bergankDV

Independent School District No. 91
Barnum, Minnesota

Basic Financial Statements

June 30, 2023

bergankdv.com // DO MORE.

Independent School District No. 91
Table of Contents

Independent School District No. 91
Table of Contents

Independent School District No. 91
Board of Education and Administration
June 30, 2023

Board of Education	Position	Term Expires
Jessica Unkelhaeuser	Chair	January 31, 2027
Steph Ferrin	Vice-Chair	January 31, 2025
Dawn Hultgren	Clerk	January 31, 2027
Louis Bonneville	Director	January 31, 2025
Beth Dinger	Director	January 31, 2025
Betty Anderson	Director	January 31, 2027
Patrick Poirier	Director	November 8, 2023

Administration	
Bill Peel	Superintendent

Independent Auditor's Report

To the School Board
Independent School District No. 91
Barnum, Minnesota

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 91, Barnum, Minnesota, as of and for the year ended June 30, 2023, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 91, as of June 30, 2023, and the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 91 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The management of Independent School District No. 91 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, which raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management′s Discussion and Analysis, which follows this report letter, and Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management′s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis 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* and is also not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

BerganKDV, Ltd.

St. Cloud, Minnesota
November 15, 2023

Independent School District No. 91
Management's Discussion and Analysis

This section of Independent School District No. 91 (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2023. Please read it in conjunction with the District's financial statements which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of a reporting model that is required by the GASB Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. This statement establishes reporting requirements that include financial statements, expanded disclosure, and supplemental information, including the MD&A (this section).

Comparative information between the current fiscal year and the prior fiscal year is presented in the MD&A with these financial statements, comparing comparable data and discussing changes in data between years ending June 30, 2022 and June 30, 2023.

FINANCIAL HIGHLIGHTS

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

- Net position increased by $2,317,032.
- Overall revenues were $10,617,447 while overall expenses totaled $8,300,415.
- General Fund balance increased $623,208.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts, Independent Auditor's Report; required supplementary information, which includes the MD&A (this section); the basic financial statements and the supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

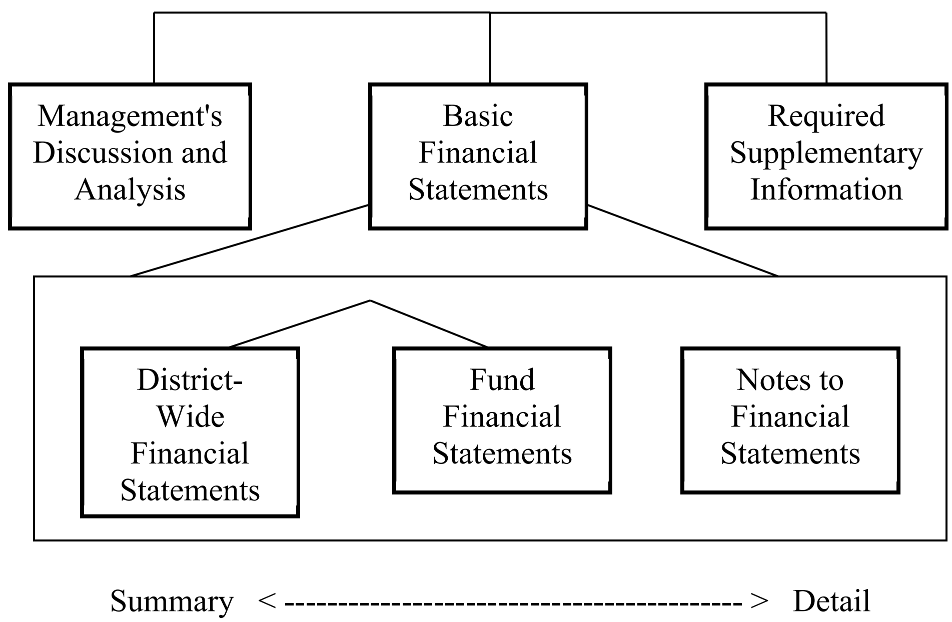
- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

- 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.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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 supplementary information that further explains and supports the financial statements. The diagram below shows how the various parts of this annual report are arranged and related to one another.



OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The major features of the District's financial statements, including the portion of the District's activities they cover, and the types of information they contain, are summarized below. The remainder of the overview section of the MD&A highlights the structure and content of each of the statements.

Fund Financial Statements

	District-Wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire District	The activities of the District such as instruction, special education and building maintenance.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required Financial Statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus.
Type of Assets/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.

District-Wide 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, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

- Over time, increases, or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

District-Wide Statements (Continued)

- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific resources 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 (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., food service).

The District has two kinds of funds:

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

- Fiduciary Funds: The District is the fiduciary for some assets that belong to others. The District is responsible for ensuring the assets reported in these funds, are used only for their intended purposes and by those whom the assets belong. The District excludes these activities from the district-wide statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position was $2,462,376 on June 30, 2023.

Table A-1
Condensed Statement of Net Position

	2022	2023	Percent Change
Current and other assets	$ 5,140,600	$ 16,386,032	218.8%
Capital assets	7,426,225	7,663,430	3.2%
Total assets	12,566,825	24,049,462	91.4%
Deferred outflows of resources	2,489,918	2,288,420	-8.1%
Total assets and deferred outflows	$ 15,056,743	$ 26,337,882	74.9%
Current liabilities	$ 1,799,602	$ 1,676,213	-6.9%
Long term liabilities	826,960	11,912,373	1340.5%
Total OPEB liability	790,240	684,911	-13.3%
Net pension liability	3,542,090	6,636,546	87.4%
Total liabilities	6,958,892	20,910,043	200.5%
Deferred inflows of resources	7,952,507	2,965,463	-62.7%
Net position			
Net investment in capital assets	6,448,131	6,065,072	-5.9%
Restricted	762,157	1,080,096	41.7%
Unrestricted	(7,064,944)	(4,682,792)	-33.7%
Total net position	145,344	2,462,376	1594.2%
Total liabilities, deferred inflows, and net position	$ 15,056,743	$ 26,337,882	74.9%

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Change in Net Position

The District's combined net position increased $2,317,032 from a balance of 145,344 at June 30, 2022 to $2,462,376 at June 30, 2023. A summary of the revenue and expenses is presented in Table A-2.

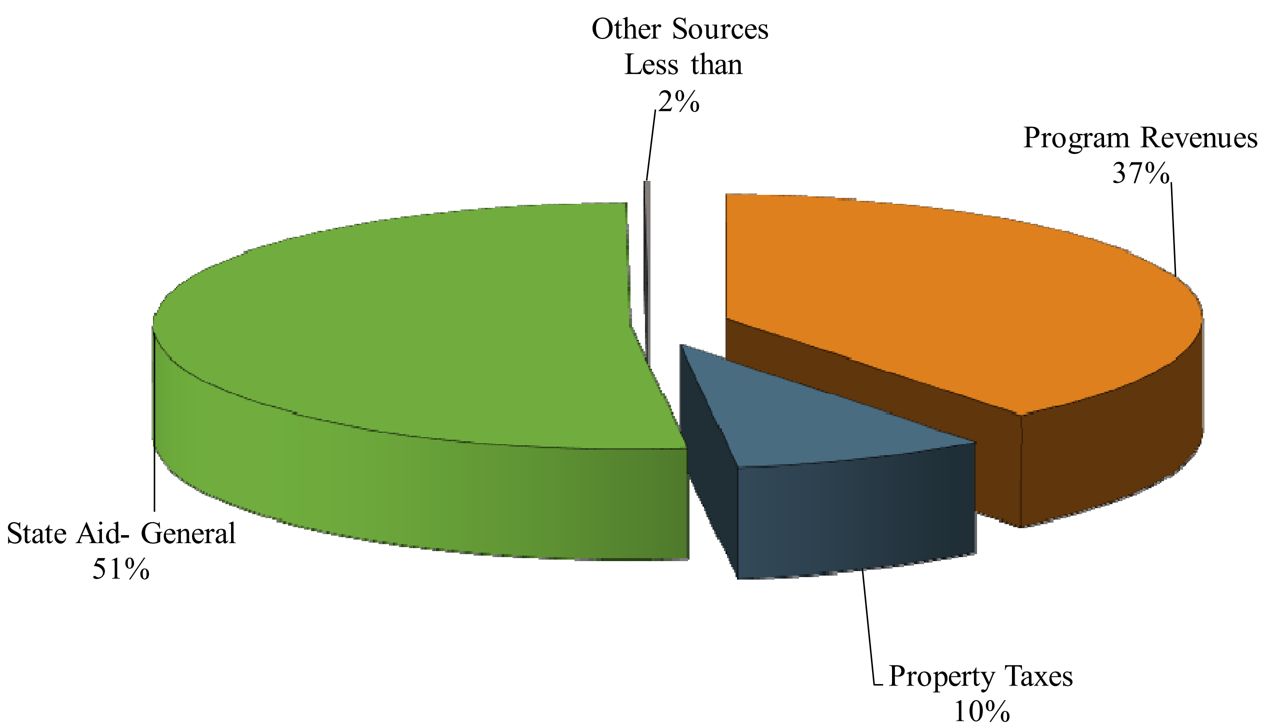
Table A-2
Changes in Net Position

	2022	2023	Percent Change
Revenues			
Program revenues			
Charges for services	$ 632,599	$ 854,314	35.0%
Operating grants and contributions	3,360,222	2,852,267	-15.1%
Capital grants and contributions	258,682	247,188	-4.4%
General revenues			
Property taxes	935,206	1,040,955	11.3%
Aids and payments from state and federal	5,586,478	5,371,452	-3.8%
Other sources	15,699	251,271	1500.6%
Total revenues	10,788,886	10,617,447	-1.6%
Expenses			
Administration	690,143	482,426	-30.1%
District support services	237,943	258,663	8.7%
Elementary and secondary regular instruction	3,574,651	2,727,700	-23.7%
Vocational instruction	121,821	106,955	-12.2%
Special education instruction	1,768,210	1,368,104	-22.6%
Instructional support services	348,898	274,141	-21.4%
Pupil support services	786,689	673,648	-14.4%
Sites, buildings and equipment	794,400	981,492	23.6%
Fiscal and other fixed cost programs	60,763	59,639	-1.8%
Food service	398,918	426,708	7.0%
Community education and services	311,191	332,344	6.8%
Unallocated depreciation	418,888	423,963	1.2%
Interest and fiscal charges long-term debt	20,136	184,632	816.9%
Total expenses	9,532,651	8,300,415	-12.9%
Change in net position	1,256,235	2,317,032	84.4%
Net Position			
Beginning	(1,110,891)	145,344	-113.1%
Ending	$ 145,344	$ 2,462,376	1594.2%

