# INDEPENDENT SCHOOL DISTRICT NO. 831
FOREST LAKE, MINNESOTA

Financial Statements
and Supplemental Information

Year Ended
June 30, 2023

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INDEPENDENT SCHOOL DISTRICT NO. 831

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INDEPENDENT SCHOOL DISTRICT NO. 831

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# INTRODUCTORY SECTION

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INDEPENDENT SCHOOL DISTRICT NO. 831

School Board and Administration
Year Ended June 30, 2023

**SCHOOL BOARD**

| | Board Position During 2022–2023 |
|---|---|
| Jeff Peterson | Chairperson (President) |
| Robert Rapheal | Vice Chairperson (Vice President) |
| Gail Theisen | Clerk |
| Julie Corcoran | Treasurer |
| Jill Christenson | Director |
| Luke Hagglund | Director |
| Curt Rebelein | Director |

**ADMINISTRATION**

| | |
|---|---|
| Dr. Steven Massey | Superintendent |
| Chrissy Rehnberg-Eide | Director of Business Services |

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FINANCIAL SECTION

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MMKR
CERTIFIED PUBLIC ACCOUNTANTS

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

# INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 831
Forest Lake, Minnesota

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### OPINIONS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 831 (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

### BASIS FOR OPINIONS

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

### EMPHASIS OF MATTER

***Change in Accounting Principle***

As described in Note 1 of the notes to basic financial statements, in fiscal 2023, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

(continued)



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**RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS**

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

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

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

(continued)

**REQUIRED SUPPLEMENTARY INFORMATION**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the 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 RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**SUPPLEMENTAL INFORMATION**

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

**OTHER INFORMATION**

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

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

(continued)

**PRIOR YEAR COMPARATIVE INFORMATION**

We have previously audited the District's 2022 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 21, 2022. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
December 22, 2023

This section of Independent School District No. 831's (the District) annual financial statements presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2023. Please read it in conjunction with the other components of the District's annual financial statements.

## FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2023 by $24,520,700 (deficit net position). The District's total net position increased by $13,849,101 during the fiscal year ended June 30, 2023.

- Government-wide expenses totaled $94,248,500, and were $13,849,101 less than revenues of $108,097,601.

- The District implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). This change is further described in Note 1 of the notes to basic financial statements.

- The General Fund's total fund balance (under the governmental fund presentation) decreased by $1,481,936 from the prior year, compared to a decrease of $1,740,000 planned in the budget.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

- To assess the overall health of the District requires consideration of additional nonfinancial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

**FUND FINANCIAL STATEMENTS**

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

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

The District maintains the following kinds of funds:

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

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

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

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

**Table 1**
**Summary Statement of Net Position**
**as of June 30, 2023 and 2022**

| | 2023 | 2022 |
|---|---|---|
| Assets | | |
| Current and other assets | $ 48,748,910 | $ 47,754,210 |
| Capital assets, net of depreciation/amortization | 207,515,602 | 205,854,872 |
| Total assets | $ 256,264,512 | $ 253,609,082 |
| Deferred outflows of resources | | |
| Bond refunding deferments | $ 287,552 | $ 326,111 |
| OPEB plan deferments | 451,561 | 450,062 |
| Pension plan deferments | 18,907,293 | 22,388,984 |
| Total deferred outflows of resources | $ 19,646,406 | $ 23,165,157 |
| Liabilities | | |
| Current and other liabilities | $ 17,743,868 | $ 17,271,269 |
| Long-term liabilities, including due within one year | 235,767,710 | 210,453,732 |
| Total liabilities | $ 253,511,578 | $ 227,725,001 |
| Deferred inflows of resources | | |
| OPEB plan deferments | $ 3,064,903 | $ 1,889,577 |
| Pension plan deferments | 13,217,183 | 57,119,772 |
| Property taxes levied for subsequent year | 30,637,954 | 28,409,690 |
| Total deferred inflows of resources | $ 46,920,040 | $ 87,419,039 |
| Net position | | |
| Net investment in capital assets | $ 44,945,857 | $ 42,525,055 |
| Restricted | 2,566,827 | 2,561,191 |
| Unrestricted | (72,033,384) | (83,456,047) |
| Total net position | $ (24,520,700) | $ (38,369,801) |

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

The District's increase in net investment in capital assets is due mostly to the relationship between the rate at which the District's capital assets are being added, depreciated/amortized, and how that compares to the rate at which the District is repaying the debt issued to purchase or construct those assets. The District's increase in net position restricted for community service and other state funding restrictions contributed to the increase in the restricted portion of net position. The change in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans contributed to the change in deferred outflows of resources, long-term liabilities, deferred inflows of resources, and unrestricted net position.

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

**Table 2**
**Summary Statement of Activities**
**for the Years Ended June 30, 2023 and 2022**

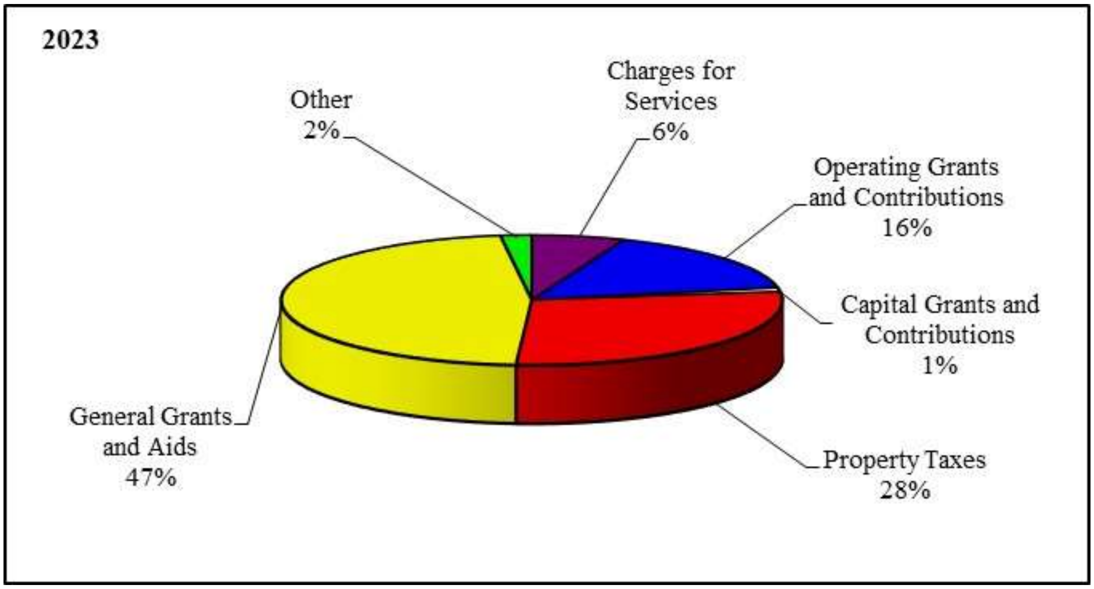
| | 2023 | 2022 |
|---|---|---|
| Revenues | | |
| Program revenues | | |
| Charges for services | $ 6,693,331 | $ 5,018,226 |
| Operating grants and contributions | 17,295,883 | 18,539,329 |
| Capital grants and contributions | 1,276,700 | – |
| General revenues | | |
| Property taxes | 29,548,749 | 29,180,891 |
| General grants and aids | 51,068,090 | 52,091,600 |
| Other | 2,214,848 | 2,103,255 |
| Total revenues | 108,097,601 | 106,933,301 |
| Expenses | | |
| Administration | 3,000,486 | 3,614,109 |
| District support services | 3,270,369 | 3,042,190 |
| Elementary and secondary regular instruction | 22,911,656 | 29,686,990 |
| Vocational education instruction | 1,158,013 | 1,393,696 |
| Special education instruction | 13,355,477 | 14,879,136 |
| Instructional support services | 5,401,683 | 6,651,162 |
| Pupil support services | 12,669,291 | 11,973,638 |
| Sites and buildings | 8,323,000 | 7,905,801 |
| Fiscal and other fixed cost programs | 652,894 | 735,321 |
| Food service | 5,097,442 | 4,397,786 |
| Community service | 5,041,758 | 4,698,261 |
| Depreciation and amortization not allocated to other functions | 8,050,402 | 7,570,657 |
| Interest and fiscal charges | 5,316,029 | 5,308,431 |
| Total expenses | 94,248,500 | 101,857,178 |
| Change in net position | 13,849,101 | 5,076,123 |
| Net position – beginning | (38,369,801) | (43,445,924) |
| Net position – ending | $ (24,520,700) | $ (38,369,801) |

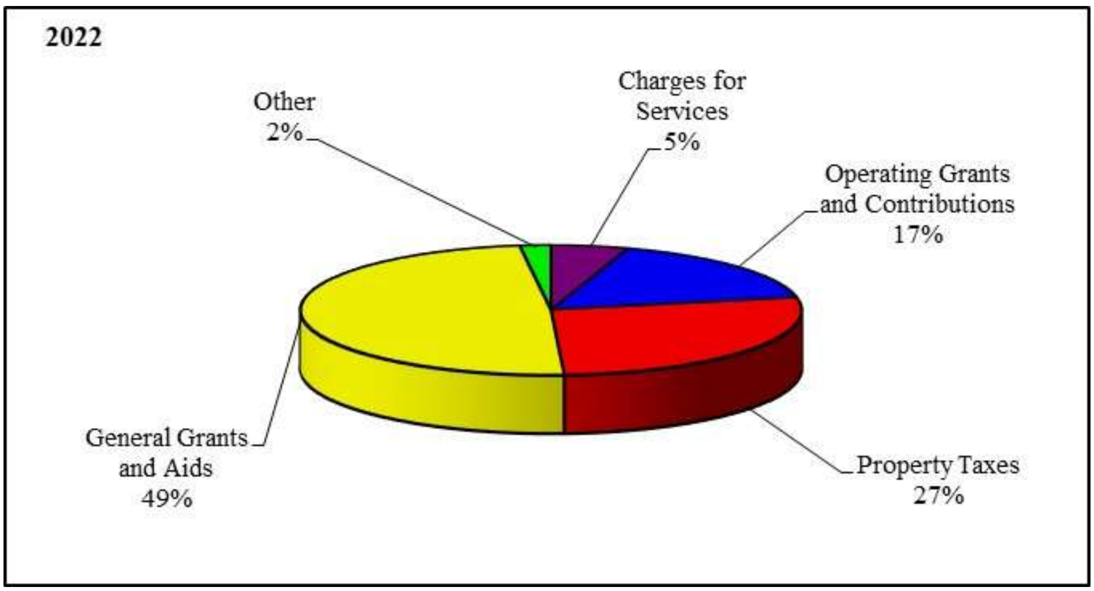
This table is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation/amortization expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Revenues increased by $1,164,300, in the current year. Charges for services increased and operating grants and contributions decreased, mainly due to the District's transition back to a traditional food service program. The District operated a Summer Seamless Option Program in fiscal 2022, which provided federally funded free meals to all students at the highest available reimbursement rate. Capital grants and contributions increased in the current year, due to a donation of land the District received from an outside entity. Expenses were down compared to the prior year, due primarily to changes in state-wide pension plans.

Figure A shows further analysis of these revenue sources:

**Figure A – Sources of Revenues for Fiscal Years 2023 and 2022**



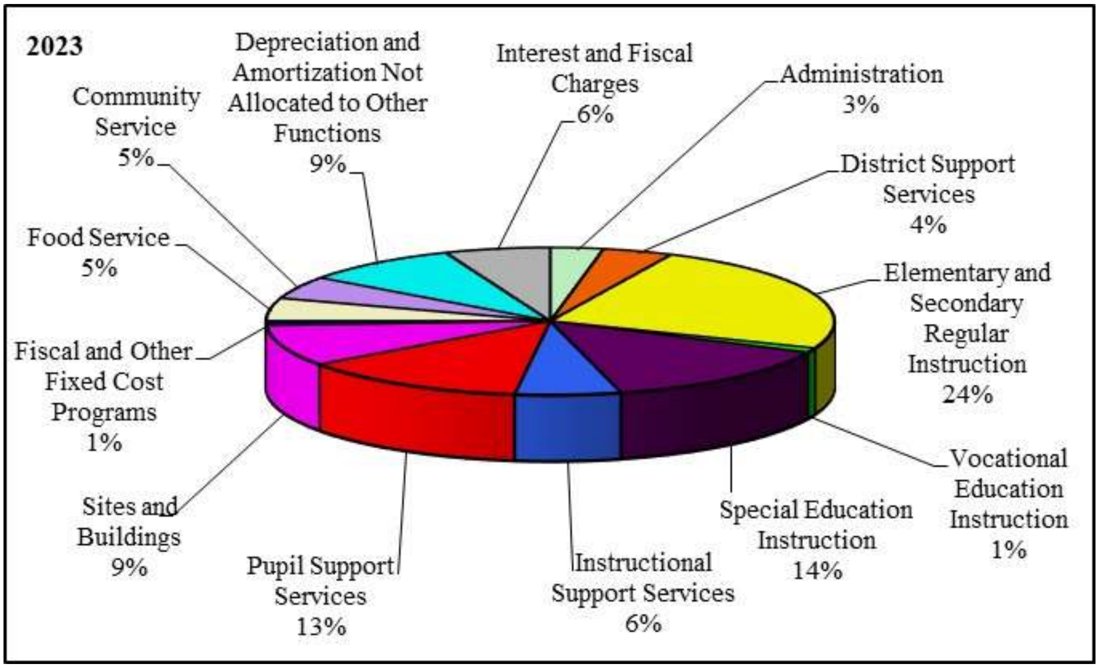



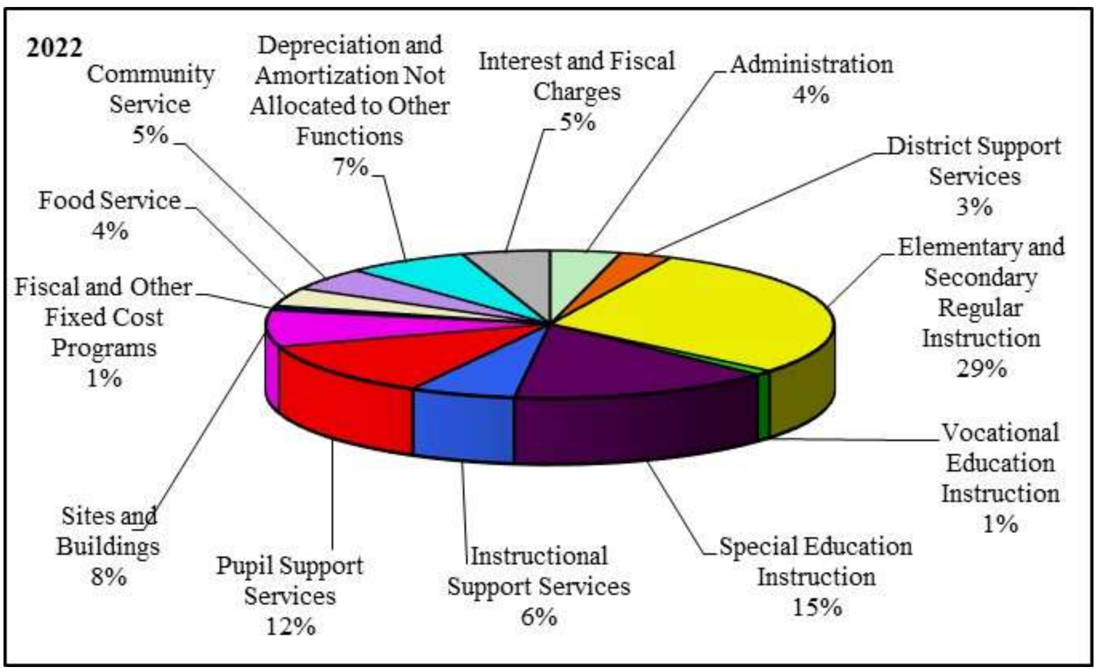

The largest share of the District's revenue is received from the state, including general grants and aids, and most of the operating grants.

