

**FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
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FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
GOVERNING BOARD
June 30, 2023

Chairperson	Katie Howard	Menahga
Vice - Chairperson	Lisa Anderson	Staples-Motley
Clerk	Charles Funk	Sebeka
Treasurer	Chuck Wolf	Long Prairie-Grey Eagle
Director	Russ VanDenheuvel	Bertha-Hewitt
Director	Barb Tumberg	Wadena-Deer Creek
Director	Scott Veronen	Verndale
Director	Jodi Hilmer	Browerville
Director	Rod Thalmann	Henning
Executive Director	Eric Weber	

Superintendents:

Mitch Anderson	Perham-Dent *
Shane Tappe	Staples-Motley
Jeannie Mayer	Verndale
Dave Fjeldheim	Sebeka
Eric Koep	Bertha-Hewitt
Daniel Ludvigson	Long Prairie-Grey Eagle
Mike Malmberg	Pillager *
Blaine Novak	New York Mills *
Melissa Sparks	Henning
Scott Vedbraaten	Browerville
Jay Kjos	Menahga
Lee Westrum	Wadena-Deer Creek
Terry Karger	Frazee-Vergas *

*denotes Associate Member Districts

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Freshwater Education District No. 6004
Wadena, Minnesota

Report on Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Freshwater Education District No. 6004, 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 remaining fund information of Freshwater Education District No. 6004, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Freshwater Education District No. 6004, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility 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 a substantial doubt about the Freshwater Education District No. 6004's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Freshwater Education District No. 6004's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Freshwater Education District No. 6004's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's total OPEB liability and related ratios, schedule of District contributions, schedule of District's share of net pension liability, and notes to required supplementary information as listed in the table of contents as required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not

express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of changes in fund balances, and compliance table as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the basic financial statements. 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 schedule of changes in fund balances, compliance table, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



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

January 3, 2024

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FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

This section of Freshwater Education District No. 6004's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2023. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

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

- The General fund balance decreased by \$83,671 during the 2022-2023 school year.

Overview of the Financial Statements

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

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

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

District-wide Statements

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

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

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

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

The District maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and community service fund, which are considered to be major funds.

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

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

Financial Analysis of the District as a Whole

Net Position

The District's combined net position was \$2,443,326 on June 30, 2023 (see details in Table A-1). This was an increase of 146.6 percent from the prior year.

Table A-1
Statement of Net Position

	2023	2022	Total Percentage Change
Current and Other Assets	\$ 5,449,328	\$ 5,189,766	5.0 %
Capital Assets	6,226,279	6,411,833	(2.9)
Total Assets	<u>11,675,607</u>	<u>11,601,599</u>	0.6
Deferred Outflows of Resources	<u>4,079,036</u>	<u>3,663,224</u>	11.4
Long-term Liabilities	9,748,698	5,214,065	87.0
Other Liabilities	2,139,886	1,863,664	14.8
Total Liabilities	<u>11,888,584</u>	<u>7,077,729</u>	68.0
Deferred Inflows of Resources	<u>1,422,734</u>	<u>7,196,224</u>	(80.2)
Net Position			
Net Investment in Capital Assets	6,226,279	6,411,833	(2.9)
Restricted	482,620	410,543	17.6
Unrestricted	(4,265,573)	(5,831,506)	26.9
Total Net Position	<u>\$ 2,443,326</u>	<u>\$ 990,870</u>	146.6 %

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

Change in Net Position

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

Table A-2			
Change in Net Position			
	<u>2023</u>	<u>2022</u>	<u>Total Percentage Change</u>
Revenues			
Program Revenues			
Charges for Services	\$ 6,147,413	\$ 5,584,088	10.1 %
Operating Grants and Contributions	6,567,767	6,372,429	3.1
Capital Grants and Contributions	9,355	12,469	(25.0)
General Revenues			
Unrestricted State Aid	127,300	203,321	(37.4)
Unrestricted Investment Earnings	149,051	8,422	1,669.8
Other Sources	272,704	248,361	9.8
Total Revenues	<u>13,273,590</u>	<u>10,956,388</u>	21.1
Expenses			
Administration	392,294	370,948	5.8
District Support Services	420,781	262,703	60.2
Elementary & Secondary Regular Instruction	1,866,169	1,974,254	(5.5)
Vocational Education Instruction	364,714	424,856	(14.2)
Special Education Instruction	6,872,655	7,435,269	(7.6)
Community Education and Services	962,589	1,005,294	(4.2)
Instructional Support Services	289,434	301,228	(3.9)
Pupil Support Services	207,573	227,708	(8.8)
Sites and Buildings	313,825	231,545	35.5
Fixed Costs	30,516	26,255	16.2
Interest on Long-Term Debt		341	(100.0)
Depreciation- Unallocated	100,584	100,584	
Total Expenses	<u>11,821,134</u>	<u>12,360,985</u>	(4.4)
Change in Net Position	1,452,456	68,205	(2,029.5)
Net Position - Beginning	<u>990,870</u>	<u>922,665</u>	7.4
Net Position - Ending	<u>\$ 2,443,326</u>	<u>\$ 990,870</u>	146.6 %

The District's total revenues were \$13,273,590 for the year ended June 30, 2023.

The total cost of all programs and services was \$11,821,134. The District's expenses are predominantly related to educating and caring for students.

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

Total revenues surpassed expenses, increasing net position \$1,452,456 over last year. For the year ended June 30, 2023, the net effect of the District's deferred inflows and outflows of resources and net pension liability related to TRA and PERA increased net position by \$1,659,400. For the year ended June 30, 2022, the net effect of the District's deferred inflows and outflows of resources and net pension liability related to TRA and PERA increased net position by \$406,211.

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

Table A-3 presents these net costs.

Table A-3
Net Cost of Governmental Activities

	Total Cost of Services		Total Percentage	Net Cost of Services		Total Percentage
	2023	2022	Change	2023	2022	Change
Expenses						
Administration	\$ 392,294	\$ 370,948	5.8 %	\$ 61,794	\$ 60,447	2.2 %
District Support Services	420,781	262,703	60.2	231,408	211,790	9.3
Elementary & Secondary						
Regular Instruction	1,866,169	1,974,254	(5.5)	(650,773)	(633,206)	2.8
Vocational Education Instruction	364,714	424,856	(14.2)	100,972	102,461	100.0
Special Education Instruction	6,872,655	7,435,269	(7.6)	(1,205,130)	134,711	(994.6)
Community Education and Services	962,589	1,005,294	(4.2)	(35,234)	(23,954)	(47.1)
Instructional Support Services	289,434	301,228	(3.9)	125,497	165,907	(24.4)
Pupil Support Services	207,573	227,708	(8.8)	73,856	75,473	(2.1)
Sites and Buildings	313,825	231,545	35.5	263,109	171,090	53.8
Fixed Costs	30,516	26,255	16.2	30,516	26,255	16.2
Interest on Long-Term Debt		341	(100.0)		341	(100.0)
Depreciation- Unallocated	100,584	100,584		100,584	100,584	
	<u>\$ 11,821,134</u>	<u>\$ 12,360,985</u>	(4.4) %	<u>\$ (903,401)</u>	<u>\$ 391,899</u>	(330.5) %

Financial Analysis of the District's Funds

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

Table A-4
Major Funds

	Fund Balance		Increase	Percentage
	2023	2022	(Decrease)	Increase (Decrease)
Governmental Funds				
General	\$ 2,951,333	\$ 3,035,004	\$ (83,671)	(2.8) %
Community Service	358,110	291,098	67,012	23.0

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

General Fund

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

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

Table A-5
General Fund Revenue

	<u>2023</u>	<u>2022</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Local Sources				
Interest Earnings	\$ 7,798	\$ 7,798	\$	%
Other	5,505,099	4,829,158	675,941	14.0
State Sources	2,992,515	2,855,288	137,227	4.8
Federal Sources	3,667,627	3,713,823	(46,196)	(1.2)
Other	2,231	2,185	46	2.1
Total General Fund Revenue	<u>\$ 12,175,270</u>	<u>\$ 11,408,252</u>	<u>\$ 767,018</u>	6.7 %

Total general fund revenue increased by \$767,018 or 6.7 percent from the previous year.

