



**Independent School District No. 286
Brooklyn Center, Minnesota**

**Annual Financial Report
for the
Fiscal Year Ended June 30, 2023**

INDEPENDENT SCHOOL DISTRICT NO. 286
BROOKLYN CENTER, MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
June 30, 2023

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INDEPENDENT SCHOOL DISTRICT NO. 286

Table of Contents

	Page
INTRODUCTORY SECTION	
SCHOOL BOARD AND ADMINISTRATION	1
FINANCIAL SECTION	
INDEPENDENT AUDITOR’S REPORT	2–4
MANAGEMENT’S DISCUSSION AND ANALYSIS	5–16
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements	
Governmental Funds	
Balance Sheet	19–20
Reconciliation of the Balance Sheet to the Statement of Net Position	21
Statement of Revenue, Expenditures, and Changes in Fund Balances	22–23
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	24
Statement of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	25
Proprietary Funds	
Internal Service Funds	
Statement of Net Position	26
Statement of Revenue, Expenses, and Changes in Net Position	27
Statement of Cash Flows	28
Fiduciary Fund	
Statement of Fiduciary Net Position	29
Statement of Changes in Fiduciary Net Position	29
Notes to Basic Financial Statements	30–60
REQUIRED SUPPLEMENTARY INFORMATION	
Public Employees Retirement Association Pension Benefits Plan	
Schedule of District’s and Nonemployer Proportionate Share of Net Pension Liability	61
Schedule of District Contributions	61
Teachers Retirement Association Pension Benefits Plan	
Schedule of District’s and Nonemployer Proportionate Share of Net Pension Liability	62
Schedule of District Contributions	62
Other Post-Employment Benefits Plan	
Schedule of Changes in the District’s Net OPEB Liability and Related Ratios	63
Schedule of Investment Returns	64
Notes to Required Supplementary Information	65–70

INDEPENDENT SCHOOL DISTRICT NO. 286

Table of Contents (continued)

	Page
SUPPLEMENTAL INFORMATION	
Governmental Funds	
Nonmajor Governmental Funds	
Combining Balance Sheet	71
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	72
General Fund	
Comparative Balance Sheet	73
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	74–76
Food Service Special Revenue Fund	
Comparative Balance Sheet	77
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	78
Community Service Special Revenue Fund	
Comparative Balance Sheet	79
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	80
Capital Projects – Building Construction Fund	
Comparative Balance Sheet	81
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	82
Debt Service Fund	
Comparative Balance Sheet	83
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	84
Proprietary Funds	
Internal Service Funds	
Combining Statement of Net Position	85
Combining Statement of Revenue, Expenses, and Changes in Net Position	86
Combining Statement of Cash Flows	87
OTHER DISTRICT INFORMATION (UNAUDITED)	
Student Enrollment	88
OTHER REQUIRED REPORTS	
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 <i>Government Auditing Standards</i>	89–90
Independent Auditor’s Report on Minnesota Legal Compliance	91–92
Schedule of Findings and Recommendations	93–95
Uniform Financial Accounting and Reporting Standards Compliance Table	96–97

INTRODUCTORY SECTION

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INDEPENDENT SCHOOL DISTRICT NO. 286

School Board and Administration
Year Ended June 30, 2023

SCHOOL BOARD

	<u>Board Position</u>
Cheryl Jechorek	Chair
John Solomon	Vice Chair
Amy Bailey	Clerk
Richard Zeck	Treasurer
Ruthie Dallas	Director
Aubry Woksonsommers	Director

ADMINISTRATION

Carly Baker	Superintendent
Sara Bratsch	Finance Director
Brittany Johnson	Accountant

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FINANCIAL SECTION

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PRINCIPALS

Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA
Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 286
Brooklyn Center, Minnesota

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINIONS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 286 (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, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINIONS

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

(continued)

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.

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI 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.

(continued)

SUPPLEMENTAL 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 and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the District. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the UFARS Compliance Table are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER INFORMATION

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

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

PRIOR YEAR COMPARATIVE INFORMATION

We have previously audited the District's 2022 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 28, 2022. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 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, 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.

Malloy, Montague, Karnowski, Radosevich & Co., P. A.

Minneapolis, Minnesota
December 27, 2023

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INDEPENDENT SCHOOL DISTRICT NO. 286

Management's Discussion and Analysis Year Ended June 30, 2023

This section of Independent School District No. 286's (the District) annual financial statements presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2023. Please read it in conjunction with the other components of the District's annual financial statements.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2023 by \$16,712,142 (net position deficit). The District's total net position increased by \$3,873,310 during the fiscal year ended June 30, 2023.
- Government-wide revenues totaled \$48,776,088 and were \$3,873,310 more than expenses of \$44,902,778.
- The General Fund's total fund balance (under the governmental fund presentation) decreased \$1,130,249 from the prior year, compared to a decrease of \$1,400,868 planned in the budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual financial statements consists of the following parts:

- Independent Auditor's Report;
- Management's discussion and analysis;
- Basic financial statements, including the government-wide financial statements, fund financial statements, and the notes to basic financial statements;
- Required supplementary information; and
- Supplemental information consisting of combining and individual fund statements and schedules.

The following explains the two types of statements included in the basic financial statements:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

In the government-wide financial statements the District's activities are all shown in one category titled "governmental activities." These activities, including regular and special education instruction, transportation, administration, food services, and community education, are primarily financed with state aids and property taxes.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds, rather than the District as a whole. Funds (Food Service Special Revenue and Community Service Special Revenue) that do not meet the threshold to be classified as major funds are called nonmajor funds. Detailed financial information for nonmajor funds can be found in the supplemental information section.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. For Minnesota schools, funds are established in accordance with Uniform Financial Accounting and Reporting Standards in accordance with statutory requirements and accounting principles generally accepted in the United States of America. Some funds are required by state law and by bond covenants. The District can establish other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District maintains the following kinds of funds:

Governmental Funds – The District's basic services are included in governmental funds, which generally focus on: 1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information (reconciliation schedules) immediately following the governmental fund financial statements that explain the relationship (or differences) between these two types of financial statement presentations.

Proprietary Funds – The District maintains one type of proprietary fund. The internal service funds are used as an accounting device to accumulate and allocate costs internally among the District's various functions. The District uses its internal service funds to account for the self-insurance activities of district employees' medical and dental claims. These services have been included within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to other organizations or individuals. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1 is a summarized view of the District's Statement of Net Position:

	2023	2022
Assets		
Current and other assets	\$ 20,812,826	\$ 16,414,365
Capital assets, net of depreciation/amortization	51,342,155	50,007,356
Total assets	\$ 72,154,981	\$ 66,421,721
Deferred outflows of resources		
Pension plan deferments	\$ 7,902,107	\$ 8,689,601
OPEB plan deferments	120,050	116,321
Total deferred outflows of resources	\$ 8,022,157	\$ 8,805,922
Liabilities		
Current and other liabilities	\$ 9,860,789	\$ 4,909,966
Long-term liabilities, including due within one year	74,818,019	61,879,499
Total liabilities	\$ 84,678,808	\$ 66,789,465
Deferred inflows of resources		
Property taxes levied for subsequent year	\$ 6,025,477	\$ 5,985,867
Pension plan deferments	5,308,022	22,528,504
OPEB plan deferments	876,973	509,259
Total deferred inflows of resources	\$ 12,210,472	\$ 29,023,630
Net position		
Net investment in capital assets	\$ 3,046,189	\$ 3,122,500
Restricted	765,347	1,868,838
Unrestricted	(20,523,678)	(25,576,790)
Total net position	\$ (16,712,142)	\$ (20,585,452)

The District's financial position is the product of many factors. For example, the determination of the District's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation/amortization amounts. A conservative versus liberal approach to depreciation/amortization estimates, as well as capitalization policies, will produce a significant difference in the calculated amounts. Another major factor in determining net position as compared to fund balances are the liabilities for long-term severance, pension, and other post-employment benefits (OPEB), which impacts the unrestricted portion of net position.

The District's decrease in net investment in capital assets is due mostly to the relationship between the rate at which the District's capital assets are being added, depreciated/amortized, and how that compares to the rate at which the District is repaying the debt issued to purchase or construct those assets. The decrease in net position restricted for capital asset acquisition, food service, and community service contributed to the change in this portion of net position. The change in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans contributed to the change in deferred outflows of resources, long-term liabilities, deferred inflows of resources, and unrestricted net position. The District issued \$4,000,000 of aid anticipation certificates for cash flow purposes in the current year, contributing to the change in current and other assets and current and other liabilities.

Table 2 presents a summarized version of the District’s Statement of Activities:

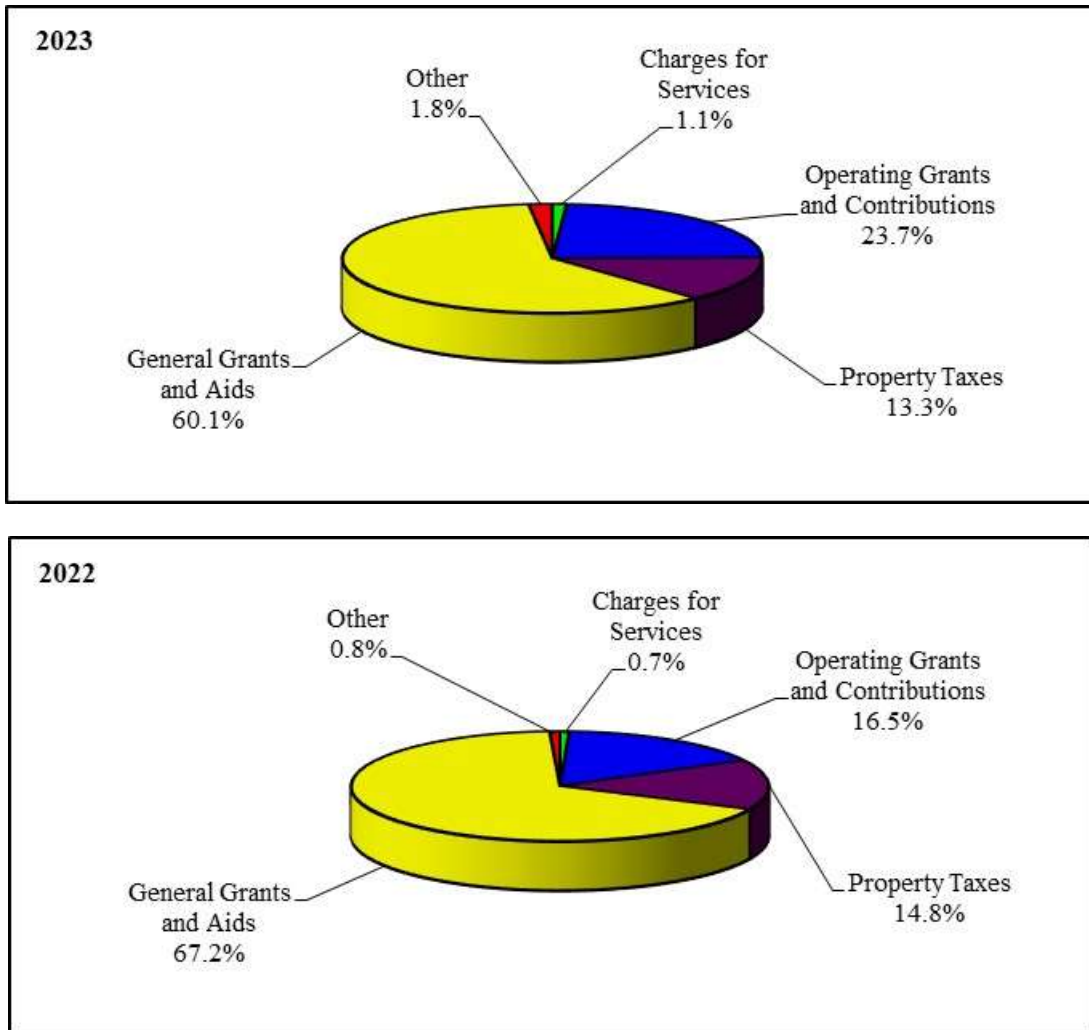
Table 2		
Summary Statement of Activities		
for the Years Ended June 30, 2023 and 2022		
	2023	2022
Revenues		
Program revenues		
Charges for services	\$ 551,739	\$ 320,495
Operating grants and contributions	11,542,233	7,274,847
General revenues		
Property taxes	6,457,061	6,553,015
General grants and aids	29,327,674	29,680,035
Other	897,381	333,600
Total revenues	48,776,088	44,161,992
Expenses		
Administration	1,389,099	1,094,100
District support services	1,893,865	1,876,314
Elementary and secondary regular instruction	12,285,640	16,108,861
Vocational education instruction	235,372	295,742
Special education instruction	5,206,765	5,137,403
Instructional support services	2,348,498	3,692,885
Pupil support services	10,540,214	8,068,011
Sites and buildings	6,154,368	5,061,130
Fiscal and other fixed cost programs	108,235	110,114
Food service	1,527,857	1,240,337
Community service	1,467,997	1,489,634
Interest and fiscal charges	1,744,868	1,780,687
Total expenses	44,902,778	45,955,218
Change in net position	3,873,310	(1,793,226)
Net position – beginning	(20,585,452)	(18,792,226)
Net position – ending	\$ (16,712,142)	\$ (20,585,452)

This table is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation/amortization expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Revenues increased by \$4,614,096, in the current year, mainly with increases in operating grants and contributions, due to increased spending and improved funding for desegregation transportation and special education. Expenses were down compared to the prior year, due primarily to changes in state-wide pension plans offset by an increase in transportation costs in the current year.

Figure A shows further analysis of these revenue sources:

Figure A – Sources of Revenue for Fiscal Years 2023 and 2022

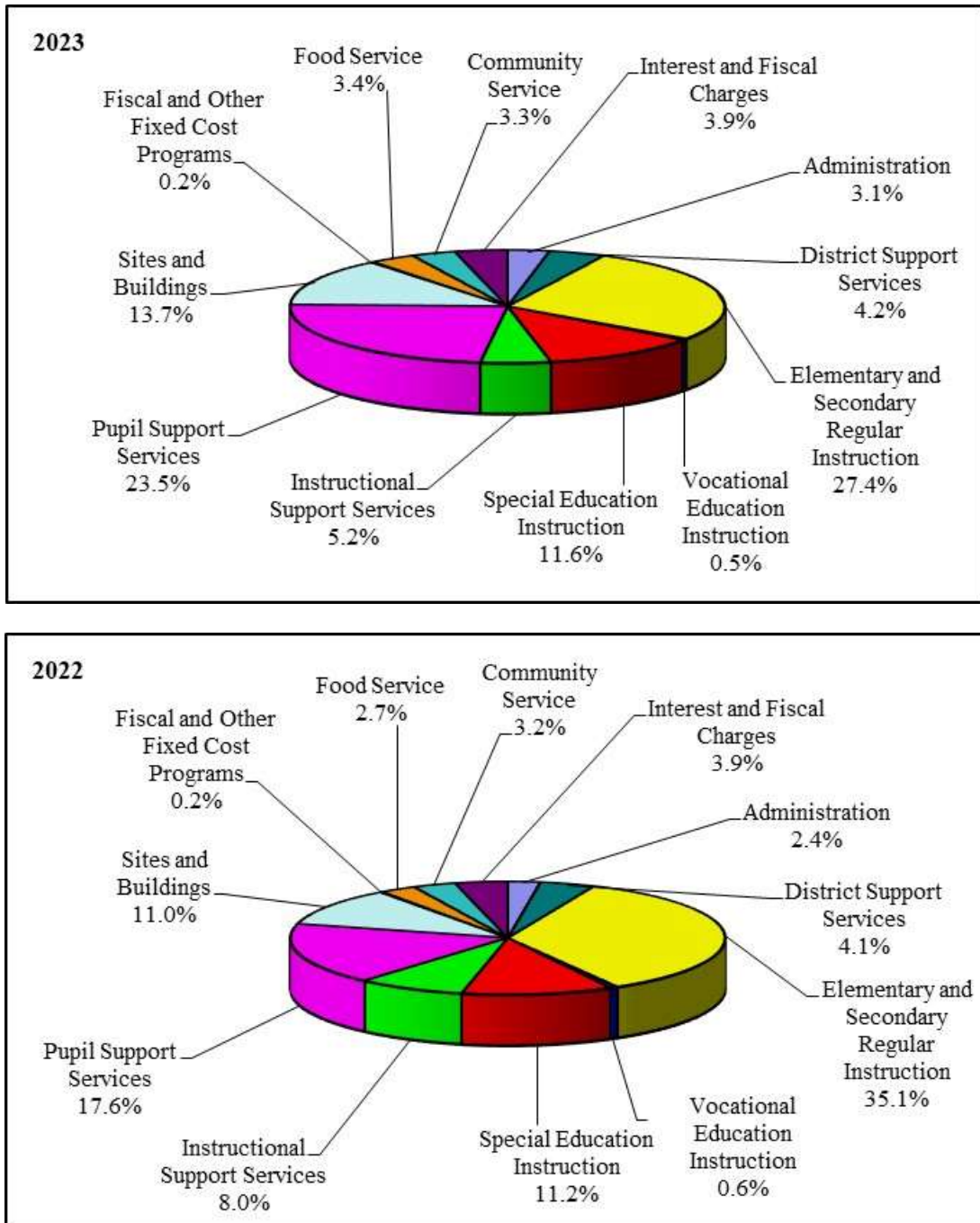


The largest share of the District’s revenue is received from the state, including the general education aid formula and most of the operating grants.