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

Figure B shows further analysis of the expense functions:

**Figure B – Expenses for Fiscal Years 2023 and 2022**




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

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

**Table 3**
**Governmental Fund Balances**
**as of June 30, 2023 and 2022**

| | 2023 | 2022 | Change |
|---|---|---|---|
| Major funds | | | |
| General Fund | $ 362,375 | $ 1,844,311 | $ (1,481,936) |
| Capital Projects – Building Construction | (265,876) | (624,566) | 358,690 |
| Debt Service | 2,005,031 | 1,932,948 | 72,083 |
| Nonmajor funds | | | |
| Food Service Special Revenue | 744,103 | 1,141,148 | (397,045) |
| Community Service Special Revenue | 1,623,801 | 1,279,492 | 344,309 |
| Total governmental funds | $ 4,469,434 | $ 5,573,333 | $ (1,103,899) |

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance that has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's School Board.

At June 30, 2023, the District's governmental funds reported combined fund balances of $4,469,434, a decrease of $1,103,899 in comparison with the prior year. Of this total fund balance, the District has a negative unassigned fund balance of $490,422. The remainder of the fund balance is either nonspendable, restricted, or assigned to indicate that it is: 1) not in spendable form ($225,416), 2) restricted for particular purposes ($4,538,691), or 3) assigned for particular purposes ($195,749).

**ANALYSIS OF THE GENERAL FUND**

Table 4 summarizes the amendments to the General Fund budget:

**Table 4**
**General Fund**
**Budget**

| | Original Budget | Final Budget | Change | Percent Change |
|---|---|---|---|---|
| Revenues and other financing sources | $ 81,250,000 | $ 84,600,000 | $ 3,350,000 | 4.1 % |
| Expenditures | $ 81,250,000 | $ 86,340,000 | $ 5,090,000 | 6.3 % |

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

Table 5 summarizes the operating results of the General Fund:

**Table 5**
**General Fund**
**Operating Results**

| | | Over (Under) Final Budget | | Over (Under) Prior Year | |
|---|---|---|---|---|---|
| | 2023 Actual | Amount | Percent | Amount | Percent |
| Revenues and other financing sources | $ 89,438,859 | $ 4,838,859 | 5.7 % | $ 1,336,304 | 1.5 % |
| Expenditures and other financing uses | 90,920,795 | $ 4,580,795 | 5.3 % | $ 1,768,528 | 2.0 % |
| Net change in fund balances | $ (1,481,936) | | | | |

The fund balance of the General Fund decreased $1,481,936, compared to a decrease of $1,740,000, approved in the final budget.

The largest revenue and other financing sources variance to budget occurred in other financing sources and federal sources. Other financing sources were over budget, mainly due to proceeds recognized on new leases for equipment in the current year. Federal sources were over budget, with more title grants and special education grants recognized than anticipated. The increase from the prior year was mainly in state sources, with increased special education aid. Other financing sources increased, consistent with the explanation above, with leases recognized in the current year. These increases were offset by a decrease in federal sources with fewer pandemic-related grants recognized in the current year.

The expenditure variance to budget occurred in purchased services, capital expenditures, and other financing uses. Expenditures in purchased services were over budget, mainly in tuition, transportation, and utility costs. Capital expenditures were over budget, due to leases recognized in the current year under the lease standard reporting. Other financing uses were over budget with the transfer of long-term facilities maintenance funding to the Capital Projects – Building Construction Fund to allocate revenues levied by the General Fund and expended by the Capital Projects – Building Construction Fund. Expenditures increased from the prior year, with increased spending in purchased services expenditures due to tuition, transportation, and utility costs, as previously noted.

## COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS

### Capital Projects – Building Construction Fund

The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities financed with voter-approved building bonds, certificates of participation (COP), and as authorized by the District's long-term facilities maintenance program as approved by the Minnesota Department of Education. At June 30, 2023, the District had an unassigned fund balance deficit of $265,876, which will be reimbursed with proceeds from a future bond issue.

### Debt Service Fund

Debt Service Fund revenues exceeded expenditures by $72,083 in the current year, compared to a $67,960 fund balance increase anticipated in the budget. The funding of the Debt Service Fund is largely controlled with each individual debt obligation's financing plan. The remaining fund balance of $2,005,031 at June 30, 2023 is available for meeting future debt service obligations.

### Food Service Special Revenue Fund

The Food Service Special Revenue Fund ended the year with expenditures exceeding revenues, decreasing equity by $397,045, compared to a planned fund balance increase of $37,120. Revenues were over budget with more participation than projected and conservative budgeting. Expenditures were more than projected with more supplies and materials than included in the budget.

### Community Service Special Revenue Fund

The Community Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing equity by $344,309, compared to a planned fund balance decrease of $112,326. The variance to budget was primarily in revenues from other local sources due to increased program participation. Expenditures were under budget mainly in salaries and employee benefits offset by purchased services.

### Internal Service Funds

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

Operating revenues for the internal service funds for fiscal 2023 totaled $10,034,619. Operating expenses totaled $10,599,891 for self-insured health and dental benefit claims. The internal service funds also reported $31,905 in investment earnings in the current year.

The internal service funds had a net position deficit as of June 30, 2023 of $2,055,951, which represents a decrease of $533,367 in net position from the prior year. This decrease was due to health benefit claims in the current year exceeding premiums collected.

## CAPITAL ASSETS AND LONG-TERM LIABILITIES

### Capital Assets

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

**Table 6**
**Capital Assets**

| | 2023 | 2022 | Change |
|---|---|---|---|
| Land | $ 3,162,426 | $ 1,885,726 | $ 1,276,700 |
| Construction in progress | 5,849,451 | 365,314 | 5,484,137 |
| Buildings | 78,602,259 | 78,602,259 | – |
| Leased buildings | 528,394 | 528,394 | – |
| Building and land improvements | 196,059,099 | 193,959,935 | 2,099,164 |
| Furniture and equipment | 27,328,795 | 26,646,887 | 681,908 |
| Leased furniture and equipment | 5,868,847 | 5,676,909 | 191,938 |
| Technology subscriptions | 732,532 | – | 732,532 |
| Intangibles | 1,895,000 | 1,895,000 | – |
| Less accumulated depreciation/amortization | (112,511,201) | (103,705,552) | (8,805,649) |
| Total | $ 207,515,602 | $ 205,854,872 | $ 1,660,730 |
| Depreciation/amortization expense | $ 10,275,662 | $ 9,958,758 | $ 316,904 |

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

The changes presented in the table above reflect the ongoing activity of projects at district sites during fiscal year 2023, including the activity of the Capital Projects – Building Construction Fund.

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

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

## Long-Term Liabilities

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

**Table 7**
**Outstanding Long-Term Liabilities**

| | 2023 | 2022 | Change |
|---|---|---|---|
| General obligation notes and bonds payable | $ 152,210,000 | $ 152,260,000 | $ (50,000) |
| Certificates of participation payable | 5,610,000 | 6,210,000 | (600,000) |
| Unamortized premium/discount | 3,673,845 | 3,800,440 | (126,595) |
| Lease liability | 4,517,900 | 4,935,975 | (418,075) |
| Net pension liability | 60,770,163 | 33,204,517 | 27,565,646 |
| Net OPEB liability | 7,341,101 | 8,070,127 | (729,026) |
| Severance benefits payable | 687,394 | 927,694 | (240,300) |
| Compensated absences payable | 957,307 | 1,044,979 | (87,672) |
| Total | $ 235,767,710 | $ 210,453,732 | $ 25,313,978 |

The change in general obligation notes and bonds payable, COP payable, and lease liability are due to the scheduled principal payments in the current year offset by the issuance of general obligation notes and bonds and new leases issued for equipment during fiscal year 2023.

The difference in the net pension liability reflects the change in the District's proportionate share of the state-wide pension obligations for the PERA and the TRA.

The state limits the amount of general obligation debt the District can issue to 15.0 percent of the market value of all taxable property within the District's corporate limits (see Table 8).

**Table 8**
**Limitations on Debt**

| | |
|---|---|
| District's market value | $ 7,892,213,962 |
| Limit rate | 15.0% |
| Legal debt limit | $ 1,183,832,094 |

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

## FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

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

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

These financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about these statements, or need additional financial information, contact the Business Services Department at (651) 982-8125. The address is: Independent School District No. 831, 6100 North 210th Street, Forest Lake, Minnesota 55025.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 831

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

| | Governmental Activities | |
|---|---|---|
| | 2023 | 2022 |
| Assets | | |
| Cash and temporary investments | $ 19,970,829 | $ 18,612,081 |
| Receivables | | |
| Current taxes | 17,733,487 | 16,314,131 |
| Delinquent taxes | 299,104 | 221,311 |
| Accounts and interest | 346,741 | 110,552 |
| Due from other governmental units | 9,574,433 | 11,549,095 |
| Due from fiduciary fund | 425,000 | 750,000 |
| Inventory | 12,165 | 71,680 |
| Prepaid items | 387,151 | 125,360 |
| Capital assets | | |
| Not depreciated/amortized | 9,011,877 | 2,251,040 |
| Depreciated, net of accumulated depreciation/amortized | 198,503,725 | 203,603,832 |
| Total capital assets, net of accumulated depreciation/amortization | 207,515,602 | 205,854,872 |
| Total assets | 256,264,512 | 253,609,082 |
| Deferred outflows of resources | | |
| Bond refunding deferments | 287,552 | 326,111 |
| OPEB plan deferments | 451,561 | 450,062 |
| Pension plan deferments | 18,907,293 | 22,388,984 |
| Total deferred outflows of resources | 19,646,406 | 23,165,157 |
| Total assets and deferred outflows of resources | $ 275,910,918 | $ 276,774,239 |
| Liabilities | | |
| Salaries payable | $ 647,933 | $ 819,136 |
| Accounts and contracts payable | 11,077,403 | 10,463,181 |
| Accrued interest payable | 2,225,748 | 2,164,946 |
| Due to other governmental units | 924,948 | 686,597 |
| Unearned revenue | 1,935,791 | 2,247,653 |
| Claims incurred, but not reported | 932,045 | 889,756 |
| Long-term liabilities | | |
| Due within one year | 8,360,252 | 8,088,438 |
| Due in more than one year | 227,407,458 | 202,365,294 |
| Total long-term liabilities | 235,767,710 | 210,453,732 |
| Total liabilities | 253,511,578 | 227,725,001 |
| Deferred inflows of resources | | |
| OPEB plan deferments | 3,064,903 | 1,889,577 |
| Pension plan deferments | 13,217,183 | 57,119,772 |
| Property taxes levied for subsequent year | 30,637,954 | 28,409,690 |
| Total deferred inflows of resources | 46,920,040 | 87,419,039 |
| Net position | | |
| Net investment in capital assets | 44,945,857 | 42,525,055 |
| Restricted for | | |
| Food service | 744,103 | 1,141,148 |
| Community service | 1,631,737 | 1,286,957 |
| Other purposes (state funding restrictions) | 190,987 | 133,086 |
| Unrestricted | (72,033,384) | (83,456,047) |
| Total net position | (24,520,700) | (38,369,801) |
| Total liabilities, deferred inflows of resources, and net position | $ 275,910,918 | $ 276,774,239 |

See notes to basic financial statements

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

| | 2023 | | | | | 2022 |
|---|---|---|---|---|---|---|
| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | Net (Expense) Revenue and Changes in Net Position |
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Governmental Activities |
| Governmental activities | | | | | | |
| Administration | $ 3,000,486 | $ – | $ – | $ – | $ (3,000,486) | $ (3,614,109) |
| District support services | 3,270,369 | – | – | – | (3,270,369) | (3,042,190) |
| Elementary and secondary regular instruction | 22,911,656 | 1,040,955 | 1,633,911 | – | (20,236,790) | (27,560,741) |
| Vocational education instruction | 1,158,013 | 1,378 | 67,859 | – | (1,088,776) | (1,334,598) |
| Special education instruction | 13,355,477 | 121,569 | 11,858,559 | – | (1,375,349) | (4,017,148) |
| Instructional support services | 5,401,683 | – | 16,900 | – | (5,384,783) | (6,558,914) |
| Pupil support services | 12,669,291 | – | 372,546 | – | (12,296,745) | (11,635,039) |
| Sites and buildings | 8,323,000 | 84,743 | – | 1,276,700 | (6,961,557) | (7,811,885) |
| Fiscal and other fixed cost programs | 652,894 | – | – | – | (652,894) | (735,321) |
| Food service | 5,097,442 | 2,126,087 | 2,488,005 | – | (483,350) | 1,212,192 |
| Community service | 5,041,758 | 3,318,599 | 858,103 | – | (865,056) | (322,782) |
| Depreciation and amortization not allocated to other functions | 8,050,402 | – | – | – | (8,050,402) | (7,570,657) |
| Interest and fiscal charges | 5,316,029 | – | – | – | (5,316,029) | (5,308,431) |
| Total governmental activities | $ 94,248,500 | $ 6,693,331 | $ 17,295,883 | $ 1,276,700 | (68,982,586) | (78,299,623) |
| | | General revenues | | | | |
| | | Taxes | | | | |
| | | Property taxes for general purposes | | | 18,169,488 | 18,157,267 |
| | | Property taxes for community service | | | 1,396,546 | 853,980 |
| | | Property taxes for debt service | | | 9,982,715 | 10,169,644 |
| | | General grants and aids | | | 51,068,090 | 52,091,600 |
| | | Other general revenues | | | 1,532,239 | 2,066,932 |
| | | Investment earnings | | | 682,609 | 36,323 |
| | | Total general revenues | | | 82,831,687 | 83,375,746 |
| | | Change in net position | | | 13,849,101 | 5,076,123 |
| | | Net position – beginning | | | (38,369,801) | (43,445,924) |
| | | Net position – ending | | | $(24,520,700) | $(38,369,801) |

INDEPENDENT SCHOOL DISTRICT NO. 831

Balance Sheet
Governmental Funds
as of June 30, 2023
(With Partial Comparative Information as of June 30, 2022)

| | General Fund | Capital Projects – Building Construction Fund | Debt Service Fund |
|---|---|---|---|
| Assets | | | |
| Cash and temporary investments | $ 8,959,828 | $ 687,766 | $ 6,697,319 |
| Receivables | | | |
| Current taxes | 10,717,966 | – | 6,209,024 |
| Delinquent taxes | 180,077 | – | 105,450 |
| Accounts and interest | 66,076 | – | – |
| Due from other governmental units | 9,313,167 | – | 19,531 |
| Due from other funds | 425,000 | – | – |
| Inventory | – | – | – |
| Prepaid items | 200,185 | – | – |
| Total assets | $ 29,862,299 | $ 687,766 | $ 13,031,324 |
| Liabilities | | | |
| Salaries payable | $ 424,641 | $ – | $ – |
| Accounts and contracts payable | 9,800,634 | 953,642 | – |
| Due to other governmental units | 924,803 | – | – |
| Due to other funds | – | – | – |
| Unearned revenue | 6,100 | – | – |
| Total liabilities | 11,156,178 | 953,642 | – |
| Deferred inflows of resources | | | |
| Property taxes levied for subsequent year | 18,237,284 | – | 10,961,338 |
| Unavailable revenue – delinquent taxes | 106,462 | – | 64,955 |
| Total deferred inflows of resources | 18,343,746 | – | 11,026,293 |
| Fund balances | | | |
| Nonspendable | 200,185 | – | – |
| Restricted | 190,987 | – | 2,005,031 |
| Assigned | 195,749 | – | – |
| Unassigned | (224,546) | (265,876) | – |
| Total fund balances | 362,375 | (265,876) | 2,005,031 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 29,862,299 | $ 687,766 | $ 13,031,324 |