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

Table A-6
General Fund Expenditures

	<u>2023</u>	<u>2022</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Salaries	\$ 7,643,585	\$ 7,230,695	\$ 412,890	5.7 %
Employee Benefits	1,988,290	1,890,768	97,522	5.2
Purchased Services	2,156,116	2,027,669	128,447	6.3
Supplies and Materials	320,191	303,574	16,617	5.5
Capital Expenditures	94,745	84,192	10,553	12.5
Debt Service		28,176	(28,176)	100.0
Other Expenditures	90,451	71,751	18,700	26.1
Total General Fund Expenditures	<u>\$ 12,293,378</u>	<u>\$ 11,636,825</u>	<u>\$ 656,553</u>	5.6 %

Total general fund expenditures increased by \$656,553 or 5.6 percent from the previous year.

General Fund Budgetary Highlights

The District adopted its original budget in June 2022. During the year ended June 30, 2023, the District revised its budget.

**FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023**

The District's budget for the general fund anticipated that expenditures and other financing uses would exceed revenues and other financing sources by \$305,241 and the actual results for the year show a deficit of \$83,671.

Capital Assets

Capital Assets

Note 3 to the financial statements presents an analysis of capital asset transactions occurring during the year ended June 30, 2023. Additions totaling \$89,866 consisted of a video monitoring system, communication equipment and a Dodge Caravan. During the year ended June 30, 2023, the District disposed of a camera and communication equipment and two vans.

Factors Bearing on the District's Future

The District has been serving nine (9) member districts and four (4) associate districts in a variety of capacities with a student enrollment of 10,715.

Freshwater Education District No. 6004's member districts, for the most part, are seeing their enrollment levels remain consistent.

The District's special education programs will continue to increase as the response to member school district needs. Nationally, the special student needs population is increasing annually due to environmental, social, chemical, and behavioral trends. The ALC programs are seeing consistent student attendance. For the past several years the Freshwater ALC department has been remotely supporting greater Minnesota school districts by providing opportunities for these non-member districts to access credit recovery (grades 9-12) and targeted services (K-8) extended time revenue. The Freshwater adult basic education (ABE) program funds continue to flow through the St. Cloud School District No. 742 so as to enhance the allocation. Freshwater has and will continue to host and coordinate many other cooperative programs like ABE, Vocational Rehabilitation, Carl Perkins, Todd/Otter Tail/Wadena County Collaboratives, etc.

Currently, Freshwater is paying about \$46,300 annually to lease space for our ALC's. Freshwater owns two of its buildings that have an ALC and special education level IV classrooms and office areas with a single location for centralized administrative services.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Freshwater Education District No. 6004, 2222 Industrial Dr., Wadena, MN 56482.

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
STATEMENT OF NET POSITION
June 30, 2023

GOVERNMENTAL ACTIVITIES

ASSETS

Cash and Investments	\$ 2,376,643
Accounts Receivable	117,071
Due From MN School Districts	1,016,134
Due From Department of Education	590,343
Due From Federal Govt. - DOE	1,338,710
Due From Federal Govt.	859
Due from Other Governments	63
Prepaid Expense	9,505
Capital Assets	
Land	61,579
Capital Assets, Net of Accumulated Depreciation	6,164,700

TOTAL ASSETS 11,675,607

DEFERRED OUTFLOWS OF RESOURCES

Cost Sharing Defined Benefit Pension Plan	3,900,794
Other Postemployment Benefit	178,242

TOTAL DEFERRED OUTFLOWS OF RESOURCES 4,079,036

LIABILITIES

Accounts Payable	227,472
Salaries Payable	752,060
Payroll Deductions	604,970
Due to Other Govt Units	84,455
Due to Other MN Districts	470,929
Long-Term Liabilities	
Vacation Payable	32,662
Total Other Postemployment Benefit Liability	542,783
Net Pension Liability	9,173,253
Total Long-Term Liabilities	9,748,698

TOTAL LIABILITIES 11,888,584

DEFERRED INFLOWS OF RESOURCES

Cost Sharing Defined Benefit Pension Plan	1,395,253
Other Postemployment Benefit	27,481

TOTAL DEFERRED INFLOWS OF RESOURCES 1,422,734

NET POSITION

Net Investment in Capital Assets	6,226,279
Restricted	
Basic Skills	25,640
Medical Assistance	64
Other	98,806
Community Education	55,671
ECFE	174,350
School Readiness	101,857
Community Service	24,000
Adult Basic Ed	2,232
Unrestricted	(4,265,573)

TOTAL NET POSITION \$ 2,443,326

See Notes to the Financial Statements

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	(Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES					
Administration	\$ 392,294	\$ 330,500	\$	\$	(61,794)
District Support Services	420,781	83,710	105,663		(231,408)
Elementary & Secondary					
Regular Instruction	1,866,169	1,562,880	954,062		650,773
Vocational Education Instruction	364,714		263,742		(100,972)
Special Education Instruction	6,872,655	2,924,094	5,144,336	9,355	1,205,130
Community Education and Services	962,589	997,823			35,234
Instructional Support Services	289,434	95,533	68,404		(125,497)
Pupil Support Services	207,573	106,638	27,079		(73,856)
Sites and Buildings	313,825	46,235	4,481		(263,109)
Fixed Costs	30,516				(30,516)
Depreciation- Unallocated	100,584				(100,584)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 11,821,134	\$ 6,147,413	\$ 6,567,767	\$ 9,355	903,401
GENERAL REVENUES					
					127,300
					149,051
					272,704
TOTAL GENERAL REVENUES					
					549,055
Change in Net Position					
					1,452,456
Net Position - Beginning					
					990,870
Net Position - Ending					
				\$	2,443,326

See Notes to the Financial Statements

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2023

	General Fund	Community Service Fund	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 1,996,565	\$ 380,078	\$ 2,376,643
Accounts Receivable	117,071		117,071
Due From MN School Districts	931,249	84,885	1,016,134
Due From Department of Education	590,343		590,343
Due From Federal Govt. - DOE	1,338,710		1,338,710
Due From Federal Govt.	859		859
Due From Other Governments	63		63
Prepaid Expense	9,505		9,505
TOTAL ASSETS	\$ 4,984,365	\$ 464,963	\$ 5,449,328
LIABILITIES			
Accounts Payable	\$ 226,131	\$ 1,341	\$ 227,472
Salaries Payable	666,667	85,393	752,060
Due to Other Govt Units	84,455		84,455
Due to Other MN Districts	450,810	20,119	470,929
Payroll Deductions	604,970		604,970
TOTAL LIABILITIES	2,033,033	106,853	2,139,886
FUND BALANCES			
Restricted for Basic Skills	25,640		25,640
Restricted for Medical Assistance	64		64
Restricted for Other	98,806		98,806
Restricted for Community Education		55,671	55,671
Restricted for ECFE		174,350	174,350
Restricted for School Readiness		101,857	101,857
Restricted for Community Service		24,000	24,000
Restricted for Adult Basic Ed		2,232	2,232
Committed for Severance	236,876		236,876
Committed for Facility Improvements	288,209		288,209
Assigned for Copier Replacement	21,504		21,504
Assigned for Wellness	9,435		9,435
Unassigned	2,270,799		2,270,799
TOTAL FUND BALANCES	2,951,333	358,110	3,309,443
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,984,366	\$ 464,963	\$ 5,449,329