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The District's total revenue of $10,617,447 consisted of program revenues of $3,953,769, property taxes of $1,040,955, state aids and grants of $5,371,452, and $251,271 from miscellaneous other sources. Expenses totaling $8,300,415 consisted mainly of regular, vocational, and special education instruction costs of $4,202,759. Other areas of cost included: support services (District, administrative, instructional, and pupil) $1,688,878, sites, buildings, and equipment $981,492, fiscal and other fixed cost program $59,639, food service $426,708, community education and services $332,344, unallocated depreciation $423,963, and interest and fiscal charges on long-term debt $184,632.

2022-2023 Revenues - Table A-3

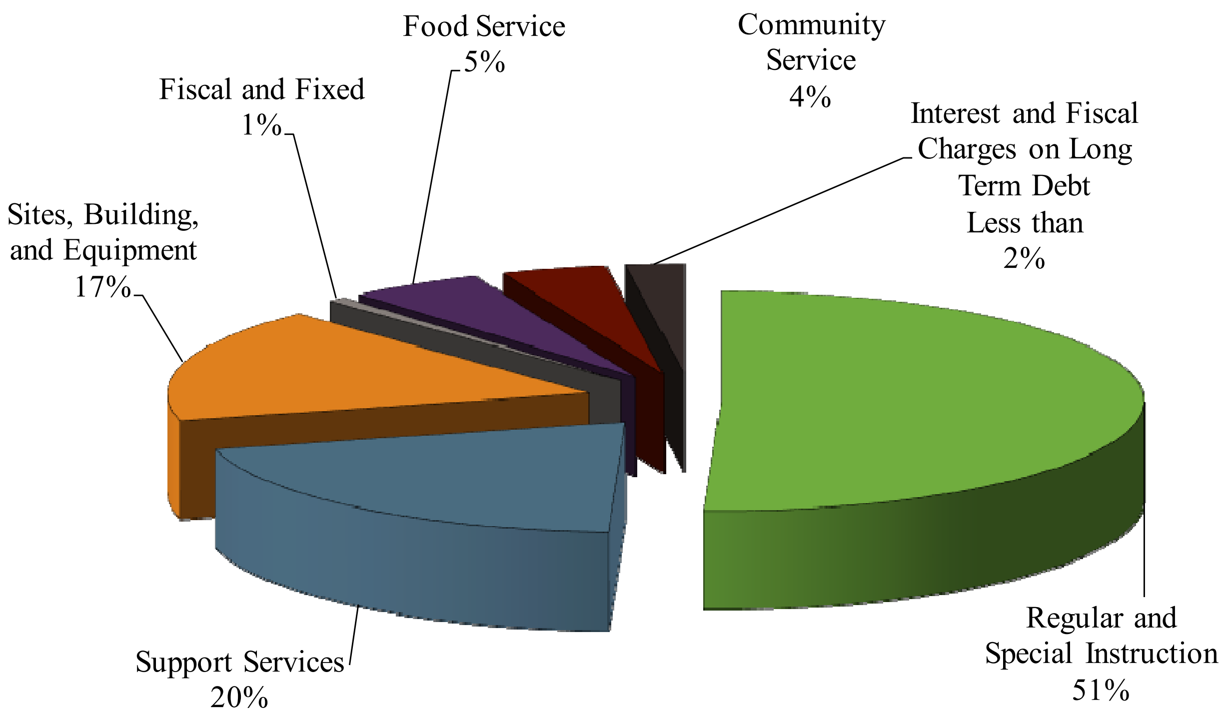


There was a decrease in the District's revenue from 2022 to 2023. Overall, revenues decreased $171,439. Program revenues decreased by $297,734, property tax revenues increased by $105,749, state aid formula grants decreased by $215,026, and other general revenues increased $235,572.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Expenses decreased from 2022 to 2023 by $1,232,236. Expenses decreased primarily in the area of Regular and Special Education which was down $1,261,923. The District revenues exceeded the expenses by $2,317,032.

2022-2023 Expenses - Table A-4



The net cost of governmental activities is their total costs less program revenues applicable to each category. Depreciation not allocated to a specific program is presented separately. Table A-5 presents these costs on the following page.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Table A-5
Net Cost of Governmental Activities
(in thousands of dollars)

	Total Cost Of Services			Net Cost (Revenue) of Services		
	2022	2023	Percent Change	2022	2023	Percent Change
Administration	$ 690	$ 482	-30.1%	$ 689	$ 482	-30.0%
District support services	238	259	8.8%	238	259	8.8%
Elementary and secondary regular instructior	3,575	2,728	-23.7%	2,741	1,835	-33.1%
Vocational instruction	122	107	-12.3%	116	87	-25.0%
Special education instruction	1,768	1,368	-22.6%	165	(54)	-132.7%
Instructional support services	349	274	-21.5%	51	114	123.5%
Pupil support services	787	674	-14.4%	352	213	-39.5%
Sites, buildings and equipment	794	981	23.6%	536	716	33.6%
Fiscal and other fixed cost programs	61	60	-1.6%	61	60	-1.6%
Food service	399	427	7.0%	(170)	(42)	-75.3%
Community education and services	311	332	6.8%	63	68	7.9%
Interest and fiscal change long-term debt	20	185	825.0%	419	424	1.2%
Unallocated depreciation	419	424	1.2%	20	185	825.0%
Total expenses	$ 9,533	$ 8,301	-12.9%	$ 5,281	$ 4,347	-17.7%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Fund Balance

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $14,101,646. This is up $11,488,424 from our June 30, 2022, combined fund balance total which was $2,613,222. The Debt Service Fund increased by $345,813, the Building Construction Fund increased by $10,520,224, the General Fund increased by $623,208, and the other non-major funds decreased by $821. The increase in the General Fund balance relates to spending less than what was received during the year.

Revenue and Other Financing Sources and Expenditures and Other Financing Uses

Revenues and other financing sources of the District's governmental funds for 2023 totaled $22,234,052 while total expenditures and other financing uses were $10,745,628. A summary of the revenues, expenditures and other financing sources (uses) reported on the governmental fund financial statements appears in Table A-6 on the following page.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

Table A-6
Summary Revenues, Expenditures, and Other Financing Sources(Uses) – Governmental Funds

	Revenue	Expenditures	Other Financing Sources (Uses)	Fund Balance Increase (Decrease)
General	$ 9,334,038	$ 8,710,830	$ -	$ 623,208
Food service	479,335	456,982	-	22,353
Community service	322,088	345,262	-	(23,174)
Building construction	105,910	714,364	11,128,678	10,520,224
Debt service	343,323	257,850	260,340	345,813
Total	$ 10,584,694	$ 10,485,288	$ 11,389,018	$ 11,488,424

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year ended June 30, 2023, the District revised its operating budget. The revision is always necessary because when the initial budget is prepared and adopted (a budget must be in place prior to the beginning of the fiscal year on July 1), details of student enrollments, staffing levels and other significant information items are estimates. When these items become known, the budget is then revised. This revision was made in March.

The District's final General Fund budget anticipated that revenues and other financing sources would be $185,344 greater than expenditures and other financing uses. The actual result was $623,208 of revenues and other financing sources over expenditures and other financing uses. Revenues were over budgeted amounts relating to revenue from all sources by $327,434. Actual expenditures were under the final budget amount by $110,430.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2023, the District had invested $7,663,430 (net of accumulated depreciation) in a broad range of capital assets including school buildings, athletic facilities, technology equipment, and other types of equipment. Capital assets are recorded in the District-wide financial statements but are not reported in the Fund financial statements. See Table A-7 on the following page for a summary of capital assets net of accumulated depreciation. See Note 3 to the financial statements for more information on capital assets.

