			4,893
						\$ 1,344,128

Independent School District No. 345
New London, Minnesota
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of Independent School District No. 345, New London, Minnesota (the District). The District's reporting entity is defined in Note 1A to the District's financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). All federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

Note 2: Summary of Significant Accounting Policies for Expenditures

Expenditures reported on this schedule are reported on the modified accrual basis of accounting.

Note 3: Pass-through Entity Identifying Numbers

Pass-through entity identifying numbers, if any, are presented where available.

Note 4: Sub recipients

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

Note 5: Indirect Cost Rate

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

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Independent School District No. 345
 New London, Minnesota
 Schedule of Findings, Responses and Questioned Costs
 For the Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

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

Identification of Major Programs/Projects

	CFDA No.
COVID-19 - Education Stabilization Fund Under The Coronavirus Aid, Relief, And Economic Security Act	84.425D
COVID-19 - Education Stabilization Fund Under The Coronavirus Aid, Relief, And Economic Security Act	84.425U
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

Significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Findings 2023-001 and 2023-002 are reported as significant deficiencies.

There is no noncompliance with the provisions of laws, regulations, contracts or grant agreements which are material to financial statements that have been identified or reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

Section III - Major Federal Award Findings and Questioned Costs

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

Section IV - Schedule of Prior Year Audit Findings

There were prior year audit findings that are attached.

Independent School District No. 345
New London, Minnesota
Schedule of Findings, Responses and Questioned Costs (Continued)
For the Year Ended June 30, 2023

<u>Finding</u>	<u>Description</u>
2023-001	Preparation of Financial Statements
<i>Condition:</i>	We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the Board of Education as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
<i>Cause:</i>	From a practical standpoint we draft the financial statements, as well as audit the financial statements. This is not unusual for us to do with an organization of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
<i>Recommendation:</i>	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. We have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the District is reviewing the financial statements we recommend that a disclosure checklist be utilized to ensure all required disclosures are presented and the District should agree its financial software to the numbers reported in the financial statements.
<i>Management Response:</i>	
	For now, the District's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

Independent School District No. 345
New London, Minnesota
Schedule of Findings, Responses and Questioned Costs (Continued)
For the Year Ended June 30, 2023

<u>Finding</u>	<u>Description</u>
2023-002	Limited Segregation of Duties
<i>Condition:</i>	During our audit, we reviewed procedures within each of the District's major transaction cycles and found the District to have limited segregation of duties in those transaction cycles.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities
<i>Cause:</i>	The District has a limited number of staff to properly segregate duties in each of the major transaction cycles.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in segregation of duties and internal controls can result in undetected errors or misappropriation of assets of the District.
<i>Recommendation:</i>	We recommend the District continue to review and analyze its internal controls, at a minimum annually, and implement any changes and compensating controls considered necessary.

Management Response:

There is no disagreement with the audit finding. The District reviews and makes improvements to its internal control structure on an ongoing basis and attempts to maximize the segregation of duties in all areas with the limits of the staff available. However, the District does not consider it cost beneficial at this time to increase the size of its staff in order to further segregate accounting functions.

New London-Spicer Community Schools District #0345

Following is our response to findings in the audit as of June 30, 2023:

FINDING 2023-001:

We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the Board of Education as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

2. Action Planned in Response to Finding:

The District will implement the appropriate internal controls to allow them to prevent or detect a material misstatement in the annual financial statements including footnote disclosures.

3. Official Responsible for Ensuring CAP:

Jamie Boelter would be responsible for establishing procedures.

4. Planned Completion Date for CAP:

On-going

5. Plan to Monitor Completion of CAP:

The Board of Education will be monitoring on an on-going basis.

Sincerely,



Jamie Boelter
Superintendent
Independent School District No. 345
New London, Minnesota

New London-Spicer Community Schools District #0345

Following is our response to findings in the audit as of June 30, 2023:

FINDING 2023-002:

During our audit, we reviewed procedures within each of the District's major transaction cycles and found the District to have limited segregation of duties in those transaction cycles.

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

2. Action Planned in Response to Finding:

The District understands the importance of segregating duties; however, due to cost-benefit limitations, the District's only remedy to this condition is to continue to monitor staff responsibilities.

3. Official Responsible for Ensuring CAP:

Jamie Boelter would be responsible for establishing procedures.

4. Planned Completion Date for CAP:

On-going

5. Plan to Monitor Completion of CAP:

The Board of Education will be monitoring on an on-going basis.

Sincerely,



Jamie Boelter
Superintendent
Independent School District No. 345
New London, Minnesota

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Independent School District No. 345
New London, Minnesota
Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2023

<u>Finding</u>	<u>Description</u>
2022-001	Preparation of Financial Statements
<i>Current Year Status:</i>	Finding applicable to 2023.
2022-002	Limited Segregation of Duties
<i>Current Year Status:</i>	Finding applicable to 2023.
2022-003	Collateral Coverage
<i>Current Year Status:</i>	The District had sufficient collateral coverage during fiscal year 2023. This finding was removed for the current year.