See notes to basic financial statements

| Nonmajor Funds | Total Governmental Funds 2023 | Total Governmental Funds 2022 |
|---|---|---|
| $ 3,123,228 | $ 19,468,141 | $ 16,461,478 |
| 806,497 | 17,733,487 | 16,314,131 |
| 13,577 | 299,104 | 221,311 |
| 26,169 | 92,245 | 87,196 |
| 241,735 | 9,574,433 | 11,549,095 |
| – | 425,000 | 1,374,566 |
| 12,165 | 12,165 | 71,680 |
| 13,066 | 213,251 | 125,360 |
| $ 4,236,437 | $ 47,817,826 | $ 46,204,817 |
| $ 223,292 | $ 647,933 | $ 819,136 |
| 75,397 | 10,829,673 | 9,730,641 |
| 145 | 924,948 | 686,597 |
| – | – | 624,566 |
| 122,431 | 128,531 | 173,406 |
| 421,265 | 12,531,085 | 12,034,346 |
| 1,439,332 | 30,637,954 | 28,409,690 |
| 7,936 | 179,353 | 187,448 |
| 1,447,268 | 30,817,307 | 28,597,138 |
| 25,231 | 225,416 | 197,040 |
| 2,342,673 | 4,538,691 | 4,414,994 |
| – | 195,749 | 250,117 |
| – | (490,422) | 711,182 |
| 2,367,904 | 4,469,434 | 5,573,333 |
| $ 4,236,437 | $ 47,817,826 | $ 46,204,817 |

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INDEPENDENT SCHOOL DISTRICT NO. 831

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

| | 2023 | 2022 |
|---|---|---|
| Total fund balances – governmental funds | $ 4,469,434 | $ 5,573,333 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources. | | |
| Cost of capital assets | 320,026,803 | 309,560,424 |
| Accumulated depreciation/amortization | (112,511,201) | (103,705,552) |
| Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. | | |
| General obligation notes and bonds payable | (152,210,000) | (152,260,000) |
| Certificates of participation payable | (5,610,000) | (6,210,000) |
| Unamortized premium/discount | (3,673,845) | (3,800,440) |
| Lease liability | (4,517,900) | (4,935,975) |
| Net pension liability | (60,770,163) | (33,204,517) |
| Net OPEB liability | (7,341,101) | (8,070,127) |
| Severance benefits payable | (687,394) | (927,694) |
| Compensated absences payable | (957,307) | (1,044,979) |
| Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable. | (2,225,748) | (2,164,946) |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position. | (2,055,951) | (1,522,584) |
| The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements. | | |
| Deferred outflows of resources – bond refunding deferments | 287,552 | 326,111 |
| Deferred outflows of resources – OPEB plan deferments | 451,561 | 450,062 |
| Deferred outflows of resources – pension plan deferments | 18,907,293 | 22,388,984 |
| Deferred inflows of resources – OPEB plan deferments | (3,064,903) | (1,889,577) |
| Deferred inflows of resources – pension plan deferments | (13,217,183) | (57,119,772) |
| Deferred inflows of resources – unavailable revenue – delinquent taxes | 179,353 | 187,448 |
| Total net position – governmental activities | $ (24,520,700) | $ (38,369,801) |

INDEPENDENT SCHOOL DISTRICT NO. 831

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

| | General Fund | Capital Projects – Building Construction Fund | Debt Service Fund |
|---|---|---|---|
| Revenue | | | |
| Local sources | | | |
| Property taxes | $ 18,177,247 | $ – | $ 9,983,522 |
| Investment earnings | 457,304 | 150,860 | 42,540 |
| Other | 2,729,623 | – | – |
| State sources | 60,817,495 | – | 195,330 |
| Federal sources | 3,724,895 | – | – |
| Total revenue | 85,906,564 | 150,860 | 10,221,392 |
| Expenditures | | | |
| Current | | | |
| Administration | 3,593,383 | – | – |
| District support services | 3,389,876 | – | – |
| Elementary and secondary regular instruction | 30,308,513 | – | – |
| Vocational education instruction | 1,510,027 | – | – |
| Special education instruction | 16,062,965 | – | – |
| Instructional support services | 6,701,455 | – | – |
| Pupil support services | 14,597,682 | – | – |
| Sites and buildings | 10,443,052 | – | – |
| Fiscal and other fixed cost programs | 652,894 | – | – |
| Food service | – | – | – |
| Community service | – | – | – |
| Capital outlay | – | 5,558,091 | – |
| Debt service | | | |
| Principal | 1,784,698 | – | 5,045,000 |
| Interest and fiscal charges | 269,733 | 109,447 | 5,104,309 |
| Total expenditures | 89,314,278 | 5,667,538 | 10,149,309 |
| Excess (deficiency) of revenue over expenditures | (3,407,714) | (5,516,678) | 72,083 |
| Other financing sources (uses) | | | |
| Debt issued | 3,409,659 | 4,200,000 | – |
| Premium on debt issued | 71,375 | 68,851 | – |
| Insurance recovery | 51,261 | – | – |
| Sale of assets | – | – | – |
| Transfers in | – | 1,606,517 | – |
| Transfers out | (1,606,517) | – | – |
| Total other financing sources (uses) | 1,925,778 | 5,875,368 | – |
| Net change in fund balances | (1,481,936) | 358,690 | 72,083 |
| Fund balances | | | |
| Beginning of year | 1,844,311 | (624,566) | 1,932,948 |
| End of year | $ 362,375 | $ (265,876) | $ 2,005,031 |

See notes to basic financial statements

| Nonmajor Funds | Total Governmental Funds 2023 | Total Governmental Funds 2022 |
|---|---|---|
| $ 1,396,075 | $ 29,556,844 | $ 29,227,822 |
| – | 650,704 | 26,827 |
| 5,444,686 | 8,174,309 | 6,970,668 |
| 1,021,881 | 62,034,706 | 60,307,971 |
| 2,324,227 | 6,049,122 | 10,590,576 |
| 10,186,869 | 106,465,685 | 107,123,864 |
| | | |
| – | 3,593,383 | 3,554,400 |
| – | 3,389,876 | 3,127,221 |
| – | 30,308,513 | 30,088,093 |
| – | 1,510,027 | 1,421,255 |
| – | 16,062,965 | 15,135,532 |
| – | 6,701,455 | 6,809,508 |
| – | 14,597,682 | 12,191,222 |
| – | 10,443,052 | 13,965,344 |
| – | 652,894 | 735,321 |
| 4,811,443 | 4,811,443 | 4,424,838 |
| 5,176,357 | 5,176,357 | 4,837,300 |
| 251,805 | 5,809,896 | 3,408,315 |
| | | |
| – | 6,829,698 | 6,584,328 |
| – | 5,483,489 | 5,576,355 |
| 10,239,605 | 115,370,730 | 111,859,032 |
| | | |
| (52,736) | (8,905,045) | (4,735,168) |
| | | |
| – | 7,609,659 | 2,129,174 |
| – | 140,226 | – |
| – | 51,261 | 101,945 |
| – | – | 12,545 |
| – | 1,606,517 | – |
| – | (1,606,517) | – |
| – | 7,801,146 | 2,243,664 |
| | | |
| (52,736) | (1,103,899) | (2,491,504) |
| | | |
| 2,420,640 | 5,573,333 | 8,064,837 |
| | | |
| $ 2,367,904 | $ 4,469,434 | $ 5,573,333 |

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INDEPENDENT SCHOOL DISTRICT NO. 831

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

| | 2023 | 2022 |
|---|---|---|
| Total net change in fund balances – governmental funds | $ (1,103,899) | $ (2,491,504) |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation/amortization expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase. | | |
| Capital outlays | 13,754,323 | 11,538,149 |
| Depreciation/amortization expense | (10,275,662) | (9,958,758) |
| A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances. | 30,105 | – |
| The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities. | | |
| General obligation notes and bonds payable | (4,995,000) | – |
| Lease liability | (2,614,659) | (2,129,174) |
| Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances. | | |
| General obligation notes and bonds payable | 5,045,000 | 4,705,000 |
| Certificates of participation payable | 600,000 | 610,000 |
| Lease liability | 1,184,698 | 1,269,328 |
| Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due. | (60,802) | 48,009 |
| Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses. | 126,595 | 258,474 |
| Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances. | | |
| Net pension liability | (27,565,646) | 20,946,132 |
| Net OPEB liability | 729,026 | 105,823 |
| Severance benefits payable | 240,300 | 38,945 |
| Compensated absences payable | 87,672 | (79,585) |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities. | (533,367) | (2,939,592) |
| The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements. | | |
| Deferred outflows of resources – bond refunding deferments | (38,559) | (38,559) |
| Deferred outflows of resources – OPEB plan deferments | 1,499 | (18,276) |
| Deferred outflows of resources – pension plan deferments | (3,481,691) | (3,447,582) |
| Deferred inflows of resources – OPEB plan deferments | (1,175,326) | (517,842) |
| Deferred inflows of resources – pension plan deferments | 43,902,589 | (12,775,934) |
| Deferred inflows of resources – unavailable revenue – delinquent taxes | (8,095) | (46,931) |
| Change in net position – governmental activities | $ 13,849,101 | $ 5,076,123 |

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 831

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

| | Budgeted Amounts | | | Over (Under) |
|---|---|---|---|---|
| | Original | Final | Actual | Final Budget |
| Revenue | | | | |
| Local sources | | | | |
| Property taxes | $ 17,700,000 | $ 17,700,000 | $ 18,177,247 | $ 477,247 |
| Investment earnings | 85,000 | 85,000 | 457,304 | 372,304 |
| Other | 2,315,000 | 2,515,000 | 2,729,623 | 214,623 |
| State sources | 58,700,000 | 60,400,000 | 60,817,495 | 417,495 |
| Federal sources | 2,450,000 | 3,100,000 | 3,724,895 | 624,895 |
| Total revenue | 81,250,000 | 83,800,000 | 85,906,564 | 2,106,564 |
| Expenditures | | | | |
| Current | | | | |
| Administration | 4,070,888 | 3,660,888 | 3,593,383 | (67,505) |
| District support services | 2,850,399 | 3,350,399 | 3,389,876 | 39,477 |
| Elementary and secondary regular instruction | 30,385,957 | 31,461,957 | 30,308,513 | (1,153,444) |
| Vocational education instruction | 1,615,528 | 1,515,528 | 1,510,027 | (5,501) |
| Special education instruction | 13,912,532 | 14,712,532 | 16,062,965 | 1,350,433 |
| Instructional support services | 6,438,594 | 5,738,594 | 6,701,455 | 962,861 |
| Pupil support services | 10,418,092 | 11,963,092 | 14,597,682 | 2,634,590 |
| Sites and buildings | 10,276,435 | 11,376,435 | 10,443,052 | (933,383) |
| Fiscal and other fixed cost programs | 707,575 | 807,575 | 652,894 | (154,681) |
| Debt service | | | | |
| Principal | 460,000 | 1,639,000 | 1,784,698 | 145,698 |
| Interest and fiscal charges | 114,000 | 114,000 | 269,733 | 155,733 |
| Total expenditures | 81,250,000 | 86,340,000 | 89,314,278 | 2,974,278 |
| Excess (deficiency) of revenue over expenditures | – | (2,540,000) | (3,407,714) | (867,714) |
| Other financing sources (uses) | | | | |
| Debt issued | – | 800,000 | 3,409,659 | 2,609,659 |
| Premium on debt issued | – | – | 71,375 | 71,375 |
| Insurance recovery | – | – | 51,261 | 51,261 |
| Transfers out | – | – | (1,606,517) | (1,606,517) |
| Total other financing sources | – | 800,000 | 1,925,778 | 1,125,778 |
| Net change in fund balances | $ – | $ (1,740,000) | (1,481,936) | $ 258,064 |
| Fund balances | | | | |
| Beginning of year | | | 1,844,311 | |
| End of year | | | $ 362,375 | |

See notes to basic financial statements

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

| | 2023 | 2022 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and temporary investments | $ 502,688 | $ 2,150,603 |
| Receivables | | |
| Accounts and interest | 254,496 | 23,356 |
| Due from other funds | 42,894 | – |
| Prepaid items | 173,900 | – |
| Total current assets | 973,978 | 2,173,959 |
| Liabilities | | |
| Current liabilities | | |
| Accounts and contracts payable | 247,730 | 732,540 |
| Due to other funds | 42,894 | – |
| Unearned revenue | 1,807,260 | 2,074,247 |
| Claims incurred, but not reported | 932,045 | 889,756 |
| Total current liabilities | 3,029,929 | 3,696,543 |
| Net position | | |
| Unrestricted | $ (2,055,951) | $ (1,522,584) |

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 831

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

| | 2023 | 2022 |
|---|---|---|
| Operating revenue | | |
| Charges for services | | |
| Contributions from governmental funds | $ 10,034,619 | $ 10,717,437 |
| Operating expenses | | |
| Health benefit claims | 10,010,503 | 13,067,985 |
| Dental benefit claims | 589,388 | 598,540 |
| Total operating expenses | 10,599,891 | 13,666,525 |
| Operating income (loss) | (565,272) | (2,949,088) |
| Nonoperating revenue | | |
| Investment earnings | 31,905 | 9,496 |
| Change in net position | (533,367) | (2,939,592) |
| Net position | | |
| Beginning of year | (1,522,584) | 1,417,008 |
| End of year | $ (2,055,951) | $ (1,522,584) |

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

| | 2023 | 2022 |
|---|---|---|
| Cash flows from operating activities | | |
| Contributions from governmental funds | $ 9,536,492 | $ 10,684,287 |
| Payment for health claims | (10,617,755) | (12,540,327) |
| Payment for dental claims | (598,557) | (580,028) |
| Net cash flows from operating activities | (1,679,820) | (2,436,068) |
| Cash flows from noncapital financing activities | | |
| Cash advance from other funds | 42,894 | – |
| Cash paid to other funds | (42,894) | – |
| Net cash flows from noncapital financing activities | – | – |
| Cash flows from investing activities | | |
| Investment income received | 31,905 | 9,496 |
| Net change in cash and cash equivalents | (1,647,915) | (2,426,572) |
| Cash and cash equivalents | | |
| Beginning of year | 2,150,603 | 4,577,175 |
| End of year | $ 502,688 | $ 2,150,603 |
| Reconciliation of operating income (loss) to net cash flows from operating activities | | |
| Operating income (loss) | $ (565,272) | $ (2,949,088) |
| Adjustments to reconcile operating income (loss) to net cash flows from operating activities | | |
| Changes in assets and liabilities | | |
| Accounts and interest receivable | (231,140) | 5,606 |
| Prepaid items | (173,900) | 3,000 |
| Accounts and contracts payable | (484,810) | 469,680 |
| Unearned revenue | (266,987) | (38,756) |
| Claims incurred, but not reported | 42,289 | 73,490 |
| Net cash flows from operating activities | $ (1,679,820) | $ (2,436,068) |

See notes to basic financial statements

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

| | | Post-Employment Benefits Trust Fund |
|---|---|---|
| Assets | | |
| Investments | | |
| U.S. treasuries | $ | 534,756 |
| State and local bonds | | 308,512 |
| MNTrust Investment Shares Portfolio | | 9,971 |
| Accounts and interest receivable | | 4,207 |
| Total assets | | 857,446 |
| Liabilities | | |
| Due to other funds | | 425,000 |
| Net position | | |
| Held in trust for employee benefits | $ | 432,446 |

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

| | | Post-Employment Benefits Trust Fund |
|---|---|---|
| Additions | | |
| Investment earnings | $ | 23,387 |
| Deductions | | |
| Benefits paid to plan members and administrative fees | | 300,250 |
| Change in net position | | (276,863) |
| Net position | | |
| Beginning of year | | 709,309 |
| End of year | $ | 432,446 |

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Organization

Independent School District No. 831 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

### B. Reporting Entity

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

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

### C. Government-Wide Financial Statement Presentation

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment 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 internally directed revenues are reported instead as general revenues.

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

For capital assets that can be specifically identified with, or allocated to functional areas, depreciation/amortization expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation/amortization expense is reported as "depreciation and amortization not allocated to other functions." Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

## D. Fund Financial Statement Presentation

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

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

1. **Revenue Recognition** – Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues, including property taxes, to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Proceeds of long-term debt and acquisitions under leases are reported as other financing sources.

2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

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

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary funds are presented in the fiduciary fund financial statements by type, for which the District has one Post-Employment Benefits Trust Fund. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

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

### Description of Funds

The existence of the various district funds has been established by the Minnesota Department of Education (MDE). Each fund is accounted for as an independent entity. Descriptions of the funds included in this report are as follows:

### Major Governmental Funds

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

**Capital Projects – Building Construction Fund** – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities and as authorized by the District's MDE-approved long-term facilities maintenance program.