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

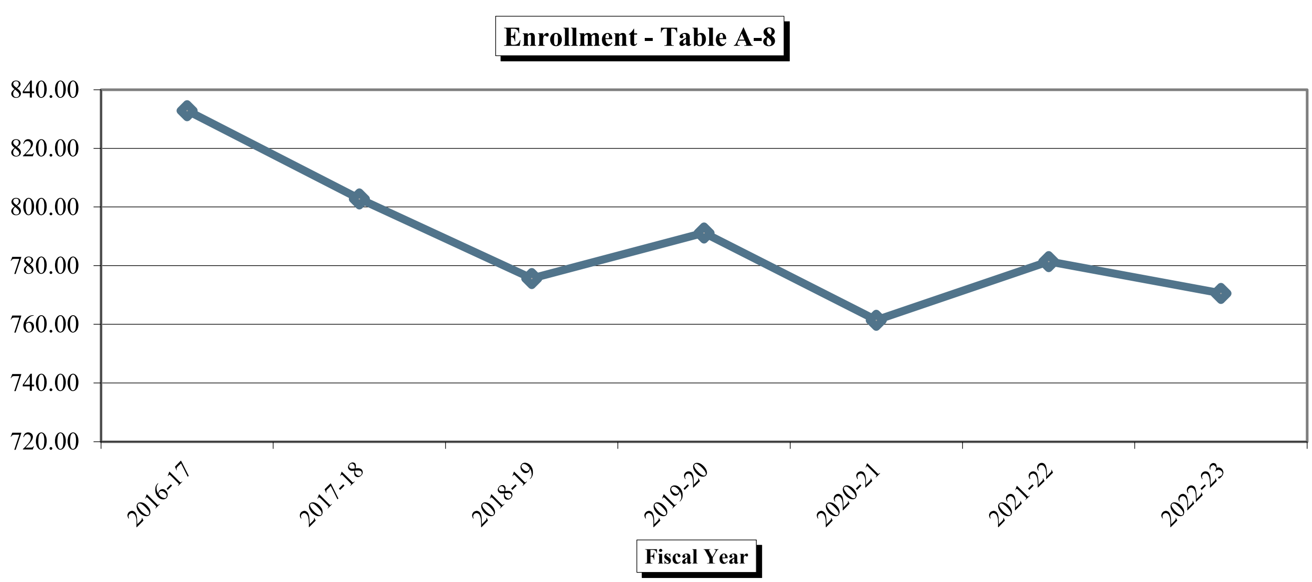
Table A-7

	Total (Net of Depreciation) 2023	2022
Land	$ 42,195	$ 42,195
Construction in Progress	534,261	-
Land Improvements	268,516	298,854
Buildings	6,169,917	6,429,132
Machinery and Equipment	648,541	656,044
Total	$ 7,663,430	$ 7,426,225

Long-Term Debt
At year-end, the District had $12,203,780 of long-term liabilities. This consisted of bonded indebtedness, net of unamortized premiums and discounts of $12,118,582 and compensated absences payable of $85,198. See Note 4 to the financial statements for more information on long term debt.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District's pupil units served increased by approximately 11 from 2022 to 2023. The District is projecting an enrollment decrease in the next few years which is due to a decline in resident students. The challenge now is for the District to stay within the revenues received.



FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

The continued increase in the cross subsidy is a state of concern to the District as is the decrease in resident pupils. As of June 30, 2023, the District would be able to operate for two and a half months from its reserves. The District needs to continuously reevaluate its expenses with regard to its revenues and try to maintain a balanced budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District No. 91, 3675 County Road 13, Barnum, MN 55707.

BASIC FINANCIAL STATEMENTS

Independent School District No. 91
Statement of Net Position
June 30, 2023

	Governmental Activities
Assets	
Cash and investments	$ 14,680,936
Current property taxes receivable	491,323
Delinquent property taxes receivable	14,956
Accounts receivable	20,108
Due from Department of Education	740,457
Due from other Minnesota school districts	221,257
Due from Federal Government through Department of Education	211,145
Inventory	5,850
Capital assets not being depreciated	
Land	42,195
Construction in progress	534,261
Capital assets net of accumulated depreciation	
Land improvements	268,516
Buildings	6,169,917
Furniture and equipment	648,541
Total assets	24,049,462
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	2,140,924
Deferred outflows of resources related to OPEB	147,496
Total deferred outflows of resources	2,288,420
Total	$ 26,337,882
Liabilities	
Accounts payable	$ 131,440
Salaries and benefits payable	934,684
Interest payable	91,947
Due to other Minnesota school districts	212,810
Due to other governmental units	166
Unearned revenue	13,759
Bond principal payable, net	
Payable within one year	285,000
Payable after one year	11,833,582
Compensated absences payable	
Payable within one year	6,407
Payable after one year	78,791
Total OPEB liability	684,911
Net pension liability	6,636,546
Total liabilities	20,910,043
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	976,571
Deferred inflows of resources related to OPEB	108,029
Deferred inflows of resources related to pensions	1,880,863
Total deferred inflows of resources	2,965,463
Net Position	
Net investment in capital assets	6,065,072
Restricted for	
Debt service	317,744
Food Service	258,152
Community service	148,917
Other purposes	355,283
Unrestricted	(4,682,792)
Total net position	2,462,376
Total liabilities, deferred inflows of resources, and net position	$ 26,337,882

See notes to basic financial statements.

Independent School District No. 91
Statement of Activities
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities					
Administration	$ 482,426	$ 343	$ -	$ -	$ (482,083)
District support services	258,663	-	-	-	(258,663)
Elementary and secondary regular instruction	2,727,700	196,317	696,784	-	(1,834,599)
Vocational education instruction	106,955	-	19,429	-	(87,526)
Special education instruction	1,368,104	283,024	1,139,723	-	54,643
Instructional support services	274,141	23,546	136,300	-	(114,295)
Pupil support services	673,648	832	459,489	-	(213,327)
Sites and buildings	981,492	-	18,396	247,188	(715,908)
Fiscal and other fixed cost programs	59,639	-	-	-	(59,639)
Food service	426,708	166,798	301,518	-	41,608
Community education and services	332,344	183,454	80,628	-	(68,262)
Unallocated depreciation	423,963	-	-	-	(423,963)
Interest and fiscal charges on long-term debt	184,632	-	-	-	(184,632)
Total governmental activities	$ 8,300,415	$ 854,314	$ 2,852,267	$ 247,188	(4,346,646)

General revenues	
Taxes	
Property taxes, levied for general purposes	759,540
Property taxes, levied for community service	49,171
Property taxes, levied for debt service	232,244
State and federal aid-formula grants	5,371,452
Other general revenues	38,580
Investment income	212,691
Total general revenues	6,663,678
Change in net position	2,317,032
Net position - beginning	145,344
Net position - ending	$ 2,462,376

See notes to basic financial statements.

Independent School District No. 91
Balance Sheet - Governmental Funds
June 30, 2023

	General	Debt Service	Building Construction Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments	$ 3,132,810	$ 520,282	$ 10,620,267	$ 407,577	$ 14,680,936
Current property taxes receivable	331,065	137,365	-	22,893	491,323
Delinquent property taxes receivable	10,084	4,084	-	788	14,956
Accounts receivable	17,683	-	-	2,425	20,108
Due from Department of Education	685,587	10,281	-	44,589	740,457
Due from other Minnesota school districts	221,257	-	-	-	221,257
Due from Federal Government through Department of Education	211,145	-	-	-	211,145
Inventory	-	-	-	5,850	5,850
Total assets	$ 4,609,631	$ 672,012	$ 10,620,267	$ 484,122	$ 16,386,032
Liabilities					
Accounts payable	$ 29,894	$ -	$ 100,043	$ 1,503	$ 131,440
Salaries and benefits payable	899,974	-	-	34,710	934,684
Due to other Minnesota school districts	212,810	-	-	-	212,810
Due to other governmental units	166	-	-	-	166
Unearned revenue	-	-	-	13,759	13,759
Total liabilities	1,142,844	-	100,043	49,972	1,292,859
Deferred Inflows of Resources					
Property taxes levied for subsequent year's expenditures	662,991	262,321	-	51,259	976,571
Unavailable revenue - delinquent taxes	10,084	4,084	-	788	14,956
Total deferred inflows of resources	673,075	266,405	-	52,047	991,527
Fund Balances					
Nonspendable	-	-	-	5,850	5,850
Restricted	355,283	405,607	10,520,224	400,431	11,681,545
Committed	85,198	-	-	-	85,198
Assigned	613,382	-	-	-	613,382
Unassigned	1,739,849	-	-	(24,178)	1,715,671
Total fund balances	2,793,712	405,607	10,520,224	382,103	14,101,646
Total liabilities, deferred inflows of resources, and fund balances	$ 4,609,631	$ 672,012	$ 10,620,267	$ 484,122	$ 16,386,032

Independent School District No. 91
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2023

Total fund balances - governmental funds	$ 14,101,646
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	19,464,689
Less accumulated depreciation	(11,801,259)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bond principal payable	(11,570,000)
Compensated absences payable	(85,198)
Premium on bonds payable	(548,582)
Net pension liability	(6,636,546)
Total OPEB liability	(684,911)
Deferred outflows of resources and deferred inflows of resources are created as a result of differences in timing and estimates related to pension and OPEB that are not recognized in the governmental funds.	
Deferred outflows of resources related to pensions	2,140,924
Deferred inflows of resources related to pensions	(1,880,863)
Deferred outflows of resources related to OPEB	147,496
Deferred inflows of resources related to OPEB	(108,029)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	14,956
Governmental funds do not report a liability for accrued interest on bonds until due and payable.	(91,947)
Total net position - governmental activities	$ 2,462,376

Independent School District No. 91
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2023