See Notes to the Financial Statements

FRESHWATER EDUCATION DISTRICT NO. 6004**WADENA, MINNESOTA****RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
NET POSITION****June 30, 2023**

Total fund balances - governmental funds	\$	3,309,443
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Cost of capital assets	7,753,976
Less accumulated depreciation	(1,527,697)

Deferred outflows of resources relating to the cost sharing defined benefit plans and other postemployment benefits in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

4,079,036

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Vacation Payable	(32,662)
Total Other Postemployment Benefit Liability	(542,783)
Net Pension Liability	(9,173,253)

Deferred inflows of resources relating to the cost sharing defined benefit plans and other postemployment benefits in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

(1,422,734)

Net position - governmental activities	\$	<u>2,443,326</u>
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See Notes to the Financial Statements

FRESHWATER EDUCATION DISTRICT NO. 6004**WADENA, MINNESOTA****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS****For the Year Ended June 30, 2023**

	General Fund	Community Service Fund	Total Governmental Funds
REVENUES			
Other Local & County Revenues	\$ 5,512,898	\$ 1,029,601	\$ 6,542,499
Revenue From State Sources	2,992,514		2,992,514
Revenue From Federal Sources	3,667,627		3,667,627
Sale/Other Conversion of Asset	2,231		2,231
TOTAL REVENUES	12,175,270	1,029,601	13,204,871
EXPENDITURES			
Current			
Administration	390,251		390,251
District Support Services	418,247		418,247
Elementary & Secondary Regular Instruction	1,864,838		1,864,838
Vocational Education Instruction	364,714		364,714
Special Education Instruction	8,447,641		8,447,641
Community Education and Services		961,932	961,932
Instructional Support Services	267,247		267,247
Pupil Support Services	198,369		198,369
Sites and Buildings	216,810		216,810
Fixed Costs	30,516		30,516
Capital Outlay	94,745	657	95,402
TOTAL EXPENDITURES	12,293,378	962,589	13,255,967
Revenues Over (Under) Expenditures	(118,108)	67,012	(51,096)
OTHER FINANCING SOURCES			
Sale of Capital Asset	34,437		34,437
TOTAL OTHER FINANCING SOURCES	34,437		34,437
Net Change in Fund Balances	(83,671)	67,012	(16,659)
Fund Balances - Beginning	3,035,004	291,098	3,326,102
Fund Balances - Ending	\$ 2,951,333	\$ 358,110	\$ 3,309,443

See Notes to the Financial Statements

FRESHWATER EDUCATION DISTRICT NO. 6004**WADENA, MINNESOTA****RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023**

Total net change in fund balances - governmental funds \$ (16,659)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlay	89,866
Depreciation expense	(251,532)

The loss of disposal of capital assets decreases net position	(23,888)
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Change in net pension liability.	(4,505,147)
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Changes in deferred outflows and inflows of resources related to net pension liability.	6,164,547
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Changes in deferred outflows and inflows of resources related to other postemployment benefit liability.	24,755
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Recognition of additional pension expense and grant revenue for the District's proportionate share of the State of Minnesota's contribution to the PERA and TRA.

In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid.)

Other postemployment benefits	(35,322)
Vacation payable	5,836

Change in net position - governmental activities	\$ <u>1,452,456</u>
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See Notes to the Financial Statements

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION – CUSTODIAL FUNDS
June 30, 2023

	Health Reimbursement Arrangement	Scholarships	Total Custodial Funds
ASSETS			
Cash and Investments	\$ 982,479	\$ 17,182	\$ 999,661
TOTAL ASSETS	982,479	17,182	999,661
NET POSITION	\$ 982,479	\$ 17,182	\$ 999,661

See Notes to the Financial Statements

FRESHWATER EDUCATION DISTRICT NO. 6004**WADENA, MINNESOTA****STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – CUSTODIAL FUNDS****For the Year Ended June 30, 2023**

	Health Reimbursement Arrangement	Scholarships	Total Custodial Funds
ADDITIONS			
HRA Contributions	\$ 149,056	\$	\$ 149,056
Interest Income		773	773
TOTAL ADDITIONS	149,056	773	149,829
DEDUCTIONS			
HRA Claims	159,749		159,749
Miscellaneous		6,300	6,300
TOTAL DEDUCTIONS	159,749	6,300	166,049
Change in Net Position	(10,693)	(5,527)	(16,220)
Net Position - Beginning	993,172	22,709	1,015,881
Net Position - End of Year	\$ 982,479	\$ 17,182	\$ 999,661

See Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

Freshwater Education District No. 6004 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a nine-member board appointed by the school boards of the nine-member school districts. The financial statements of Freshwater Education District No. 6004 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. These financial statements also conform to the Uniform Financial Accounting and Reporting Standards (UFARS) for Minnesota school districts.

The District provides coordination of member district and education district programs for handicapped pupils, gifted and talented pupils, secondary vocational education, improved learning, community education, early childhood family education, career education, and low incidence academic programs in 13 school districts: Bertha-Hewitt, Browerville, Frazee-Vergas, Henning, Long Prairie-Grey Eagle, Menahga, New York Mills, Perham-Dent, Pillager, Sebeka, Staples-Motley, Verndale, and Wadena-Deer Creek. Administrative offices are located in Staples and Wadena.

B. Reporting Entity

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

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

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

C. Basic Financial Statement Presentation

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

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

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

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

Separate fund financial statements are provided for governmental funds and custodial funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The custodial funds are presented in the fiduciary fund financial statements. The District's only fiduciary funds are custodial funds for its health reimbursement arrangement and scholarships. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the District-wide statements.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or related cash flows. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

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

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. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within one year.

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

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

Description of Funds

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

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

Major Governmental Funds

General Fund – Accounts for all financial resources and transactions except those required to be accounted for in other funds including pupil transportation and capital outlay activities, which were previously (prior to July 1, 1996) accounted for in separate special revenue funds.

Special Revenue Fund:

Community Service Fund - Special Revenue Funds are used to account for revenues designated to finance particular activities, and the related expenditures. The purpose of the Community Service Fund is for Early Childhood Family Education, Adult Basic Education, School Readiness, Preschool Screening, and other community programs. The majority of revenues in the Community Service Fund come from other Minnesota school districts.

GASB No. 34 also requires that budget vs. actual information be presented for the general fund and all major special revenue funds.

Fiduciary Funds

Custodial Fund – The District is the trustee, or custodian, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

All of the District's custodial activities are reported in separate statements of fiduciary net position and changes in net position. We excluded these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

E. Specific Account Information

Cash and 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.

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

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

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable market inputs that are not corroborated by market data

Capital Assets – Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets. Expenditures for major additions and improvements that extend the useful lives of property and equipment are capitalized. Routine expenditures for repairs and maintenance are charged to expense as incurred.

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

Capital assets are recorded in the district-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 25 to 50 years for buildings and 5 to 20 years for equipment.

Capital assets not being depreciated include land and construction in progress, if any. The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

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

Leases with an initial lease term of more than 12 months, or that contain an option to purchase that the District is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the District uses its incremental borrowing rate based on the information available at the lease commencement date. The District has made an accounting policy election to use a risk free rate based on US Treasury Tbill rate as of the lease commencement. The District accounts for lease agreements with lease and non-lease components together as a single lease component for all underlying classes of assets.