**Debt Service Fund** – The Debt Service Fund is used to account for the accumulation of resources for, and payment of general obligation debt principal, interest, and related costs. The regular debt service account is used for all general obligation debt service except for the financial activities of the other post-employment benefits (OPEB) debt service account. The OPEB debt service account is used for the taxable OPEB bond issues.

### Nonmajor Governmental Funds

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

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

### Proprietary Funds

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

### Fiduciary Fund

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### E. Budgetary Information

The School Board adopts an annual budget for all governmental funds prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted appropriations lapse at year-end. Expenditures in the General, Food Service Special Revenue, Capital Projects – Building Construction, and Debt Service Funds exceeded budgeted appropriations by $2,974,278, $802,887, $3,567,538, and $1,179,309, respectively, during the year ended June 30, 2023. Revenues in excess of budget, along with available fund balance, financed these variances.

### F. Cash and Temporary Investments

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

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

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

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

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

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

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### G. Receivables

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

### H. Inventories

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

### I. Prepaid Items

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

### J. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes $829,629 of the property tax levy collectible in 2023 as revenue to the District in fiscal year 2022–2023. The remaining portion of the taxes collectible in 2023 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

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

### K. Subscription-Based Information Technology Arrangements (SBITAs)

A SBITA is a contract that conveys control of the right to use another party's information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The District has entered into certain SBITAs for education, evaluation tracking, and other purposes. Capital assets associated with SBITAs are presented separately from other capital assets in Note 3 and are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets. When applicable, a subscription liability is reported in Note 4 to include the terms and related disclosures associated with any subscription liability.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### L. Capital Assets

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

Capital assets are recorded in the government-wide financial statements, but are not reported in the governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for buildings and building and land improvements, 5 to 15 years for furniture and equipment, and 10 to 20 years for intangible assets. Leased assets are amortized over the term of the lease or over the useful life of the applicable asset class previously described, if future ownership is anticipated. SBITAs are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets. Land and construction in progress are not depreciated.

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

### 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. If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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

### N. Compensated Absences

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### O. Severance Benefits

The District provides lump sum severance benefits to eligible employees in accordance with provisions in certain collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. The severance benefit is calculated by converting a portion of unused accumulated sick leave. No individual can receive severance benefits in excess of one year's salary. Members of certain employee groups may also elect to receive district matching contributions paid into a tax-deferred matching contribution plan. The amount of any severance or retirement benefit due to an individual is reduced by the total matching contributions made by the District to such a plan over the course of that individual's employment.

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

### P. State-Wide Pension Plans

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

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

### Q. Other Post-Employment Benefits (OPEB) Plan

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

### R. Deferred Outflows/Inflows of Resources

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

The District reports deferred outflows of resources related to bond refunding deferments in the government-wide Statement of Net Position. A bond refunding deferment results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

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

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

### S. Net Position

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

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation/amortization, reduced by any outstanding debt attributable to acquire capital assets.

- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

- **Unrestricted Net Position** – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

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

### T. Fund Balance Classifications

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

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.

- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

- **Committed** – Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In the governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority.

- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

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

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

### U. Use of Estimates

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

### V. Risk Management and Self-Insurance

1. **General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in the current year.

2. **Self-Insurance** – The District has established two internal service funds to account for and finance its self-insured risk of loss for respective employee dental and health insurance plans. Under these plans, the internal service funds provide coverage to participating employees and their dependents for various dental and healthcare costs as described in the plans.

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

| | Balance – Beginning of Year | Charges and Changes in Estimates | Claim Payments | Balance – End of Year |
|---|---|---|---|---|
| 2022 | $ 13,515 | $ 598,540 | $ 599,472 | $ 12,583 |
| 2023 | $ 12,583 | $ 589,388 | $ 586,421 | $ 15,550 |

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

| | Balance – Beginning of Year | Charges and Changes in Estimates | Claim Payments | Balance – End of Year |
|---|---|---|---|---|
| 2022 | $ 802,751 | $ 13,067,985 | $ 12,993,563 | $ 877,173 |
| 2023 | $ 877,173 | $ 10,010,503 | $ 9,971,181 | $ 916,495 |

### W. Prior Period Comparative Financial Information/Reclassification

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

### X. Change in Accounting Principle

During the year ended June 30, 2023, the District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). This statement provides guidance on the accounting and financial reporting for SBITAs for government end users. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. Certain amounts necessary to fully restate fiscal year 2022 financial information are not determinable; therefore, prior year comparative amounts have not been restated. The implementation of this new GASB statement in the current year resulted in the District reporting new capital assets for technology subscriptions, but did not change beginning net position in the government-wide financial statements in the current year. See Note 3 for additional details on this change in the current year.

## NOTE 2 – DEPOSITS AND INVESTMENTS

### A. Components of Cash and Investments

Cash and investments at year-end consist of the following:

| | | |
|---|---|---|
| Deposits | $ | 2,437,652 |
| Investments | | 18,386,416 |
| Total deposits and investments | $ | 20,824,068 |

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

| | | |
|---|---|---|
| Statement of Net Position | | |
| Cash and temporary investments | $ | 19,970,829 |
| Statement of Fiduciary Net Position | | |
| Investments – U.S. treasuries | | 534,756 |
| Investments – state and local bonds | | 308,512 |
| Investments – MNTrust Investment Shares Portfolio | | 9,971 |
| Total deposits and investments | $ | 20,824,068 |

### B. Deposits

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

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

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

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

At year-end, the carrying amount of the District's deposits was $2,437,652, while the balance on the bank records was $6,465,215. At June 30, 2023, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the District's agent in the District's name.

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

### C. Investments

The District has the following investments at year-end:

| Deposits/Investments | Credit Risk Rating | Credit Risk Agency | Fair Value Measurements Using | Interest Risk – Maturity Duration in Years Less Than 1 | Interest Risk – Maturity Duration in Years 1 to 5 | Total |
|---|---|---|---|---|---|---|
| U.S. treasuries | AA | S&P | Level 2 | $ 1,392,388 | $ 141,053 | $ 1,533,441 |
| State and local bonds | AA | S&P | Level 2 | $ 308,512 | $ – | 308,512 |
| Investment pools/mutual funds | | | | | | |
| Minnesota School District Liquid Asset Fund | AAA | S&P | Amortized Cost | N/A | N/A | 113,952 |
| MNTrust Investment Shares Portfolio | AAA | S&P | Amortized Cost | N/A | N/A | 10,514,195 |
| MNTrust Limited Term Duration | N/R | N/A | Amortized Cost | N/A | N/A | 2,010,030 |
| MNTrust Term Series Flex | N/R | N/A | Amortized Cost | N/A | N/A | 3,331,139 |
| Wells Fargo Federal Treasury Obligation I | AAA | S&P | Level 1 | N/A | N/A | 575,147 |
| Total investments | | | | | | $ 18,386,416 |

N/A – Not Applicable
N/R – Not Rated

The District's investments include investment pools managed by MNTrust and the Minnesota School District Liquid Asset Fund (MSDLAF), which are external investment pools regulated by Minnesota Statutes not registered with the Securities and Exchange Commission. The District's investments in these investment pools are measured at the net asset value per share provided by the pools, which are based on amortized cost methods that approximate fair value. There are no restrictions or limitations on withdrawals from the MNTrust Investment Shares Portfolio or MSDLAF Liquid Class investment pools. Investments in the MSDLAF MAX Class must be deposited for a minimum of 14 calendar days. MNTrust Limited Term Duration must be deposited for a minimum of 30 calendar days. MNTrust Term Series Flex offer weekly liquidity with a one-day notice of withdrawal.

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

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

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

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

**Credit Risk** – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. For assets held in the Post-Employment Benefits Trust Fund, the investment options available to the District are expanded to include the investment types specified in Minnesota Statutes § 356A.06, Subd. 7. The District's investment policies do not further restrict investing in specific financial instruments.

## NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year is as follows:

| | Beginning Balance | Additions | Deletions | Completed Construction | Ending Balance |
|---|---|---|---|---|---|
| Capital assets, not depreciated/amortized | | | | | |
| Land | $ 1,885,726 | $ 1,276,700 | $ – | $ – | $ 3,162,426 |
| Construction in progress | 365,314 | 7,325,428 | – | (1,841,291) | 5,849,451 |
| Total capital assets, not depreciated/amortized | 2,251,040 | 8,602,128 | – | (1,841,291) | 9,011,877 |
| Capital assets, depreciated/amortized | | | | | |
| Buildings | 78,602,259 | – | – | – | 78,602,259 |
| Leased buildings | 528,394 | – | – | – | 528,394 |
| Building and land improvements | 193,959,935 | 257,873 | – | 1,841,291 | 196,059,099 |
| Furniture and equipment | 26,646,887 | 1,547,131 | (865,223) | – | 27,328,795 |
| Leased furniture and equipment | 5,676,909 | 2,614,659 | (2,422,721) | – | 5,868,847 |
| Technology subscriptions | – | 732,532 | – | – | 732,532 |
| Intangibles | 1,895,000 | – | – | – | 1,895,000 |
| Total capital assets, depreciated/amortized | 307,309,384 | 5,152,195 | (3,287,944) | 1,841,291 | 311,014,926 |
| Less accumulated depreciation/amortization for | | | | | |
| Buildings | (55,514,528) | (1,441,917) | – | – | (56,956,445) |
| Leased buildings | (176,131) | (176,131) | – | – | (352,262) |
| Building and land improvements | (27,121,524) | (5,656,454) | – | – | (32,777,978) |
| Furniture and equipment | (18,615,158) | (1,562,600) | 603,694 | – | (19,574,064) |
| Leased furniture and equipment | (1,683,117) | (1,339,730) | 866,319 | – | (2,156,528) |
| Technology subscriptions | – | (73,253) | – | – | (73,253) |
| Intangibles | (595,094) | (25,577) | – | – | (620,671) |
| Total accumulated depreciation/amortization | (103,705,552) | (10,275,662) | 1,470,013 | – | (112,511,201) |
| Net capital assets, depreciated/amortized | 203,603,832 | (5,123,467) | (1,817,931) | 1,841,291 | 198,503,725 |
| Total capital assets, net | $ 205,854,872 | $ 3,478,661 | $ (1,817,931) | $ – | $ 207,515,602 |

## NOTE 3 – CAPITAL ASSETS (CONTINUED)

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

| | |
|---|---|
| Administration | $ 28,327 |
| District support services | 60,936 |
| Elementary and secondary regular instruction | 200,759 |
| Vocational education instruction | 19,548 |
| Special education instruction | 3,882 |
| Instructional support services | 35,400 |
| Pupil support services | 1,869,949 |
| Community service | 6,459 |
| Depreciation and amortization not allocated to other functions | 8,050,402 |
| Total depreciation/amortization expense | $ 10,275,662 |

## NOTE 4 – LONG-TERM LIABILITIES

### A. General Obligation Notes and Bonds Payable

The District currently has the following general obligation notes and bonds payable outstanding:

| Issue | Issue Date | Interest Rate | Face/Par Value | Final Maturity | Principal Outstanding |
|---|---|---|---|---|---|
| School building bonds | 05/05/2016 | 2.00–5.00% | $ 75,000,000 | 02/01/2046 | $ 68,745,000 |
| School building bonds | 12/15/2016 | 3.00–5.00% | $ 67,070,000 | 02/01/2046 | 60,665,000 |
| Taxable OPEB refunding bonds | 12/15/2016 | 1.25–3.35% | $ 5,365,000 | 02/01/2030 | 3,445,000 |
| Facilities maintenance and tax abatement bonds | 08/16/2018 | 3.00–5.00% | $ 8,250,000 | 02/01/2029 | 5,520,000 |
| Facilities maintenance and capital facilities bonds | 04/30/2020 | 2.00–4.00% | $ 9,610,000 | 02/01/2035 | 8,840,000 |
| Capital notes and facilities maintenance bonds | 08/25/2022 | 3.00–4.00% | $ 4,995,000 | 02/01/2036 | 4,995,000 |
| Total general obligation notes and bonds payable | | | | | $ 152,210,000 |

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

### B. Certificates of Participation Payable

| Issue | Issue Date | Interest Rate | Face/Par Value | Final Maturity | Principal Outstanding |
|---|---|---|---|---|---|
| Certificates of participation | 06/17/2021 | 2.00–4.00% | $ 6,820,000 | 04/01/2031 | $ 5,610,000 |

This certificate of participation was issued to finance improvements at Forest Lake Area High School and to retire (refund) a prior certificate of participation. The certificates of participation are paid by the General Fund. The debt is secured by the original property purchased and includes terms that upon default all payments may become due and payable. The debtor also may repossess the property and seek full recovery of any losses upon default.

## NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

### C. Lease Liability

The District has obtained the use of certain equipment and building space through a lease financing agreement. The total amount of underlying lease assets by major classes and the related accumulated amortization is presented in Note 3 to the basic financial statements. Annual principal and interest on these agreements will be paid from the General Fund. The agreements are secured by the original property. The lessor also may repossess the property and seek full recovery of the losses upon default. The District currently has the following lease liability obligations outstanding:

| Lease Description | Lease Date | Interest Rate | Final Maturity | Principal Outstanding |
|---|---|---|---|---|
| Bus lease | 09/15/2020 | 2.68% | 09/15/2027 | $ 373,308 |
| Bus lease | 08/15/2022 | 3.50% | 09/15/2027 | 1,240,108 |
| Bus lease | 10/05/2022 | 3.85% | 11/05/2029 | 727,133 |
| Bus lease | 08/15/2022 | 3.60% | 09/15/2027 | 221,131 |
| Bus lease | 01/25/2019 | 3.80% | 07/25/2023 | 351,898 |
| Bus lease | 08/15/2021 | 2.10% | 08/15/2026 | 1,374,750 |
| Step building space | 09/01/2008 | 3.58% | 11/01/2024 | 229,572 |
| Total lease liability | | | | $ 4,517,900 |

### D. Other Long-Term Liabilities

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

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

| Pension Plans | Net Pension Liabilities | Deferred Outflows of Resources | Deferred Inflows of Resources | Pension Expense |
|---|---|---|---|---|
| PERA | $ 15,824,228 | $ 5,309,288 | $ 588,555 | $ 1,877,894 |
| TRA | 44,945,935 | 13,598,005 | 12,628,628 | (10,125,846) |
| Total | $ 60,770,163 | $ 18,907,293 | $ 13,217,183 | $ (8,247,952) |

## NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

### E. Minimum Debt Payments

Minimum annual principal and interest payments to maturity for general obligation notes and bonds, certificates of participation, and lease liability are as follows:

| Year Ending | General Obligation Notes and Bonds | | Certificates of Participation | | Lease Liability | |
|---|---|---|---|---|---|---|
| June 30, | Principal | Interest | Principal | Interest | Principal | Interest |
| 2024 | $ 5,330,000 | $ 5,152,964 | $ 630,000 | $ 152,150 | $ 1,430,182 | $ 119,920 |
| 2025 | 5,610,000 | 4,832,783 | 655,000 | 126,950 | 1,045,584 | 88,431 |
| 2026 | 5,840,000 | 4,605,808 | 675,000 | 107,300 | 995,445 | 60,247 |
| 2027 | 6,060,000 | 4,387,455 | 690,000 | 87,050 | 454,402 | 57,120 |
| 2028 | 6,265,000 | 4,179,805 | 715,000 | 66,350 | 369,436 | 18,545 |
| 2029–2033 | 31,515,000 | 18,072,726 | 2,245,000 | 90,500 | 222,851 | 8,549 |
| 2034–2038 | 33,980,000 | 13,023,938 | – | – | – | – |
| 2039–2043 | 34,175,000 | 7,626,713 | – | – | – | – |
| 2044–2046 | 23,435,000 | 1,651,063 | – | – | – | – |
| | $ 152,210,000 | $ 63,533,255 | $ 5,610,000 | $ 630,300 | $ 4,517,900 | $ 352,812 |

### F. Changes in Long-Term Liabilities

| | Beginning Balance | Additions | Retirements * | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| General obligation notes and bonds payable | $ 152,260,000 | $ 4,995,000 | $ 5,045,000 | $ 152,210,000 | $ 5,330,000 |
| Certificates of participation payable | 6,210,000 | – | 600,000 | 5,610,000 | 630,000 |
| Unamortized premium/discount | 3,800,440 | 140,226 | 266,821 | 3,673,845 | – |
| Total notes, bonds, and certificates payable | 162,270,440 | 5,135,226 | 5,911,821 | 161,493,845 | 5,960,000 |
| Lease liability | 4,935,975 | 2,614,659 | 3,032,734 | 4,517,900 | 1,430,182 |
| Net pension liability | 33,204,517 | 31,810,517 | 4,244,871 | 60,770,163 | – |
| Net OPEB liability | 8,070,127 | 447,775 | 1,176,801 | 7,341,101 | – |
| Severance benefits payable | 927,694 | 31,002 | 271,302 | 687,394 | 195,749 |
| Compensated absences payable | 1,044,979 | 686,649 | 774,321 | 957,307 | 774,321 |
| | $ 210,453,732 | $ 40,725,828 | $ 15,411,850 | $ 235,767,710 | $ 8,360,252 |

* The lease liability retirement amount includes $1,848,036 that was the result of a lease termination in the current year and is not a debt service principal payment.