	General	Debt Service	Building Construction Fund	Nonmajor Funds	Total Governmental Funds
Revenues					
Local property taxes	$ 758,125	$ 231,929	$ -	$ 49,138	$ 1,039,192
Other local and county revenues	675,606	8,483	105,910	227,549	1,017,548
Revenue from state sources	7,334,619	102,911	-	76,552	7,514,082
Revenue from federal sources	515,227	-	-	281,386	796,613
Sales and other conversion of assets	50,461	-	-	166,798	217,259
Total revenues	9,334,038	343,323	105,910	801,423	10,584,694
Expenditures					
Current					
Administration	564,601	-	-	-	564,601
District support services	279,610	-	-	-	279,610
Elementary and secondary regular instruction	3,953,548	-	-	-	3,953,548
Vocational education instruction	123,843	-	-	-	123,843
Special education instruction	1,681,611	-	-	-	1,681,611
Instructional support services	315,372	-	-	-	315,372
Pupil support services	682,031	-	-	-	682,031
Sites and buildings	967,217	-	622,139	-	1,589,356
Fiscal and other fixed cost programs	59,639	-	-	-	59,639
Food service	-	-	-	414,601	414,601
Community education and services	-	-	-	345,262	345,262
Capital outlay					
Elementary and secondary regular instruction	8,892	-	-	-	8,892
Special education instruction	1,547	-	-	-	1,547
Instructional support services	1,410	-	-	-	1,410
Pupil support services	8,580	-	-	-	8,580
Sites and buildings	62,929	-	-	-	62,929
Food service	-	-	-	42,381	42,381
Debt service					
Principal	-	235,000	-	-	235,000
Interest and fiscal charges	-	22,850	92,225	-	115,075
Total expenditures	8,710,830	257,850	714,364	802,244	10,485,288
Excess of revenues over (under) expditures	623,208	85,473	(608,454)	(821)	99,406
Other Financing Sources					
Bond issuance	-	-	10,850,000	-	10,850,000
Bond premium	-	-	539,018	-	539,018
Transfers in	-	260,340	-	-	260,340
Transfers out	-	-	(260,340)	-	(260,340)
Total other financing sources (uses)	-	260,340	11,128,678	-	11,389,018
Net change in fund balances	623,208	345,813	10,520,224	(821)	11,488,424
Fund Balances					
Beginning of year	2,170,504	59,794	-	382,924	2,613,222
End of year	$ 2,793,712	$ 405,607	$ 10,520,224	$ 382,103	$ 14,101,646

See notes to basic financial statements.

Independent School District No. 91
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to the
Statement of Activities - Governmental Funds
Year Ended June 30, 2023

Net change in fund balances - total governmental funds	$ 11,488,424
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlay is reported in governmental funds as an expenditure. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlay	794,327
Depreciation expense	(550,538)
Disposal of capital assets	(6,584)
Compensated absences payable is recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	8,898
Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities.	235,000
Governmental funds recognize pension contributions as expenditures at the time of payment in the funds whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	1,737,611
Governmental funds recognize OPEB contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to OPEB on a full accrual perspective.	66,706
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(83,087)
Governmental funds report the effect of bond discounts and premiums when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	13,530
Proceeds from the sale of long-term debt are recognized as other financing sources in the governmental funds increasing fund balance but having no effect on net position in the Statement of Activities.	
Bonds Issued	(10,850,000)
Bond Premium Issued	(539,018)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	1,763
Change in net position - governmental activities	$ 2,317,032

Independent School District No. 91
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 693,421	$ 734,911	$ 758,125	$ 23,214
Other local and county revenues	300,800	349,269	675,606	326,337
Revenue from state sources	7,386,727	7,417,558	7,334,619	(82,939)
Revenue from federal sources	392,200	491,566	515,227	23,661
Sales and other conversion of assets	13,300	13,300	50,461	37,161
Total revenues	8,786,448	9,006,604	9,334,038	327,434
Expenditures				
Current				
Administration	671,137	574,276	564,601	(9,675)
District support services	264,649	256,689	279,610	22,921
Elementary and secondary regular instruction	3,562,575	3,853,877	3,953,548	99,671
Vocational education instruction	54,505	58,017	123,843	65,826
Special education instruction	1,960,313	1,970,732	1,681,611	(289,121)
Instructional support services	220,370	242,179	315,372	73,193
Pupil support services	752,828	770,336	682,031	(88,305)
Sites and buildings	921,884	964,839	967,217	2,378
Fiscal and other fixed cost programs	58,000	59,639	59,639	-
Capital outlay				
Elementary and secondary regular instruction	26,200	27,549	8,892	(18,657)
Special education instruction	-	1,547	1,547	-
Instructional support services	-	1,000	1,410	410
Pupil support services	6,000	8,580	8,580	-
Sites and buildings	32,000	32,000	62,929	30,929
Total expenditures	8,530,461	8,821,260	8,710,830	(110,430)
Net change in fund balances	$ 255,987	$ 185,344	623,208	$ 437,864
Fund Balances				
Beginning of year			2,170,504	
End of year			$ 2,793,712	

Independent School District No. 91
Statement of Fiduciary Net Position
June 30, 2023

	Custodial Fund
Assets	
Cash and investments	$ -
Net Position	
Restricted for Extracurricular Activities	$ -

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

	Custodial Fund
Deductions	
Extracurricular activities	$ 88
Change in net position	(88)
Net Position	
Beginning of year	88
End of year	$ -

(THIS PAGE LEFT BLANK INTENTIONALLY)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. The governing body consists of a seven member board elected by the voters of the District to serve four-year terms.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting Entity

The financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the basic financial statements of the District because of the significance of their operational or financial relationships with the District.

The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the District.

As a result of applying the component unit definition criteria above, it has been determined the District has no component units.

The student activity accounts of the District are under board control and are reported in the General Fund.

B. Basic Financial Statement Information

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary fund. The fiduciary fund is only reported in the Statement of Fiduciary Net Position and the Statement of Changes 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 is 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation expense relating to assets that serve multiple functions is presented as unallocated deprecation in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

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

The Custodial Fund is presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide statements.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, transactions are recorded in the following manner.

1. Revenue Recognition

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

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures in the Debt Service Fund, compensated absences and claims and judgments are recognized when payment is due.

The District applies restricted resources first when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available. Further, the District applies unrestricted funds in this order if various levels of restricted fund balances exist: committed, assigned, and unassigned.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds:

Major Funds:

General Fund – This fund is the basic operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and payment of, general obligation (G.O.) bond principal, interest, and related costs.

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

Nonmajor Funds:

Food Service Special Revenue Fund – This fund is used to account for the financial activities of the District's Food Service Program.

Community Service Special Revenue Fund – This fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education, or other similar services.

Fiduciary Fund:

Custodial Fund – This fund is used to account for the financial resources relating to student activities that are not administrated by the District.

D. Deposits and Investments

Cash and investments include nonpooled investments related to bond proceeds and 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 individual funds based on the average of cash and investment balance participation by each fund.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments held by investment pools are measured at amortized cost.

Cash and investments at June 30, 2023, were comprised of deposits, shares in MNTrust, MNTrust Term Series-Flex, Government agencies and US Treasuries. MNTrust shares are valued at amortized cost, which approximates fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

Minnesota Statutes requires all deposits be protected by federal deposit insurance, corporate surety bonds or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

Minnesota Statutes authorizes the District to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days.

In accordance with GASB Statement No. 79, the various MNTrust shares are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MNTrust Investment Shares Portfolio. Seven days' notice of redemption is required for withdrawals of investments in the MNTrust Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

E. Property Tax Receivable

Current property taxes receivable are recorded for taxes certified the previous December and collectible in the current calendar year, which have not been received by the District. Delinquent property taxes receivable represents uncollected taxes for the past six years and are deferred and included in the deferred inflows of resources section of the fund financial statements as unavailable revenue because they are not available to finance the operations of the District in the current year.

F. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2022, less various components, and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in fiscal year 2023. The remaining portion of the levy will be recognized when measurable and available.

G. Inventories

Inventories of commodities donated directly by the U.S. Department of Agriculture are recorded at market value. Other inventories are stated at cost as determined on a first-in, first-out (FIFO) basis. Inventories are recorded as expenditures when consumed rather than when purchased.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption. The District did not have any prepaid items at June 30, 2023.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property Taxes
The District levies its property tax during the month of December. December 28 is the last day the District can certify a tax levy to the County Auditor. Such taxes become a lien on January 1. The property tax is recorded as revenue when it becomes measurable and available. Carlton County is the collecting agency for the levy and remit the collections to the District three times a year. The Tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Delinquent collections for November and December are received the following January.

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

J. Capital Assets
Capital assets are recorded in the government-wide financial statements but are not reported in the fund financial statements.

Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at its acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

Capital assets are depreciated using the straight-line method with a half year depreciation convention over the 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 purpose. Useful lives vary from 10 to 50 years for land improvements and buildings and 5 to 20 years for furniture and equipment.

Capital assets not being depreciated at year-end include land and construction in progress. 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.

K. Deferred Outflows/Inflows of Resources
In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualify for reporting in this category on the government-wide Statement of Net Position. A deferred outflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years. A deferred outflows of resources related to OPEB is recorded for various estimate differences that will be amortized and recognized over future years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statement of Financial Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four types of items which qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent year's expenditures, which represent property taxes received or reported as a receivable before the period for which the taxes are levied and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. The third item is a deferred inflow of resources related to pensions which is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years. The fourth item, deferred inflows of resources related to OPEB is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

L. Unearned Revenue

Unearned revenue represents monies received prior to June 30, 2023, but earned subsequent to year-end.

M. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Compensated Absences

Certain District employees earn vacation days based on the number of completed years of service. The District compensates employees for unused vacation upon termination of employment. Employees are entitled to paid sick leave at various rates for each month of full-time service. Noncertified employees are eligible for unused sick leave payout upon retirement. If they have completed 20 years of continuous service with the District and are 55 years of age or older at the date of retirement, they shall receive an amount not to exceed a total of 100 days of pay from the employee's accumulated sick leave, subject to proration. If they are 55 years of age but have less than 20 years of continuous service in the District at the time of retirement, 50% of all unused accumulated sick leave shall be paid to the employee at their current hourly rate of pay, times their normal hours per day.

O. Pensions

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis, and Minneapolis School District. 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.

P. 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; natural disasters and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2023.

Q. Fund Equity

In the fund financial statements, governmental funds report various levels of spending constraints.

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include prepaids and inventory.

- Restricted Fund Balances – These amounts are subject to externally enforceable legal restrictions.

- Committed Fund Balances – These amounts can be used only for specific purposes determined by a formal action, a majority vote, of the School Board.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Fund Equity (Continued)

- Assigned Fund Balances – These amounts are intended to be used for specific purposes, but do not meet the criteria to be classified as restricted or committed. The School Board, by majority vote, may assign fund balances. The District's Superintendent is also authorized to assign fund balance to a specific purpose.

- Minimum Fund Balance Policy – The District will strive to maintain a minimum unassigned General Fund balance of between 2 and 4 months of operating expenditures.

R. Net Position

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

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

T. Budgetary Information

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

1. Prior to July 1, the Superintendent submits to the School Board, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for the General, Debt Service, Capital Project, and Special Revenue Funds.
4. Budgets for the General, Debt Service, Capital Project, and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with applicable *Minnesota Statutes*, the District maintains deposits at depository banks authorized by the School Board.

Custodial Credit Risk – Deposits: For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy requires the District's deposits be collateralized as required by *Minnesota Statutes* § 118.03 for an amount exceeding FDIC, SAIF, BIF, or FCUA coverage. As of June 30, 2023, the District's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

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

Checking	$ 40,963
Certificate of Deposit	231,650
Money Market - nonpooled	1,680,403
Total deposits	$ 1,953,016

B. Investments

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

Investment	Maturities Less Than One Year	Rating
Nonpooled Investments		
Federal Farm Credit Bank	$ 166,188	AA+
US Treasury	9,036,607	N/A
Pooled Investments		
MNTrust Investment Shares	3,005,445	AAA
MNTrust Term Series Flex	519,680	AAA
Total	$ 12,727,920	

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to be in the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy limits investments to U.S. Treasury obligations, U.S. Government Agency and instrumentality obligations, Canadian Government obligations, certificates of deposit, banker's acceptances, commercial paper rated in the highest tier, investment-grade obligations, repurchase agreements, money market mutual funds, and local government investment pools. The District's investments were rated in the table above by Standard & Poor's (S&P) Investor Services.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)
Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District places no limit on the amount the District may invest in any one issuer, although the investment policy states to eliminate risk of loss resulting from the over concentration of assets in a specific maturity, investment maturities shall be scheduled to coincide with projected school district cash flow needs, taking into account large routine or scheduled expenditures, as well as anticipated receipt dates of anticipated revenues. Maturities for short-term and long-term investments shall be timed according to anticipated need. Within these parameters, portfolio maturities shall be staggered to avoid undue concentration of assets and a specific maturity sector. The maturities selected shall provide for stability of income and reasonable liquidity.

Interest Rate Risk: This is the risk that the market value of securities will fall due to the changes in market interest rates. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investments in MN Trust have a maturity of less than one year.

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's policy indicates that investment securities purchased shall be held in third-party safekeeping by an institution designated as custodial agent.

The District has the following recurring fair value measurements as of June 30, 2023:

- $9,202,795 of nonpooled investments using Level 2 inputs.

C. Deposits and Investments
The following is a summary of total deposits and investments:

Deposits (Note 2, A.)	$ 1,953,016
Investments (Note 2, B.)	12,727,920
Total cash and investments	$ 14,680,936

Deposits and investments at June 30, 2023, are presented as follows:

Statement of Net Position	
Cash and investments	$ 14,680,936

NOTE 3 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 42,195	$ -	$ -	$ 42,195
Construction in progress	-	534,261	-	534,261
Total capital assets not being depreciated	42,195	534,261	-	576,456
Capital assets being depreciated				
Land improvements	1,580,473	-	-	1,580,473
Buildings	14,772,984	105,635	-	14,878,619
Furniture and equipment	2,288,819	154,431	14,109	2,429,141
Total capital assets being depreciated	18,642,276	260,066	14,109	18,888,233
Less accumulated depreciation for				
Land improvements	1,281,619	30,338	-	1,311,957
Buildings	8,343,852	364,850	-	8,708,702
Furniture and equipment	1,632,775	155,350	7,525	1,780,600
Total accumulated depreciation	11,258,246	550,538	7,525	11,801,259
Total capital assets being depreciated, net	7,384,030	(290,472)	6,584	7,086,974
Governmental activities, capital assets, net	$ 7,426,225	$ 243,789	$ 6,584	$ 7,663,430

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Depreciation expense of $550,538 for the year ended June 30, 2023, was charged to the following functions:

Administration	$ 751
District support services	2,220
Elementary and secondary regular instruction	5,771
Special education instruction	884
Instructional support services	3,615
Pupil support services	88,536
Pupil support services - food service	9,580
Sites and buildings	14,722
Community education and services	496
Unallocated depreciation	423,963
Total depreciation expense	$ 550,538

NOTE 4 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One year
Long-term liabilities						
G.O. Bonds						
2015A Alternative and Capital Facilities Bonds	03/18/15	2.00%-2.50%	$ 2,195,000	02/01/26	$ 720,000	$ 235,000
2023A Facilities Maintenance and Tax Abatement Bonds	04/20/23	3.25%-5.00%	10,850,000	02/01/44	10,850,000	50,000
Total bonds					11,570,000	285,000
Premium on bonds					548,582	-
Compensated absences payable					85,198	6,407
Total all long-term liabilities					$ 12,203,780	$ 291,407

Both General Obligation debt issues are paid from the Debt Service Fund. Compensated absences are paid from the General Fund.

B. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. Bonds	$ 955,000	$ 10,850,000	$ 235,000	$ 11,570,000
Compensated absences	94,096	-	8,898	85,198
Premium on bonds	23,094	539,018	13,530	548,582
Total long-term liabilities	$ 1,072,190	$ 11,389,018	$ 257,428	$ 12,203,780

NOTE 4 – LONG-TERM DEBT (CONTINUED)

C. Minimum Debt Payments for Bonds

Year Ending June 30,	G.O. Bonds Principal	G.O. Bonds Interest	Total
2024	$ 285,000	$ 359,982	$ 644,982
2025	505,000	449,256	954,256
2026	520,000	430,006	950,006
2027	395,000	410,131	805,131
2028	445,000	390,381	835,381
2029-2033	2,555,000	1,597,156	4,152,156
2034-2038	3,185,000	999,456	4,184,456
2039-2043	3,045,000	442,494	3,487,494
2044	635,000	23,813	658,813
Total	$ 11,570,000	$ 5,102,675	$ 16,672,675

NOTE 5 – FUND BALANCES/NET POSITION

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities or as required by other outside parties.

A. Fund Balances

Fund balances are classified on the following page to reflect the limitations and restrictions of the respective funds.

	General Fund	Debt Service	Capital Projects	Other Nonmajor Funds	Total
Nonspendable for					
Inventory	$ -	$ -	$ -	$ 5,850	$ 5,850
Restricted/reserved for					
Student Activities	45,222	-	-	-	45,222
Basic Skills Extended Time	15,573	-	-	-	15,573
Medical Assistance	85,034	-	-	-	85,034
Long-term Facilities Maintenance	209,454	-	10,520,224	-	10,729,678
Community Education	-	-	-	72,753	72,753
Early Childhood and Family Education	-	-	-	70,844	70,844
Community Service	-	-	-	4,532	4,532
Food Service	-	-	-	252,302	252,302
Debt Service	-	405,607	-	-	405,607
Total restricted/reserved	355,283	405,607	10,520,224	400,431	11,681,545
Committed for					
Severance benefits	85,198	-	-	-	85,198
Assigned for					
Capital Projects	587,709	-	-	-	587,709
Extracurricular Activities	25,673	-	-	-	25,673
Total assigned	613,382	-	-	-	613,382
Unassigned	1,739,849	-	-	(24,178)	1,715,671
Total fund balance	$ 2,793,712	$ 405,607	$ 10,520,224	$ 376,253	$ 14,095,796

Nonspendable for Inventory – This balance represents the portion of fund balance that is not available as amounts have already been spent on inventory.

Restricted/Reserved for Student Activities – This balance represents available resources to be used for the extracurricular activity funds raised by the students.

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

Restricted/Reserved for Basic Skills Extended Time – This balance represents resources available for the basic skills extended time uses listed in *Minnesota Statutes* § 126C.15, subd. 1.

Restricted/Reserved for Medical Assistance – This balance represents available resources to be used for medical assistance expenditures (*Minnesota Statutes* § 125A.21, subd. 3).

Restricted/Reserved for Long-Term Facilities Maintenance (LTFM) – This balance represents available resources to be used for LTFM projects in accordance with the ten year plan (*Minnesota Statutes* § 123B.595, subd. 12).

Restricted/Reserved for Community Education – This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, early childhood and family education and extended day programs.

Restricted/Reserved for Early Childhood and Family Education – This balance represents the resources available to provide for services for early childhood and family education programming.