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

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

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

Vacation and Sick Leave – Employees are granted vacation of five to twenty days per year depending on employment classification. Accumulated unused vacation in excess of 100 hours is forfeited at the end of the fiscal year. The total estimated liability for vacation pay as of June 30, 2023 and 2022 was \$32,662 and \$38,498, respectively. The liability for all employees consists of sixteen individuals as of June 30, 2023 and seventeen individuals as of June 30, 2022.

Sick leave is earned up to twelve days per year. Sick leave days accumulate to a maximum of 120 days. Sick leave accumulated beyond 120 days is annually credited to a subaccount within the employee's HRA account to be used for reimbursement of expenses after their employment with Freshwater Education District No. 6004. The maximum amount that the District will pay each employee will be capped at a lifetime maximum of \$3,455, \$3,500 or \$4,225, depending on the contract.

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

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

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

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

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

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify under this category. *Cost Sharing Defined Benefit Pension Plan* and *Other Postemployment Benefits*, which represent actuarial differences within PERA and TRA pension plans and other postemployment benefit plans.

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

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

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

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

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

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

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

Assigned – Consists of amounts a government intends to use for a specific purpose, 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 board delegates the authority.

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

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

A majority vote of the Freshwater Education District No. 6004's board is required to commit a fund balance to a specific purpose and subsequently to remove or change any constraint so adopted by the board. The formal action to commit a fund balance must occur prior to fiscal year end; however, the specific amounts actually committed can be determined in the subsequent fiscal year.

The District's board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The board also delegates the power to assign fund balances to the executive director. Assignments so made shall be reported to the District Board on a monthly basis, either separately or as part of ongoing reporting by the assigning party if other than the District Board. The action to assign a fund balance may be taken after the end of the fiscal year.

The District will strive to maintain a minimum unassigned general fund balance of 20% of the annual General Fund expenditure budget.

F. Use of Estimates

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

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 DEPOSITS AND INVESTMENTS

The District maintains a cash account at its depository bank. Investments are valued at amortized costs. The District considers certificates of deposit to be cash.

The District's interest income for the year ended June 30, 2023, was \$149,051.

The pooled cash and investment accounts are comprised of the following:

	Governmental Activities	Fiduciary Funds	Total
Cash	\$ 819,294	\$ 18,543	\$ 837,837
Investments	1,557,349	981,118	2,538,467
Total	<u>\$ 2,376,643</u>	<u>\$ 999,661</u>	<u>\$ 3,376,304</u>

As of June 30, 2023, the District's investments were in the Minnesota School District Liquid Asset Fund external investment pool.

<u>Investment</u>	<u>Fair Value (Level 1)</u>
Minnesota School District Liquid Asset Fund	\$2,538,467

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

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

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

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

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

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

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

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

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

Custodial Credit Risk - Deposits - The District does not have a formal custodial credit risk policy. In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the District's board, all of which are members of the Federal Reserve System. Minnesota Statutes require that all district deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. As of June 30, 2023, the District had \$55,825 in deposits that were exposed to custodial credit risk..

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

FRESHWATER EDUCATION DISTRICT NO. 6004
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NOTE 3 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 61,579	\$	\$	\$ 61,579
Total Capital Assets, Not Being Depreciated	61,579			61,579
Capital Assets, Being Depreciated:				
Site Improvements	528,886			528,886
Buildings	6,304,366	5,615		6,309,981
Equipment	936,056	84,251	166,777	853,530
Total Capital Assets, Being Depreciated	7,687,203	89,866	166,777	7,692,397
Less Accumulated Depreciation For:				
Site Improvements	89,724	26,444		116,168
Buildings	771,906	159,400		931,306
Equipment	557,424	65,688	142,889	480,223
Total Accumulated Depreciation	1,165,026	251,532	142,889	1,527,697
Total Capital Assets, Being Depreciated, Net	6,522,177	(161,666)	23,888	6,164,700
Governmental Activities Capital Assets, Net	\$ 6,583,756	\$ (161,666)	\$ 23,888	\$ 6,226,279

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

Administration	\$ 545
District Support Services	2,534
Elementary & Secondary Regular Instruction	1,331
Special Education Instruction	18,132
Instructional Support Services	22,187
Pupil Support Services	9,204
Sites and Buildings	97,015
	150,948
Unallocated	100,584
Total Depreciation Expense	\$ 251,532

NOTE 4 DEFINED BENEFIT PENSION PLANS- STATEWIDE

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

Disclosures relating to these plans follow:

A. Public Employees Retirement Association

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

General Employees Retirement Plan

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

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

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

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

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

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Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2023, were \$134,324. The District's contributions were equal to the required contributions as set by state statute.

Pension Costs – At June 30, 2023, the District reported a liability of \$1,750,327 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$51,206.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0221% at the end of the measurement period and 0.0220% for the beginning of the period.

District's proportionate share of net pension liability	\$ 1,750,327
State of Minnesota's proportionate share of the net pension liability associated with the District	51,206
Total	<u>\$ 1,801,533</u>

For the year ended June 30, 2023, the District recognized pension expense of \$270,764 for its proportionate share of the General Employee Plan's pension expense. In addition, the District recognized \$7,651 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 14,620	\$ 18,522
Difference between projected and actual investment earnings	29,407	
Changes in actuarial assumptions	394,393	6,698
Changes in proportion	58,181	
Contributions paid to PERA subsequent to the measurement date	134,324	
Total	<u>\$ 630,925</u>	<u>\$ 25,220</u>

The \$134,324 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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Year Ending June 30	Amount Amount
2024	\$ 188,736
2025	177,734
2026	(53,381)
2027	158,292

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

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

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

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

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

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

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

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

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

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

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

Sensitivity Analysis - NPL at Different Discount Rates		
1% Decrease	Current	1% Increase
(5.5%)	(6.5%)	(7.5%)
\$ 2,764,734	\$ 1,750,327	\$ 918,358

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

B. Teachers Retirement Association

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

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

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

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

Tier I Benefits:

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

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

With these provisions:

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

or

Tier II Benefits:

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

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

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

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

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

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

The following is a reconciliation of employer contributions in TRA's fiscal year 2020 ACFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations:

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

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

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Valuation Date	July 1, 2021
Measurement Date	June 30, 2021
Experience Study	June 5, 2019 (demographic and economic assumptions)
Actuarial Cost Method	Entry Age Normal

Actuarial Assumptions:

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

Mortality Assumption

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Geometric Mean)</u>
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Private Markets	25.00%	5.90%
Fixed Income	20.00%	0.75%

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

Changes in actuarial assumptions since the 2021 valuation: None

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

Net Pension Liability - On June 30, 2023, the District reported a liability of \$7,422,926 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.0927% at the end of the measurement period and 0.0852% for the beginning of the year.

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

District's proportionate share of net pension liability	\$	7,422,926
State's proportionate share of the net pension liability associated with the District		550,616

For the year ended June 30, 2023, the District recognized pension expense of \$832,181. It also recognized \$75,711 as a decrease to pension expense for the support provided by direct aid.

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

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 97,909	\$ 58,212
Net difference between projected and actual earnings on plan inv.	396,187	
Changes in actuarial assumptions	1,092,776	1,277,683
Changes in proportion	1,170,862	34,138
Contributions paid to TRA subsequent to the measurement date	512,135	
Total	\$ 3,269,869	\$ 1,370,033

\$512,594 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Year Ending June 30	Pension Expense Amount
2024	\$ (782,348)
2025	522,361
2026	354,698
2027	1,157,811
2028	135,179

Pension Liability Sensitivity - The following presents the net pension liability calculated using the discount rate of 6.50 percent as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage higher (7.50 percent) than the current rate.