## NOTE 5 – FUND BALANCES

The following is a breakdown of equity components of governmental funds, which are defined earlier in the report. When applicable, certain restrictions, which have an accumulated deficit balance at June 30, are included in unassigned fund balance in the District's financial statements in accordance with accounting principles generally accepted in the United States of America. A description of these deficit balance restrictions is included herein since the District has specific authority to future resources for such deficits. At June 30, 2023, a summary of the District's governmental fund balance classifications are as follows:

| | General Fund | Capital Projects – Building Construction Fund | Debt Service Fund | Nonmajor Funds | Total |
|---|---|---|---|---|---|
| Nonspendable | | | | | |
| Inventory | $ – | $ – | $ – | $ 12,165 | $ 12,165 |
| Prepaid items | 200,185 | – | – | 13,066 | 213,251 |
| Total nonspendable | 200,185 | – | – | 25,231 | 225,416 |
| Restricted | | | | | |
| Student activities | 122,714 | – | – | – | 122,714 |
| Achievement and integration | 68,273 | – | – | – | 68,273 |
| Food service | – | – | – | 719,572 | 719,572 |
| Debt service | – | – | 2,005,031 | – | 2,005,031 |
| Community education programs | – | – | – | 1,137,524 | 1,137,524 |
| Early childhood and family education programs | – | – | – | 285,000 | 285,000 |
| School readiness | – | – | – | 185,925 | 185,925 |
| Community service | – | – | – | 14,652 | 14,652 |
| Total restricted | 190,987 | – | 2,005,031 | 2,342,673 | 4,538,691 |
| Assigned | | | | | |
| Severance | 195,749 | – | – | – | 195,749 |
| Unassigned | | | | | |
| Long-term facilities maintenance restricted account deficit | (2,705,167) | (265,876) | – | – | (2,971,043) |
| Unassigned | 2,480,621 | – | – | – | 2,480,621 |
| Total unassigned | (224,546) | (265,876) | – | – | (490,422) |
| Total | $ 362,375 | $ (265,876) | $ 2,005,031 | $ 2,367,904 | $ 4,469,434 |

## NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

### A. Plan Descriptions

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

#### 1. General Employees Retirement Fund (GERF)

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

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

#### 2. Teachers Retirement Association (TRA)

The TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. The TRA is a separate statutory entity, administered by a Board of Trustees. The Board of Trustees consists of four active members, one retired member, and three statutory officials.

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

### B. Benefits Provided

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

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

#### 1. GERF Benefits

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

Benefit increases are provided to benefit recipients each January. The post-retirement increase is equal to 50.0 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.0 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase, will receive the full increase. For recipients receiving the annuity or benefit for at least one month, but less than a full year as of the June 30 before the effective date of the increase, will receive a reduced prorated increase. For members retiring on January 1, 2024 or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**2. TRA Benefits**

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

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

**Tier I Benefits**

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

With these provisions:

(a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

(b) Three percent per year early retirement reduction factor for all years under normal retirement age.

(c) Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

**Tier II Benefits**

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

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

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

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

## C. Contributions

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

### 1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2023 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2023, were $1,120,640. The District's contributions were equal to the required contributions as set by state statutes.

### 2. TRA Contributions

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

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

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2023, were $2,941,813. The District's contributions were equal to the required contributions for each year as set by state statutes.

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

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

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

### D. Pension Costs

#### 1. GERF Pension Costs

At June 30, 2023, the District reported a liability of $15,824,228 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of $16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the District totaled $464,015. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of the PERA's participating employers. The District's proportionate share was 0.1998 percent at the end of the measurement period and 0.1970 percent for the beginning of the period.

| | |
|---|---|
| District's proportionate share of the net pension liability | $ 15,824,228 |
| State's proportionate share of the net pension liability associated with the District | $ 464,015 |

For the year ended June 30, 2023, the District recognized pension expense of $1,808,560 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional $69,334 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of $16 million to the GERF.

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

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ 132,176 | $ 167,563 |
| Changes in actuarial assumptions | 3,532,637 | 67,259 |
| Net collective difference between projected and actual investment earnings on pension plan investments | 385,777 | – |
| Changes in proportion | 138,058 | 353,733 |
| District's contributions to the GERF subsequent to the measurement date | 1,120,640 | – |
| Total | $ 5,309,288 | $ 588,555 |

The $1,120,640 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30, | Pension Expense Amount |
|---|---|
| 2024 | $ 1,299,396 |
| 2025 | $ 1,315,776 |
| 2026 | $ (446,146) |
| 2027 | $ 1,431,067 |

### 2. TRA Pension Costs

At June 30, 2023, the District reported a liability of $44,945,935 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Minneapolis School District. The District's proportionate share was 0.5613 percent at the end of the measurement period and 0.5665 percent for the beginning of the period.

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

| | |
|---|---|
| District's proportionate share of the net pension liability | $ 44,945,935 |
| State's proportionate share of the net pension liability associated with the District | $ 3,332,999 |

For the year ended June 30, 2023, the District recognized negative pension expense of $10,584,143. It also recognized $458,297 as an increase to pension expense for the support provided by direct aid.

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

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ 659,385 | $ 386,240 |
| Changes in actuarial assumptions | 7,266,829 | 9,255,585 |
| Net collective difference between projected and actual investment earnings on pension plan investments | 1,100,254 | – |
| Changes in proportion | 1,629,724 | 2,986,803 |
| District's contributions to the TRA subsequent to the measurement date | 2,941,813 | – |
| Total | $ 13,598,005 | $ 12,628,628 |

A total of $2,941,813 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

| Year Ending June 30, | Pension Expense Amount |
|---|---|
| 2024 | $ (10,061,652) |
| 2025 | $ 1,334,809 |
| 2026 | $ 871,506 |
| 2027 | $ 5,889,138 |
| 2028 | $ (6,237) |

**E. Long-Term Expected Return on Investment**

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

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

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

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

**F. Actuarial Methods and Assumptions**

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

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

**1. GERF**

The long-term rate of return on pension plan investments used in the determination of the total liability is 6.50 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.50 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

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

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

**2. TRA**

Salary increases were based on a service-related table.

| Mortality Assumptions Used in Valuation of Total Pension Liability | |
|---|---|
| Pre-retirement | RP-2014 White Collar Employee Table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 Scale. |
| Post-retirement | RP-2014 White Collar Annuitant Table, male and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 Scale. |
| Post-disability | RP-2014 Disabled Retiree Mortality Table, without adjustment. |

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

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

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

The following changes in actuarial assumptions occurred in 2022:

**1. GERF**

**CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2. TRA**

**CHANGES IN ACTUARIAL ASSUMPTIONS**

- None.

### G. Discount Rate

**1. GERF**

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

**2. TRA**

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

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

### H. Pension Liability Sensitivity

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

| | 1% Decrease in Discount Rate | Current Discount Rate | 1% Increase in Discount Rate |
|---|---|---|---|
| GERF discount rate | 5.50% | 6.50% | 7.50% |
| District's proportionate share of the GERF net pension liability | $ 24,995,194 | $ 15,824,228 | $ 8,302,617 |
| TRA discount rate | 6.00% | 7.00% | 8.00% |
| District's proportionate share of the TRA net pension liability | $ 70,854,819 | $ 44,945,935 | $ 23,708,728 |

### I. Pension Plan Fiduciary Net Position

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

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

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

### A. Plan Description

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

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

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

### B. Benefits Provided

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

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

### C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District has established the Post-Employment Benefits Trust Fund to finance these obligations.

### D. Membership

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

| | |
|---|---|
| Retirees and beneficiaries receiving benefits | 102 |
| Active plan members | 739 |
| Total members | 841 |

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

### E. Net OPEB Liability of the District

The District's net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2022. The components of the net OPEB liability of the District at year-end were as follows:

| | |
|---|---|
| Total OPEB liability | $ 7,773,547 |
| Plan fiduciary net position | (432,446) |
| District's net OPEB liability | $ 7,341,101 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 5.6% |

### F. Actuarial Method and Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2022, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Discount rate | 3.90% |
| Expected long-term investment return | 5.00% (net of investment expenses) |
| 20-year municipal bond yield | 3.90% |
| Inflation rate | 2.50% |
| Salary increases | Service graded table |
| Medical trend rate | 6.50%, grading to 5.00% over 6 years and then 4.00% over the next 48 years |
| Dental trend rate | 4.00% |

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

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

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

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

| Asset Class | Target Allocation | Long-Term Expected Rate of Return |
|---|---|---|
| Fixed income | 95.00 % | 5.00 % |
| Cash | 5.00 | 4.00 % |
| Total | 100.00 % | 5.00 % |

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

### G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 3.30 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### H. Discount Rate

The discount rate used to measure the total OPEB liability was 3.90 percent. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. The contribution and benefit payment history, as well as the funding policy, have also been considered. The District discount rate used in the prior measurement date was 3.80 percent.

### I. Changes in the Net OPEB Liability

| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
|---|---|---|---|
| Beginning balance | $ 8,779,436 | $ 709,309 | $ 8,070,127 |
| Changes for the year | | | |
| Service cost | 472,946 | – | 472,946 |
| Interest | 345,888 | – | 345,888 |
| Assumption changes | 90,967 | – | 90,967 |
| Plan changes | 34,180 | – | 34,180 |
| Employer contributions | – | 2,974 | (2,974) |
| Net investment income | – | 35,465 | (35,465) |
| Differences between expected and actual experience | (1,646,896) | (12,078) | (1,634,818) |
| Benefit payments – employer financed | (2,974) | (2,974) | – |
| Benefit payments – paid by trust | (300,000) | (300,000) | – |
| Administrative expenses | – | (250) | 250 |
| Total net changes | (1,005,889) | (276,863) | (729,026) |
| Ending balance | $ 7,773,547 | $ 432,446 | $ 7,341,101 |

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

Plan changes since the prior measurement date include the following:

- The principals' and activities directors' post-employment subsidy calculation changed. Accumulated unused sick days are those exceeding 105, but not more than 125. Previously, unused sick days were those exceeding 105, but not more than 115.
- The assessment and evaluation coordinator and full-time department coordinators' post-employment subsidy calculation changed. Accumulated unused sick days are those exceeding 195, but not more than 125. Previously, unused sick days were those exceeding 205, but not more than 115. Accumulated unused sick days are multiplied by half of the daily rate of pay. Previously, unused sick days were multiplied by the substitute teachers' daily rate of pay.

Assumption changes since the prior measurement date include the following:

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The salary increase rates for nonteachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.
- The expected long-term investment return was changed from 2.90 percent to 5.00 percent.
- The discount rate was changed from 3.80 percent to 3.90 percent.

### J. Net OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes

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

| | 1% Decrease in Discount Rate | Current Discount Rate | 1% Increase in Discount Rate |
|---|---|---|---|
| OPEB discount rate | 2.90% | 3.90% | 4.90% |
| Net OPEB liability | $ 7,868,884 | $ 7,341,101 | $ 6,843,114 |

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

| | 1% Decrease in Healthcare Trend Rate | Current Healthcare Trend Rate | 1% Increase in Healthcare Trend Rate |
|---|---|---|---|
| Medical trend rate | 5.50% decreasing to 4.00% then 3.00% | 6.50% decreasing to 5.00% then 4.00% | 7.50% decreasing to 6.00% then 5.00% |
| Dental trend rate | 3.00% | 4.00% | 5.00% |
| Net OPEB liability | $ 6,639,426 | $ 7,341,101 | $ 8,162,730 |

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

For the current year ended, the District recognized OPEB expense of $447,775. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ – | $ 2,191,551 |
| Changes in actuarial assumptions | 388,646 | 873,352 |
| Differences between projected and actual investment earnings | 62,915 | – |
| Total | $ 451,561 | $ 3,064,903 |

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, | OPEB Expense Amount |
|---|---|
| 2024 | $ (373,211) |
| 2025 | $ (373,255) |
| 2026 | $ (377,154) |
| 2027 | $ (360,044) |
| 2028 | $ (326,776) |
| Thereafter | $ (802,902) |

## NOTE 8 – FLEXIBLE BENEFIT PLAN

The District has a cafeteria plan (the Plan) established under § 125 of the IRC. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pretax dollars withheld from payroll checks to the Plan for healthcare and dependent care benefits.

Before the beginning of the Plan year, which is from September 1 to August 31, each participant designates a total amount of pretax dollars to be contributed to the Plan during the year. Payments are made from the Plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the Plan, whether or not such contributions have been made.

The Plan is administered by the District for child care, medical expense reimbursements, and health insurance premiums. The District withholds amounts from employee payroll checks equal to the amount of the health insurance premiums owing and makes the premium payments when due. These payments are recorded in the General Fund. The medical reimbursement and dependent care activity in the financial statements is accounted for in the General Fund.

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

## NOTE 9 – HEALTHCARE REIMBURSEMENT PLAN

The District also maintains a healthcare reimbursement plan (the Healthcare Plan) under § 105 of the IRC. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Participants may use the funds contributed by the District to be reimbursed for uninsured health expenses paid, additional costs associated with health insurance coverage, or insurance premiums paid under a spouse or dependent plan.

All assets of the Healthcare Plan are held by the District. The Healthcare Plan is administered by an independent contract administrator and is included in the financial statements in the various district funds.

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

## NOTE 10 – INTERFUND TRANSACTIONS

### A. Interfund Receivables and Payables

The District's General Fund has an interfund receivable from the fiduciary Post-Employment Benefits Trust Fund relating to post-employment benefit costs of $425,000 to be reimbursed as of June 30, 2023.

The District's Dental Benefits Self-Insurance Internal Service Fund has an interfund receivable from the Health Benefits Self-Insurance Internal Service Fund of $42,894 to eliminate temporary cash balance deficits.

Interfund receivables and payables reported in the fund financial statements are eliminated to the extent possible in the government-wide financial statements. However, receivables and payables between the District's governmental activities and the fiduciary fund are not eliminated.

### B. Interfund Transfers

The District transferred $1,606,517 from the General Fund to the Capital Projects – Building Construction Fund to allocate revenues levied by the General Fund and expended by the Capital Projects – Building Construction Fund.

Such interfund transfers are reported in the fund financial statements, but are eliminated in the government-wide financial statements.

## NOTE 11 – STEWARDSHIP AND ACCOUNTABILITY

As of June 30, 2023, the District's Health Benefits Self-Insurance Internal Service Fund had a deficit net position of $2,460,421. This deficit is expected to be eliminated through future premiums paid from the District's governmental funds.

As of June 30, 2023, the District's Capital Projects – Building Construction Fund had a deficit fund balance of $265,876. This deficit is expected to be eliminated through future bond proceeds.

## NOTE 12 – COMMITMENTS AND CONTINGENCIES

### A. Federal and State Revenues

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

### B. Legal Claims

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

## NOTE 12 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

### C. Guaranteed Energy Savings Commitment

During fiscal year 2016, the District entered into a guaranteed energy savings agreement under Minnesota Statutes, Section 471.345, Subd. 13, not to exceed 20 years. This agreement is for the purpose of implementing comprehensive utility cost-saving measures to improve the energy efficiency of school district facilities. As of June 30, 2023, the District has recorded $1,895,000 as an intangible asset related to this energy savings contract. Total accumulated depreciation/amortization on these intangible assets at year-end was $620,671. The District is also required to purchase the energy generated by the solar panels owned by the provider that are installed on various buildings of the District.