Restricted/Reserved for School Readiness – This balance represents the resources available to provide for services for school readiness programs (*Minnesota Statues* § 124D.16). At June 30, 2023, there was a negative balance of $24,178, this balance will be shown as unassigned.

Restricted for Community Service – This balance represents the positive fund balance of the Community Service Fund

Restricted for Food Service – This balance represents the positive fund balance of the Food Service Fund.

Restricted for Debt Service – This balance represents the positive fund balance of the Building Construction Fund

Committed for Severance – This balance had been committed for future severance payments related to compensate absences.

Assigned for Capital Projects – This balance represents available resources assigned for capital projects.

Assigned for Extracurricular Activities – This balance represents available resources to be used in relation to extracurricular activities.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans. Total pension expense for the year ended June 30, 2023, was ($1,256,326). The components of pension expense are noted in the following plan summaries.

The General Fund typically liquidates the Liability related to the pensions.

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

Teachers' Retirement Association

A. 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 teachers 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 Minnesota State.

B. 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 1 Benefits

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

With these provisions:

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

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

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

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

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

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

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

C. Contribution Rate

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for 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	11.0%	12.13%	11.0%	12.34%	11.0%	12.55%
Coordinated	7.5%	8.13%	7.5%	8.34%	7.5%	8.55%

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

Teachers' Retirement Association (Continued)

C. Contribution Rate (Continued)

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

Employer contributions reported in TRA's ACFR 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
Employer contributions reported in *Schedule of Employer and Non-Employer Pension Allocations*	$	515,519

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

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

D. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Valuation date	July 1, 2022
Measurement date	June 30, 2022
Experience study	June 28, 2019 (demographic and economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% after June 30, 2028.
Projected salary increase	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% after June 30, 2028.
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality Assumptions	
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 projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5 %	5.10 %
International stocks	16.5	5.30
Private markets	25.0	5.90
Fixed income	25.0	0.75
Total	100.0 %	

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

Changes in actuarial assumptions since the 2021 valuation:

- None

E. Discount Rate

The discount rate used to measure the total pension liability was 7.0%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2022 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability

On June 30, 2023, the District reported a liability of $5,036,699 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 0.0629% at the end of the measurement period and 0.0623% 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	$ 5,036,699
State's proportionate share of the net pension liability associated with the District	373,434

For the year ended June 30, 2023, the District recognized pension expense of ($1,422,916). Included in this amount, the District recognized $51,348 as pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 69,584	$ 45,989
Net collective difference between projected and actual earnings on plan investments	146,019	-
Changes in actuarial assumptions	799,037	1,282,767
Changes in proportion	232,205	490,030
District's contributions to TRA subsequent to the measurement date	317,881	-
Total	$ 1,564,726	$ 1,818,786

The $317,881 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 relation of the net pension liability in the year ended June 30, 2024.

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)
Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2024	$ (1,266,981)
2025	(3,526)
2026	(19,395)
2027	710,032
2028	7,929
Total	$ (571,941)

G. Pension Liability Sensitivity
The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.0%) and 1 percent higher (8.0%) than the current rate.

District proportionate share of NPL		
1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
$ 7,940,082	$ 5,036,699	$ 2,656,831

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.

H. Pension Plan Fiduciary Net Position
Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That can be obtained at www.minnesotatra.org, or 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.

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

Public Employees' Retirement Association

A. Plan Description
The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by 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.

B. 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

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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

Public Employees' Retirement Association (Continued)

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2023 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2023, were $105,045. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2023, the District reported a liability of $1,599,847 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 $46,920.

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 0.0202% at the end of the measurement period and 0.0191% for the beginning of the period.

School's proportionate share of net pension liability	$ 1,599,847
State of Minnesota's proportionate share of the net pension liability associated with the School	46,920
Total	$ 1,646,767

For the year ended June 30, 2023, the District recognized pension expense of $166,590 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized $7,011 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)
At June 30, 2023, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 13,363	$ 16,098
Changes in actuarial assumptions	342,953	5,895
Net collective difference between projected and actual investments earnings	55,623	-
Changes in proportion	59,214	40,084
District's contributions to PERA subsequent to the measurement date	105,045	-
Total	$ 576,198	$ 62,077

The $105,045 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 ended June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Expense Amount
2024	$ 123,531
2025	169,008
2026	(28,145)
2027	144,682
Total	$ 409,076

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

Public Employees' Retirement Association (Continued)

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5 %	5.10 %
International stocks	16.5	5.30
Private markets	25.0	5.90
Fixed income	25.0	0.75
Total	100.0 %	

F. Actuarial Methods and Assumptions

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

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service.

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

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

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

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

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

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

G. Discount Rates

The discount rate used to measure the total pension liability in 2022 was 6.5%. 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 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.

H. Pension Liability Sensitivity

The following table presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed 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 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (5.5%)	Current Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
District's proportionate share of the PERA net pension liability	$ 2,527,042	$ 1,599,847	$ 839,404

I. Pension Plan Fiduciary Net Position

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

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District's defined benefit OPEB plan provides a single-employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. Medical coverage is administered by Public Employees Insurance Plan. It is the District's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees. No assets are acclimated in a trust.

B. Benefits Paid

Teachers who apply for early retirement shall remain eligible to receive certain health insurance benefits until the end of the school year in which the teacher becomes Medicare eligible. Full vesting of such amounts occurs upon attaining 56 years of age. The General Fund, Food Service Fund and Community Service Fund typically liquidate the Liability related to OPEB.

C. Members

As of June 30, 2021, the following were covered by the benefit terms:

Retirees electing coverage	7
Active employees	105
Total	112

D. Contributions

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with PEIP. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2023, the District contributed $70,455 to the plan.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Investment rate of return	3.69%
Inflation	2.25%
Healthcare cost trend rate	6.7% for FY2022, decreasing over several decades to an ultimate rate of 3.7% in FY2075 and later years.
Mortality Assumption	RP 2014 mortality tables with projected mortality improvements based on scale MP-2014 and scale MP-2015, and other adjustments (Teachers). Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2020 and other improvements (Non-teachers).

The discount rate used to measure the total OPEB liability was 3.69% based on the index rate for 20-year, tax exempt municipal bonds.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB liability

The District's total OPEB liability of $684,911 was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2021.

Changes in the Total OPEB liability are as follows:

	Increase (Decrease) Total OPEB Liability
Balances at July 1, 2021	$ 790,240
Changes for the year	
Service cost	32,010
Interest	14,968
Changes in assumptions	(67,491)
Differences between expected and actual experience	490
Benefit payments	(85,306)
Net changes	(105,329)
Balances at June 30, 2022	$ 684,911

G. OPEB Liability Sensitivity

The following presents the District's total OPEB liability calculated using the discount rate of 3.69% as well as the liability measured using 1 percent lower and 1 percent higher than the current discount rate.

	1% Decrease in Discount Rate (2.69%)	Current Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
Total OPEB liability	$ 722,990	$ 684,911	$ 647,438

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity (Continued)

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 trend rates that are 1% lower and 1% higher than the trend rates.

	1% Decrease in Trend Rate (5.70%)	Current Trend Rate (6.70%)	1% Increase in Trend Rate (7.70%)
Total OPEB liability	$ 633,425	$ 684,911	$ 744,978

H. 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 $44,049. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 13,178	$ 108,029
Difference between expected and actual liability	63,863	-
Contributions made subsequent to the measurement date	70,455	-
Total	$ 147,496	$ 108,029

The $70,455 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net post-employment benefit liability in the year ended June 30, 2024.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

Year Ending June 30,	Total
2024	$ (2,929)
2025	(2,929)
2026	(2,929)
2027	(1,665)
2028	999
Thereafter	(21,535)
Total	$ (30,988)

NOTE 8 – COMMITMENTS

As of June 30, 2023, the District had a construction project with outstanding commitments. This project was the High School Parking Lot Project and had a total future commitment of $797,935.

NOTE 9 – INTERFUND TRANSFERS

During the year ended June 30, 2023, the Building Construction Capital Project Fund transferred $260,340 to the Debt Service Fund to comply with debt issuance requirements.

REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 91
Barnum Schools
Schedule of Changes in Total OPEB Liability
and Related Ratios

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Total OPEB Liability				
Service cost	$ 32,573	$ 31,143	$ 31,124	$ 29,874
Interest	17,552	20,650	20,190	19,731
Differences between expected and actual experience	-	-	64,734	-
Changes of assumptions	(20,906)	(28,259)	17,865	4,817
Changes of benefit terms	-	-	-	188,216
Benefit payments	(56,563)	(41,101)	(50,588)	(69,434)
Net change in total OPEB liability	(27,344)	(17,567)	83,325	173,204
Beginning of year	596,806	569,462	551,895	635,220
Total OPEB liability	$ 569,462	$ 551,895	$ 635,220	$ 808,424
Covered-employee payroll	$ 5,038,867	$ 5,196,471	$ 4,991,340	$ 5,032,903
Total OPEB liability as a percentage of covered-employee payroll	11.30%	10.62%	12.73%	16.10%

There are no assets accumulated in a trust that meets the criteria of GASB No. 74, paragraph 4, to pay related benefits to pay related benefits

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

June 30, 2021	June 30, 2022
$ 31,567	$ 32,010
19,620	14,968
35,051	490
(34,812)	(67,491)
8,749	-
(78,359)	(85,306)
(18,184)	(105,329)
808,424	790,240
$ 790,240	$ 684,911
$ 4,657,148	$ 4,814,141
17.00%	14.20%

Independent School District No. 91
Schedule of District's and Non-Employer Proportionate Share (if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0216%	$ 1,014,660	$ -	$ 1,014,660	$ 1,132,541	89.6%	78.75%
2015	0.0200%	1,036,504	-	1,036,504	1,158,040	89.5%	78.19%
2016	0.0207%	1,680,737	21,877	1,702,614	1,281,787	131.1%	68.91%
2017	0.0235%	1,500,224	18,846	1,519,070	1,512,467	99.2%	75.90%
2018	0.0231%	1,281,493	41,934	1,323,427	1,552,027	82.6%	79.53%
2019	0.0212%	1,172,101	36,332	1,208,433	1,497,000	78.3%	80.23%
2020	0.0183%	1,097,169	33,897	1,131,066	1,305,733	84.0%	79.06%
2021	0.0191%	815,656	24,803	840,459	1,371,760	59.5%	87.00%
2022	0.0202%	1,599,847	46,920	1,646,767	1,515,333	105.6%	76.67%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Schedule of District's and Non-Employer Proportionate Share (if Applicable) of Net Pension Liability
Last Ten Years TRA Retirement Fund

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0803%	$ 3,700,166	$ 260,153	$ 3,960,319	$ 3,665,062	101.0%	81.50%
2015	0.0763%	4,719,910	579,220	5,299,130	3,871,227	121.9%	76.77%
2016	0.0746%	17,793,880	1,786,305	19,580,185	3,882,173	458.3%	44.88%
2017	0.0753%	15,031,246	1,453,392	16,484,638	4,052,867	370.9%	51.57%
2018	0.0757%	4,754,669	446,650	5,201,319	4,181,000	113.7%	78.07%
2019	0.0698%	4,449,067	393,848	4,842,915	3,960,973	112.3%	78.21%
2020	0.0583%	4,307,282	361,044	4,668,326	3,388,333	127.1%	75.48%
2021	0.0623%	2,726,434	230,100	2,956,534	3,727,835	73.1%	86.63%
2022	0.0629%	5,036,699	373,434	5,410,133	3,887,182	129.6%	76.17%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Independent School District No. 91
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	$ 86,853	$ 86,853	$ -	$ 1,158,040	7.50%
2016	96,134	96,134	-	1,281,787	7.50%
2017	113,435	113,435	-	1,512,467	7.50%
2018	116,402	116,402	-	1,552,027	7.50%
2019	112,275	112,275	-	1,497,000	7.50%
2020	97,930	97,930	-	1,305,733	7.50%
2021	102,882	102,882	-	1,371,760	7.50%
2022	113,650	113,650	-	1,515,333	7.50%
2023	105,045	105,045	-	1,400,600	7.50%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Schedule of District Contributions
TRA Retirement Fund
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	$ 290,342	$ 290,342	$ -	$ 3,871,227	7.50%
2016	291,163	291,163	-	3,882,173	7.50%
2017	303,965	303,965	-	4,052,867	7.50%
2018	313,575	313,575	-	4,181,000	7.50%
2019	305,391	305,391	-	3,960,973	7.71%
2020	268,356	268,356	-	3,388,333	7.92%
2021	303,073	303,073	-	3,727,835	8.13%
2022	324,191	324,191	-	3,887,182	8.34%
2023	317,881	317,881	-	3,717,906	8.55%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Independent School District No. 91
Notes to the Required Supplementary Information

TRA Retirement Fund

2022 Changes
Changes in Actuarial Assumptions
- None

2021 Changes
Changes in Actuarial Assumptions
- The investment return assumption was changed from 7.5% to 7.0%.

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

2019 Changes
Changes in Actuarial Assumptions
- None

2018 Changes
Changes in Actuarial Assumptions
- The discount rate was increased to 7.5% from 5.12%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2021, 8.34% in 2022, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

TRA Retirement Fund (Continued)

2017 Changes
Changes in Actuarial Assumptions
- The discount rate was increased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes
Changes in Actuarial Assumptions
- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

2015 Changes
Changes of Benefit Terms
- The DTRFA was merged into TRA on June 30, 2015.

TRA Retirement Fund (Continued)

2015 Changes (Continued)
Changes in Actuarial Assumptions

- The annual COLA for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%.

Independent School District No. 91
Notes to the Required Supplementary Information

General Employees Fund

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

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

2021 Changes
Changes in Actuarial Assumptions
- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions
- There have been no changes since the prior valuation.

2020 Changes
Changes in Actuarial Assumptions
- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changes as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retires electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions
- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2021 through December 31, 2023, and 0.0% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2021.

General Employees Fund (Continued)

2019 Changes (Continued)
Changes in Actuarial Assumptions
- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions
- The employer supplemental contribution was changed prospectively, decreasing from $31 million to $21 million per year. The State's special funding contribution was changes prospectively, requiring $16 million due per year through 2031.

2018 Changes
Changes in Actuarial Assumptions
- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes
Changes in Actuarial Assumptions
- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

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

General Employees Fund (Continued)

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

Changes in Plan Provisions
- There have been no changes since the prior valuation.

2015 Changes
Changes in Actuarial Assumptions
- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

Changes in Plan Provisions
- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of $6.0 million, which meets the special funding situation definition, was due September 2015.

Independent School District No. 91
Notes to the Required Supplementary Information

Post Employment Benefits

2022 Changes
Changes in Actuarial Assumptions and Plan Provisions
- The discount rate was changed from 1.92% to 3.69% based on 20-year municipal bond rates.

2021 Changes
Changes in Actuarial Assumptions and Plan Provisions
- The discount rate was changed from 2.45% to 1.92% based on 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claim costs were updated to reflect recent experience., including an adjustment to reflect age/gender based risk scores published by the Society of Actuaries.
- Withdrawal, retirement, mortality, and salary increase rates were updated to the rates used in the 7/1/2021 PERA General Employees Retirement Plan and 7/1/2021 Teachers Retirement Association actuarial valuations.
- The percent of retirees electing spouse coverage changed from 30% to 25% to reflect recent plan experience.
- The percent of future non Medicare eligible retirees electing each medical plan changed to reflect recent plan experience.
- The inflation assumption was changed from 2.50% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectation.

2020 Changes
Changes in Actuarial Assumptions and Plan Provisions
- The discount rate was changed from 3.13% to 2.45% based on 20-year municipal bond rates.

2019 Changes
Changes in Actuarial Assumptions and Plan Provisions
- The discount rate was changed from 3.62% to 3.13% based on 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claim costs were updated to reflect recent experience.
- Withdrawal, retirement, mortality, and salary increase rates were updated to the rates used in the 7/1/2018 PERA General Employees Retirement Plan and 7/1/2018 Teachers Retirement Association actuarial valuations.
- The percent of retirees electing spouse coverage changed from 25% to 30% to reflect recent plan experience.
- The percent of future non Medicare eligible retirees electing each medical plan changed to reflect recent plan experience.
- The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectation.

SUPPLEMENTARY INFORMATION

Independent School District No. 91
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2023

	Special Revenue		Total
	Food Service	Community Service	Nonmajor Funds
Assets			
Cash and investments	$ 244,921	$ 162,656	$ 407,577
Current property taxes receivable	-	22,893	22,893
Delinquent property taxes receivable	-	788	788
Accounts receivable	2,425	-	2,425
Due from Department of Education	38,725	5,864	44,589
Inventory	5,850	-	5,850
Total assets	$ 291,921	$ 192,201	$ 484,122
Liabilities			
Accounts payable	$ -	$ 1,503	$ 1,503
Salaries and benefits payable	25,934	8,776	34,710
Unearned revenue	7,835	5,924	13,759
Total liabilities	33,769	16,203	49,972
Deferred Inflows of Resources			
Property taxes levied for subsequent Year's expenditures	-	51,259	51,259
Unavailable revenue - delinquent taxes	-	788	788
Total deferred inflows of resources	-	52,047	52,047
Fund Balances			
Nonspendable	5,850	-	5,850
Restricted	252,302	148,129	400,431
Unassigned	-	(24,178)	(24,178)
Total fund balances	258,152	123,951	382,103
Total liabilities, deferred inflows of resources, and fund balances	$ 291,921	$ 192,201	$ 484,122

Independent School District No. 91
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental Funds
June 30, 2023

	Special Revenue		Total
	Food Service	Community Service	Nonmajor Funds
Revenues			
Local property taxes	$ -	$ 49,138	$ 49,138
Other local and county revenues	11,019	216,530	227,549
Revenue from state sources	22,237	54,315	76,552
Revenue from federal sources	279,281	2,105	281,386
Sales and other conversion of assets	166,798	-	166,798
Total revenues	479,335	322,088	801,423
Expenditures			
Current			
Food service	414,601	-	414,601
Community education and services	-	345,262	345,262
Capital outlay			
Food service	42,381	-	42,381
Total expenditures	456,982	345,262	802,244
Net change in fund balances	22,353	(23,174)	(821)
Fund Balances			
Beginning of year	235,799	147,125	382,924
End of year	$ 258,152	$ 123,951	$ 382,103

Independent School District No. 91
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2023