Property taxes are generally the next largest source of funding. The level of revenue property tax sources provide is not only dependent on district taxpayers by way of operating and building referenda, but also by decisions made by the Legislature in the mix of state aid and local effort in a variety of funding formulas.

Figure B shows further analysis of these expense functions:

Figure B – Expenses for Fiscal Years 2023 and 2022



The District's expenses are predominately related to educating students. Programs (or functions), such as elementary and secondary regular instruction, vocational education instruction, special education instruction, and instructional support services are directly related to classroom instruction, while the rest of the programs support instruction and other necessary costs to operate the District. The shift in expenses between programs and the decrease in elementary and secondary regular instruction when compared to prior year was largely due to changes in the TRA state-wide pension plan obligations.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District is also reflected in its governmental funds. Table 3 shows the change in total fund balances of each of the District's governmental funds:

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Major funds			
General	\$ 2,023,271	\$ 3,153,520	\$ (1,130,249)
Capital Projects – Building Construction	1,376,627	886,336	490,291
Debt Service	914,112	774,371	139,741
Nonmajor funds			
Food Service Special Revenue	(252,817)	163,855	(416,672)
Community Service Special Revenue	<u>520</u>	<u>2,938</u>	<u>(2,418)</u>
Total governmental funds	<u>\$ 4,061,713</u>	<u>\$ 4,981,020</u>	<u>\$ (919,307)</u>

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 discretionary use as they represent the portion of fund balance, which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's School Board.

At June 30, 2023, the District's governmental funds reported a combined fund balance of \$4,061,713, a decrease of \$919,307 in comparison with the prior year. Approximately 28.0 percent of this amount (\$1,139,064) constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is either nonspendable or restricted to indicate that it is: 1) not in spendable form (\$161,905); or 2) restricted for particular purposes (\$2,760,744).

Changes in the table above are discussed on the following pages.

ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

Table 4 General Fund Budget				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Change</u>	<u>Percent Change</u>
Revenue and other financing sources	<u>\$ 36,473,409</u>	<u>\$ 37,560,511</u>	<u>\$ 1,087,102</u>	<u>3.0%</u>
Expenditures	<u>\$ 37,473,409</u>	<u>\$ 38,961,379</u>	<u>\$ 1,487,970</u>	<u>4.0%</u>

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. During the year, the District amended the budget for known significant changes in circumstances such as: updated enrollment estimates, legislative changes, additional funding received from grants or other local sources, staffing changes, employee contract settlements, insurance premium changes, special education tuition changes, or for new debt issued.

Table 5 summarizes the operating results of the General Fund:

Table 5 General Fund Operating Results					
	<u>2023 Actual</u>	<u>Over (Under) Final Budget</u>		<u>Over (Under) Prior Year</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Revenues	\$ 41,970,355	\$ 5,057,194	13.7%	\$ 3,881,571	10.2%
Expenditures	<u>43,859,865</u>	<u>4,898,486</u>	12.6%	<u>2,298,685</u>	5.5%
Excess (deficiency) of revenue over expenditures	(1,889,510)	158,708		1,582,886	
Net other financing sources (uses)	<u>759,261</u>	<u>111,911</u>		<u>722,995</u>	
Net change in fund balances	<u>\$ (1,130,249)</u>	<u>\$ 270,619</u>		<u>\$ 2,305,881</u>	

The fund balance of the General Fund decreased \$1,130,249, compared to a decrease of \$1,400,868 approved in the final budget.

The General Fund revenue variance to budget was primarily in state sources and federal sources. State sources were more than budgeted amounts mainly in desegregation transportation and special education. This variance was offset by federal sources, which were less than anticipated due to the timing of grant spending that will carry over to the following year. The increase in revenues over the prior year was primarily due to increases in desegregation transportation and special education state aids.

General Fund expenditures were over appropriations, mainly in the pupil support services program budget for purchased services, due to transportation costs being more than anticipated. The increase from the prior year was mainly in salaries, benefits, and purchased services. Salaries and benefits increased with a change in the contract for the District's online school. Teachers at the online school are now hired employees of the District instead of contracted employees. Purchased services increased mainly in pupil support services with increased transportation costs, which exceeded the decrease in purchased services in elementary and secondary regular instruction with the shift of employees for the online program.

COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS

Capital Projects – Building Construction Fund

The Capital Projects – Building Construction Fund reported a fund balance increase of \$490,291, with revenues and other financing sources exceeding capital spending in the current year. The year-end fund balance is restricted for capital projects for a variety of facility needs.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources and payment of the District's general obligation debt. Activity of the Debt Service Fund is primarily controlled with each debt issue's financing plan. The remaining fund balance of \$914,112 at June 30, 2023, is available for meeting future debt service obligations.

Other Governmental Funds

The Food Service Special Revenue Fund ended the year with expenditures exceeding revenues, decreasing equity by \$416,672, compared to a balanced budget. Revenues were under budget with a change in food service programs, which resulted in lower reimbursement rates. Expenditures were more than projected with more supplies and materials costs than anticipated.

The Community Service Special Revenue Fund ended the year with expenditures exceeding revenues, reducing equity by \$2,418, compared to a budgeted decrease of \$40,000. The variance to budget was primarily in revenues from other local sources, with program participation less than anticipated. Expenditures were under budget, mainly in purchased services.

Internal Service Funds

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis. The District currently maintains two internal service funds. These funds are used to account for the District's self-insured medical and dental insurance functions.

Operating revenues for the internal service funds for fiscal year 2023 totaled \$3,448,904. This is an increase from the fiscal year 2022 operating revenue level of \$3,424,267. The nonoperating revenues in the current year totaled \$30,616 which is an increase from the fiscal year 2022 nonoperating revenues, which did not have a balance. Operating expenses totaled \$3,284,085, which represents an increase from fiscal year 2022 operating expenditures of \$3,123,846, primarily due to more medical benefit claims.

The net position balance for all internal service funds as of June 30, 2023 was \$1,343,854, which represents an increase of \$195,435 from the prior year.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

Table 6 shows the District’s capital assets, together with changes from the previous year. The table also shows the total depreciation/amortization expense for fiscal years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Land	\$ 856,990	\$ 85,990	\$ 771,000
Construction in progress	509,780	163,246	346,534
Land and building improvements	33,274,592	32,982,978	291,614
Buildings	41,325,393	38,361,013	2,964,380
Leased buildings	–	1,602,696	(1,602,696)
Furniture and equipment	8,050,310	9,620,366	(1,570,056)
Less accumulated depreciation/amortization	<u>(32,674,910)</u>	<u>(32,808,933)</u>	<u>134,023</u>
Total	<u><u>\$ 51,342,155</u></u>	<u><u>\$ 50,007,356</u></u>	<u><u>\$ 1,334,799</u></u>
Depreciation/amortization expense	<u><u>\$ 2,069,971</u></u>	<u><u>\$ 2,472,628</u></u>	<u><u>\$ (402,657)</u></u>

By the end of 2023, the District had invested in a broad range of capital assets, including school buildings, athletic facilities, and other equipment for various instructional programs (see Table 6).

The changes presented in the table above reflect the ongoing activity and completion of projects at district sites during fiscal year 2023, consistent with the activity of the Capital Projects – Building Construction Fund discussed on the previous page. The changes above also reflect the capital and long-term facilities maintenance spending in the General Fund.

The decrease in leased buildings and increase in buildings is due to the District purchasing a building that was previously leased.

The District defines capital assets as those with an initial, individual cost of \$5,000 or more, which benefit more than one fiscal year.

Additional details about capital assets can be found in the notes to basic financial statements.

Long-Term Liabilities

Table 7 illustrates the components of the District's long-term liabilities with changes from the prior year:

	<u>2023</u>	<u>2022</u>	<u>Change</u>
General obligation bonds payable	\$ 43,073,000	\$ 44,707,000	\$ (1,634,000)
Unamortized premium/discount	1,256,301	1,388,056	(131,755)
Finance purchase payable	5,343,292	387,002	4,956,290
Lease liability	–	1,289,134	(1,289,134)
Net pension liability	24,958,344	13,539,234	11,419,110
Net OPEB liability	–	413,241	(413,241)
Severance benefits payable	17,224	17,224	–
Compensated absences payable	169,858	138,608	31,250
Total	<u><u>\$ 74,818,019</u></u>	<u><u>\$ 61,879,499</u></u>	<u><u>\$ 12,938,520</u></u>

The changes in general obligation bonds payable, finance purchase payable, and unamortized premium/discount in the table above, are primarily due to principal payments and amortization during fiscal year 2023, as planned in the approved repayment schedules, offset by the new finance purchase issued in the current year for the purchase of the district office building. The District purchased the building it was previously leasing resulting in the lease liability to be zero at year-end.

The differences in the net pension liability reflect the change in the District's proportionate share of the state-wide pension obligations for the PERA and the TRA. A new study was completed in the current year for OPEB obligations, which determined that the District's new OPEB liability became a net OPEB asset due to assumption and net position funding changes in the current year.

The state limits the amount of general obligation debt the District can issue to 15 percent of the market value of all taxable property within the District's corporate limits (see Table 8):

District's market value	\$ 1,008,277,450
Limit rate	<u>15.0%</u>
Legal debt limit	<u><u>\$ 151,241,618</u></u>

Additional details of the District's long-term debt activity can be found in the notes to basic financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The Legislature has added \$275, or 4.00 percent, per pupil to the basic general education funding formula for fiscal year 2024, and an additional \$143, or 2.00 percent, per pupil to the formula for fiscal year 2025.

The amount of funding a district receives is also dependent on the number of students it serves, meaning attracting and retaining students is critical to the District's financial well-being.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

These financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about these statements, or need additional financial information, contact the Business Office, Independent School District No. 286, 5910 Shingle Creek Parkway, Brooklyn Center, Minnesota 55430.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 286

Statement of Net Position
as of June 30, 2023

(With Partial Comparative Information as of June 30, 2022)

	Governmental Activities	
	2023	2022
Assets		
Cash and temporary investments	\$ 6,182,185	\$ 6,453,442
Receivables		
Current taxes	3,408,570	3,362,820
Delinquent taxes	186,903	120,771
Accounts and interest	112,454	7,528
Due from other governmental units	10,707,224	6,372,769
Inventory	23,148	26,517
Prepaid items	138,757	70,518
Net OPEB asset	53,585	-
Capital assets		
Not depreciated/amortized	1,366,770	249,236
Depreciated, net of accumulated depreciation/amortization	<u>49,975,385</u>	<u>49,758,120</u>
Total capital assets, net of accumulated depreciation/amortization	<u>51,342,155</u>	<u>50,007,356</u>
Total assets	72,154,981	66,421,721
Deferred outflows of resources		
Pension plan deferments	7,902,107	8,689,601
OPEB plan deferments	120,050	116,321
Total deferred outflows of resources	<u>8,022,157</u>	<u>8,805,922</u>
Total assets and deferred outflows of resources	<u>\$ 80,177,138</u>	<u>\$ 75,227,643</u>
Liabilities		
Aid anticipation certificates	\$ 4,000,000	\$ -
Salaries payable	1,882,698	2,148,611
Accounts and contracts payable	2,789,751	1,515,917
Accrued interest payable	793,078	699,493
Due to other governmental units	91,729	188,379
Unearned revenue	146,992	164,085
Claims incurred, but not reported	156,541	193,481
Long-term liabilities		
Due within one year	2,175,577	2,143,700
Due in more than one year	<u>72,642,442</u>	<u>59,735,799</u>
Total long-term liabilities	<u>74,818,019</u>	<u>61,879,499</u>
Total liabilities	84,678,808	66,789,465
Deferred inflows of resources		
Property taxes levied for subsequent year	6,025,477	5,985,867
Pension plan deferments	5,308,022	22,528,504
OPEB plan deferments	876,973	509,259
Total deferred inflows of resources	<u>12,210,472</u>	<u>29,023,630</u>
Net position		
Net investment in capital assets	3,046,189	3,122,500
Restricted for		
Capital asset acquisition	13,725	1,264,111
Debt service	280,716	111,913
Food service	-	163,855
Community service	66,176	111,616
Other purposes (state funding restrictions)	404,730	217,343
Unrestricted	<u>(20,523,678)</u>	<u>(25,576,790)</u>
Total net position	<u>(16,712,142)</u>	<u>(20,585,452)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 80,177,138</u>	<u>\$ 75,227,643</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Statement of Activities
 Year Ended June 30, 2023
 (With Partial Comparative Information for the Year Ended June 30, 2022)

Functions/Programs	2023			2022	
	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	\$ 1,389,099	\$ -	\$ -	\$ (1,389,099)	\$ (1,094,100)
District support services	1,893,865	-	-	(1,893,865)	(1,876,314)
Elementary and secondary regular instruction	12,285,640	17,498	1,246,179	(11,021,963)	(14,561,260)
Vocational education instruction	235,372	-	52,469	(182,903)	(254,826)
Special education instruction	5,206,765	-	6,603,780	1,397,015	(2,277,255)
Instructional support services	2,348,498	-	-	(2,348,498)	(3,692,885)
Pupil support services	10,540,214	-	1,469,416	(9,070,798)	(6,861,355)
Sites and buildings	6,154,368	190,698	-	(5,963,670)	(5,061,130)
Fiscal and other fixed cost programs	108,235	-	-	(108,235)	(110,114)
Food service	1,527,857	18,476	1,143,499	(365,882)	142,679
Community service	1,467,997	325,067	1,026,890	(116,040)	(146,368)
Interest and fiscal charges	1,744,868	-	-	(1,744,868)	(1,780,687)
Total governmental activities	<u>\$ 44,902,778</u>	<u>\$ 551,739</u>	<u>\$ 11,542,233</u>	(32,808,806)	(37,573,615)
General revenue					
Taxes					
Property taxes, levied for general purposes				3,427,733	3,702,907
Property taxes, levied for community service				182,609	146,812
Property taxes, levied for debt service				2,846,719	2,703,296
General grants and aids				29,327,674	28,893,774
Other general revenues				360,333	347,437
Gain on sale of capital assets				314,616	-
Investment earnings (charges)				222,432	(13,837)
Total general revenue				<u>36,682,116</u>	<u>35,780,389</u>
Change in net position				3,873,310	(1,793,226)
Net position – beginning				<u>(20,585,452)</u>	<u>(18,792,226)</u>
Net position – ending				<u>\$ (16,712,142)</u>	<u>\$ (20,585,452)</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Balance Sheet
Governmental Funds
as of June 30, 2023