### D. Purchase Power Commitment

During fiscal year 2018, the District entered into five community solar garden subscription agreements. The District is committed to purchasing up to 36.94 percent of the annual delivered energy of three solar systems, 29.77 percent of the annual delivered energy of one solar system, and 34.25 percent of the annual delivered energy of one solar system for a period of 25 years from the commercial operation starting date to receive bill credits associated with the energy production.

During fiscal year 2018, the District entered into two community solar garden subscription agreements. The District is committed to purchasing up to 23.00 percent of the annual delivered energy for a period of 25 years from the commercial operation date of December 31, 2017 to receive bill credits associated with the energy production.

During fiscal year 2019, the District entered into one community solar garden subscription agreement. The District is committed to purchasing up to 40.00 percent of the annual delivered energy for a period of 25 years from the commercial operation starting date to receive bill credits associated with the energy production.

During fiscal year 2019, the District entered into two community solar garden subscription agreements. The District is committed to purchasing up to 36.00 percent of the annual delivered energy for a period of 25 years from the commercial operation date of September 30, 2018 to receive bill credits associated with the energy production.

During fiscal year 2021, the District entered into two community solar garden subscription agreements. The District is committed to purchasing up to 6.70 percent of the annual delivered energy of one solar system and 2.00 percent of the annual delivered energy of one solar system. These agreements are for a period of 25 years from the estimated commercial operation date of July 30, 2021 to receive bill credits associated with the energy production.

During fiscal year 2021, the District entered into one community solar garden subscription agreement. The District is committed to purchasing up to 5.22 percent of the annual delivered energy for a period of 25 years from the estimated commercial operation date of July 30, 2021 to receive bill credits associated with the energy production.

During fiscal year 2021, the District entered into one community solar garden subscription agreement. The District is committed to purchasing up to 6.70 percent of the annual delivered energy for a period of 25 years from the estimated commercial operation date of July 30, 2021 to receive bill credits associated with the energy production.

During fiscal year 2021, the District entered into one community solar garden subscription agreement. The District is committed to purchasing up to 2.57 percent of the annual delivered energy for a period of 25 years from the estimated commercial operation date of July 30, 2021 to receive bill credits associated with the energy production.

## NOTE 12 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

During fiscal year 2021, the District entered into one community solar garden subscription agreement. The District is committed to purchasing up to 10.00 percent of the annual delivered energy for a period of 25 years from the estimated commercial operation date of July 30, 2021 to receive bill credits associated with the energy production.

During fiscal year 2023, the District entered into one community solar garden subscription agreement. The District is committed to purchasing up to 12.00 percent of the annual delivered energy for a period of 25 years from the estimated commercial operation date of December 31, 2022 to receive bill credits associated with the energy production.

## NOTE 13 – SUBSEQUENT EVENT

In September 2023, the District issued $20,035,000 of General Obligation Facilities Maintenance Bonds, Series 2023A with interest rates ranging from 4.00–5.00 percent. The bonds mature in February 2040.

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REQUIRED SUPPLEMENTARY INFORMATION

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

| District Fiscal Year-End | PERA Fiscal Year-End Date (Measurement Date) | District's Proportion of the Net Pension Liability | District's Proportionate Share of the Net Pension Liability | District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability | Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability | District's Covered Payroll | District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|---|---|---|
| 06/30/2015 | 06/30/2014 | 0.2504% | $ 11,762,537 | $ – | $ 11,762,537 | $ 13,148,109 | 89.46% | 78.70% |
| 06/30/2016 | 06/30/2015 | 0.2348% | $ 12,168,555 | $ – | $ 12,168,555 | $ 13,777,131 | 88.32% | 78.20% |
| 06/30/2017 | 06/30/2016 | 0.2280% | $ 18,512,470 | $ 241,803 | $ 18,754,273 | $ 14,132,795 | 130.99% | 68.90% |
| 06/30/2018 | 06/30/2017 | 0.2318% | $ 14,797,960 | $ 186,086 | $ 14,984,046 | $ 14,933,242 | 99.09% | 75.90% |
| 06/30/2019 | 06/30/2018 | 0.2176% | $ 12,071,556 | $ 396,078 | $ 12,467,634 | $ 14,645,936 | 82.42% | 79.50% |
| 06/30/2020 | 06/30/2019 | 0.2053% | $ 11,350,577 | $ 352,818 | $ 11,703,395 | $ 14,467,360 | 78.46% | 80.20% |
| 06/30/2021 | 06/30/2020 | 0.2088% | $ 12,518,514 | $ 386,136 | $ 12,904,650 | $ 14,891,478 | 84.06% | 79.10% |
| 06/30/2022 | 06/30/2021 | 0.1970% | $ 8,412,783 | $ 256,889 | $ 8,669,672 | $ 14,171,781 | 59.36% | 87.00% |
| 06/30/2023 | 06/30/2022 | 0.1998% | $ 15,824,228 | $ 464,015 | $ 16,288,243 | $ 14,976,050 | 105.66% | 76.70% |

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

| District Fiscal Year-End Date | Statutorily Required Contributions | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 06/30/2015 | $ 1,018,736 | $ 1,018,736 | $ – | $ 13,777,131 | 7.39% |
| 06/30/2016 | $ 1,060,550 | $ 1,060,550 | $ – | $ 14,132,795 | 7.50% |
| 06/30/2017 | $ 1,120,066 | $ 1,120,066 | $ – | $ 14,933,242 | 7.50% |
| 06/30/2018 | $ 1,096,981 | $ 1,096,981 | $ – | $ 14,645,936 | 7.49% |
| 06/30/2019 | $ 1,084,088 | $ 1,084,088 | $ – | $ 14,467,360 | 7.49% |
| 06/30/2020 | $ 1,116,340 | $ 1,116,340 | $ – | $ 14,891,478 | 7.50% |
| 06/30/2021 | $ 1,062,123 | $ 1,062,123 | $ – | $ 14,171,781 | 7.49% |
| 06/30/2022 | $ 1,122,439 | $ 1,122,439 | $ – | $ 14,976,050 | 7.49% |
| 06/30/2023 | $ 1,120,640 | $ 1,120,640 | $ – | $ 14,945,305 | 7.50% |

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

INDEPENDENT SCHOOL DISTRICT NO. 831

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

| District Fiscal Year-End Date | TRA Fiscal Year-End Date (Measurement Date) | District's Proportion of the Net Pension Liability | District's Proportionate Share of the Net Pension Liability | District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability | Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability | District's Covered Payroll | District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|---|---|---|
| 06/30/2015 | 06/30/2014 | 0.6615% | $ 30,481,444 | $ 2,144,221 | $ 32,625,665 | $ 30,196,677 | 100.94% | 81.50% |
| 06/30/2016 | 06/30/2015 | 0.6052% | $ 37,437,605 | $ 4,591,853 | $ 42,029,458 | $ 30,724,443 | 121.85% | 76.80% |
| 06/30/2017 | 06/30/2016 | 0.5824% | $138,916,297 | $ 13,944,490 | $152,860,787 | $ 30,285,682 | 458.69% | 44.88% |
| 06/30/2018 | 06/30/2017 | 0.6119% | $122,146,340 | $ 11,808,367 | $133,954,707 | $ 32,939,487 | 370.82% | 51.57% |
| 06/30/2019 | 06/30/2018 | 0.5462% | $ 34,306,472 | $ 3,223,106 | $ 37,529,578 | $ 30,174,216 | 113.69% | 78.07% |
| 06/30/2020 | 06/30/2019 | 0.5170% | $ 32,953,689 | $ 2,916,546 | $ 35,870,235 | $ 29,353,536 | 112.26% | 78.21% |
| 06/30/2021 | 06/30/2020 | 0.5635% | $ 41,632,135 | $ 3,488,762 | $ 45,120,897 | $ 32,746,274 | 127.14% | 75.48% |
| 06/30/2022 | 06/30/2021 | 0.5665% | $ 24,791,734 | $ 2,090,980 | $ 26,882,714 | $ 33,899,760 | 73.13% | 86.63% |
| 06/30/2023 | 06/30/2022 | 0.5613% | $ 44,945,935 | $ 3,332,999 | $ 48,278,934 | $ 34,698,474 | 129.53% | 76.17% |

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

| District Fiscal Year-End Date | Statutorily Required Contributions | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 06/30/2015 | $ 2,304,333 | $ 2,304,333 | $ – | $ 30,724,443 | 7.50% |
| 06/30/2016 | $ 2,271,426 | $ 2,271,426 | $ – | $ 30,285,682 | 7.50% |
| 06/30/2017 | $ 2,470,228 | $ 2,470,228 | $ – | $ 32,939,487 | 7.50% |
| 06/30/2018 | $ 2,267,163 | $ 2,267,163 | $ – | $ 30,174,216 | 7.51% |
| 06/30/2019 | $ 2,262,283 | $ 2,262,283 | $ – | $ 29,353,536 | 7.71% |
| 06/30/2020 | $ 2,593,206 | $ 2,593,206 | $ – | $ 32,746,274 | 7.92% |
| 06/30/2021 | $ 2,756,049 | $ 2,756,049 | $ – | $ 33,899,760 | 8.13% |
| 06/30/2022 | $ 2,892,845 | $ 2,892,845 | $ – | $ 34,698,474 | 8.34% |
| 06/30/2023 | $ 2,941,813 | $ 2,941,813 | $ – | $ 34,412,015 | 8.55% |

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

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

| | District Fiscal Year-End Date | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Total OPEB liability | | | | | | | |
| Service cost | $ 492,508 | $ 458,783 | $ 499,612 | $ 577,722 | $ 642,830 | $ 508,257 | $ 472,946 |
| Interest | 245,576 | 257,179 | 315,686 | 289,203 | 249,731 | 205,388 | 345,888 |
| Assumption changes | – | (290,265) | 233,741 | 367,034 | (224,076) | (806,423) | 90,967 |
| Plan changes | – | – | 25,530 | – | 76,387 | – | 34,180 |
| Differences between expected and actual experience | – | – | (554,899) | – | (721,541) | – | (1,646,896) |
| Benefit payments | (340,848) | (267,136) | (364,440) | (210,518) | (234,710) | (795,707) | (302,974) |
| Net change in total OPEB liability | 397,236 | 158,561 | 155,230 | 1,023,441 | (211,379) | (888,485) | (1,005,889) |
| Total OPEB liability – beginning of year | 8,144,832 | 8,542,068 | 8,700,629 | 8,855,859 | 9,879,300 | 9,667,921 | 8,779,436 |
| Total OPEB liability – end of year | 8,542,068 | 8,700,629 | 8,855,859 | 9,879,300 | 9,667,921 | 8,779,436 | 7,773,547 |
| Plan fiduciary net position | | | | | | | |
| Employer contributions | – | – | 14,440 | – | 19,710 | 45,707 | 2,974 |
| Net investment income | 19,917 | 32,754 | 51,796 | 53,470 | 40,470 | 43,267 | 35,465 |
| Differences between expected and actual experience | – | – | (15,935) | (210) | (19,513) | (75,679) | (12,078) |
| Benefit payments | (340,848) | (267,136) | (364,440) | (210,518) | (234,710) | (795,707) | (302,974) |
| Administrative expenses | (250) | (250) | (250) | (250) | (250) | (250) | (250) |
| Net change in plan fiduciary net position | (321,181) | (234,632) | (314,389) | (157,508) | (194,293) | (782,662) | (276,863) |
| Plan fiduciary net position – beginning of year | 2,713,974 | 2,392,793 | 2,158,161 | 1,843,772 | 1,686,264 | 1,491,971 | 709,309 |
| Plan fiduciary net position – end of year | 2,392,793 | 2,158,161 | 1,843,772 | 1,686,264 | 1,491,971 | 709,309 | 432,446 |
| Net OPEB liability | $ 6,149,275 | $ 6,542,468 | $ 7,012,087 | $ 8,193,036 | $ 8,175,950 | $ 8,070,127 | $ 7,341,101 |
| Fiduciary net position as a percentage of the total OPEB liability | 28.0% | 24.8% | 20.8% | 17.1% | 15.4% | 8.1% | 5.6% |
| Covered-employee payroll | $ 39,738,394 | $ 40,930,546 | $ 37,903,982 | $ 39,041,102 | $ 42,337,029 | $ 43,607,140 | $ 43,330,628 |
| Net OPEB liability as a percentage of covered-employee payroll | 15.5% | 16.0% | 18.5% | 21.0% | 19.3% | 18.5% | 16.9% |

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

INDEPENDENT SCHOOL DISTRICT NO. 831

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

| Year | Annual Money-Weighted Rate of Return Net of Investment Expense |
|---|---|
| 2017 | 0.70% |
| 2018 | 1.40% |
| 2019 | 1.70% |
| 2020 | 2.90% |
| 2021 | 1.20% |
| 2022 | (2.20%) |
| 2023 | 3.30% |

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

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## PERA – GENERAL EMPLOYEES RETIREMENT FUND

### 2022 CHANGES IN ACTUARIAL ASSUMPTIONS

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

### 2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

### 2020 CHANGES IN PLAN PROVISIONS

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

### 2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the Pub-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

## PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

### 2019 CHANGES IN PLAN PROVISIONS

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

### 2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

### 2018 CHANGES IN PLAN PROVISIONS

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

### 2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

## PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

### 2017 CHANGES IN PLAN PROVISIONS

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

### 2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

### 2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035, and 2.50 percent per year thereafter, to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

### 2015 CHANGES IN PLAN PROVISIONS

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

### 2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

## TEACHERS RETIREMENT ASSOCIATION (TRA)

### 2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

### 2018 CHANGES IN PLAN PROVISIONS

- The cost of living adjustment (COLA) was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit, are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.50 percent if the funded ratio was at least 90.00 percent for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

### 2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

## TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

### 2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

### 2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

### 2015 CHANGES IN PLAN PROVISIONS

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

### 2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

## OTHER POST-EMPLOYMENT BENEFITS PLAN

### 2023 CHANGES IN PLAN PROVISIONS

- The principals' and activities directors' post-employment subsidy calculation changed. Accumulated unused sick days are those exceeding 105, but not more than 125. Previously, unused sick days were those exceeding 105, but not more than 115.
- The assessment and evaluation coordinator and full-time department coordinators' post-employment subsidy calculation changed. Accumulated unused sick days are those exceeding 195, but not more than 125. Previously, unused sick days were those exceeding 205, but not more than 115. Accumulated unused sick days are multiplied by half of the daily rate of pay. Previously, unused sick days were multiplied by the substitute teachers' daily rate of pay.

### 2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.
- The expected long-term investment return was changed from 2.90 percent to 5.00 percent.
- The discount rate was changed from 3.80 percent to 3.90 percent.

### 2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The expected long-term investment return was changed from 2.40 percent to 2.90 percent.
- The discount rate was changed from 2.10 percent to 3.80 percent.

### 2021 CHANGES IN PLAN PROVISIONS

- A subsidy was added for the superintendent. Unused sick days over 200, multiplied by half the daily rate of pay will be held by the District to pay medical premiums upon retirement.
- The coordinators' sick leave accrual increased from 18 days per year to 20 days per year.
- The substitute teachers' daily rate of pay increased from $120 to $130.

## OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

### 2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates that vary by service and contract group.
- The expected long-term investment return was changed from 2.90 percent to 2.40 percent.
- The discount rate was changed from 2.40 percent to 2.10 percent.

### 2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The expected long-term investment return was changed from 2.40 percent to 2.90 percent.
- The discount rate was changed from 3.10 percent to 2.40 percent.

### 2019 CHANGES IN PLAN PROVISIONS

- Unused sick days over 100, but limited to 50 days, multiplied by the daily rate of pay, are being held by the District to pay medical premiums for the superintendent, who retired in 2017. This benefit was not valued in the prior valuation.