Sensitivity Analysis - NPL at Different Discount Rates		
1% Decrease (5.5%)	Current (6.5%)	1% Increase (7.5%)
\$ 11,701,838	\$ 7,422,926	\$ 3,915,552

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

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

The District recognized total pension expense of \$1,102,945 for all of the pension plans in which it participates.

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS

Plan Description - The District’s Plan is a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The authority and requirement to provide these benefits is established in Minnesota Statutes Section 471.61, Subd. 2b. The benefit levels, employee contributions and employer contributions are governed by the District and can be amended by the District through the District’s collective bargaining agreements with employee groups. In as much as the Plan has no assets, reporting another employee benefit trust fund in the accompanying financial statements is not required nor was a separate or stand-alone report issued.

Benefits Provided – The District provides healthcare benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan. The District provides full single coverage healthcare for a retiring principal or teacher until Medicare eligibility. All principals and teachers have a service requirement of three years.

Funding Policy - Retirees and their spouses contribute to the healthcare plan at the same rate as District employees. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. The District provides postemployment healthcare benefits to qualifying retirees.

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

Inactive plan members or beneficiaries currently receiving benefit payments	8
Active plan members	124
Total Members	<u>132</u>

Total OPEB Liability – The District’s total OPEB liability of \$542,783 was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2022.

Actuarial Assumptions – The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5 percent
Healthcare Cost Trend Rates	6.8 percent decreasing to 3.9 percent by 2076.

Mortality rates for teachers were based on the RP-2014 Mortality Tables with projected mortality improvements based on scale MP-2015, and other adjustments. Mortality rates for non-teachers were based on the Pub-2010 general mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments.

The discount rate is based on the estimated yield of 20-year AA-rated municipal bonds. The overall single discount rate is 3.69%.

In the June 30, 2022 actuarial valuation, the entry age, level percentage of pay actuarial cost method was used.

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Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 6/30/2022	\$ 507,461
Changes for the year:	
Service Cost	32,046
Interest Cost	9,796
Differences Between Expected and Actual Experience	53,594
Changes in Assumptions	(1,483)
Benefit Payments	(58,631)
Net Changes	35,322
Balance at 6/30/2023	\$ 542,783

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.69 percent) or one percentage point higher (4.69 percent) than the current rate:

District Total OPEB Liability		
1% Decrease (2.69%)	Current (3.69%)	1% Increase 4.69%
\$ 562,646	\$ 542,783	\$ 522,910

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.8 percent decreasing to 2.9 by 2076) or one percentage point higher (7.8 percent decreasing to 4.9 by 2076) than the current healthcare cost trend rates:

District Healthcare Cost Trend Rates		
(5.8% decreasing to 2.9% by 2076)	(6.8% decreasing to 3.9% by 2076)	(7.8% decreasing to 4.9% by 2076)
\$ 524,515	\$ 542,783	\$ 563,768

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2023, the District recognized OPEB expense of \$64,384. At June 30, 2023, the District reported outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 102,572	\$ 26,223
Changes in actuarial assumptions	38,549	1,258
Employer contributions paid subsequent to the measurement date	37,121	
Total	<u>\$ 178,242</u>	<u>\$ 27,481</u>

\$37,121 reported as deferred outflows of resources related to OPEB resulting from District contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the total other postemployment benefit liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

Year Ending June 30	OPEB Expense Amount
2024	\$ 22,542
2025	26,885
2026	30,913
2027	20,950
2028	7,759
Thereafter	4,591

NOTE 6 LONG-TERM LIABILITIES

Changes in the District's long-term liabilities for the year ended June 30, 2023 are as follows:

Summary of Long-Term Liabilities

	Beginning Balance	Additions	Retired	Ending Balance	Due Within One Year
Vacation Payable	\$ 38,498	\$	\$ 5,836	\$ 32,662	\$
Lease Payable	27,834		27,834		
Total Long-Term Liabilities	<u>\$ 66,332</u>	<u>\$</u>	<u>\$ 33,670</u>	<u>\$ 32,662</u>	<u>\$</u>

The vacation payable and lease payable is generally liquidated by the general fund.

NOTE 7 LEASES

The District leased office space in Staples, Minnesota. The term of the lease was for a period of 12 months, commencing on July 1, 2022 and terminating June 30, 2023 with a monthly rent payment of \$2,320.

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Following is the total lease expense for the year ended June 30, 2023.

Lease expense	Year Ending 6/30/2023
Amortization expense by class of underlying asset	
Building	\$ 27,834
Total amortization expense	27,834
Interest on lease liabilities	341
Variable lease expense	
Total	\$ 28,175

Following is a schedule of activity in leased assets and the lease liability for the year ended June 30, 2023.

	Beginning of Year	Additions	Modifications & Remeasurements	Subtractions	End of Year	Amounts Due Within One Year
Lease Assets						
Building	\$ 27,834	\$	\$	\$ (27,834)	\$	
	27,834			(27,834)		
Less: Accumulated Amortization						
Building		(27,834)		27,834		
		(27,834)		27,834		
Total Lease Assets, net	\$ 27,834	\$ (27,834)	\$	\$	\$	
Lease Liabilities	\$ 27,534	\$	\$	\$ (27,834)	\$	\$

NOTE 8 HEALTH REIMBURSEMENT ARRANGEMENT

The District has a health reimbursement arrangement for its contracted employees. The plan year begins January 1 and runs to December 31. The benefits payable under this plan are eligible for exclusion from the gross income of participants as provided by Sections 105(b) and 106 of the Internal Revenue Code. Only expenses that meet the definition of "medical care" within Section 213(d) of the Internal Revenue Code may be reimbursed under the plan. Claims for eligible health care expenses must first be submitted for reimbursement to the flexible spending account under the District's cafeteria plan. If that claim is not fully reimbursed, the balance may then be submitted under this plan.

NOTE 9 FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan which is classified as a "cafeteria plan" under Section 125 of the Internal Revenue Code. Each employee covered by a written contract or employee policy is eligible to participate. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the plan for health care and dependent care benefits. The plan provides employees the choice of participating in a dependent care expense reimbursement account or health care expense reimbursement plan. Payments are made from the plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant through a third-party administrator.

Before the beginning of the plan year, which is from January 1 to December 31, each participant designates a total amount of pre-tax 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. Any balance remaining in the participant's health care expense

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

reimbursement fund or dependent care assistance fund as of the end of each plan year shall be forfeited, unless the participant had made a claim for such plan year, in writing, which has been denied or is pending.

NOTE 10 403(B) AND 457 PLANS

The District offers both a 403(b) Plan with an employer matching element and a 457 Deferred Compensation Plan. Eligibility and formulas for employer contributions are based on applicable employment agreements to which an employee is subject. Employees must have completed three years of continuous service of at least .75 FTE to the District in order to receive the District's matching contribution. Under one of the employee group contracts, the employees began to accumulate their years of eligible service starting December 31, 2005 and, in the other two groups, years of service began June 30, 2007. Forty-seven employees were participating during the year ended June 30, 2023; the District's matching contributions totaled \$38,986.

NOTE 11 CONTINGENCIES

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

NOTE 12 RISK MANAGEMENT

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

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

The District's workers compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience, workers compensation rates and salaries for the year are known. The final premium adjustment was recorded in the year the adjustment was made.