(With Partial Comparative Information as of June 30, 2022)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	\$ 941,638	\$ 1,529,441	\$ 2,205,683
Receivables			
Current taxes	1,804,115	–	1,505,986
Delinquent taxes	101,196	–	80,807
Accounts and interest	112,454	–	–
Due from other governmental units	10,192,973	–	63,389
Due from other funds	527,439	–	–
Inventory	–	–	–
Prepaid items	128,707	–	10,050
	<u>128,707</u>	<u>–</u>	<u>10,050</u>
Total assets	<u>\$ 13,808,522</u>	<u>\$ 1,529,441</u>	<u>\$ 3,865,915</u>
Liabilities			
Aid anticipation certificates	\$ 4,000,000	\$ –	\$ –
Salaries payable	1,882,698	–	–
Accounts and contracts payable	2,552,708	152,814	–
Due to other governmental units	91,729	–	–
Due to other funds	–	–	–
Accrued interest payable	83,507	–	–
Unearned revenue	116,572	–	–
Total liabilities	<u>8,727,214</u>	<u>152,814</u>	<u>–</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	2,961,809	–	2,875,628
Unavailable revenue – delinquent taxes	96,228	–	76,175
Total deferred inflows of resources	<u>3,058,037</u>	<u>–</u>	<u>2,951,803</u>
Fund balances (deficit)			
Nonspendable	128,707	–	10,050
Restricted	418,455	1,376,627	904,062
Assigned	–	–	–
Unassigned	1,476,109	–	–
Total fund balances (deficit)	<u>2,023,271</u>	<u>1,376,627</u>	<u>914,112</u>
	<u>\$ 13,808,522</u>	<u>\$ 1,529,441</u>	<u>\$ 3,865,915</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,808,522</u>	<u>\$ 1,529,441</u>	<u>\$ 3,865,915</u>

Nonmajor Funds	Total Governmental Funds	
	2023	2022
\$ —	\$ 4,676,762	\$ 5,104,371
98,469	3,408,570	3,362,820
4,900	186,903	120,771
—	112,454	7,528
450,862	10,707,224	6,372,769
—	527,439	242,209
23,148	23,148	26,517
—	138,757	70,518
<u>\$ 577,379</u>	<u>\$ 19,781,257</u>	<u>\$ 15,307,503</u>
\$ —	\$ 4,000,000	\$ —
—	1,882,698	2,148,611
79,201	2,784,723	1,508,746
—	91,729	188,379
527,439	527,439	242,209
—	83,507	—
30,420	146,992	164,085
<u>637,060</u>	<u>9,517,088</u>	<u>4,252,030</u>
188,040	6,025,477	5,985,867
4,576	176,979	88,586
<u>192,616</u>	<u>6,202,456</u>	<u>6,074,453</u>
23,148	161,905	97,035
61,600	2,760,744	3,374,425
—	—	1,000,000
<u>(337,045)</u>	<u>1,139,064</u>	<u>509,560</u>
<u>(252,297)</u>	<u>4,061,713</u>	<u>4,981,020</u>
<u>\$ 577,379</u>	<u>\$ 19,781,257</u>	<u>\$ 15,307,503</u>

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INDEPENDENT SCHOOL DISTRICT NO. 286

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2023
(With Partial Comparative Information as of June 30, 2022)

	<u>2023</u>	<u>2022</u>
Total fund balances – governmental funds	\$ 4,061,713	\$ 4,981,020
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	84,017,065	82,816,289
Accumulated depreciation/amortization	(32,674,910)	(32,808,933)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.		
General obligation bonds payable	(43,073,000)	(44,707,000)
Unamortized premium/discount	(1,256,301)	(1,388,056)
Finance purchase payable	(5,343,292)	(387,002)
Lease liability	–	(1,289,134)
Net pension liability	(24,958,344)	(13,539,234)
Net OPEB liability	–	(413,241)
Severance benefits payable	(17,224)	(17,224)
Compensated absences payable	(169,858)	(138,608)
Net OPEB asset reported in the Statement of Net Position does not require the use of current financial resources and is not reported in the governmental funds.	53,585	–
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	1,343,854	1,148,419
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(709,571)	(699,493)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	7,902,107	8,689,601
Deferred outflows of resources – OPEB plan deferments	120,050	116,321
Deferred inflows of resources – pension plan deferments	(5,308,022)	(22,528,504)
Deferred inflows of resources – OPEB plan deferments	(876,973)	(509,259)
Deferred inflows of resources – unavailable revenue – delinquent taxes	176,979	88,586
Total net position – governmental activities	<u>\$ (16,712,142)</u>	<u>\$ (20,585,452)</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2023
 (With Partial Comparative Information for the Year Ended June 30, 2022)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	\$ 3,380,977	\$ –	\$ 2,807,579
Investment earnings (charges)	70,589	83,066	38,161
Other	567,882	–	–
State sources	32,826,483	–	633,916
Federal sources	5,124,424	–	–
Total revenue	<u>41,970,355</u>	<u>83,066</u>	<u>3,479,656</u>
Expenditures			
Current			
Administration	1,591,273	–	–
District support services	2,110,303	–	–
Elementary and secondary regular instruction	14,311,846	–	–
Vocational education instruction	332,840	–	–
Special education instruction	6,371,955	–	–
Instructional support services	2,890,676	–	–
Pupil support services	10,822,092	–	–
Sites and buildings	5,053,041	–	–
Fiscal and other fixed cost programs	108,235	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	4,476,511	–
Debt service			
Principal	106,974	–	1,634,000
Interest and fiscal charges	160,630	–	1,705,915
Total expenditures	<u>43,859,865</u>	<u>4,476,511</u>	<u>3,339,915</u>
Excess (deficiency) of revenue over expenditures	(1,889,510)	(4,393,445)	139,741
Other financing sources			
Debt issued	111,264	4,883,736	–
Sale of capital assets	647,350	–	–
Insurance recovery	647	–	–
Total other financing sources	<u>759,261</u>	<u>4,883,736</u>	<u>–</u>
Net change in fund balances	(1,130,249)	490,291	139,741
Fund balances (deficit)			
Beginning of year	<u>3,153,520</u>	<u>886,336</u>	<u>774,371</u>
End of year	<u>\$ 2,023,271</u>	<u>\$ 1,376,627</u>	<u>\$ 914,112</u>

Nonmajor Funds	Total Governmental Funds	
	2023	2022
\$ 180,112	\$ 6,368,668	\$ 6,478,380
–	191,816	(13,837)
343,543	911,425	631,666
461,257	33,921,656	29,885,806
1,709,132	6,833,556	7,175,363
<u>2,694,044</u>	<u>48,227,121</u>	<u>44,157,378</u>
–	1,591,273	1,162,074
–	2,110,303	1,948,665
–	14,311,846	16,206,229
–	332,840	308,491
–	6,371,955	5,450,540
–	2,890,676	3,842,247
–	10,822,092	8,156,528
–	5,053,041	3,855,711
–	108,235	110,114
1,493,847	1,493,847	1,288,742
1,534,487	1,534,487	1,568,684
84,800	4,561,311	183,722
–	1,740,974	1,904,560
–	1,866,545	1,949,594
<u>3,113,134</u>	<u>54,789,425</u>	<u>47,935,901</u>
(419,090)	(6,562,304)	(3,778,523)
–	4,995,000	–
–	647,350	–
–	647	36,266
<u>–</u>	<u>5,642,997</u>	<u>36,266</u>
(419,090)	(919,307)	(3,742,257)
<u>166,793</u>	<u>4,981,020</u>	<u>8,723,277</u>
<u>\$ (252,297)</u>	<u>\$ 4,061,713</u>	<u>\$ 4,981,020</u>

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INDEPENDENT SCHOOL DISTRICT NO. 286

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds

Year Ended June 30, 2023

(With Partial Comparative Information for the Year Ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
Total net change in fund balances – governmental funds	\$ (919,307)	\$ (3,742,257)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation/amortization expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	4,988,075	511,993
Depreciation/amortization expense	(2,069,971)	(2,472,628)
A gain or loss on the disposal of capital assets and the lease liability, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.		
	(362,435)	–
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
Finance purchase payable	(4,995,000)	–
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	1,634,000	1,552,000
Finance purchase payable	38,710	38,998
Lease liability	68,264	313,562
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.		
	131,755	131,755
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability	(11,419,110)	9,032,597
Net OPEB liability/asset	466,826	(82,356)
Compensated absences payable	(31,250)	(9,189)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.		
	195,435	300,421
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.		
	(10,078)	37,152
The recognition of certain revenues and expenses/expenditures differs between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	(787,494)	(929,899)
Deferred outflows of resources – OPEB plan deferments	3,729	49,206
Deferred inflows of resources – pension plan deferments	17,220,482	(6,659,864)
Deferred inflows of resources – OPEB plan deferments	(367,714)	60,648
Deferred inflows of resources – unavailable revenue – delinquent taxes	88,393	74,635
Change in net position – governmental activities	<u>\$ 3,873,310</u>	<u>\$ (1,793,226)</u>

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INDEPENDENT SCHOOL DISTRICT NO. 286

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 General Fund
 Year Ended June 30, 2023

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 3,400,094	\$ 3,400,094	\$ 3,380,977	\$ (19,117)
Investment earnings	18,000	18,000	70,589	52,589
Other	375,000	654,588	567,882	(86,706)
State sources	27,180,953	26,551,409	32,826,483	6,275,074
Federal sources	5,499,362	6,289,070	5,124,424	(1,164,646)
Total revenue	<u>36,473,409</u>	<u>36,913,161</u>	<u>41,970,355</u>	<u>5,057,194</u>
Expenditures				
Current				
Administration	1,384,733	1,599,191	1,591,273	(7,918)
District support services	2,817,257	2,856,146	2,110,303	(745,843)
Elementary and secondary regular instruction	14,781,291	14,218,480	14,311,846	93,366
Vocational education instruction	329,198	299,061	332,840	33,779
Special education instruction	5,748,842	6,291,769	6,371,955	80,186
Instructional support services	2,599,180	2,816,088	2,890,676	74,588
Pupil support services	5,729,334	6,592,883	10,822,092	4,229,209
Sites and buildings	3,917,052	4,112,562	5,053,041	940,479
Fiscal and other fixed cost programs	118,041	125,868	108,235	(17,633)
Debt service				
Principal	38,710	38,710	106,974	68,264
Interest and fiscal charges	9,771	10,621	160,630	150,009
Total expenditures	<u>37,473,409</u>	<u>38,961,379</u>	<u>43,859,865</u>	<u>4,898,486</u>
Excess (deficiency) of revenue over expenditures	(1,000,000)	(2,048,218)	(1,889,510)	158,708
Other financing sources				
Debt issued	–	–	111,264	111,264
Sale of capital assets	–	647,350	647,350	–
Insurance recovery	–	–	647	647
Total other financing sources	<u>–</u>	<u>647,350</u>	<u>759,261</u>	<u>111,911</u>
Net change in fund balances	<u>\$ (1,000,000)</u>	<u>\$ (1,400,868)</u>	(1,130,249)	<u>\$ 270,619</u>
Fund balances				
Beginning of year			<u>3,153,520</u>	
End of year			<u>\$ 2,023,271</u>	

INDEPENDENT SCHOOL DISTRICT NO. 286

Statement of Net Position
 Internal Service Funds
 as of June 30, 2023
 (With Partial Comparative Information as of June 30, 2022)

	<u>2023</u>	<u>2022</u>
Assets		
Current assets		
Cash and temporary investments	\$ 1,505,423	\$ 1,349,071
Receivables		
Due from other funds	<u>6,904</u>	<u>23,171</u>
Total current assets	<u>1,512,327</u>	<u>1,372,242</u>
Liabilities		
Current liabilities		
Accounts and contracts payable	5,028	7,171
Due to other funds	6,904	23,171
Claims incurred, but not reported	<u>156,541</u>	<u>193,481</u>
Total current liabilities	<u>168,473</u>	<u>223,823</u>
Net position		
Unrestricted	<u>\$ 1,343,854</u>	<u>\$ 1,148,419</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Statement of Revenue, Expenses, and Changes in Net Position
 Internal Service Funds
 Year Ended June 30, 2023
 (With Partial Comparative Information for the Year Ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
Operating revenue		
Charges for services		
Contributions from governmental funds	\$ 3,448,904	\$ 3,424,267
Operating expenses		
Health benefit claims	3,097,756	2,932,504
Dental benefit claims	186,329	191,342
Total operating expenses	<u>3,284,085</u>	<u>3,123,846</u>
Operating income	164,819	300,421
Nonoperating revenue		
Investment earnings	<u>30,616</u>	<u>—</u>
Change in net position	195,435	300,421
Net position		
Beginning of year	<u>1,148,419</u>	<u>847,998</u>
End of year	<u>\$ 1,343,854</u>	<u>\$ 1,148,419</u>

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INDEPENDENT SCHOOL DISTRICT NO. 286

Statement of Cash Flows
 Internal Service Funds
 Year Ended June 30, 2023
 (With Partial Comparative Information for the Year Ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Contributions from governmental funds	\$ 3,448,904	\$ 3,425,353
Payment for health claims	(3,140,749)	(3,002,155)
Payment for dental claims	(182,419)	(193,946)
Net cash flows from operating activities	<u>125,736</u>	<u>229,252</u>
Cash flows from noncapital financing activities		
Cash received from other funds	16,267	6,359
Cash paid to other funds	(16,267)	(6,359)
Net cash flows from noncapital financing activities	<u>—</u>	<u>—</u>
Cash flows from investing activities		
Investment income received	<u>30,616</u>	<u>—</u>
Net change in cash and cash equivalents	156,352	229,252
Cash and cash equivalents		
Beginning of year	<u>1,349,071</u>	<u>1,119,819</u>
End of year	<u>\$ 1,505,423</u>	<u>\$ 1,349,071</u>
Reconciliation of operating income to net cash flows from operating activities		
Operating income	\$ 164,819	\$ 300,421
Adjustments to reconcile operating income to net cash flows from operating activities		
Changes in assets and liabilities		
Accounts and interest receivable	—	1,086
Accounts and contracts payable	(2,143)	2,804
Claims incurred, but not reported	(36,940)	(75,059)
Net cash flows from operating activities	<u>\$ 125,736</u>	<u>\$ 229,252</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Statement of Fiduciary Net Position
Fiduciary Fund
as of June 30, 2023

	<u>Post-Employment Benefits Trust Fund</u>
Assets	
Cash and investments held by trustee	
MNTrust Investment Shares Portfolio	\$ 325,331
U.S. treasuries	<u>992,106</u>
Total assets	<u>1,317,437</u>
Net position	
Restricted for OPEB	<u><u>\$ 1,317,437</u></u>

Statement of Changes in Fiduciary Net Position
Fiduciary Fund
Year Ended June 30, 2023

	<u>Post-Employment Benefits Trust Fund</u>
Additions	
Investment earnings	\$ 18,690
Deductions	
Administrative expenses	<u>250</u>
Change in net position	18,440
Net position	
Beginning of year	<u>1,298,997</u>
End of year	<u><u>\$ 1,317,437</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Notes to Basic Financial Statements
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 286 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District, along with any component units.

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the District.