### 2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.50 percent to 3.10 percent.
- The trend on estimated post-age 65 premiums, which are assumed to be withdrawn from unused sick leave balances held by the District, was changed from being the same as the healthcare trend rates noted above, to 4.00 percent per year.
- For current and future retirees, except directors, we previously assumed the full pre- and post-age 65 premium amounts would be withdrawn from unused sick leave balances each year. The valuation we are assuming at 50.00 percent of these amounts will be withdrawn each year. For directors, we are assuming $5,000 (increasing 4.00 percent per year) will be withdrawn each year, starting after the 10 years of district-paid premiums end. This is the same assumption used in the prior valuation.

### 2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.90 percent to 3.50 percent.

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SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 831

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

| | Special Revenue Funds | | |
|---|---|---|---|
| | Food Service | Community Service | Total |
| Assets | | | |
| Cash and temporary investments | $ 751,333 | $ 2,371,895 | $ 3,123,228 |
| Receivables | | | |
| Current taxes | – | 806,497 | 806,497 |
| Delinquent taxes | – | 13,577 | 13,577 |
| Accounts and interest | 2,680 | 23,489 | 26,169 |
| Due from other governmental units | 127,063 | 114,672 | 241,735 |
| Inventory | 12,165 | – | 12,165 |
| Prepaid items | 12,366 | 700 | 13,066 |
| Total assets | $ 905,607 | $ 3,330,830 | $ 4,236,437 |
| Liabilities | | | |
| Salaries payable | $ 17,954 | $ 205,338 | $ 223,292 |
| Accounts and contracts payable | 21,119 | 54,278 | 75,397 |
| Due to other governmental units | – | 145 | 145 |
| Unearned revenue | 122,431 | – | 122,431 |
| Total liabilities | 161,504 | 259,761 | 421,265 |
| Deferred inflows of resources | | | |
| Property taxes levied for subsequent year | – | 1,439,332 | 1,439,332 |
| Unavailable revenue – delinquent taxes | – | 7,936 | 7,936 |
| Total deferred inflows of resources | – | 1,447,268 | 1,447,268 |
| Fund balances | | | |
| Nonspendable | 24,531 | 700 | 25,231 |
| Restricted | 719,572 | 1,623,101 | 2,342,673 |
| Total fund balances | 744,103 | 1,623,801 | 2,367,904 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 905,607 | $ 3,330,830 | $ 4,236,437 |

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

| | Special Revenue Funds | | |
|---|---|---|---|
| | Food Service | Community Service | Total |
| Revenue | | | |
| Local sources | | | |
| Property taxes | $ – | $ 1,396,075 | $ 1,396,075 |
| Other | 2,126,087 | 3,318,599 | 5,444,686 |
| State sources | 214,551 | 807,330 | 1,021,881 |
| Federal sources | 2,273,454 | 50,773 | 2,324,227 |
| Total revenue | 4,614,092 | 5,572,777 | 10,186,869 |
| Expenditures | | | |
| Current | | | |
| Food service | 4,811,443 | – | 4,811,443 |
| Community service | – | 5,176,357 | 5,176,357 |
| Capital outlay | 199,694 | 52,111 | 251,805 |
| Total expenditures | 5,011,137 | 5,228,468 | 10,239,605 |
| Net change in fund balances | (397,045) | 344,309 | (52,736) |
| Fund balances | | | |
| Beginning of year | 1,141,148 | 1,279,492 | 2,420,640 |
| End of year | $ 744,103 | $ 1,623,801 | $ 2,367,904 |

INDEPENDENT SCHOOL DISTRICT NO. 831

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

| | 2023 | 2022 |
|---|---|---|
| Assets | | |
| Cash and temporary investments | $ 8,959,828 | $ 7,139,957 |
| Receivables | | |
| Current taxes | 10,717,966 | 9,853,839 |
| Delinquent taxes | 180,077 | 135,364 |
| Accounts and interest | 66,076 | 58,350 |
| Due from other governmental units | 9,313,167 | 11,128,033 |
| Due from other funds | 425,000 | 1,374,566 |
| Prepaid items | 200,185 | 125,360 |
| Total assets | $ 29,862,299 | $ 29,815,469 |
| Liabilities | | |
| Salaries payable | $ 424,641 | $ 612,183 |
| Accounts and contracts payable | 9,800,634 | 9,665,778 |
| Due to other governmental units | 924,803 | 686,125 |
| Unearned revenue | 6,100 | 7,741 |
| Total liabilities | 11,156,178 | 10,971,827 |
| Deferred inflows of resources | | |
| Property taxes levied for subsequent year | 18,237,284 | 16,885,110 |
| Unavailable revenue – delinquent taxes | 106,462 | 114,221 |
| Total deferred inflows of resources | 18,343,746 | 16,999,331 |
| Fund balances (deficits) | | |
| Nonspendable for prepaid items | 200,185 | 125,360 |
| Restricted for student activities | 122,714 | 94,116 |
| Restricted for achievement and integration | 68,273 | 38,970 |
| Assigned for severance | 195,749 | 250,117 |
| Unassigned – long-term facilities maintenance restricted account deficit | (2,705,167) | (2,124,983) |
| Unassigned | 2,480,621 | 3,460,731 |
| Total fund balances | 362,375 | 1,844,311 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 29,862,299 | $ 29,815,469 |

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

| | 2023 | | | 2022 |
|---|---|---|---|---|
| | Budget | Actual | Over (Under) Budget | Actual |
| Revenue | | | | |
| Local sources | | | | |
| Property taxes | $ 17,700,000 | $ 18,177,247 | $ 477,247 | $ 18,186,743 |
| Investment earnings | 85,000 | 457,304 | 372,304 | 24,268 |
| Other | 2,515,000 | 2,729,623 | 214,623 | 3,243,952 |
| State sources | 60,400,000 | 60,817,495 | 417,495 | 59,202,914 |
| Federal sources | 3,100,000 | 3,724,895 | 624,895 | 5,213,559 |
| Total revenue | 83,800,000 | 85,906,564 | 2,106,564 | 85,871,436 |
| Expenditures | | | | |
| Current | | | | |
| Administration | | | | |
| Salaries | 2,519,236 | 2,404,685 | (114,551) | 2,380,494 |
| Employee benefits | 1,047,648 | 1,088,916 | 41,268 | 1,070,383 |
| Purchased services | 29,807 | 24,547 | (5,260) | 35,625 |
| Supplies and materials | 14,597 | 16,154 | 1,557 | 11,983 |
| Other expenditures | 49,600 | 59,081 | 9,481 | 55,915 |
| Total administration | 3,660,888 | 3,593,383 | (67,505) | 3,554,400 |
| District support services | | | | |
| Salaries | 1,408,435 | 1,482,465 | 74,030 | 1,280,452 |
| Employee benefits | 765,831 | 699,962 | (65,869) | 533,284 |
| Purchased services | 827,133 | 833,415 | 6,282 | 1,105,437 |
| Supplies and materials | 342,000 | 292,120 | (49,880) | 201,838 |
| Other expenditures | 7,000 | 81,914 | 74,914 | 6,210 |
| Total district support services | 3,350,399 | 3,389,876 | 39,477 | 3,127,221 |
| Elementary and secondary regular instruction | | | | |
| Salaries | 20,216,171 | 19,030,568 | (1,185,603) | 19,559,983 |
| Employee benefits | 7,669,628 | 7,336,923 | (332,705) | 7,288,723 |
| Purchased services | 1,438,338 | 1,798,641 | 360,303 | 1,365,681 |
| Supplies and materials | 2,126,320 | 1,259,470 | (866,850) | 1,685,606 |
| Capital expenditures | 1,000 | 739,867 | 738,867 | 21,454 |
| Other expenditures | 10,500 | 143,044 | 132,544 | 166,646 |
| Total elementary and secondary regular instruction | 31,461,957 | 30,308,513 | (1,153,444) | 30,088,093 |



(continued)

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

| | 2023 | | | 2022 |
|---|---|---|---|---|
| | Budget | Actual | Over (Under) Budget | Actual |
| Expenditures (continued) | | | | |
| Current (continued) | | | | |
| Vocational education instruction | | | | |
| Salaries | 1,100,351 | 1,028,457 | (71,894) | 955,993 |
| Employee benefits | 324,498 | 347,761 | 23,263 | 333,656 |
| Purchased services | 28,300 | 43,481 | 15,181 | 42,701 |
| Supplies and materials | 42,379 | 38,969 | (3,410) | 61,258 |
| Capital expenditures | 20,000 | 44,658 | 24,658 | 20,470 |
| Other expenditures | – | 6,701 | 6,701 | 7,177 |
| Total vocational education instruction | 1,515,528 | 1,510,027 | (5,501) | 1,421,255 |
| Special education instruction | | | | |
| Salaries | 10,140,645 | 10,322,735 | 182,090 | 10,502,815 |
| Employee benefits | 3,591,377 | 3,512,269 | (79,108) | 3,653,283 |
| Purchased services | 814,810 | 2,052,108 | 1,237,298 | 769,577 |
| Supplies and materials | 116,700 | 103,202 | (13,498) | 122,617 |
| Capital expenditures | – | 11,792 | 11,792 | 25,245 |
| Other expenditures | 49,000 | 60,859 | 11,859 | 61,995 |
| Total special education instruction | 14,712,532 | 16,062,965 | 1,350,433 | 15,135,532 |
| Instructional support services | | | | |
| Salaries | 3,991,302 | 4,765,040 | 773,738 | 4,906,019 |
| Employee benefits | 1,401,231 | 1,406,679 | 5,448 | 1,387,817 |
| Purchased services | 259,400 | 387,517 | 128,117 | 364,731 |
| Supplies and materials | 71,436 | 88,051 | 16,615 | 83,814 |
| Capital expenditures | 1,000 | 18,477 | 17,477 | 25,987 |
| Other expenditures | 14,225 | 35,691 | 21,466 | 41,140 |
| Total instructional support services | 5,738,594 | 6,701,455 | 962,861 | 6,809,508 |
| Pupil support services | | | | |
| Salaries | 5,122,733 | 4,998,584 | (124,149) | 4,958,753 |
| Employee benefits | 1,961,879 | 1,774,600 | (187,279) | 1,927,053 |
| Purchased services | 3,212,730 | 3,407,633 | 194,903 | 2,335,586 |
| Supplies and materials | 820,750 | 939,810 | 119,060 | 771,020 |
| Capital expenditures | 845,000 | 3,459,143 | 2,614,143 | 2,178,508 |
| Other expenditures | – | 17,912 | 17,912 | 20,302 |
| Total pupil support services | 11,963,092 | 14,597,682 | 2,634,590 | 12,191,222 |



(continued)

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

| | 2023 | | | 2022 |
|---|---|---|---|---|
| | Budget | Actual | Over (Under) Budget | Actual |
| Expenditures (continued) | | | | |
| Current (continued) | | | | |
| Sites and buildings | | | | |
| Salaries | 2,494,765 | 2,264,453 | (230,312) | 2,381,213 |
| Employee benefits | 1,176,695 | 1,158,289 | (18,406) | 1,093,090 |
| Purchased services | 3,553,975 | 4,054,395 | 500,420 | 4,372,649 |
| Supplies and materials | 467,000 | 434,196 | (32,804) | 517,660 |
| Capital expenditures | 3,680,000 | 2,522,728 | (1,157,272) | 5,591,657 |
| Other expenditures | 4,000 | 8,991 | 4,991 | 9,075 |
| Total sites and buildings | 11,376,435 | 10,443,052 | (933,383) | 13,965,344 |
| Fiscal and other fixed cost programs | | | | |
| Purchased services | 807,575 | 652,894 | (154,681) | 735,321 |
| Debt service | | | | |
| Principal | 1,639,000 | 1,784,698 | 145,698 | 1,879,328 |
| Interest and fiscal charges | 114,000 | 269,733 | 155,733 | 245,043 |
| Total debt service | 1,753,000 | 2,054,431 | 301,431 | 2,124,371 |
| Total expenditures | 86,340,000 | 89,314,278 | 2,974,278 | 89,152,267 |
| Excess (deficiency) of revenue over expenditures | (2,540,000) | (3,407,714) | (867,714) | (3,280,831) |
| Other financing sources (uses) | | | | |
| Debt issued | 800,000 | 3,409,659 | 2,609,659 | 2,129,174 |
| Premium on debt issued | – | 71,375 | 71,375 | – |
| Insurance recovery | – | 51,261 | 51,261 | 101,945 |
| Transfers out | – | (1,606,517) | (1,606,517) | – |
| Total other financing sources (uses) | 800,000 | 1,925,778 | 1,125,778 | 2,231,119 |
| Net change in fund balances | $ (1,740,000) | (1,481,936) | $ 258,064 | (1,049,712) |
| Fund balances | | | | |
| Beginning of year | | 1,844,311 | | 2,894,023 |
| End of year | | $ 362,375 | | $ 1,844,311 |

INDEPENDENT SCHOOL DISTRICT NO. 831

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

| | 2023 | 2022 |
|---|---|---|
| Assets | | |
| Cash and temporary investments | $ 751,333 | $ 1,102,987 |
| Receivables | | |
| Accounts and interest | 2,680 | – |
| Due from other governmental units | 127,063 | 210,818 |
| Inventory | 12,165 | 71,680 |
| Prepaid items | 12,366 | – |
| Total assets | $ 905,607 | $ 1,385,485 |
| Liabilities | | |
| Salaries payable | $ 17,954 | $ 46,863 |
| Accounts and contracts payable | 21,119 | 31,809 |
| Unearned revenue | 122,431 | 165,665 |
| Total liabilities | 161,504 | 244,337 |
| Fund balances | | |
| Nonspendable for inventory | 12,165 | 71,680 |
| Nonspendable for prepaid items | 12,366 | – |
| Restricted for food service | 719,572 | 1,069,468 |
| Total fund balances | 744,103 | 1,141,148 |
| Total liabilities and fund balances | $ 905,607 | $ 1,385,485 |

INDEPENDENT SCHOOL DISTRICT NO. 831

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

| | 2023 | | | 2022 |
|---|---|---|---|---|
| | Budget | Actual | Over (Under) Budget | Actual |
| Revenue | | | | |
| Local sources | | | | |
| Other – primarily meal sales | $ 2,524,424 | $ 2,126,087 | $ (398,337) | $ 486,333 |
| State sources | 212,858 | 214,551 | 1,693 | 110,113 |
| Federal sources | 1,498,088 | 2,273,454 | 775,366 | 5,013,532 |
| Total revenue | 4,235,370 | 4,614,092 | 378,722 | 5,609,978 |
| Expenditures | | | | |
| Current | | | | |
| Salaries | 1,437,943 | 1,614,907 | 176,964 | 1,525,587 |
| Employee benefits | 478,369 | 462,360 | (16,009) | 476,544 |
| Purchased services | 180,102 | 211,876 | 31,774 | 122,723 |
| Supplies and materials | 2,069,336 | 2,520,349 | 451,013 | 2,297,804 |
| Other expenditures | 2,500 | 1,951 | (549) | 2,180 |
| Capital outlay | 40,000 | 199,694 | 159,694 | 59,751 |
| Total expenditures | 4,208,250 | 5,011,137 | 802,887 | 4,484,589 |
| Excess (deficiency) of revenue over expenditures | 27,120 | (397,045) | (424,165) | 1,125,389 |
| Other financing sources | | | | |
| Sale of assets | 10,000 | – | (10,000) | 12,545 |
| Net change in fund balances | $ 37,120 | (397,045) | $ (434,165) | 1,137,934 |
| Fund balances | | | | |
| Beginning of year | | 1,141,148 | | 3,214 |
| End of year | | $ 744,103 | | $ 1,141,148 |