NOTE 13 JOINT VENTURES

In 2003 Tri County Hospital and the District jointly planned and designed the purchase of a shared wide area network (WAN) to provide data, voice and video services to the communities of Wadena, Sebeka, Menahga, Verndale, Bertha, Deer Creek and Henning. In 2005, the District negotiated an additional agreement with Lakewood Health System in Staples to expand the WAN to the east and offer connections to additional communities including Pillager, Motley, Staples, Browerville, Clarissa and Eagle Bend. A service level agreement for the period July 1, 2018 to June 30, 2021 provides that the District continue to manage/maintain the fiber connections between facilities and agrees to allow for shared bandwidth between participating entities. The agreement specifies each of the three entity's share of equipment maintenance costs by location. Lakewood Health System opted out of the agreement effective March 15, 2018. The two remaining entities signed another service level agreement for the period July 1, 2021 to June 30, 2024. Separate financial statements for the venture are not prepared.

NOTE 14 NEW PRONOUNCEMENTS

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

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement are effective as follows:

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

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

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

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

GASB Statement No. 101, *Compensated Absences*, provides guidance on the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
REVENUES				
Other Local & County Revenues	\$ 4,564,164	\$ 5,238,421	\$ 5,512,898	\$ 274,477
Revenue From State Sources	2,806,980	3,191,629	2,992,514	(199,115)
Revenue From Federal Sources	3,761,263	3,824,238	3,667,627	(156,611)
Sale/Other Conversion of Asset	6,400	15,799	2,231	(13,568)
TOTAL REVENUES	11,138,807	12,270,087	12,175,270	(94,817)
EXPENDITURES				
Current				
Administration	408,515	404,021	390,251	(13,770)
District Support Services	259,097	390,859	418,247	27,388
Elementary & Secondary Regular Instruction	1,437,924	1,719,734	1,864,838	145,104
Vocational Education Instruction	446,642	491,755	364,714	(127,041)
Special Education Instruction	8,593,306	8,743,581	8,447,641	(295,940)
Instructional Support Services	261,430	272,853	267,247	(5,606)
Pupil Support Services	196,086	227,944	198,369	(29,575)
Sites and Buildings	123,424	159,946	216,810	56,864
Fixed Costs	30,552	31,234	30,516	(718)
Debt Service				
Principal	47,080	47,080		(47,080)
Capital Outlay	87,379	99,604	94,745	(4,859)
TOTAL EXPENDITURES	11,891,435	12,588,611	12,293,378	(295,233)
Revenues Over (Under) Expenditures	(752,628)	(318,524)	(118,108)	200,416
OTHER FINANCING SOURCES				
Sale of Capital Asset		13,283	34,437	21,154
TOTAL OTHER FINANCING SOURCES		13,283	34,437	21,154
Net Change in Fund Balances	(752,628)	(305,241)	(83,671)	221,570
Fund Balances - Beginning	3,035,004	3,035,004	3,035,004	
Fund Balances - Ending	\$ 2,282,376	\$ 2,729,763	\$ 2,951,333	\$ 221,570

See Notes to the Required Supplementary Information

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
BUDGETARY COMPARISON SCHEDULE FOR THE COMMUNITY SERVICE FUND
For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
REVENUES				
Other Local & County Revenues	\$ <u>1,021,450</u>	\$ <u>1,044,259</u>	\$ <u>1,029,601</u>	\$ <u>(14,658)</u>
TOTAL REVENUES	<u>1,021,450</u>	<u>1,044,259</u>	<u>1,029,601</u>	<u>(14,658)</u>
EXPENDITURES				
Current				
Community Education and Services	1,035,167	1,043,361	961,932	(81,429)
Capital Outlay	<u>1</u>	<u>658</u>	<u>657</u>	<u>(1)</u>
TOTAL EXPENDITURES	<u>1,035,168</u>	<u>1,044,019</u>	<u>962,589</u>	<u>(81,430)</u>
Net Change in Fund Balances	(13,718)	240	67,012	66,772
Fund Balances - Beginning	<u>291,098</u>	<u>291,098</u>	<u>291,098</u>	
Fund Balances - Ending	\$ <u>277,380</u>	\$ <u>291,338</u>	\$ <u>358,110</u>	\$ <u>66,772</u>

See Notes to the Required Supplementary Information

FRESHWATER EDUCATION DISTRICT NO. 6004**WADENA, MINNESOTA****SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS****Last 10 Years**

	2018	2019	2020	2021	2022	2023
Total OPEB Liability						
Service Cost	\$ 20,634	\$ 18,942	\$ 21,778	\$ 24,633	\$ 29,057	32,046
Interest Cost	15,204	17,254	14,871	12,321	12,885	9,796
Differences Between Expected and Actual Experience		(82,692)		104,994	(10,259)	53,594
Changes in Assumptions	(8,427)	26,233	4,123	45,991	8,460	(1,483)
Benefit Payments	(80,159)	(60,655)	(60,401)	(61,177)	(59,052)	(58,631)
Net Change in Total OPEB Liability	(52,748)	(80,918)	(19,629)	126,762	(18,909)	35,322
Total OPEB Liability - Beginning	552,903	500,155	419,237	399,608	526,370	507,461
Total OPEB Liability - Ending	<u>\$ 500,155</u>	<u>\$ 419,237</u>	<u>\$ 399,608</u>	<u>\$ 526,370</u>	<u>\$ 507,461</u>	<u>542,783</u>
Covered Payroll	\$ 4,265,960	\$ 4,327,586	\$ 5,250,322	\$ 6,760,653	\$ 5,950,865	6,314,522
District's Total OPEB Liability as a Percentage of a Covered Payroll	11.72%	9.69%	7.61%	7.79%	8.53%	8.60%

The District implemented GASB No. 75 for the fiscal year ended June 30, 2018. Information from prior years is not available.

See Notes to the Required Supplementary Information

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
SCHEDULE OF DISTRICT CONTRIBUTIONS
Last 10 Years

	<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Statutorily Required</u> <u>Contribution</u>	<u>Contributions in</u> <u>Relation to the</u> <u>Statutorily Required</u> <u>Contributions</u>	<u>Contribution Deficiency</u> <u>(Excess)</u>	<u>District's Covered</u> <u>Payroll</u>	<u>Contributions as a</u> <u>Percentage of Covered</u> <u>Payroll</u>
PERA						
	2015	\$ 83,647	\$ 83,647	\$	1,151,702	7.26 %
	2016	87,637	87,637		1,192,818	7.35
	2017	93,533	93,533		1,267,876	7.38
	2018	94,724	94,724		1,265,720	7.48
	2019	104,437	104,437		1,392,543	7.50
	2020	113,536	113,536		1,518,668	7.48
	2021	119,003	119,003		1,586,702	7.50
	2022	124,661	124,661		1,662,148	7.50
	2023	134,324	134,324		1,800,281	7.46
TRA						
	2015	\$ 228,620	\$ 228,620	\$	3,266,005	7.00 %
	2016	276,961	276,961		3,692,813	7.50
	2017	293,950	293,950		3,919,333	7.50
	2018	311,257	311,257		4,150,098	7.50
	2019	344,604	344,604		4,454,726	7.74
	2020	381,738	381,738		4,800,138	7.95
	2021	432,120	432,120		5,293,123	8.16
	2022	481,808	481,808		5,754,964	8.37
	2023	512,135	512,135		5,975,339	8.57

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

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for the prior years is not available.