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. Generally, the effect of material interfund activity has been removed from the government-wide financial statements. Transactions representing interfund services provided and used are not eliminated in the consolidation process to the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported instead as general revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-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 advance recognized in accordance with a statutory “tax shift” described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

Depreciation/amortization expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

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

- 1. Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues, including property taxes, to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Proceeds of long-term debt are reported as other financing sources.
- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term obligations, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary funds are presented in the fiduciary fund financial statements by type: the District has a Pension (and Other Employee Benefit) Trust Fund. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as described earlier in these notes.

Description of Funds

The existence of the various district funds has been established by the 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

General Fund – The General Fund is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects – Building Construction Fund – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition, construction, or improvement of capital facilities authorized by bond or other debt issue.

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

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is used primarily to record financial activities of the District’s child nutrition program.

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

Proprietary Funds

Internal Service Funds – Internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District’s internal service funds are used to account for dental and health insurance benefits offered by the District to its employees as self-insured plans.

Fiduciary Funds

Post-Employment Benefits Trust Fund – The Post-Employment Benefits Trust Fund is used to administer resources received and held by the District as the trustee for others. The Post-Employment Benefits Trust Fund includes assets held in an irrevocable trust to fund post-employment insurance benefits of eligible employees.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information

The School Board adopts an annual budget for all governmental funds prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted appropriations lapse at year-end. Actual expenditures exceeded final budgeted appropriations for fiscal 2023 by \$4,898,486 in the General Fund, \$78,647 in the Food Service Special Revenue Fund, and \$1,975 in the Debt Service Fund. These variances were funded by revenue and other financing sources in excess of budget and available fund balance.

F. Cash and Temporary Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Debt proceeds recorded in the Capital Projects – Building Construction Fund are not pooled, and earnings on these proceeds are allocated directly to the fund.

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. In the Post-Employment Benefits Trust Fund, this represents assets contributed to an irrevocable trust established to finance the District's liability for post-employment insurance benefits. Interest earned on these investments is allocated directly to these accounts.

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments with an original maturity from the time of purchase by the District of three months or less to be cash equivalents. The proprietary (internal service) fund's equity in the government-wide cash and investment management pool is considered to be cash equivalent.

Investments are generally stated at fair value, except for investments in certain external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less may also be reported at amortized cost. Investment income is accrued at the Balance Sheet date.

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

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

See Note 2 for the District's recurring fair value measurements as of year-end.

G. Receivables

When necessary, the District utilizes an allowance for uncollectible accounts to value its receivables. However, the District considers all of its current receivables to be collectible. The only receivables not expected to be fully collected within one year are property taxes receivable.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of purchased food and surplus commodities received from the federal government. Purchased food inventory is recorded at cost on a first-in, first-out basis. Surplus commodities are stated at standardized costs, as determined by the U.S. Department of Agriculture.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as expenditures/expenses at the time of consumption.

J. Property Taxes

The majority of the District's revenue in the General Fund is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the Legislature based on education funding priorities.

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$483,092 of the property tax levy collectible in 2023 as revenue to the District in fiscal year 2022–2023. The remaining portion of the taxes collectible in 2023 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources (unavailable revenue) in the fund financial statements because it is not known to be available to finance the operations of the District in the current year.

K. Capital Assets

Capital assets that are purchased or constructed by the District are recorded at historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation. Leased capital assets are recorded based on the measurement of payments applicable to the lease term. The District defines capital assets as those with an initial, individual cost of \$5,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 10 to 50 years for land and building improvements and buildings, and 5 to 15 years for furniture and equipment. Leased assets are amortized over the term of the lease or over the useful life of the applicable asset class previously described, if future ownership is anticipated. Land and construction in progress are not depreciated.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period as other financing sources or uses, respectively. The face amount of debt issued is reported as other financing sources.

M. Compensated Absences

Under the terms of collectively bargained contracts, eligible employees accrue vacation and sick leave at varying rates, portions of which may be carried over to future years. Employees are reimbursed for unused, accrued vacation to the limit specified in their labor contract or School Board policy upon termination. Unused sick leave enters into the calculation of severance benefits for some employees upon termination. Compensated absences are accrued when earned in the government-wide financial statements. Compensated absences are accrued in the governmental fund financial statements only to the extent they have been used or otherwise matured prior to year-end, due to employee termination or similar circumstances.

N. Severance

The District provides lump sum severance benefits to eligible employees in accordance with provisions in certain collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. Severance benefits are calculated by converting a portion of an eligible employee's unused accumulated sick leave. No individual can receive severance benefits in excess of one year's salary.

Severance benefits payable are recorded as a liability in the government-wide financial statements as they are earned and it becomes probable they will vest at some point in the future. Severance benefits payable are accrued in the governmental fund financial statements as the liability matures, due to employee termination.

O. State-Wide Pension Plans

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 the Teachers Retirement Association (TRA) and additions to/deductions from the PERA's and the TRA's fiduciary net positions have been determined on the same basis as they are reported by the PERA and the TRA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The 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 Teachers Retirement Fund Association in 2015.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Other Post-Employment Benefits (OPEB) Plan

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to/dedications from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and certain investments that have a maturity at the time of purchase of one year or less, which are reported at amortized cost.

Q. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, statements of financial position or balance sheets will sometimes report separate sections for deferred outflows or inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) or an inflow of financial resources (revenue) until then.

The District reports deferred outflows and inflows of resources related to pensions and OPEB plans reported in the government-wide Statement of Net Position. These deferred outflows and inflows result from differences between expected and actual economic experience, changes in actuarial assumptions, net collective difference between projected and actual investment earnings, changes in proportion, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension and OPEB standards.

Property taxes levied for subsequent years, which represents property taxes received or reported as a receivable before the period for which the taxes are levied, are reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the governmental funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied, and in the governmental fund financial statements during the year for which they are levied, if available.

Unavailable revenue from property taxes arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available.

R. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts and disclosure in the financial statements during the reporting period. Actual results could differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Net Position

In the government-wide and internal service fund financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is displayed in three components:

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation/amortization, reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Unrestricted Net Position** – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

T. Fund Balance Classifications

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

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board resolution, the District’s board chair, superintendent, finance committee, or finance director are authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

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

When committed, assigned, or unassigned resources are available for use, it is the District’s policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Risk Management and Self-Insurance

- 1. General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's coverage in the current year.
- 2. Self-Insurance** – The District has established two internal service funds to account for and finance its self-insured risk of loss for respective employee dental and health insurance plans. Under these plans, the internal service funds provide coverage to participating employees and their dependents for various dental and healthcare costs as described in the plans.

The District makes premium payments that include both employer and employee contributions to the internal service funds on behalf of program participants based on rates determined by insurance company estimates of monthly claims paid for each coverage class, plus the stop-loss health insurance premium costs and administrative service charges.

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

Changes in the balance of dental claim liabilities for the last two years were as follows:

	<u>Balance – Beginning of Year</u>	<u>Charges and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance – End of Year</u>
2022	\$ 17,968	\$ 191,342	\$ 193,946	\$ 15,364
2023	\$ 15,364	\$ 186,329	\$ 182,419	\$ 19,274

Changes in the balance of health claim liabilities for the last two years were as follows:

	<u>Balance – Beginning of Year</u>	<u>Charges and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance – End of Year</u>
2022	\$ 250,572	\$ 2,932,504	\$ 3,004,959	\$ 178,117
2023	\$ 178,117	\$ 3,097,756	\$ 3,138,606	\$ 137,267

V. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total, but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the prior year, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the School Board, including checking accounts, savings accounts, and nonnegotiable certificates of deposit.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated “A” or better; revenue obligations rated “AA” or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The District’s deposit policies do not further limit depository choices.

At year-end, the carrying amount of the District’s deposits was \$518,876, while the balance on the bank records was \$911,129. At June 30, 2023, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the District’s agent in the District’s name.

B. Investments

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form and, therefore, are not subject to custodial credit risk disclosures. Although the District’s investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

Concentration Risk – This is the risk associated with investing a significant portion of the District’s investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District’s investment policies do not address concentration risk.

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The District’s investment policies do not limit the maturities of investments; however, when purchasing investments, the District considers such things as interest rates and cash flow needs.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District’s investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase 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; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. For assets held in the Post-Employment Benefits Trust Fund, the investment options available to the District are expanded to include the investment types specified in Minnesota Statutes § 356A.06, Subd. 7. The District’s investment policies do not further restrict investing in specific financial instruments.

The following table presents the District’s deposits and investments at year-end:

Deposits/Investments	Credit Risk		Fair Value Measurements Using	Maturity Duration in Years		Total
	Rating	Agency		Less Than 1	1 to 5	
U.S. treasuries	AA	S&P	Level 2	\$ 506,247	\$ 485,859	\$ 992,106
Investment pools/mutual funds						
MSDLAF – Liquid Class	AAA	S&P	Amortized Cost	N/A	N/A	213,114
MSDLAF – MAX Class	AAA	S&P	Amortized Cost	N/A	N/A	4,353,206
MNTrust Investment Shares Portfolio	AAA	S&P	Amortized Cost	N/A	N/A	1,422,320
Total investments						<u>6,980,746</u>
Deposits						<u>518,876</u>
Total deposits and investments						<u><u>\$ 7,499,622</u></u>

N/A – Not Applicable

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits and investments are included on the basic financial statements as follows:

Statement of Net Position	
Cash and temporary investments	\$ 6,182,185
Statement of Fiduciary Net Position	
Cash and investments held by trustee – Post-Employment Benefits Trust Fund	<u>1,317,437</u>
 Total	 <u><u>\$ 7,499,622</u></u>

The District's investments include investment pools managed by MNTrust and the Minnesota School District Liquid Asset Fund (MSDLAF), which are external investment pools regulated by Minnesota Statutes not registered with the Securities and Exchange Commission. The District's investments in these investment pools are measured at the net asset value per share provided by the pools, which are based on amortized cost methods that approximate fair value. There are no restrictions or limitations on withdrawals from the MNTrust Investment Shares Portfolio or MSDLAF Liquid Class investment pools. Investments in the MSDLAF MAX Class must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the state of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24-hour hold on all requests for redemptions.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not depreciated/amortized				
Land	\$ 85,990	\$ 771,000	\$ –	\$ 856,990
Construction in progress	163,246	346,534	–	509,780
Total capital assets, not depreciated/amortized	<u>249,236</u>	<u>1,117,534</u>	<u>–</u>	<u>1,366,770</u>
Capital assets, depreciated/amortized				
Land and building improvements	32,982,978	291,614	–	33,274,592
Buildings	38,361,013	2,964,380	–	41,325,393
Leased buildings	1,602,696	–	(1,602,696)	–
Furniture and equipment	9,620,366	614,547	(2,184,603)	8,050,310
Total capital assets, depreciated/amortized	<u>82,567,053</u>	<u>3,870,541</u>	<u>(3,787,299)</u>	<u>82,650,295</u>
Less accumulated depreciation/amortization for				
Land and building improvements	2,984,056	1,094,164	–	4,078,220
Buildings	21,296,521	857,213	–	22,153,734
Leased buildings	352,125	–	(352,125)	–
Furniture and equipment	8,176,231	118,594	(1,851,869)	6,442,956
Total accumulated depreciation/amortization	<u>32,808,933</u>	<u>2,069,971</u>	<u>(2,203,994)</u>	<u>32,674,910</u>
 Net capital assets, depreciated/amortized	 <u>49,758,120</u>	 <u>1,800,570</u>	 <u>(1,583,305)</u>	 <u>49,975,385</u>
 Total capital assets, net	 <u><u>\$ 50,007,356</u></u>	 <u><u>\$ 2,918,104</u></u>	 <u><u>\$ (1,583,305)</u></u>	 <u><u>\$ 51,342,155</u></u>

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Depreciation/amortization expense was charged to the following governmental functions:

Administration	\$ 655
District support services	35,005
Elementary and secondary regular instruction	788,610
Special education instruction	7,392
Pupil support services	11,683
Sites and buildings	1,209,776
Food service	15,868
Community service	982
	<hr/>
Total depreciation/amortization expense	<u>\$ 2,069,971</u>

NOTE 4 – LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

The District currently has the following long-term obligations outstanding:

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
General obligation bonds payable					
2015A Building Refunding Bonds	12/09/2015	3.00–5.00%	\$ 21,450,000	02/01/2031	\$ 12,890,000
2018A School Building Bonds	03/15/2018	3.00–4.00%	\$ 29,395,000	02/01/2043	29,240,000
2018B Tax Abatement Bonds	12/12/2018	4.17%	\$ 525,000	02/01/2029	343,000
2020A Capital Facilities Refunding Bonds	11/03/2020	2.00–4.00%	\$ 965,000	02/01/2026	600,000
Total general obligation bonds payable					<hr/> 43,073,000
Unamortized premium/discount					1,256,301
Finance purchase payable					5,343,292
Net pension liability					24,958,344
Severance benefits payable					17,224
Compensated absences payable					169,858
					<hr/>
Total long-term obligations					<u>\$ 74,818,019</u>

B. Description of Long-Term Liabilities

General Obligation Bonds Payable – These obligations were issued to finance acquisition, construction, and/or improvements of capital facilities to finance the retirement (refunding) of prior bond issues, or to finance OPEB obligations. Assets of the Debt Service Fund, together with scheduled deferred ad valorem tax levies, are dedicated for the retirement of these obligations. The annual future debt service levies authorized are equal to 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

Finance Purchase Payable – The District’s tennis court project and district office building were funded through finance purchase agreements. Annual principal and interest on these agreements will be paid from the General Fund.

Issue	Issue Date	Interest Rate	Original Issue Amount	Final Maturity	Principal Outstanding
Tennis court project	05/01/2021	2.589%	\$ 426,000	04/01/2031	\$ 348,292
District office building	07/28/2022	3.300%	\$ 4,995,000	04/01/2038	<u>4,995,000</u>
Total financed purchases					<u><u>\$ 5,343,292</u></u>

The debt is secured by the original property purchased and includes terms that upon default all rental payments may become due and payable. The debtor also may repossess the property and seek full recovery of any losses upon default.

Other Long-Term Liabilities – The District offers a number of benefits to its employees, including pensions, OPEB, severance benefits, and compensated absences. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed primarily from the General Fund. The District has also established a Post-Employment Benefits Trust Fund to finance OPEB obligations.

District employees participate in two state-wide, cost-sharing, multiple-employer defined benefit pension plans administered by the PERA and the TRA. The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans for the current year:

Pension Plans	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA	\$ 6,613,228	\$ 2,330,045	\$ 729,325	\$ 763,323
TRA	<u>18,345,116</u>	<u>5,572,062</u>	<u>4,578,697</u>	<u>(3,749,616)</u>
Total	<u><u>\$ 24,958,344</u></u>	<u><u>\$ 7,902,107</u></u>	<u><u>\$ 5,308,022</u></u>	<u><u>\$ (2,986,293)</u></u>

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

C. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Deletions*	Ending Balance	Due Within One Year
General obligation bonds payable	\$ 44,707,000	\$ –	\$ 1,634,000	\$ 43,073,000	\$ 1,706,000
Unamortized premium/discount	1,388,056	–	131,755	1,256,301	–
Subtotal	46,095,056	–	1,765,755	44,329,301	1,706,000
Finance purchase payable	387,002	4,995,000	38,710	5,343,292	299,719
Lease liability	1,289,134	–	1,289,134	–	–
Net pension liability	13,539,234	13,253,125	1,834,015	24,958,344	–
Net OPEB liability**	413,241	209,711	622,952	–	–
Severance benefits payable	17,224	–	–	17,224	–
Compensated absences payable	138,608	424,115	392,865	169,858	169,858
	<u>\$ 61,879,499</u>	<u>\$ 18,881,951</u>	<u>\$ 5,943,431</u>	<u>\$ 74,818,019</u>	<u>\$ 2,175,577</u>

* The lease liability retirement amount includes \$1,220,870 that was the result of a lease termination in the current year and is not a debt service principal payment.