		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				
Total revenue		$ 9,334,038	$ 9,334,033	$ 5
Total expenditures		8,710,830	8,710,825	5
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.01	Student Activites	45,222	45,222	-
4.02	Scholarships	-	-	-
4.03	Staff Development	-	-	-
4.07	Capital Projects Levy	-	-	-
4.08	Cooperative Programs	-	-	-
4.13	Building Projects Funded by COP/LP	-	-	-
4.14	Operating Debt	-	-	-
4.16	Levy Reduction	-	-	-
4.17	Taconite Building Maintenance	-	-	-
4.24	Operating Capital	-	-	-
4.26	$25 Taconite	-	-	-
4.27	Disabled Accessibility	-	-	-
4.28	Learning and Development	-	-	-
4.34	Area Learning Center	-	-	-
4.35	Contracted Alternative Programs	-	-	-
4.36	State Approved Alternative Program	-	-	-
4.38	Gifted and Talented	-	-	-
4.40	Teacher Development and Evaluation	-	-	-
4.41	Basic Skills Programs	-	-	-
4.45	Career Technical Programs	-	-	-
4.48	Achievement and Integration	-	-	-
4.49	Safe School Crime	-	-	-
4.51	QZAB Payments	-	-	-
4.52	OPEB Liabilities not Held in Trust	-	-	-
4.53	Unfunded Severance and Retirement Levy	-	-	-
4.59	Basic Skills Extended Time	15,573	15,573	-
4.67	Long-term Facilities Maintenance	209,454	209,454	-
Restricted:				
4.72	Medical Assistance	85,034	85,034	-
4.64	Restricted fund balance	-	-	-
4.75	Title VII - Impact Aid	-	-	-
4.76	Payments in Lieu of Taxes	-	-	-
Committed:				
4.18	Committed for separation	85,198	85,198	-
4.61	Committed	-	-	-
Assigned:				
4.62	Assigned fund balance	613,382	613,382	-
Unassigned:				
4.22	Unassigned fund balance	1,739,849	1,739,848	1
02 FOOD SERVICE FUND				
Total revenue		$ 479,335	$ 479,335	$ -
Total expenditures		456,982	456,981	1
Nonspendable:				
4.60	Nonspendable fund balance	5,850	5,850	-
Restricted/reserved:				
4.52	OPEB Liabilities not Held in Trust	-	-	-
Restricted:				
4.64	Restricted fund balance	252,302	252,302	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-
04 COMMUNITY SERVICE FUND				
Total revenue		$ 322,088	$ 322,085	$ 3
Total expenditures		345,262	345,257	5
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.26	$25 Taconite	-	-	-
4.31	Community Education	72,753	72,753	-
4.32	ECFE	70,844	70,844	-
4.40	Teacher Development and Evaluation	-	-	-
4.44	School Readiness	(24,178)	(24,178)	-
4.47	Adult Basic Education	-	-	-
4.52	OPEB Liabilities not Held in Trust	-	-	-
Restricted:				
4.64	Restricted fund balance	4,532	4,532	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-

		Audit	UFARS	Audit-UFARS
06 BUILDING AND CONSTRUCTION FUND				
Total revenue		$ 105,910	$ 105,909	$ 1
Total expenditures		714,364	714,364	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.07	Capital Projects Levy	-	-	-
4.67	LTFM	10,520,224	10,520,223	1
4.13	Building Projects Funded by COP/LP	-	-	-
Restricted:				
4.64	Restricted fund balance	-	-	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-
07 DEBT SERVICE FUND				
Total revenue		$ 343,323	$ 343,322	$ 1
Total expenditures		257,850	257,850	-
Nonspendable:				
4.60	Nonspendable Fund Balance	-	-	-
Restricted/reserved:				
4.25	Bond refunding	-	-	-
4.33	Maximum effort loan aid	-	-	-
4.51	QZAB payments	-	-	-
4.67	LTFM	-	-	-
Restricted:				
4.64	Restricted fund balance	405,607	405,606	1
Unassigned:				
4.63	Unassigned fund balance	-	-	-
08 TRUST FUND				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.01	Student Activities	-	-	-
4.02	Scholarships	-	-	-
4.22	Net position	-	-	-
18 CUSTODIAL FUND				
Total revenue		$ -	$ -	$ -
Total expenditures		88	88	-
4.01	Student Activites	-	-	-
4.02	Scholarships	-	-	-
4.48	Achievement and Integration	-	-	-
4.64	Restricted	-	-	-
20 INTERNAL SERVICE FUND				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Net position	-	-	-
25 OPEB REVOCABLE TRUST				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Net position	-	-	-
45 OPEB IRREVOCABLE TRUST				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Net position	-	-	-
47 OPEB DEBT SERVICE				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted:				
4.64	Restricted fund balance	-	-	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-

Independent School District No. 91
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Agency/Pass Through Agency/Program Title	Federal Assistance Listing Number	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education		
Child Nutrition Cluster		
School Breakfast Program	10.553	$ 42,815
Noncash Assistance - Commodities	10.555	33,786
National School Lunch Program	10.555	175,884
COVID-19 Supply Chain Assistance	10.555C	28,901
Total Child Nutrition Cluster and U.S. Department of Agriculture		281,386
U.S. Department of Treasury		
Through Minnesota Department of Education		
COVID-19 American Rescue Plan	21.027	54,277
Through Carlton County		
COVID-19 Coronavirus Relief Fund	21.019	628
Total U.S. Department of Treasury		54,905
U.S. Department of Education		
Through Minnesota Department of Education		
Title I, Part A	84.010	87,073
Title II, Part A	84.367	11,652
Title IV, Part A - Student Support and Academic Enrichment	84.424	10,000
Special Education Cluster		
Special Education	84.027	145,675
Special Education - Preschool Grants	84.173	4,034
Total Special Education Cluster		149,709
COVID-19 Elementary and Secondary School Education Relief (ESSER) III 90%	84.425U	149,390
COVID-19 Elementary and Secondary School Education Relief (ESSER) II Fund 90%	84.425D	18,396
Total Education Stabilization Fund		167,786
Through Independent School District No. 97		
Career and Technical Education Grants	84.048	15,216
Total U.S. Department of Education		441,436
U.S. Department of Health and Human Services		
Through Minnesota Department of Education		
COVID-19 MN COVID-19 Testing Program	93.323	18,888
Total Federal Expenditures		$ 796,615

See notes to schedule of expenditures of federal awards.

Independent School District No. 91
Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the District 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 the District, it is not intended to and does not present the financial position, changes of net assets, or cash flows of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified 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 3 – PASS-THROUGH GRANT NUMBERS

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

NOTE 4 – INVENTORY

Inventories of commodities donated by the U.S. Department of Agriculture are recorded at market value in the Food Service Fund as inventory. Revenue and expenditures are recorded when commodities are used.

NOTE 5 – INDIRECT COST RATE

The District did not elect to use the 10 percent de minimis indirect cost rate, as allowed under the Uniform Guidance.

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*

Independent Auditor's Report

To the School Board
Independent School District No. 91
Barnum, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 91, Barnum, Minnesota, as of and for the year ending June 30, 2023, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 15, 2023.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Audit Finding 2023-001 that we consider to be a material weakness.

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 statement. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

District's Response to Findings
Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. 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.

BerganKDV, Ltd.

St. Cloud, Minnesota
November 15, 2023

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance

Independent Auditor's Report

To the School Board
Independent School District No. 91
Barnum, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program
We have audited Independent School District No. 91's, Barnum, Minnesota 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 Accordance with the Uniform Guidance.

In our opinion, Independent School District No. 91 complied, in all material respects, with the 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance
Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District 's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control over Compliance
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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.

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

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

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

BerganKDV, Ltd.

St. Cloud, Minnesota
November 15, 2023

Independent School District No. 91
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes, Audit Finding 2023-001
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No

Identification of Major Programs

Assistance Listing No:	84.010
Name of Federal Program or Cluster:	Title I, Part A
Assistance Listing No:	10.553 and 10.555
Name of Federal Program or Cluster:	Child Nutrition Cluster
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low risk auditee?	No

Independent School District No. 91
Schedule of Findings and Corrective Action Plans
On Internal Control

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 2023-001

Criteria:
Internal control that supports the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition:
The District does not have adequate segregation of accounting duties.

Context:
During the year ended June 30, 2023, the District had a lack of segregation of accounting duties due to a limited number of office employees. This lack of segregation of accounting duties can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- The Business Manager reconciles property taxes, state and federal revenues and receivables without review.
- The Business Manager has access to all areas of the accounting system.
- The Business Manager makes system generated journal entries without review.
- The District does not have a formal reconciliation process established for student activity fundraisers. Student activity fundraiser revenue is collected and deposited by the same individual.

Management is aware of this condition and will take certain steps to compensate for the lack of segregation. However, due to the small accounting staff needed to handle all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Due to this reason, management has determined a complete segregation of accounting duties is impractical to correct.

This finding impacts internal control for all significant accounting functions.

Effect or Potential Effect:
The lack of adequate segregation of accounting duties could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Cause:
There are a limited number of office employees.

Recommendation:
Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

Independent School District No. 91
Schedule of Findings and Corrective Action Plans
On Internal Control

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2023-001 (Continued)

Responsible Official's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
   Administration will review current segregation of accounting duties to determine if further segregation is possible.

3. Official Responsible for Ensuring CAP
   Laura Carlson, Business Manager, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP
   The planned completion date for the CAP is June 30, 2024.

5. Plan to Monitor Completion of CAP
   The School Board will be monitoring this CAP.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no questioned costs.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None

Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 91
Barnum, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 91, Barnum, Minnesota, as of and for the year ended June 30, 2023, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 15, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, insofar as they relate to accounting matters. 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.

The purpose of this report is 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.

BerganKDV, Ltd.

St. Cloud, Minnesota
November 15, 2023