See Notes to the Required Supplementary Information

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
SCHEDULE OF DISTRICT'S SHARE OF NET PENSION LIABILITY
Last 10 Years

<u>Fiscal Year Ended June 30</u>	<u>District's Proportion of the Net Pension Liability</u>	<u>District's Proportionate Share of the Net Pension Liability</u>	<u>State's Proportionate Share of the Net Pension Liability Associated with the District (if Applicable)</u>	<u>Total</u>	<u>District's Covered Payroll</u>	<u>District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
PERA							
2014	0.0220 % \$	1,033,450 \$	\$	1,033,450 \$	1,151,702	89.73 %	78.70 %
2015	0.0202	1,046,869		1,046,869	1,151,702	90.90	78.19
2016	0.0201	1,632,026	21,354	1,653,380	1,192,818	136.82	68.90
2017	0.0196	1,251,251	15,737	1,266,988	1,267,876	98.69	75.90
2018	0.0196	1,087,328	35,591	1,122,919	1,265,720	85.91	79.53
2019	0.0197	1,089,169	33,832	1,123,001	1,392,543	78.21	80.23
2020	0.0208	1,247,055	38,560	1,285,615	1,518,668	82.12	79.06
2021	0.0220	939,499	28,726	968,225	1,586,702	59.21	87.00
2022	0.0221	1,750,327	51,206	1,801,533	1,662,148	105.31	76.67
TRA							
2014	0.0715 % \$	3,294,669 \$	231,685 \$	3,526,354 \$	3,266,005	100.88 %	81.50 %
2015	0.0728	4,503,400	552,185	5,055,585	3,266,005	137.89	76.80
2016	0.0753	17,961,847	1,803,711	19,765,558	3,692,813	486.40	44.88
2017	0.0771	15,390,559	1,488,583	16,879,142	3,919,333	392.68	51.57
2018	0.0754	4,737,373	445,030	5,182,403	4,150,098	114.15	78.07
2019	0.0791	5,041,851	446,188	5,488,039	4,454,726	113.18	78.21
2020	0.0807	5,962,224	499,864	6,462,088	4,800,138	124.21	75.48
2021	0.0852	3,728,607	314,515	4,043,122	5,293,123	70.44	86.63
2022	0.0927	7,422,926	550,616	7,973,542	5,754,964	128.98	76.17

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

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for the prior years is not available.

See Notes to the Required Supplementary Information

NOTE 1 BUDGETARY DATA

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

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

NOTE 2 DEFINED BENEFIT PLANS

PERA

2022 Changes

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

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

TRA

Changes in Actuarial Assumptions Since the 2022 Valuation: None

NOTE 3 OTHER POSTEMPLOYMENT BENEFITS

Changes since the prior valuation:

Plan Changes: None

Assumption Changes:

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

Method Changes: None

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
SCHEDULE OF CHANGES IN FUND BALANCES
For the Year Ended June 30, 2023

	Balance Beginning of Year	Revenues	Expenditures	Sale of Capital Assets	Balance End of Year
Governmental Funds					
General Fund					
Restricted for:					
Basic Skills	\$ 23,761	\$ 175,237	\$ 173,358	\$	\$ 25,640
Medical Assistance	302	24,308	24,546		64
Restricted	95,382	3,780,818	3,777,394		98,806
Committed					
Severance	286,587		49,711		236,876
Facility Improvements	331,066	50,141	92,998		288,209
Assigned for:					
Copier Replacement	21,504				21,504
Wellness	3,113	10,937	4,615		9,435
Unassigned	2,273,289	8,133,829	8,170,756	34,437	2,270,799
Community Service Fund					
Restricted for:					
Community Education	55,179	4,762	4,270		55,671
ECFE	122,220	299,972	247,842		174,350
School Readiness	85,847	471,003	454,993		101,857
Adult Basic Education		246,047	243,815		2,232
Community Service	27,852	7,817	11,669		24,000

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Directors
Freshwater Education District No. 6004
Wadena, 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 remaining fund information of Freshwater Education District No. 6004 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 January 3, 2024.

Legal Compliance

In connection with our audit, we noted the District failed to comply with the provisions of the deposits and investments section of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters as described in the accompanying schedule of findings and questioned costs as item 2023-002. 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 contracting and bidding, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Government Auditing Standards requires the auditor to perform limited procedures on Freshwater Education District No. 6004's response to the legal compliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of the Report

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



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

January 3, 2024

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

To the Board of Directors
Freshwater Education District No. 6004
Wadena, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the remaining fund information of Freshwater Education District No. 6004, 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 January 3, 2024.

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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

The District's Response to Findings

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

Purpose of this Report

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



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

January 3, 2024

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

To the Board of Directors
Freshwater Education District No. 6004
Wadena, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Freshwater Education District No. 6004's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Freshwater Education District No. 6004 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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



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

January 3, 2024

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FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal AL Number	Passed Through to Subrecipients	Amount
<u>U.S. Department of Education</u>			
Direct Programs:			
Rural Education	84.358	\$	\$ 859
Passed-Through Minnesota Department of Education:			
<i>Special Education (IDEA) Cluster:</i>			
Special Education Grants to States	84.027	666,295	2,691,973
Special Education Preschool Grants	84.173		151,091
Passed-Through MN School District - Sourcewell District No. 924:			
<i>Special Education (IDEA) Cluster:</i>			
Special Education Grants to States	84.027		28,017
<i>Total Special Education (IDEA) Cluster:</i>		666,295	2,871,081
Passed-Through Minnesota Department of Education:			
Carl Perkins Career and Technical	84.048	243,706	263,742
Special Education Grants for Infants and Families	84.181	4,000	50,485
COVID-19 Elementary and Secondary Education Relief Fund	84.425D		299,042
COVID-19 Elementary and Secondary Education Relief Fund	84.425U		99,780
Total AL 84.425			398,822
Passed-Through Minnesota Department of Children Family Learning:			
Special Education Grants for Infants and Families	84.181		9,355
Total U.S. Department of Education		914,001	3,594,344
<u>U.S. Department of Health and Human Services</u>			
Passed-Through Minnesota Department of Education:			
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases	93.323		20,000
Total U.S. Department of Health and Human Services			20,000
<u>U.S. Department of Treasury</u>			
Passed-Through Minnesota Department of Education:			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027		53,283
Total U.S. Department of Treasury			53,283
TOTAL FEDERAL AWARDS		\$ 914,001	\$ 3,667,627

See Notes to the Schedule of Expenditures of Federal Awards

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 INDIRECT COST RATE

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

NOTE 3 BASIS OF PRESENTATION

The Schedule includes the federal award activity of the Freshwater Education District No. 6004 under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Freshwater Education District No. 6004, it is not intended to be and does not present the financial position or changes in net position of the Freshwater Education District No. 6004.

NOTE 4 PASS-THROUGH ENTITIES

Pass-through entities listed above without a pass-through number use the same AL numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

NOTE 5 SUBRECIPIENTS

The District passes certain federal awards received from the State of Minnesota Department of Education to other governments or not-for-profit agencies (subrecipients). The District reports expenditures of federal awards to subrecipients when incurred using the principles under the modified accrual basis of accounting. As a subrecipient, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use the subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2023

Section I-Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 yes x no

Significant deficiency(ies) identified?

 x yes none reported

Noncompliance material to financial statements noted?

 yes x no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

 yes x no

Significant deficiency(ies) identified?

 yes x none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 yes x no

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	<i>Special Education (IDEA) Cluster:</i>
84.027	Special Education Grants to States
84.173	Special Education Preschool Grants

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 x yes no

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2023

Section II-Financial Statement Findings

2023-001 FINDING

Criteria

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

Condition

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

Cause

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

Effect

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

Repeat Finding

Yes. Prior audit finding 2022-001.

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the recommendation and will review on an annual basis.

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2023

Section III-Federal Award Findings and Questioned Costs - None

Section IV-Minnesota Legal Compliance Finding

2023-002 FINDING

Criteria

Minnesota Statute 118A.03 requires the District to obtain a bond or collateral which, when computed at its market value, shall be at least ten percent more than the amount of excess deposits.