** See Note 9 for more information on the change from a net OPEB liability to a net OPEB asset in the current year.

D. Minimum Debt Payments

Minimum annual principal and interest payments to maturity for general obligation bonds and finance purchase are as follows:

Year Ending June 30,	General Obligation Bonds		Finance Purchase	
	Principal	Interest	Principal	Interest
2024	\$ 1,706,000	\$ 1,625,447	\$ 299,719	\$ 173,597
2025	1,789,000	1,547,920	310,754	163,982
2026	1,871,000	1,462,419	321,816	154,010
2027	1,713,000	1,403,583	332,906	143,680
2028	1,766,000	1,351,340	344,024	132,992
2029–2033	9,458,000	5,868,092	1,789,074	493,943
2034–2038	11,180,000	4,080,431	1,944,999	196,680
2039–2043	13,590,000	1,673,200	–	–
	<u>\$ 43,073,000</u>	<u>\$ 19,012,432</u>	<u>\$ 5,343,292</u>	<u>\$ 1,458,884</u>

NOTE 5 – FUND BALANCES

The following is a breakdown of equity components of governmental funds, which are defined earlier in the report. When applicable, certain restrictions, which have an accumulated deficit balance at June 30 are included in unassigned fund balance in the District’s financial statements in accordance with accounting principles generally accepted in the United States of America. A description of these deficit balance restrictions is included herein since the District has specific authority to future resources for such deficits.

A. Classifications

At year-end, a summary of the District’s governmental fund balance classifications are as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	\$ –	\$ –	\$ –	\$ 23,148	\$ 23,148
Prepaid items	128,707	–	10,050	–	138,757
Total nonspendable	<u>128,707</u>	<u>–</u>	<u>10,050</u>	<u>23,148</u>	<u>161,905</u>
Restricted					
Scholarships	77,078	–	–	–	77,078
Area learning center	327,652	–	–	–	327,652
Long-term facilities maintenance	13,725	–	–	–	13,725
Capital projects	–	1,376,627	–	–	1,376,627
Debt service	–	–	904,062	–	904,062
Early childhood family education programs	–	–	–	14	14
School readiness	–	–	–	61,586	61,586
Total restricted	<u>418,455</u>	<u>1,376,627</u>	<u>904,062</u>	<u>61,600</u>	<u>2,760,744</u>
Unassigned					
Unassigned – food service restricted account deficit	–	–	–	(275,965)	(275,965)
Community education programs restricted account deficit	–	–	–	(61,080)	(61,080)
Unassigned	1,476,109	–	–	–	1,476,109
Total unassigned	<u>1,476,109</u>	<u>–</u>	<u>–</u>	<u>(337,045)</u>	<u>1,139,064</u>
Total	<u>\$ 2,023,271</u>	<u>\$ 1,376,627</u>	<u>\$ 914,112</u>	<u>\$ (252,297)</u>	<u>\$ 4,061,713</u>

B. Minimum Unassigned Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding the minimum unassigned fund balance for the General Fund. The policy establishes a minimum unassigned General Fund balance of 7.0 percent to a maximum of 15.0 percent of the prior fiscal year’s expenditures. At June 30, 2023, the unassigned fund balance was 3.4 percent of fiscal 2023 actual expenditures.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

The PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

Certain full-time and part-time employees of the District other than teachers are covered by the GERF. GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Teachers Retirement Association (TRA)

The 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. The TRA is a separate statutory entity, administered by a Board of Trustees. The Board of Trustees consists of four active members, one retired member, and three statutory officials.

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

B. Benefits Provided

The PERA and the TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statutes and can only be modified by the State Legislature.

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

1. GERF Benefits

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 the 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 Plan members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7 percent for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at age 66.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Benefit increases are provided to benefit recipients each January. The post-retirement increase is equal to 50.0 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.0 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. For 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.

2. TRA Benefits

The 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 Statutes and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age, and a formula multiplier based on years of credit at termination of service.

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

Tier I Benefits

Step-Rate Formula	Percentage per Year
Basic Plan	
First 10 years of service	2.2 %
All years after	2.7 %
Coordinated Plan	
First 10 years if service years are up to July 1, 2006	1.2 %
First 10 years if service years are July 1, 2006 or after	1.4 %
All other years of service if service years are up to July 1, 2006	1.7 %
All other years of service if service years are July 1, 2006 or after	1.9 %

With these provisions:

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Tier II Benefits

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

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

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

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

C. Contributions

Minnesota Statutes set the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature.

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2023 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2023, were \$493,073. The District's contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

Minnesota Statutes, Chapter 354 sets the rates for employer and employee contributions. Rates for each fiscal year were:

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

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2023, were \$1,319,550. The District's contributions were equal to the required contributions for each year as set by state statutes.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

The following is a reconciliation of employer contributions in the TRA’s Annual Comprehensive Financial Report Statement of Changes in Fiduciary Net Position to the employer contributions used in the Schedule of Employer and Nonemployer Pension Allocations:

	<i>in thousands</i>
Employer contributions reported in the TRA’s Annual Comprehensive Financial Report Statement of Changes in Fiduciary Net Position	\$ 482,679
Add employer contributions not related to future contribution efforts	(2,178)
Deduct the TRA’s contributions not included in allocation	<u>(572)</u>
Total employer contributions	479,929
Total nonemployer contributions	<u>35,590</u>
Total contributions reported in the Schedule of Employer and Nonemployer Allocations	<u>\$ 515,519</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. The TRA has rounded percentage amounts to the nearest ten thousandths.

D. Pension Costs

1. GERF Pension Costs

At June 30, 2023, the District reported a liability of \$6,613,228 for its proportionate share of the General Employees Fund’s net pension liability. The District’s net pension liability reflected a reduction due to the state of Minnesota’s contribution of \$16 million. The state of Minnesota is considered a nonemployer 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 \$193,772. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportionate share of the net pension liability was based on the District’s contributions received by the 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 the PERA’s participating employers. The District’s proportionate share was 0.0835 percent at the end of the measurement period and 0.0878 percent for the beginning of the period.

District’s proportionate share of the net pension liability	\$ 6,613,228
State’s proportionate share of the net pension liability associated with the District	\$ 193,772

For the year ended June 30, 2023, the District recognized pension expense of \$734,369 for its proportionate share of the GERF’s pension expense. In addition, the District recognized an additional \$28,954 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota’s contribution of \$16 million to the GERF.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 55,239	\$ 75,500
Changes in actuarial assumptions	1,571,439	33,469
Net collective difference between projected and actual investment earnings	44,430	–
Changes in proportion	165,864	620,356
District’s contributions to the GERF subsequent to the measurement date	<u>493,073</u>	<u>–</u>
Total	<u>\$ 2,330,045</u>	<u>\$ 729,325</u>

The \$493,073 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2024	\$ 471,169
2025	\$ 338,443
2026	\$ (300,032)
2027	\$ 598,067

2. TRA Pension Costs

At June 30, 2023, the District reported a liability of \$18,345,116 for its proportionate share of the TRA’s net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions to the 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 0.2291 percent at the end of the measurement period and 0.2237 percent for the beginning of the period.

The pension liability amount reflected a reduction due to direct aid provided to the 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 the net pension liability	\$ 18,345,116
State’s proportionate share of the net pension liability associated with the District	\$ 1,360,509

For the year ended June 30, 2023, the District recognized a negative pension expense of \$3,936,690. It also recognized \$187,074 as an increase to pension expense for the support provided by direct aid.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

At 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	\$ 261,314	\$ 159,366
Changes in actuarial assumptions	2,869,488	4,002,507
Net collective difference between projected and actual investment earnings on pension plan investments	651,928	–
Changes in proportion	469,782	416,824
District’s contributions to the TRA subsequent to the measurement date	<u>1,319,550</u>	<u>–</u>
Total	<u>\$ 5,572,062</u>	<u>\$ 4,578,697</u>

A total of \$1,319,550 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2024	\$ (3,418,214)
2025	\$ 414,317
2026	\$ 174,348
2027	\$ 2,451,045
2028	\$ 52,319

E. Long-Term Expected Return on Investment

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

The target allocation and best-estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.50 %	5.10 %
International equity	16.50	5.30 %
Private markets	25.00	5.90 %
Fixed income	<u>25.00</u>	0.75 %
Total	<u>100.00 %</u>	

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.25%	2.50%
Wage growth rate		2.85% before July 1, 2028, and 3.25% thereafter
Projected salary increase	3.00%	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% thereafter
Investment rate of return	6.50%	7.00%

1. GERF

The long-term rate of return on pension plan investments used in the determination of the total liability is 6.50 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 6.50 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the GERF Plan range in annual increments from 10.25 percent after one year of service to 3.00 percent after 27 years of service.

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

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

2. TRA

Salary increases were based on a service-related table.

Mortality Assumptions Used in Valuation of Total Pension Liability	
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 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.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Cost of living benefit increases after retirement for retirees are assumed to be 1.00 percent for January 2019 through January 2023, then increasing by 0.10 percent each year, up to 1.50 percent annually.

Actuarial assumptions for the TRA Plan were based on the results of actuarial experience studies. The most recent experience study in the TRA Plan was completed in 2019, with economic assumptions updated in 2019.

The following changes in actuarial assumptions occurred in 2022:

1. GERF

CHANGES IN ACTUARIAL ASSUMPTIONS

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

2. TRA

CHANGES IN ACTUARIAL ASSUMPTIONS

- None.

G. Discount Rate

1. GERF

The discount rate used to measure the total pension liability in 2022 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF 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.

2. TRA

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

H. Pension Liability Sensitivity

The following table presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed on the preceding page, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	5.50%	6.50%	7.50%
District's proportionate share of the GERF net pension liability	\$ 10,445,939	\$ 6,613,228	\$ 3,469,812
TRA discount rate	6.00%	7.00%	8.00%
District's proportionate share of the TRA net pension liability	\$ 28,920,077	\$ 18,345,116	\$ 9,676,946

I. Pension Plan Fiduciary Net Position

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

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 the TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000; or by calling 651-296-2409 or 800-657-3669.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

The District provides post-employment benefits to certain eligible employees through the OPEB Plan, a single-employer defined benefit plan administered by the District. Management of the plan is vested with the School Board of the District. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements.

The District administers a defined benefit Post-Employment Benefits Trust Fund. The assets of the plan are reported in the District’s financial report in the Post-Employment Benefits Trust Fund, established by the District to finance these obligations. The plan assets may be used only for the payment of benefits of the plan, in accordance with the terms of the plan. The plan does not issue a publicly available financial report.

B. Benefits Provided

All retirees of the District upon retirement have the option under state law to continue their medical insurance coverage through the District. For members of certain employee groups, the District pays for all or part of the eligible retiree’s premiums for medical and/or dental insurance from the time of retirement until the employee reaches the age of eligibility for Medicare. Benefits paid by the District differ by bargaining unit and date of hire, with some contracts specifying a certain dollar amount per month, and some covering premium costs as defined within each collective bargaining agreement. Retirees not eligible for these district-paid premium benefits must pay the full district premium rate for their coverage.

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

C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District has established the Post-Employment Benefits Trust Fund to finance these obligations. The District’s contributions in the current year totaled \$62,300 as required on a pay-as-you-go basis to finance current year benefits as described in the previous section.

D. Membership

Membership in the plan consisted of the following as of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	6
Active plan members	<u>354</u>
Total members	<u><u>360</u></u>

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

E. Net OPEB Liability (Asset) of the District

The District’s net OPEB liability (asset) was calculated using a valuation date of July 1, 2022, and a measurement and reporting date of June 30, 2023. The components of the net OPEB liability (asset) of the District at year-end were as follows:

Total OPEB liability	\$ 1,263,852
Plan fiduciary net position	<u>(1,317,437)</u>
District’s net OPEB liability (asset)	<u><u>\$ (53,585)</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u><u>104.24%</u></u>

F. Actuarial Methods and Assumptions

The total OPEB liability was determined using an actuarial valuation date of July 1, 2022, and a measurement date of June 30, 2023. The liabilities are based on the entry-age normal level percent of pay cost method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.50%
Expected long-term investment return	2.90% (net of investment expenses)
20-year municipal bond yield	3.80%
Inflation rate	2.50%
Salary increases	Service graded table
Medical trend rate	6.25%, grading to 5.00% over 6 years, and then 4.00% over the next 48 years
Dental trend rate	4.00%

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

The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

The District’s policy in regard to the allocation of invested assets is established and may be amended by the School Board by a majority vote of its members. It is the policy of the School Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes allowable under state statutes.

The long-term expected rate of return on OPEB Plan investments was set based on the plan’s target investment allocation described below, along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Fixed income	95.00 %	3.00 %
Cash equivalents	<u>5.00</u>	1.00 %
Total	<u><u>100.00 %</u></u>	2.90 %

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 1.48 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

H. Discount Rate

The discount rate used to measure the total OPEB liability was 3.50 percent. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the 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. The contribution and benefit payment history, as well as the funding policy, have also been considered. The District discount rate used in the prior measurement date was 3.50 percent.

I. Changes in the Net OPEB Liability (Asset)

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a-b)
Beginning balance	\$ 1,712,238	\$ 1,298,997	\$ 413,241
Changes for the year			
Service cost	117,711	–	117,711
Interest	62,967	–	62,967
Changes in actuarial assumptions	28,783	–	28,783
Employer contributions	–	62,300	(62,300)
Projected investment return	–	37,671	(37,671)
Differences between expected and actual experience	(595,547)	(18,981)	(576,566)
Benefit payments	(62,300)	(62,300)	–
Administrative expenses	–	(250)	250
Total net changes	<u>(448,386)</u>	<u>18,440</u>	<u>(466,826)</u>
Ending balance	<u>\$ 1,263,852</u>	<u>\$ 1,317,437</u>	<u>\$ (53,585)</u>

Changes in actuarial assumptions since the prior measurement date include the following:

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The salary increase rates for nonteachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

J. Net OPEB Liability (Asset) Sensitivity to Discount and Healthcare Cost Trend Rate Changes

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	2.50%	3.50%	4.50%
Net OPEB liability (asset)	\$ 19,139	\$ (53,585)	\$ (124,568)

The following presents the net OPEB liability (asset) of the District, as well as what the District’s net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease in Healthcare Trend Rate</u>	<u>Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
OPEB medical trend rate	5.25% grading to 4.00%, then 3.00%	6.25% grading to 5.00%, then 4.00%	7.25% grading to 6.00%, then 5.00%
OPEB dental trend rate	3.00%	4.00%	5.00%
Net OPEB liability (asset)	\$ (184,606)	\$ (53,585)	\$ 100,990

K. OPEB Expense and Related Deferred Outflows of Resources and Deferred Inflows of Resources

For the current year ended, the District recognized negative OPEB expense of \$40,541. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ –	\$ 731,495
Changes in actuarial assumptions	41,555	145,478
Differences between projected and actual investment earnings	78,495	–
Total	<u>\$ 120,050</u>	<u>\$ 876,973</u>

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

<u>Year Ending June 30,</u>	<u>Expense Amount</u>
2024	\$ (190,490)
2025	\$ (179,287)
2026	\$ (95,609)
2027	\$ (118,084)
2028	\$ (92,559)
Thereafter	\$ (80,894)

NOTE 8 – FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan, which is classified as a cafeteria plan under § 125 of the IRC (the Plan). All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pretax dollars withheld from payroll checks to the Plan for healthcare and dependent care benefits. Payments are made from the Plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant.

Before the beginning of the Plan year, which is from January 1 to December 31, each participant designates a total amount of pretax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the Plan, whether or not such contributions have been made.

The Plan is administered by an independent contract administrator for child care and medical expense reimbursements. The flexible benefit plan is included in the financial statements within the District's General Fund.

All property of the Plan and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the Plan are equal to those of general creditors of the District in an amount equal to eligible healthcare and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 9 – INTERFUND BALANCES AND TRANSACTIONS

At June 30, 2023, the District's General Fund had an interfund receivable of \$332,896 from the Food Service Special Revenue Fund and \$194,543 from the Community Service Special Revenue Fund to eliminate temporary cash deficits. The Health Benefits Self-Insurance Fund also reported an interfund receivable of \$6,904 from the Dental Self-Insurance Fund to eliminate a temporary cash deficit.

Such interfund balances and transactions are reported in the fund financial statements, but are eliminated as necessary in the government-wide financial statements.

NOTE 10 – STEWARDSHIP AND ACCOUNTABILITY

At June 30, 2023, the District had an accumulated fund balance deficit of \$252,817 in its Food Service Special Revenue Fund. If this deficit is not eliminated by operations during the following year, it must then be eliminated by a fund transfer from the General Fund.

At June 30, 2023, the District had a deficit net position total in the Dental Self-Insurance Fund of \$26,178.

NOTE 11 – AID ANTICIPATION CERTIFICATE

Short-term borrowing for cash flow purposes is summarized as follows:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
02/23/2023	09/30/2023	6.00%	<u>\$ –</u>	<u>\$ 4,000,000</u>	<u>\$ –</u>	<u>\$ 4,000,000</u>

Interest and fiscal charges of \$5,227 were charged to the General Fund during the year, net of reoffering premiums.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Programs

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

B. Legal Claims

The District has the usual and customary types of miscellaneous legal claims pending at year-end, mostly of a minor nature and usually covered by insurance carried for that purpose. Although the outcomes of these claims are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

NOTE 13 – SUBSEQUENT EVENT

In August 2023, the District issued \$1,820,000 of General Obligation School Building and Capital Facilities Bonds, Series 2023B. The bonds bear an interest rate of 4.0–5.0 percent and mature in 2034.

In September 2023, the District issued \$3,500,000 of General Obligation Aid Anticipation Certificates of Indebtedness, Series 2023C. The certificates bear an interest rate of 5.0 percent and mature in 2025.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 286

Public Employees Retirement Association Pension Benefits Plan
 Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
 Year Ended June 30, 2023

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.0991%	\$ 4,655,222	\$ -	\$ 4,655,222	\$ 5,202,262	89.48%	78.70%
06/30/2016	06/30/2015	0.0873%	\$ 4,524,339	\$ -	\$ 4,524,339	\$ 5,048,933	89.61%	78.20%
06/30/2017	06/30/2016	0.0928%	\$ 7,534,899	\$ 98,396	\$ 7,633,295	\$ 5,756,957	130.88%	68.90%
06/30/2018	06/30/2017	0.0912%	\$ 5,822,148	\$ 73,226	\$ 5,895,374	\$ 5,851,573	99.50%	75.90%
06/30/2019	06/30/2018	0.0932%	\$ 5,170,355	\$ 169,672	\$ 5,340,027	\$ 6,261,347	82.58%	79.50%
06/30/2020	06/30/2019	0.0919%	\$ 5,080,946	\$ 157,993	\$ 5,238,939	\$ 6,815,107	74.55%	80.20%
06/30/2021	06/30/2020	0.1039%	\$ 6,229,279	\$ 192,082	\$ 6,421,361	\$ 7,015,813	88.79%	79.10%
06/30/2022	06/30/2021	0.0878%	\$ 3,749,453	\$ 114,524	\$ 3,863,977	\$ 6,310,907	59.41%	87.00%
06/30/2023	06/30/2022	0.0835%	\$ 6,613,228	\$ 193,772	\$ 6,807,000	\$ 6,250,727	105.80%	76.70%

Public Employees Retirement Association Pension Benefits Plan
 Schedule of District Contributions
 Year Ended June 30, 2023

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 378,670	\$ 378,670	\$ -	\$ 5,048,933	7.50%
06/30/2016	\$ 431,774	\$ 431,774	\$ -	\$ 5,756,957	7.50%
06/30/2017	\$ 438,868	\$ 438,868	\$ -	\$ 5,851,573	7.50%
06/30/2018	\$ 469,601	\$ 469,601	\$ -	\$ 6,261,347	7.50%
06/30/2019	\$ 511,133	\$ 511,133	\$ -	\$ 6,815,107	7.50%
06/30/2020	\$ 526,186	\$ 526,186	\$ -	\$ 7,015,813	7.50%
06/30/2021	\$ 473,318	\$ 473,318	\$ -	\$ 6,310,907	7.50%
06/30/2022	\$ 468,444	\$ 468,444	\$ -	\$ 6,250,727	7.49%
06/30/2023	\$ 493,073	\$ 493,073	\$ -	\$ 6,575,873	7.50%

Note: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 286

Teachers Retirement Association Pension Benefits Plan
 Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
 Year Ended June 30, 2023

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.2252%	\$ 10,377,054	\$ 729,883	\$ 11,106,937	\$ 10,278,596	100.96%	81.50%
06/30/2016	06/30/2015	0.2206%	\$ 13,646,292	\$ 1,674,127	\$ 15,320,419	\$ 11,177,280	122.09%	76.80%
06/30/2017	06/30/2016	0.2296%	\$ 54,765,078	\$ 5,495,987	\$ 60,261,065	\$ 11,991,480	456.70%	44.88%
06/30/2018	06/30/2017	0.2317%	\$ 46,251,523	\$ 4,471,027	\$ 50,722,550	\$ 12,579,853	367.66%	51.57%
06/30/2019	06/30/2018	0.2362%	\$ 14,835,571	\$ 1,393,892	\$ 16,229,463	\$ 13,051,053	113.67%	78.07%
06/30/2020	06/30/2019	0.2306%	\$ 14,698,492	\$ 1,300,734	\$ 15,999,226	\$ 13,056,213	112.58%	78.21%
06/30/2021	06/30/2020	0.2212%	\$ 16,342,552	\$ 1,369,341	\$ 17,711,893	\$ 12,783,497	127.84%	75.48%
06/30/2022	06/30/2021	0.2237%	\$ 9,789,781	\$ 825,772	\$ 10,615,553	\$ 13,389,635	73.11%	86.63%
06/30/2023	06/30/2022	0.2291%	\$ 18,345,116	\$ 1,360,509	\$ 19,705,625	\$ 14,270,162	128.56%	76.17%

Teachers Retirement Association Pension Benefits Plan
 Schedule of District Contributions
 Year Ended June 30, 2023

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 838,296	\$ 838,296	\$ -	\$ 11,177,280	7.50%
06/30/2016	\$ 899,361	\$ 899,361	\$ -	\$ 11,991,480	7.50%
06/30/2017	\$ 943,489	\$ 943,489	\$ -	\$ 12,579,853	7.50%
06/30/2018	\$ 978,829	\$ 978,829	\$ -	\$ 13,051,053	7.50%
06/30/2019	\$ 1,006,634	\$ 1,006,634	\$ -	\$ 13,056,213	7.71%
06/30/2020	\$ 1,012,453	\$ 1,012,453	\$ -	\$ 12,783,497	7.92%
06/30/2021	\$ 1,088,324	\$ 1,088,324	\$ -	\$ 13,389,635	8.13%
06/30/2022	\$ 1,189,489	\$ 1,189,489	\$ -	\$ 14,270,162	8.34%
06/30/2023	\$ 1,319,550	\$ 1,319,550	\$ -	\$ 15,441,462	8.55%

Note: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 286

Other Post-Employment Benefits Plan
 Schedule of Changes in the District's Net
 OPEB Liability and Related Ratios
 Year Ended June 30, 2023

	District Fiscal Year-End Date						
	2017	2018	2019	2020	2021	2022	2023
Total OPEB liability							
Service cost	\$ 172,302	\$ 174,418	\$ 113,288	\$ 125,812	\$ 139,083	\$ 121,063	\$ 117,711
Interest	57,456	61,695	77,653	51,961	46,513	40,823	62,967
Changes in actuarial assumptions	-	(77,993)	(151,062)	39,404	(57,473)	(81,678)	28,783
Changes in plan provisions	-	79,738	-	-	-	-	-
Differences between expected and actual experience	-	-	(480,992)	-	(147,060)	-	(595,547)
Benefit payments	(66,185)	(94,960)	(97,631)	(149,282)	(53,828)	(43,396)	(62,300)
Net change in total OPEB liability	163,573	142,898	(538,744)	67,895	(72,765)	36,812	(448,386)
Total OPEB liability – beginning of year	1,912,569	2,076,142	2,219,040	1,680,296	1,748,191	1,675,426	1,712,238
Total OPEB liability – end of year	2,076,142	2,219,040	1,680,296	1,748,191	1,675,426	1,712,238	1,263,852
Plan fiduciary net position							
Employer contributions	66,185	-	97,631	149,282	53,828	43,396	62,300
Projected investment return	27,103	27,290	35,095	37,735	38,830	38,992	37,671
Differences between expected and actual experience	(17,427)	3,244	(33,483)	278	(32,992)	(84,286)	(18,981)
Benefit payments	(66,185)	(94,960)	(97,631)	(149,282)	(53,828)	(43,396)	(62,300)
Administrative expenses	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Net change in plan fiduciary net position	9,426	(64,676)	1,362	37,763	5,588	(45,544)	18,440
Plan fiduciary net position – beginning of year	1,355,078	1,364,504	1,299,828	1,301,190	1,338,953	1,344,541	1,298,997
Plan fiduciary net position – end of year	1,364,504	1,299,828	1,301,190	1,338,953	1,344,541	1,298,997	1,317,437
Net OPEB liability (asset)	\$ 711,638	\$ 919,212	\$ 379,106	\$ 409,238	\$ 330,885	\$ 413,241	\$ (53,585)
Plan fiduciary net position as a percentage of the total OPEB liability	65.72%	58.58%	77.44%	76.59%	80.25%	75.87%	104.24%
Covered-employee payroll	\$ 17,090,700	\$ 17,603,421	\$ 17,192,530	\$ 17,708,306	\$ 21,090,362	\$ 21,723,073	\$ 21,229,879
Net OPEB liability (asset) as a percentage of covered-employee payroll	4.16%	5.22%	2.21%	2.31%	1.57%	1.90%	(0.25%)

Note: The District implemented GASB Statement Nos. 74 and 75 for the year ended June 30, 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 286

Other Post-Employment Benefits Plan
Schedule of Investment Returns
Year Ended June 30, 2023

<u>Year</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2017	0.71 %
2018	2.20 %
2019	0.12 %
2020	2.90 %
2021	0.40 %
2022	(3.40) %
2023	1.48 %

Note: The District implemented GASB Statement Nos. 74 and 75 for the year ended June 30, 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

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INDEPENDENT SCHOOL DISTRICT NO. 286

Notes to Required Supplementary Information
June 30, 2023

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2020 CHANGES IN PLAN PROVISIONS

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023, and zero percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- 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 percent 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 two through five, 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 MP-2018 to 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 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

INDEPENDENT SCHOOL DISTRICT NO. 286

Notes to Required Supplementary Information (continued)
June 30, 2023

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2019 CHANGES IN PLAN PROVISIONS

- 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.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- 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.

INDEPENDENT SCHOOL DISTRICT NO. 286

Notes to Required Supplementary Information (continued)
June 30, 2023

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 CHANGES IN PLAN PROVISIONS

- The state's contribution for the Minneapolis Employees Retirement Fund equals \$16.0 million in 2017 and 2018, and \$6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21.0 million to \$31.0 million in calendar years 2019 to 2031. The state's contribution changed from \$16.0 million to \$6.0 million in calendar years 2019 to 2031.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035, and 2.50 percent per year thereafter, to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 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 CHANGES IN PLAN PROVISIONS

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Retirement Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892.0 million. Upon consolidation, state and employer contributions were revised; the state's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030, and 2.50 percent per year thereafter, to 1.00 percent per year through 2035, and 2.50 percent per year thereafter.

INDEPENDENT SCHOOL DISTRICT NO. 286

Notes to Required Supplementary Information (continued)
June 30, 2023

TEACHERS RETIREMENT ASSOCIATION (TRA)

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

- The cost of living adjustment (COLA) was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent on 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 2.50 percent if the funded ratio was at least 90.00 percent 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 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return assumption was changed from 8.50 percent to 7.50 percent.
- The single discount rate changed from 5.12 percent to 7.50 percent.

INDEPENDENT SCHOOL DISTRICT NO. 286

Notes to Required Supplementary Information (continued)
June 30, 2023

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The COLA was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the CSA loads. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years, followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate changed from 4.66 percent to 5.12 percent.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The single discount rate was changed from 8.00 percent to 4.66 percent.

2015 CHANGES IN PLAN PROVISIONS

- The Duluth Teachers Retirement Fund Association was merged into the TRA on June 30, 2015.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The annual COLA for the June 30, 2015 valuation assumed 2.00 percent. The prior year valuation used 2.00 percent, with an increase to 2.50 percent commencing in 2034.
- The discount rate used to measure the total pension liability was 8.00 percent. This is a decrease from the discount rate at the prior measurement date of 8.25 percent.

INDEPENDENT SCHOOL DISTRICT NO. 286

Notes to Required Supplementary Information (continued)
June 30, 2023

OTHER POST-EMPLOYMENT BENEFITS PLAN

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The salary increase rates for nonteachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.30 percent to 3.50 percent.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.50 percent to 2.30 percent.
- The healthcare trend rates, mortality tables, and salary increase rates were updated.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.00 percent to 2.50 percent.
- The expected long-term rate of return on plan assets changed from 2.00 percent to 2.90 percent.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare 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.
- The retiree plan participation assumption for participants not eligible for a pre-65 subsidy was changed from 0.50 percent to 0.30 percent.
- The discount rate was changed from 3.40 percent to 3.00 percent.

2018 CHANGES IN PLAN PROVISIONS

- The superintendent will receive post-employment subsidized medical, dental, and life insurance until Medicare eligibility.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.80 percent to 3.40 percent.

SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 286

Nonmajor Governmental Funds
 Combining Balance Sheet
 as of June 30, 2023

	Special Revenue Funds		Total
	Food Service	Community Service	
Assets			
Receivables			
Current taxes	\$ –	\$ 98,469	\$ 98,469
Delinquent taxes	–	4,900	4,900
Due from other governmental units	153,335	297,527	450,862
Inventory	23,148	–	23,148
Total assets	<u>\$ 176,483</u>	<u>\$ 400,896</u>	<u>\$ 577,379</u>
Liabilities			
Accounts and contracts payable	\$ 65,984	\$ 13,217	\$ 79,201
Due to other funds	332,896	194,543	527,439
Unearned revenue	30,420	–	30,420
Total liabilities	<u>429,300</u>	<u>207,760</u>	<u>637,060</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	–	188,040	188,040
Unavailable revenue – delinquent taxes	–	4,576	4,576
Total deferred inflows of resources	<u>–</u>	<u>192,616</u>	<u>192,616</u>
Fund balances (deficit)			
Nonspendable	23,148	–	23,148
Restricted	–	61,600	61,600
Unassigned	(275,965)	(61,080)	(337,045)
Total fund balances (deficit)	<u>(252,817)</u>	<u>520</u>	<u>(252,297)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 176,483</u>	<u>\$ 400,896</u>	<u>\$ 577,379</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Nonmajor Governmental Funds
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Year Ended June 30, 2023

	Special Revenue Funds		Total
	Food Service	Community Service	
Revenue			
Local sources			
Property taxes	\$ -	\$ 180,112	\$ 180,112
Other	18,476	325,067	343,543
State sources	34,257	427,000	461,257
Federal sources	1,109,242	599,890	1,709,132
Total revenue	<u>1,161,975</u>	<u>1,532,069</u>	<u>2,694,044</u>
Expenditures			
Current			
Food service	1,493,847	-	1,493,847
Community service	-	1,534,487	1,534,487
Capital outlay	84,800	-	84,800
Total expenditures	<u>1,578,647</u>	<u>1,534,487</u>	<u>3,113,134</u>
Net change in fund balances	(416,672)	(2,418)	(419,090)
Fund balances (deficit)			
Beginning of year	<u>163,855</u>	<u>2,938</u>	<u>166,793</u>
End of year	<u>\$ (252,817)</u>	<u>\$ 520</u>	<u>\$ (252,297)</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

General Fund
Comparative Balance Sheet
as of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and temporary investments	\$ 941,638	\$ 2,090,291
Receivables		
Current taxes	1,804,115	1,769,290
Delinquent taxes	101,196	67,385
Accounts and interest	112,454	5,278
Due from other governmental units	10,192,973	5,774,001
Due from other funds	527,439	242,209
Prepaid items	<u>128,707</u>	<u>55,907</u>
Total assets	<u>\$ 13,808,522</u>	<u>\$ 10,004,361</u>
Liabilities		
Aid anticipation certificates	\$ 4,000,000	\$ -
Salaries payable	1,882,698	2,148,611
Accounts and contracts payable	2,552,708	1,418,822
Due to other governmental units	91,729	178,844
Accrued interest payable	83,507	-
Unearned revenue	<u>116,572</u>	<u>131,762</u>
Total liabilities	8,727,214	3,878,039
Deferred inflows of resources		
Property taxes levied for subsequent year	2,961,809	2,923,330
Unavailable revenue – delinquent taxes	<u>96,228</u>	<u>49,472</u>
Total deferred inflows of resources	3,058,037	2,972,802
Fund balances		
Nonspendable for prepaid items	128,707	55,907
Restricted for scholarships	77,078	76,328
Restricted for operating capital	-	400,868
Restricted for area learning center	327,652	141,015
Restricted for long-term facilities maintenance	13,725	863,243
Assigned for subsequent year’s budget	-	1,000,000
Unassigned	<u>1,476,109</u>	<u>616,159</u>
Total fund balances	<u>2,023,271</u>	<u>3,153,520</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,808,522</u>	<u>\$ 10,004,361</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2023
 (With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023		2022	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 3,400,094	\$ 3,380,977	\$ (19,117)	\$ 3,660,209
Investment earnings (charges)	18,000	70,589	52,589	(13,089)
Other	654,588	567,882	(86,706)	331,216
State sources	26,551,409	32,826,483	6,275,074	28,900,569
Federal sources	6,289,070	5,124,424	(1,164,646)	5,209,879
Total revenue	<u>36,913,161</u>	<u>41,970,355</u>	<u>5,057,194</u>	<u>38,088,784</u>
Expenditures				
Current				
Administration				
Salaries	1,071,978	1,092,879	20,901	804,883
Employee benefits	314,162	350,134	35,972	236,957
Purchased services	35,649	51,984	16,335	21,115
Supplies and materials	145,628	89,461	(56,167)	61,744
Capital expenditures	—	—	—	9,961
Other expenditures	31,774	6,815	(24,959)	27,414
Total administration	<u>1,599,191</u>	<u>1,591,273</u>	<u>(7,918)</u>	<u>1,162,074</u>
District support services				
Salaries	1,221,049	1,195,978	(25,071)	1,081,642
Employee benefits	351,413	348,862	(2,551)	403,461
Purchased services	1,151,723	424,884	(726,839)	420,642
Supplies and materials	85,307	103,588	18,281	86,739
Other expenditures	46,654	36,991	(9,663)	(43,819)
Total district support services	<u>2,856,146</u>	<u>2,110,303</u>	<u>(745,843)</u>	<u>1,948,665</u>
Elementary and secondary regular instruction				
Salaries	9,187,005	8,755,433	(431,572)	8,282,464
Employee benefits	2,756,362	2,718,311	(38,051)	2,731,524
Purchased services	1,710,758	1,868,335	157,577	4,456,126
Supplies and materials	540,655	870,219	329,564	504,671
Capital expenditures	—	—	—	99,897
Other expenditures	23,700	99,548	75,848	131,547
Total elementary and secondary regular instruction	<u>14,218,480</u>	<u>14,311,846</u>	<u>93,366</u>	<u>16,206,229</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual (continued)
 Year Ended June 30, 2023
 (With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023		2022	
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	221,311	213,980	(7,331)	211,909
Employee benefits	62,553	64,410	1,857	75,015
Purchased services	15,197	48,475	33,278	19,080
Supplies and materials	–	4,328	4,328	1,743
Other expenditures	–	1,647	1,647	744
Total vocational education instruction	299,061	332,840	33,779	308,491
Special education instruction				
Salaries	4,331,704	4,353,999	22,295	3,691,311
Employee benefits	1,271,897	1,315,366	43,469	1,087,278
Purchased services	595,524	575,053	(20,471)	603,834
Supplies and materials	89,568	103,532	13,964	46,637
Other expenditures	3,076	24,005	20,929	21,480
Total special education instruction	6,291,769	6,371,955	80,186	5,450,540
Instructional support services				
Salaries	1,678,538	1,662,025	(16,513)	1,912,548
Employee benefits	477,568	472,084	(5,484)	528,687
Purchased services	216,120	323,636	107,516	245,788
Supplies and materials	435,062	225,481	(209,581)	1,050,238
Capital expenditures	–	157,014	157,014	27,411
Other expenditures	8,800	50,436	41,636	77,575
Total instructional support services	2,816,088	2,890,676	74,588	3,842,247
Pupil support services				
Salaries	2,562,308	2,577,436	15,128	2,649,010
Employee benefits	744,063	708,906	(35,157)	743,412
Purchased services	3,204,667	7,374,491	4,169,824	4,600,626
Supplies and materials	81,845	131,540	49,695	153,196
Capital expenditures	–	19,735	19,735	–
Other expenditures	–	9,984	9,984	10,284
Total pupil support services	6,592,883	10,822,092	4,229,209	8,156,528

INDEPENDENT SCHOOL DISTRICT NO. 286

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual (continued)
 Year Ended June 30, 2023
 (With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023		2022	
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	926,396	931,633	5,237	808,823
Employee benefits	312,876	337,611	24,735	288,920
Purchased services	1,583,404	2,869,154	1,285,750	2,248,974
Supplies and materials	126,701	210,531	83,830	280,651
Capital expenditures	1,088,580	653,536	(435,044)	196,598
Other expenditures	74,605	50,576	(24,029)	31,745
Total sites and buildings	4,112,562	5,053,041	940,479	3,855,711
Fiscal and other fixed cost programs				
Purchased services	120,368	106,985	(13,383)	101,614
Other expenditures	5,500	1,250	(4,250)	8,500
Total fiscal and other fixed cost programs	125,868	108,235	(17,633)	110,114
Debt service				
Principal	38,710	106,974	68,264	352,560
Interest and fiscal charges	10,621	160,630	150,009	168,021
Total debt service	49,331	267,604	218,273	520,581
Total expenditures	38,961,379	43,859,865	4,898,486	41,561,180
Excess (deficiency) of revenue over expenditures	(2,048,218)	(1,889,510)	158,708	(3,472,396)
Other financing sources				
Debt issued	–	111,264	111,264	–
Sale of capital assets	647,350	647,350	–	–
Insurance recovery	–	647	647	36,266
Total other financing sources	647,350	759,261	111,911	36,266
Net change in fund balances	\$ (1,400,868)	(1,130,249)	\$ 270,619	(3,436,130)
Fund balances				
Beginning of year		3,153,520		6,589,650
End of year		\$ 2,023,271		\$ 3,153,520

INDEPENDENT SCHOOL DISTRICT NO. 286

Food Service Special Revenue Fund
 Comparative Balance Sheet
 as of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Receivables		
Due from other governmental units	\$ 153,335	\$ 192,085
Inventory	23,148	26,517
Prepaid items	-	2,661
	<u> </u>	<u> </u>
Total assets	<u>\$ 176,483</u>	<u>\$ 221,263</u>
Liabilities		
Accounts and contracts payable	\$ 65,984	\$ 11,833
Due to other funds	332,896	13,252
Unearned revenue	30,420	32,323
	<u> </u>	<u> </u>
Total liabilities	429,300	57,408
Fund balances (deficit)		
Nonspendable for inventory	23,148	26,517
Nonspendable for prepaids items	-	2,661
Restricted for food service	-	134,677
Unassigned	(275,965)	-
	<u> </u>	<u> </u>
Total fund balances (deficit)	(252,817)	163,855
	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 176,483</u>	<u>\$ 221,263</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Food Service Special Revenue Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2023
 (With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023			2022
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 6,000	\$ -	\$ (6,000)	\$ -
Other – primarily meal sales	98,000	18,476	(79,524)	4,603
State sources	32,000	34,257	2,257	36,104
Federal sources	1,364,000	1,109,242	(254,758)	1,342,309
Total revenue	<u>1,500,000</u>	<u>1,161,975</u>	<u>(338,025)</u>	<u>1,383,016</u>
Expenditures				
Current				
Salaries	616,799	572,876	(43,923)	459,117
Employee benefits	225,331	191,103	(34,228)	166,900
Purchased services	64,150	63,199	(951)	139,122
Supplies and materials	502,444	663,716	161,272	522,416
Other expenditures	4,000	2,953	(1,047)	1,187
Capital outlay	87,276	84,800	(2,476)	7,865
Total expenditures	<u>1,500,000</u>	<u>1,578,647</u>	<u>78,647</u>	<u>1,296,607</u>
Net change in fund balances	<u>\$ -</u>	<u>(416,672)</u>	<u>\$ (416,672)</u>	<u>86,409</u>
Fund balances (deficit)				
Beginning of year		<u>163,855</u>		<u>77,446</u>
End of year		<u>\$ (252,817)</u>		<u>\$ 163,855</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Community Service Special Revenue Fund
 Comparative Balance Sheet
 as of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Receivables		
Current taxes	\$ 98,469	\$ 95,945
Delinquent taxes	4,900	2,843
Accounts and interest	–	2,250
Due from other governmental units	<u>297,527</u>	<u>354,194</u>
Total assets	<u>\$ 400,896</u>	<u>\$ 455,232</u>
Liabilities		
Accounts and contracts payable	\$ 13,217	\$ 27,303
Due to other governmental units	–	9,535
Due to other funds	<u>194,543</u>	<u>228,957</u>
Total liabilities	<u>207,760</u>	<u>265,795</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	188,040	184,420
Unavailable revenue – delinquent taxes	<u>4,576</u>	<u>2,079</u>
Total deferred inflows of resources	<u>192,616</u>	<u>186,499</u>
Fund balances (deficit)		
Restricted for early childhood family education programs	14	19,850
Restricted for school readiness	61,586	89,645
Restricted for community service	–	42
Unassigned – community education programs		
restricted account deficit	<u>(61,080)</u>	<u>(106,599)</u>
Total fund balances	<u>520</u>	<u>2,938</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 400,896</u>	<u>\$ 455,232</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Community Service Special Revenue Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2023
 (With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023		Over (Under) Budget	2022
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 184,331	\$ 180,112	\$ (4,219)	\$ 145,214
Other – primarily tuition and fees	430,342	325,067	(105,275)	295,847
State sources	433,345	427,000	(6,345)	424,244
Federal sources	571,338	599,890	28,552	623,175
Total revenue	<u>1,619,356</u>	<u>1,532,069</u>	<u>(87,287)</u>	<u>1,488,480</u>
Expenditures				
Current				
Salaries	1,053,912	1,026,932	(26,980)	1,072,965
Employee benefits	286,642	282,432	(4,210)	304,874
Purchased services	259,363	159,406	(99,957)	108,226
Supplies and materials	58,589	64,202	5,613	79,979
Other expenditures	850	1,515	665	2,640
Capital outlay	–	–	–	15,000
Total expenditures	<u>1,659,356</u>	<u>1,534,487</u>	<u>(124,869)</u>	<u>1,583,684</u>
Net change in fund balances	<u>\$ (40,000)</u>	<u>(2,418)</u>	<u>\$ 37,582</u>	<u>(95,204)</u>
Fund balances				
Beginning of year		<u>2,938</u>		<u>98,142</u>
End of year		<u>\$ 520</u>		<u>\$ 2,938</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Capital Projects – Building Construction Fund
 Comparative Balance Sheet
 as of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and temporary investments	<u>\$ 1,529,441</u>	<u>\$ 936,649</u>
Liabilities		
Accounts and contracts payable	\$ 152,814	\$ 50,313
Fund balances		
Restricted for capital projects	<u>1,376,627</u>	<u>886,336</u>
Total liabilities and fund balances	<u>\$ 1,529,441</u>	<u>\$ 936,649</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Capital Projects – Building Construction Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2023
 (With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023		Over (Under) Budget	2022
	Budget	Actual		Actual
Revenue				
Local sources				
Investment earnings	\$ 50,000	\$ 83,066	\$ 33,066	\$ 2,578
Expenditures				
Capital outlay				
Salaries	–	–	–	300
Employee benefits	–	–	–	48
Purchased services	4,950,000	4,063,193	(886,807)	129,858
Capital expenditures	600,000	413,318	(186,682)	30,651
Total expenditures	<u>5,550,000</u>	<u>4,476,511</u>	<u>(1,073,489)</u>	<u>160,857</u>
Excess (deficiency) of revenue over expenditures	(5,500,000)	(4,393,445)	1,106,555	(158,279)
Other financing sources				
Debt issued	<u>5,035,000</u>	<u>4,883,736</u>	<u>(151,264)</u>	<u>–</u>
Net change in fund balances	<u>\$ (465,000)</u>	490,291	<u>\$ 955,291</u>	(158,279)
Fund balances				
Beginning of year		<u>886,336</u>		<u>1,044,615</u>
End of year		<u>\$ 1,376,627</u>		<u>\$ 886,336</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Debt Service Fund
Comparative Balance Sheet
as of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and temporary investments	\$ 2,205,683	\$ 2,077,431
Receivables		
Current taxes	1,505,986	1,497,585
Delinquent taxes	80,807	50,543
Due from other governmental units	63,389	52,489
Prepaid items	<u>10,050</u>	<u>11,950</u>
Total assets	<u>\$ 3,865,915</u>	<u>\$ 3,689,998</u>
Liabilities		
Accounts and contracts payable	\$ -	\$ 475
Deferred inflows of resources		
Property taxes levied for subsequent year	2,875,628	2,878,117
Unavailable revenue – delinquent taxes	<u>76,175</u>	<u>37,035</u>
Total deferred inflows of resources	<u>2,951,803</u>	<u>2,915,152</u>
Fund balances		
Nonspendable for prepaid items	10,050	11,950
Restricted for debt service	<u>904,062</u>	<u>762,421</u>
Total fund balances	<u>914,112</u>	<u>774,371</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,865,915</u>	<u>\$ 3,689,998</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Debt Service Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2023
 (With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023		Over (Under) Budget	2022
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 2,877,952	\$ 2,807,579	\$ (70,373)	\$ 2,672,957
Investment earnings (charges)	1,000	38,161	37,161	(3,326)
State sources	572,688	633,916	61,228	524,889
Total revenue	<u>3,451,640</u>	<u>3,479,656</u>	<u>28,016</u>	<u>3,194,520</u>
Expenditures				
Debt service				
Principal	1,634,000	1,634,000	–	1,552,000
Interest	1,699,440	1,699,440	–	1,776,598
Fiscal charges and other	4,500	6,475	1,975	4,975
Total expenditures	<u>3,337,940</u>	<u>3,339,915</u>	<u>1,975</u>	<u>3,333,573</u>
Excess (deficiency) of revenue over expenditures	113,700	139,741	26,041	(139,053)
Other financing sources				
Debt issued	<u>111,264</u>	<u>–</u>	<u>(111,264)</u>	<u>–</u>
Net change in fund balances	<u>\$ 224,964</u>	<u>139,741</u>	<u>\$ (85,223)</u>	<u>(139,053)</u>
Fund balances				
Beginning of year		<u>774,371</u>		<u>913,424</u>
End of year		<u>\$ 914,112</u>		<u>\$ 774,371</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Internal Service Funds
 Combining Statement of Net Position
 as of June 30, 2023
 (With Comparative Total Amounts as of June 30, 2022)