Condition

The District purchases a CD in January 2023 in excess of FDIC insurance and did not obtain collateral.

Cause

Oversight by District staff.

Effect

The District had uninsured and uncollateralized deposits.

Repeat Finding

No.

Recommendation

The District should establish a policy and a procedure to monitor the depository balances. We would recommend the balances be monitored on a monthly basis and more often if the District may have deposits in excess of the deposit insurance and the collateral.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the recommendation and has obtained collateral on the deposit.

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2023

2022-001 FINDING

Criteria

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

Condition

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

Cause

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

Effect

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

Repeat Finding

Yes. Prior audit finding 2021-001.

Recommendation

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

Corrective Action Taken

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

**FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2023**

2022-002 FINDING

Federal Program

Special Education (IDEA) Cluster (AL 84.027 & 84.173)
Activities Allowed or Unallowed & Allowable Costs/Cost Principles

Criteria

The "Basic Guidelines" section of 2 CFR Part 230, Attachment B, Paragraph 8 requires charges to grants for salaries and wages to be based on documented payrolls approved by the District.

Condition

One employee was overpaid and this overpayment was charged to the grant.

Questioned Costs

Immaterial

Context

A sample of 15 employees were selected for testing. For one employee tested, noted that the employee was overpaid by 76 hours. This was due to a miscommunication between Departments. There were no other errors found.

Cause

The District did not have sufficient procedures in place to ensure that employees are paid the correct amount.

Effect

This grant was charged for the employee overpayment.

Repeat Finding

No.

Recommendation

The District should review their payroll procedures to ensure employees are paid the correct amount.

Corrective Action Taken

The District has established procedures to ensure employees are paid the correct amount. No errors were found during testing.

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CORRECTIVE ACTION PLAN

2023-001 FINDING

Contact Person – Jordan Anderson, Business Manager

Corrective Action Plan – The District will establish a policy to document review of financial statements and notes.

Completion Date – Ongoing

2023-002 FINDING

Contact Person – Jordan Anderson, Business Manager

Corrective Action Plan – The District has obtained collateral on the deposit.

Completion Date – December 11, 2023

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FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
June 30, 2023

District Name:	FRESHWATER EDUCATION DISTRICT NO. 6004			District Number:	6004		
	Audit	UFARS	Variance		Audit	UFARS	Variance
<u>01 GENERAL FUND</u>				<u>06 BUILDING CONSTRUCTION</u>			
Total Revenue	12,175,270	12,175,269	1	Total Revenue			
Total Expenditures	12,293,378	12,293,378		Total Expenditures			
<i>Non Spendable</i>				<i>Non Spendable</i>			
460 Non Spendable Fund Balance				460 Non Spendable Fund Balance			
<i>Restricted/Reserved:</i>				<i>Restricted/Reserved:</i>			
401 Student Activities				407 Capital Projects Levy			
402 Scholarships				413 Projects Funded By COP			
403 Staff Development				467 Long Term Fac. Maint. (LTFM)			
407 Capital Projects Levy				<i>Restricted</i>			
408 Cooperative Revenue				464 Restricted Fund Balance			
413 Project Funded by COP				<i>Unassigned:</i>			
414 Operating Debt				463 Unassigned Fund Balance			
416 Levy Reduction				Reconciliation of Building Construction			
417 Taconite Building Maintenance							
424 Operating Capital				<u>07 DEBT SERVICE</u>			
426 \$25 Taconite				Total Revenue			
427 Disabled Accessibility				Total Expenditures			
428 Learning & Development				<i>Non Spendable</i>			
434 Area Learning Center				460 Non Spendable Fund Balance			
435 Contracted Alt Programs				<i>Restricted/Reserved:</i>			
436 State Approved Alt Program				425 Bond Refundings			
438 Gifted & Talented				433 Max Effort Loan			
440 Teacher Development and Eval				451 QZAB Payments			
441 Basic Skills Programs	25,640	25,639	1	<i>Restricted</i>			
448 Achievement and Integration				464 Restricted Fund Balance			
449 Safe Schools Levy				<i>Unassigned:</i>			
451 QZAB Payments				463 Unassigned Fund Balance			
452 OPEB Liab Not In Trust				Reconciliation of Debt Service			
453 Unfnded Sev & Retiremt Levy							
459 Basic Skills Extended Time				<u>08 TRUST</u>			
467 Long Term Fac. Maint. (LTFM)				Total Revenue			
472 Medical Assistance	64	63	1	Total Expenditures			
<i>Restricted</i>				<i>Unassigned:</i>			
464 Restricted Fund Balance	98,806	98,806		422 Unassigned Fund Balance			
475 Title VII - Impact Aid				Reconciliation of Trust			
476 PILT							
<i>Committed</i>				<u>18 CUSTODIAL</u>			
418 Committed for Separation	236,876	236,877	(1)	Total Revenue	149,829	149,830	(1)
461 Committed	288,209	288,209		Total Expenditures	166,049	166,049	
<i>Assigned</i>				<i>Restricted</i>			
462 Assigned Fund Balance	30,939	30,939		402 Scholarships	17,182	17,182	
<i>Unassigned:</i>				464 Restricted Fund Balance	982,479	982,478	1
422 Unassigned Fund Balance	2,270,799	2,270,800	(1)	Reconciliation of Trust	1,315,539	1,315,539	
Reconciliation of General	27,419,981	27,419,980	1				
<u>02 FOOD SERVICE</u>				<u>20 INTERNAL SERVICE</u>			
Total Revenue				Total Revenue			
Total Expenditures				Total Expenditures			
<i>Non Spendable</i>				<i>Unassigned:</i>			
460 Non Spendable Fund Balance				422 Unassigned Fund Balance			
<i>Restricted/Reserved:</i>				Reconciliation of Internal Service			
452 OPEB Liab Not In Trust							
<i>Restricted</i>				<u>25 OPEB REVOCABLE TRUST FUND</u>			
464 Restricted Fund Balance				Total Revenue			
<i>Unassigned</i>				Total Expenditures			
463 Unassigned Fund Balance				<i>Unassigned:</i>			
Reconciliation of Food Service				422 Unassigned Fund Balance			
				Reconciliation of OPEB Revocable Trust			
<u>04 COMMUNITY SERVICE</u>				<u>45 OPEB IRREVOCABLE TRUST FUND</u>			
Total Revenue	1,029,601	1,029,601		Total Revenue			
Total Expenditures	962,589	962,589		Total Expenditures			
<i>Non Spendable</i>				<i>Unassigned:</i>			
460 Non Spendable Fund Balance				422 Unassigned Fund Balance			
<i>Restricted/Reserved:</i>				Reconciliation of OPEB Irrevocable Trust			
426 \$25 Taconite							
431 Community Education	55,671	55,668	3	<u>47 OPEB DEBT SERVICE FUND</u>			
432 E.C.F.E.	174,350	174,349	1	Total Revenue			
440 Teacher Development and Eval				Total Expenditures			
444 School Readiness	101,857	101,858	(1)	<i>Non Spendable</i>			
447 Adult Basic Education	2,232	2,232		460 Non Spendable Fund Balance			
452 OPEB Liab Not In Trust				<i>Restricted</i>			
464 Restricted Fund Balance	24,000	24,001	(1)	425 Bond Refunding			
<i>Unassigned</i>				464 Restricted Fund Balance			
463 Unassigned Fund Balance				<i>Unassigned</i>			
Reconciliation of Community Service	2,350,300	2,350,298	2	463 Unassigned Fund Balance			
				Reconciliation of OPEB Debt Service			