	Health Benefits Self-Insurance	Dental Self-Insurance	Totals	
			2023	2022
Assets				
Current assets				
Cash and temporary investments	\$ 1,505,423	\$ –	\$ 1,505,423	\$ 1,349,071
Receivables				
Due from other funds	6,904	–	6,904	23,171
Total current assets	<u>1,512,327</u>	<u>–</u>	<u>1,512,327</u>	<u>1,372,242</u>
Liabilities				
Current liabilities				
Accounts and contracts payable	5,028	–	5,028	7,171
Due to other funds	–	6,904	6,904	23,171
Claims incurred, but not reported	137,267	19,274	156,541	193,481
Total current liabilities	<u>142,295</u>	<u>26,178</u>	<u>168,473</u>	<u>223,823</u>
Net position				
Unrestricted	<u>\$ 1,370,032</u>	<u>\$ (26,178)</u>	<u>\$ 1,343,854</u>	<u>\$ 1,148,419</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Internal Service Funds
 Combining Statement of Revenue, Expenses, and Changes in Net Position
 Year Ended June 30, 2023
 (With Comparative Total Amounts for the Year Ended June 30, 2022)

	Health Benefits	Dental	Totals	
	Self-Insurance	Self-Insurance	2023	2022
Operating revenue				
Charges for services				
Contributions from governmental funds	\$ 3,250,218	\$ 198,686	\$ 3,448,904	\$ 3,424,267
Operating expenses				
Health benefit claims	3,097,756	–	3,097,756	2,932,504
Dental benefit claims	–	186,329	186,329	191,342
Total operating expenses	<u>3,097,756</u>	<u>186,329</u>	<u>3,284,085</u>	<u>3,123,846</u>
Operating income	152,462	12,357	164,819	300,421
Nonoperating revenue				
Investment earnings	<u>30,616</u>	<u>–</u>	<u>30,616</u>	<u>–</u>
Change in net position	183,078	12,357	195,435	300,421
Net position				
Beginning of year	<u>1,186,954</u>	<u>(38,535)</u>	<u>1,148,419</u>	<u>847,998</u>
End of year	<u>\$ 1,370,032</u>	<u>\$ (26,178)</u>	<u>\$ 1,343,854</u>	<u>\$ 1,148,419</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Internal Service Funds
 Combining Statement of Cash Flows
 Year Ended June 30, 2023
 (With Comparative Total Amounts for the Year Ended June 30, 2022)

	Health Benefits Self-Insurance	Dental Self-Insurance	Totals	
			2023	2022
Cash flows from operating activities				
Contributions from governmental funds	\$ 3,250,218	\$ 198,686	\$ 3,448,904	\$ 3,425,353
Payment for health claims	(3,140,749)	–	(3,140,749)	(3,002,155)
Payment for dental claims	–	(182,419)	(182,419)	(193,946)
Net cash flows from operating activities	109,469	16,267	125,736	229,252
Cash flows from noncapital financing activities				
Cash received from other funds	16,267	–	16,267	6,359
Cash paid to other funds	–	(16,267)	(16,267)	(6,359)
Net cash flows from noncapital financing activities	16,267	(16,267)	–	–
Cash flows from investing activities				
Investment income received	30,616	–	30,616	–
Net change in cash and cash equivalents	156,352	–	156,352	229,252
Cash and cash equivalents				
Beginning of year	1,349,071	–	1,349,071	1,119,819
End of year	\$ 1,505,423	\$ –	\$ 1,505,423	\$ 1,349,071
Reconciliation of operating income to net cash flows from operating activities				
Operating income	\$ 152,462	\$ 12,357	\$ 164,819	\$ 300,421
Adjustments to reconcile operating income to net cash flows from operating activities				
Changes in assets and liabilities				
Accounts and interest receivable	–	–	–	1,086
Accounts and contracts payable	(2,143)	–	(2,143)	2,804
Claims incurred, but not reported	(40,850)	3,910	(36,940)	(75,059)
Net cash flows from operating activities	\$ 109,469	\$ 16,267	\$ 125,736	\$ 229,252

OTHER DISTRICT INFORMATION

(UNAUDITED)

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INDEPENDENT SCHOOL DISTRICT NO. 286

Student Enrollment
Last Ten Fiscal Years

Year Ended June 30,	Adjusted Average Daily Membership (ADM)					Total Pupil Units
	Handicapped and Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	
2014	21.62	165.03	997.31	1,052.22	2,236.18	2,578.08
2015	40.69	179.46	1,043.83	1,158.47	2,422.45	2,654.14
2016	18.37	160.46	1,059.03	1,171.58	2,409.44	2,643.76
2017	90.41	141.09	991.19	1,196.06	2,418.75	2,657.96
2018	89.43	144.69	1,010.58	1,330.05	2,574.75	2,840.78
2019	101.75	131.38	917.41	1,336.78	2,487.32	2,754.69
2020	100.72	128.66	862.41	1,330.57	2,422.36	2,688.46
2021	77.14	90.59	822.63	1,317.14	2,307.50	2,570.92
2022	96.58	101.51	731.94	1,271.66	2,201.69	2,456.03
2023	97.27	100.20	707.43	1,275.86	2,180.76	2,435.91

Note 1: Student enrollment numbers are estimated for the most recent fiscal year.

Note 2: ADM is weighted as follows in computing pupil units:

	<u>Pre-Kindergarten</u>	<u>Handicapped Kindergarten</u>	<u>Half-Day Kindergarten</u>	<u>Full-Day Kindergarten</u>	<u>Elementary 1-3</u>	<u>Elementary 4-6</u>	<u>Secondary</u>
Fiscal 2014	1.250	1.000	0.612	0.612	1.115	1.060	1.300
Fiscal 2015 through 2023	1.000	1.000	0.550	1.000	1.000	1.000	1.200

Source: Minnesota Department of Education student reporting system

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OTHER REQUIRED REPORTS

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

To the School Board and Management of
Independent School District No. 286
Brooklyn Center, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 286 (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, and have issued our report thereon dated December 27, 2023.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify one deficiency in internal control, described in the accompanying Schedule of Findings and Recommendations as finding 2023-001, that we consider to be a significant deficiency.

(continued)

REPORT ON COMPLIANCE AND OTHER MATTERS

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

DISTRICT'S RESPONSE TO FINDING

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

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 report is not suitable for any other purpose.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
December 27, 2023



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INDEPENDENT AUDITOR'S REPORT

ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of
Independent School District No. 286
Brooklyn Center, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 286 (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, and have issued our report thereon dated December 27, 2023.

MINNESOTA LEGAL COMPLIANCE

In connection with our audit, we noted that the District failed to comply with provisions of the contracting – bid laws and claims and disbursements sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minnesota Statutes § 6.65, insofar as they relate to accounting matters as described in the Schedule of Findings and Recommendations as findings 2023-002 and 2023-003. Also, 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 depositories of the public funds and public investments, conflicts of interest, public indebtedness, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

DISTRICT'S RESPONSES TO FINDINGS

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the legal compliance findings identified in our audit and described in the accompanying Schedule of Findings and Recommendations. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

(continued)

PURPOSE OF THIS REPORT

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

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
December 27, 2023

INDEPENDENT SCHOOL DISTRICT NO. 286

Schedule of Findings and Recommendations
Year Ended June 30, 2023

A. FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCY

2023-001 Segregation of Duties

Criteria – Internal control over financial reporting.

Condition – Independent School District No. 286 (the District) has limited segregation of duties in several areas, including the processing of general disbursements, payroll transactions, cash receipts, and journal entries.

Questioned Costs – Not applicable.

Context – The condition applies to multiple areas as noted above.

Repeat Finding – This is a current year and prior year finding.

Cause – The limited segregation of duties is primarily caused by the limited size of the District’s business office staff.

Effect – One important element of internal accounting controls is an adequate segregation of duties such that no one individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction. A lack of segregation of duties subjects the District to a higher risk that errors or fraud could occur and not be detected in a timely manner in the normal course of business.

Recommendation – We recommend that the District continue its efforts to segregate duties as best it can within the limits of what the District considers to be cost-beneficial.

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding. The District intends to review policies, procedures, and transaction cycles, and work with the District’s financial auditors to review specific weaknesses identified during the annual audit and actions needed to eliminate or mitigate this internal control weakness. The District has separately issued a Corrective Action Plan related to this finding.

INDEPENDENT SCHOOL DISTRICT NO. 286

Schedule of Findings and Recommendations (continued)
Year Ended June 30, 2023

B. MINNESOTA LEGAL COMPLIANCE FINDINGS

2023-002 Payment of Invoices

Criteria – Minnesota Statutes § 471.425 requires prompt payment of local government bills within a standard payment period of 35 days from the receipt of goods and services, or the invoice for goods and services, for districts with governing boards that meet at least once a month. If such obligations are not paid within the appropriate time period, districts must pay interest on the unpaid obligations at the rate of 1.5 percent per month or part of a month.

Condition – Four of twenty-five disbursements selected for testing were not paid within the required thirty-five days from the receipt of goods and services.

Questioned Costs – Not applicable.

Context – Four of twenty-five disbursements tested were not paid within the required thirty-five-day period.

Repeat Finding – This is a current year finding.

Cause – This was an oversight by district personnel.

Effect – The District did not pay this claim within the time frame allowed by state statutes.

Recommendation – We recommend that the District review its procedures for paying invoices to ensure that all bills are paid within the statutory time limit.

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding. The District will review its procedures relating to processing disbursements to ensure compliance in the future. The District has separately issued a Corrective Action Plan related to this finding.

INDEPENDENT SCHOOL DISTRICT NO. 286

Schedule of Findings and Recommendations (continued)
Year Ended June 30, 2023

B. MINNESOTA LEGAL COMPLIANCE FINDINGS (CONTINUED)

2023-003 Contracting, Bid, and Quote Laws Compliance

Criteria – Minnesota Statutes § 471.345.

Condition – Minnesota Statutes require contracts for goods or services in excess of certain dollar thresholds to be awarded using sealed bids or quotations. During the current year, the District was unable to provide a complete listing of bids and quotations. The District was unable to provide bid and quotation files and supporting documentation to complete the audit testing.

Questioned Costs – Not applicable.

Context – The District did not have bids and quotations on file and was not in compliance.

Repeat Finding – This is a current year finding.

Cause – This was an oversight by district personnel.

Effect – The District was not in compliance with state bid and quote law requirements.

Recommendation – We recommend that the District comply with statutory contracting requirements for all applicable vendors.

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding. The District will review its procedures relating to contracting, bid, and quote laws to ensure compliance in the future. The District has separately issued a Corrective Action Plan related to this finding.

INDEPENDENT SCHOOL DISTRICT NO. 286

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2023

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		\$ 41,970,355	\$ 41,970,356	\$ (1)
Total expenditures		\$ 43,859,865	\$ 43,859,865	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ 128,707	\$ 128,707	\$ –
Restricted				
401	Student activities	\$ –	\$ –	\$ –
402	Scholarships	\$ 77,078	\$ 77,078	\$ –
403	Staff development	\$ –	\$ –	\$ –
407	Capital projects levy	\$ –	\$ –	\$ –
408	Cooperative revenue	\$ –	\$ –	\$ –
413	Projects funded by COP	\$ –	\$ –	\$ –
414	Operating debt	\$ –	\$ –	\$ –
416	Levy reduction	\$ –	\$ –	\$ –
417	Taconite building maintenance	\$ –	\$ –	\$ –
424	Operating capital	\$ –	\$ –	\$ –
426	\$25 taconite	\$ –	\$ –	\$ –
427	Disabled accessibility	\$ –	\$ –	\$ –
428	Learning and development	\$ –	\$ –	\$ –
434	Area learning center	\$ 327,652	\$ 327,652	\$ –
435	Contracted alternative programs	\$ –	\$ –	\$ –
436	State approved alternative program	\$ –	\$ –	\$ –
438	Gifted and talented	\$ –	\$ –	\$ –
440	Teacher development and evaluation	\$ –	\$ –	\$ –
441	Basic skills programs	\$ –	\$ –	\$ –
448	Achievement and integration	\$ –	\$ –	\$ –
449	Safe schools levy	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
453	Unfunded severance and retirement levy	\$ –	\$ –	\$ –
459	Basic skills extended time	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ 13,725	\$ 13,725	\$ –
472	Medical Assistance	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
475	Title VII – Impact Aid	\$ –	\$ –	\$ –
476	PILT	\$ –	\$ –	\$ –
Committed				
418	Committed for separation	\$ –	\$ –	\$ –
461	Committed fund balance	\$ –	\$ –	\$ –
Assigned				
462	Assigned fund balance	\$ –	\$ –	\$ –
Unassigned				
422	Unassigned fund balance	\$ 1,476,109	\$ 1,476,109	\$ –
Food Service				
Total revenue		\$ 1,161,975	\$ 1,161,976	\$ (1)
Total expenditures		\$ 1,578,647	\$ 1,578,647	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ 23,148	\$ 23,148	\$ –
Restricted				
452	OPEB liability not in trust	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ (275,965)	\$ (275,965)	\$ –
Community Service				
Total revenue		\$ 1,532,069	\$ 1,532,068	\$ 1
Total expenditures		\$ 1,534,487	\$ 1,534,487	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
426	\$25 taconite	\$ –	\$ –	\$ –
431	Community education	\$ (61,080)	\$ (61,080)	\$ –
432	ECFE	\$ 14	\$ 14	\$ –
440	Teacher development and evaluation	\$ –	\$ –	\$ –
444	School readiness	\$ 61,586	\$ 61,586	\$ –
447	Adult basic education	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –

INDEPENDENT SCHOOL DISTRICT NO. 286

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2023

		Audit	UFARS	Audit – UFARS
Building Construction				
Total revenue		\$ 83,066	\$ 83,066	\$ –
Total expenditures		\$ 4,476,511	\$ 4,476,511	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
407	Capital projects levy	\$ –	\$ –	\$ –
413	Projects funded by COP	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 1,376,627	\$ 1,376,627	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
Debt Service				
Total revenue		\$ 3,479,656	\$ 3,479,657	\$ (1)
Total expenditures		\$ 3,339,915	\$ 3,339,915	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ 10,050	\$ 10,050	\$ –
Restricted				
425	Bond refundings	\$ –	\$ –	\$ –
433	Maximum effort loan	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 904,062	\$ 904,062	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
Trust				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
401	Student activities	\$ –	\$ –	\$ –
402	Scholarships	\$ –	\$ –	\$ –
422	Net position	\$ –	\$ –	\$ –
Custodial Fund				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
401	Student activities	\$ –	\$ –	\$ –
402	Scholarships	\$ –	\$ –	\$ –
448	Achievement and integration	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Internal Service				
Total revenue		\$ 3,479,520	\$ 3,479,520	\$ –
Total expenditures		\$ 3,284,085	\$ 3,284,085	\$ –
422	Net position	\$ 1,343,854	\$ 1,343,854	\$ –
OPEB Revocable Trust Fund				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
422	Net position	\$ –	\$ –	\$ –
OPEB Irrevocable Trust Fund				
Total revenue		\$ 18,690	\$ 18,690	\$ –
Total expenditures		\$ 250	\$ 250	\$ –
422	Net position	\$ 1,317,437	\$ 1,317,436	\$ 1
OPEB Debt Service Fund				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
425	Bond refundings	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –

Note: Statutory restricted deficits, if any, are reported in unassigned fund balances in the financial statements in accordance with accounting principles generally accepted in the United States of America.

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