INDEPENDENT SCHOOL DISTRICT NO. 831

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

| | 2023 | 2022 |
|---|---|---|
| Assets | | |
| Cash and temporary investments | $ 2,371,895 | $ 1,872,533 |
| Receivables | | |
| Current taxes | 806,497 | 777,526 |
| Delinquent taxes | 13,577 | 8,339 |
| Accounts and interest | 23,489 | 28,846 |
| Due from other governmental units | 114,672 | 187,923 |
| Prepaid items | 700 | – |
| Total assets | $ 3,330,830 | $ 2,875,167 |
| Liabilities | | |
| Salaries payable | $ 205,338 | $ 160,090 |
| Accounts and contracts payable | 54,278 | 28,079 |
| Due to other governmental units | 145 | 472 |
| Total liabilities | 259,761 | 188,641 |
| Deferred inflows of resources | | |
| Property taxes levied for subsequent year | 1,439,332 | 1,399,569 |
| Unavailable revenue – delinquent taxes | 7,936 | 7,465 |
| Total deferred inflows of resources | 1,447,268 | 1,407,034 |
| Fund balances | | |
| Nonspendable for prepaid items | 700 | – |
| Restricted for community education programs | 1,137,524 | 883,688 |
| Restricted for early childhood family education programs | 285,000 | 233,990 |
| Restricted for school readiness | 185,925 | 161,315 |
| Restricted for adult basic education | – | 499 |
| Restricted for community service | 14,652 | – |
| Total fund balances | 1,623,801 | 1,279,492 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 3,330,830 | $ 2,875,167 |

INDEPENDENT SCHOOL DISTRICT NO. 831

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

| | 2023 | | | 2022 |
|---|---|---|---|---|
| | Budget | Actual | Over (Under) Budget | Actual |
| Revenue | | | | |
| Local sources | | | | |
| Property taxes | $ 1,410,086 | $ 1,396,075 | $ (14,011) | $ 857,557 |
| Other – primarily tuition and fees | 3,001,526 | 3,318,599 | 317,073 | 3,240,383 |
| State sources | 743,465 | 807,330 | 63,865 | 771,611 |
| Federal sources | 59,648 | 50,773 | (8,875) | 363,485 |
| Total revenue | 5,214,725 | 5,572,777 | 358,052 | 5,233,036 |
| Expenditures | | | | |
| Current | | | | |
| Salaries | 3,405,346 | 3,276,551 | (128,795) | 3,087,927 |
| Employee benefits | 1,267,031 | 985,347 | (281,684) | 902,197 |
| Purchased services | 437,290 | 654,635 | 217,345 | 618,878 |
| Supplies and materials | 191,710 | 255,447 | 63,737 | 220,777 |
| Other expenditures | 7,970 | 4,377 | (3,593) | 7,521 |
| Capital outlay | 17,704 | 52,111 | 34,407 | 48,798 |
| Total expenditures | 5,327,051 | 5,228,468 | (98,583) | 4,886,098 |
| Net change in fund balances | $ (112,326) | 344,309 | $ 456,635 | 346,938 |
| Fund balances | | | | |
| Beginning of year | | 1,279,492 | | 932,554 |
| End of year | | $ 1,623,801 | | $ 1,279,492 |

INDEPENDENT SCHOOL DISTRICT NO. 831

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

| | 2023 | 2022 |
|---|---|---|
| Assets | | |
| Cash and temporary investments | $ 687,766 | $ – |
| Liabilities | | |
| Accounts and contracts payable | $ 953,642 | $ – |
| Due to other funds | – | 624,566 |
| Total liabilities | 953,642 | 624,566 |
| Fund balances (deficit) | | |
| Unassigned – long-term facilities maintenance restricted account deficit | (265,876) | (624,566) |
| Total liabilities and fund balances | $ 687,766 | $ – |

INDEPENDENT SCHOOL DISTRICT NO. 831

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

| | 2023 | | | 2022 |
|---|---|---|---|---|
| | Budget | Actual | Over (Under) Budget | Actual |
| Revenue | | | | |
| Local sources | | | | |
| Investment earnings | $ – | $ 150,860 | $ 150,860 | $ 1,152 |
| Expenditures | | | | |
| Capital outlay | | | | |
| Purchased services | 600,000 | 98,213 | (501,787) | 472,297 |
| Capital expenditures | 1,500,000 | 5,459,878 | 3,959,878 | 2,827,469 |
| Debt service | | | | |
| Fiscal charges and other | – | 109,447 | 109,447 | – |
| Total expenditures | 2,100,000 | 5,667,538 | 3,567,538 | 3,299,766 |
| Excess (deficiency) of revenue over expenditures | (2,100,000) | (5,516,678) | (3,416,678) | (3,298,614) |
| Other financing sources | | | | |
| Debt issued | 6,000,000 | 4,200,000 | (1,800,000) | – |
| Premium on debt issued | – | 68,851 | 68,851 | – |
| Transfers in | – | 1,606,517 | 1,606,517 | – |
| Total other financing sources | 6,000,000 | 5,875,368 | (124,632) | – |
| Net change in fund balances | $ 3,900,000 | 358,690 | $ (3,541,310) | (3,298,614) |
| Fund balances (deficit) | | | | |
| Beginning of year | | (624,566) | | 2,674,048 |
| End of year | | $ (265,876) | | $ (624,566) |

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INDEPENDENT SCHOOL DISTRICT NO. 831

Debt Service Fund
Balance Sheet by Account
as of June 30, 2023
(With Comparative Totals as of June 30, 2022)

| | Regular Debt Service Account | OPEB Debt Service Account | Totals 2023 | Totals 2022 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and temporary investments | $ 6,303,506 | $ 393,813 | $ 6,697,319 | $ 6,346,001 |
| Receivables | | | | |
| Current taxes | 5,903,848 | 305,176 | 6,209,024 | 5,682,766 |
| Delinquent taxes | 99,763 | 5,687 | 105,450 | 77,608 |
| Due from other governmental units | 19,443 | 88 | 19,531 | 22,321 |
| Total assets | $ 12,326,560 | $ 704,764 | $ 13,031,324 | $ 12,128,696 |
| **Liabilities** | | | | |
| Accounts and contracts payable | $ – | $ – | $ – | $ 4,975 |
| **Deferred inflows of resources** | | | | |
| Property taxes levied for subsequent year | 10,416,701 | 544,637 | 10,961,338 | 10,125,011 |
| Unavailable revenue – delinquent taxes | 61,567 | 3,388 | 64,955 | 65,762 |
| Total deferred inflows of resources | 10,478,268 | 548,025 | 11,026,293 | 10,190,773 |
| **Fund balances** | | | | |
| Restricted for debt service | 1,848,292 | 156,739 | 2,005,031 | 1,932,948 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 12,326,560 | $ 704,764 | $ 13,031,324 | $ 12,128,696 |

INDEPENDENT SCHOOL DISTRICT NO. 831

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

| | | 2023 | |
|---|---|---|---|
| | | Actual | |
| | Budget | Regular Debt Service Account | OPEB Debt Service Account |
| Revenue | | | |
| Local sources | | | |
| Property taxes | $ 9,031,000 | $ 9,433,788 | $ 549,734 |
| Investment earnings | – | – | 42,540 |
| State sources | 6,960 | 194,446 | 884 |
| Total revenue | 9,037,960 | 9,628,234 | 593,158 |
| Expenditures | | | |
| Debt service | | | |
| Principal | 3,990,000 | 4,610,000 | 435,000 |
| Interest | 4,618,888 | 4,975,693 | 114,488 |
| Fiscal charges and other | 361,112 | 14,128 | – |
| Total expenditures | 8,970,000 | 9,599,821 | 549,488 |
| Net change in fund balances | $ 67,960 | 28,413 | 43,670 |
| Fund balances | | | |
| Beginning of year | | 1,819,879 | 113,069 |
| End of year | | $ 1,848,292 | $ 156,739 |

| | | 2022 |
|---|---|---|
| Total | Over (Under) Budget | Actual |
| $ 9,983,522 | $ 952,522 | $ 10,183,522 |
| 42,540 | 42,540 | 1,407 |
| 195,330 | 188,370 | 223,333 |
| 10,221,392 | 1,183,432 | 10,408,262 |
| 5,045,000 | 1,055,000 | 4,705,000 |
| 5,090,181 | 471,293 | 5,311,093 |
| 14,128 | (346,984) | 20,219 |
| 10,149,309 | 1,179,309 | 10,036,312 |
| 72,083 | $ 4,123 | 371,950 |
| 1,932,948 | | 1,560,998 |
| $ 2,005,031 | | $ 1,932,948 |

INDEPENDENT SCHOOL DISTRICT NO. 831

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

| | Health Benefits Self-Insurance | Dental Benefits Self-Insurance | Totals 2023 | Totals 2022 |
|---|---|---|---|---|
| Assets | | | | |
| Current assets | | | | |
| Cash and temporary investments | $ – | $ 502,688 | $ 502,688 | $ 2,150,603 |
| Receivables | | | | |
| Accounts and interest | 253,622 | 874 | 254,496 | 23,356 |
| Due from other funds | – | 42,894 | 42,894 | – |
| Prepaid items | 173,900 | – | 173,900 | – |
| Total current assets | 427,522 | 546,456 | 973,978 | 2,173,959 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts and contracts payable | 225,262 | 22,468 | 247,730 | 732,540 |
| Due to other funds | 42,894 | – | 42,894 | – |
| Unearned revenue | 1,703,292 | 103,968 | 1,807,260 | 2,074,247 |
| Claims incurred, but not reported | 916,495 | 15,550 | 932,045 | 889,756 |
| Total current liabilities | 2,887,943 | 141,986 | 3,029,929 | 3,696,543 |
| Net position | | | | |
| Unrestricted | $ (2,460,421) | $ 404,470 | $ (2,055,951) | $ (1,522,584) |

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

| | Health Benefits Self-Insurance | Dental Benefits Self-Insurance | Totals 2023 | Totals 2022 |
|---|---|---|---|---|
| Operating revenue | | | | |
| Charges for services | | | | |
| Contributions from governmental funds | $ 9,488,703 | $ 545,916 | $ 10,034,619 | $ 10,717,437 |
| Operating expenses | | | | |
| Health benefit claims | 10,010,503 | – | 10,010,503 | 13,067,985 |
| Dental benefit claims | – | 589,388 | 589,388 | 598,540 |
| Total operating expenses | 10,010,503 | 589,388 | 10,599,891 | 13,666,525 |
| Operating income (loss) | (521,800) | (43,472) | (565,272) | (2,949,088) |
| Nonoperating revenue | | | | |
| Investment earnings | 10,635 | 21,270 | 31,905 | 9,496 |
| Change in net position | (511,165) | (22,202) | (533,367) | (2,939,592) |
| Net position | | | | |
| Beginning of year | (1,949,256) | 426,672 | (1,522,584) | 1,417,008 |
| End of year | $ (2,460,421) | $ 404,470 | $ (2,055,951) | $ (1,522,584) |

INDEPENDENT SCHOOL DISTRICT NO. 831

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

| | Health Benefits Self-Insurance | Dental Benefits Self-Insurance | Totals 2023 | Totals 2022 |
|---|---|---|---|---|
| Cash flows from operating activities | | | | |
| Contributions from governmental funds | $ 8,995,971 | $ 540,521 | $ 9,536,492 | $ 10,684,287 |
| Payment for health claims | (10,617,755) | – | (10,617,755) | (12,540,327) |
| Payment for dental claims | – | (598,557) | (598,557) | (580,028) |
| Net cash flows from operating activities | (1,621,784) | (58,036) | (1,679,820) | (2,436,068) |
| Cash flows from noncapital financing activities | | | | |
| Cash advance from other funds | 42,894 | – | 42,894 | – |
| Cash paid to other funds | – | (42,894) | (42,894) | – |
| Net cash flows from noncapital financing activities | 42,894 | (42,894) | – | – |
| Cash flows from investing activities | | | | |
| Investment income received | 10,635 | 21,270 | 31,905 | 9,496 |
| Net change in cash and cash equivalents | (1,568,255) | (79,660) | (1,647,915) | (2,426,572) |
| Cash and cash equivalents | | | | |
| Beginning of year | 1,568,255 | 582,348 | 2,150,603 | 4,577,175 |
| End of year | $ – | $ 502,688 | $ 502,688 | $ 2,150,603 |
| Reconciliation of operating income (loss) to net cash flows from operating activities | | | | |
| Operating income (loss) | $ (521,800) | $ (43,472) | $ (565,272) | $ (2,949,088) |
| Adjustments to reconcile operating income (loss) to net cash flows from operating activities | | | | |
| Changes in assets and liabilities | | | | |
| Accounts and interest receivable | (231,702) | 562 | (231,140) | 5,606 |
| Prepaid items | (173,900) | – | (173,900) | 3,000 |
| Accounts and contracts payable | (472,674) | (12,136) | (484,810) | 469,680 |
| Unearned revenue | (261,030) | (5,957) | (266,987) | (38,756) |
| Claims incurred, but not reported | 39,322 | 2,967 | 42,289 | 73,490 |
| Net cash flows from operating activities | $ (1,621,784) | $ (58,036) | $ (1,679,820) | $ (2,436,068) |

OTHER DISTRICT INFORMATION

(UNAUDITED)

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Government-Wide Revenue by Type
Last Ten Fiscal Years

| | Program Revenues | | | General Revenues | | | |
|---|---|---|---|---|---|---|---|
| Year Ended June 30, | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Property Taxes | General Grants and Aids | Investment Earnings and Other | Total |
| 2014 | $ 5,954,935 | $ 12,220,938 | $ – | $ 11,742,462 | $ 50,084,696 | $ 855,420 | $ 80,858,451 |
| | 7% | 15% | – | 15% | 62% | 1% | 100% |
| 2015 | 6,423,354 | 11,968,641 | – | 17,571,864 | 49,259,872 | 1,193,682 | 86,417,413 |
| | 7% | 14% | – | 21% | 57% | 1% | 100% |
| 2016 | 6,847,529 | 12,672,382 | – | 17,057,514 | 49,382,999 | 629,701 | 86,590,125 |
| | 8% | 14% | – | 20% | 57% | 1% | 100% |
| 2017 | 6,437,175 | 13,194,175 | – | 19,430,966 | 50,352,014 | 1,585,486 | 90,999,816 |
| | 7% | 15% | – | 21% | 55% | 2% | 100% |
| 2018 | 6,697,514 | 13,334,671 | – | 23,571,789 | 48,177,917 | 1,955,966 | 93,737,857 |
| | 7% | 14% | – | 25% | 52% | 2% | 100% |
| 2019 | 6,891,345 | 13,306,489 | – | 22,372,109 | 46,735,121 | 2,605,932 | 91,910,996 |
| | 8% | 14% | – | 24% | 51% | 3% | 100% |
| 2020 | 5,313,535 | 13,010,160 | – | 27,031,623 | 48,773,418 | 1,570,554 | 95,699,290 |
| | 5% | 14% | – | 28% | 51% | 2% | 100% |
| 2021 | 3,570,969 | 14,315,351 | – | 28,190,860 | 51,422,933 | 1,125,026 | 98,625,139 |
| | 4% | 14% | – | 29% | 52% | 1% | 100% |
| 2022 | 5,018,226 | 18,539,329 | – | 29,180,891 | 52,091,600 | 2,103,255 | 106,933,301 |
| | 5% | 17% | – | 27% | 49% | 2% | 100% |
| 2023 | 6,693,331 | 17,295,883 | 1,276,700 | 29,548,749 | 51,068,090 | 2,214,848 | 108,097,601 |
| | 6% | 16% | 1% | 28% | 47% | 2% | 100% |

Note: The change in “tax shift,” as approved in legislation, impacted the amount of tax revenue recognized in fiscal year 2014. Changes in the amount of revenue recognized due to the tax shift, are offset by an adjustment to state aid payments by an equal amount.

INDEPENDENT SCHOOL DISTRICT NO. 831

Government-Wide Expenses by Function
Last Ten Fiscal Years

| Year Ended June 30, | Administration | District Support Services | Elementary and Secondary Regular Instruction | Vocational Education Instruction | Special Education Instruction | Instructional Support Services | Pupil Support Services |
|---|---|---|---|---|---|---|---|
| 2014 | $ 3,323,552 | $ 2,417,192 | $ 29,596,211 | $ 758,648 | $ 11,736,976 | $ 3,541,782 | $ 10,017,084 |
| | 4% | 3% | 37% | 1% | 15% | 4% | 12% |
| 2015 | 3,226,706 | 3,072,069 | 29,472,957 | 863,577 | 12,018,150 | 5,120,151 | 10,278,319 |
| | 4% | 4% | 36% | 1% | 14% | 6% | 12% |
| 2016 | 3,796,645 | 2,322,473 | 29,008,857 | 954,911 | 12,558,342 | 4,610,217 | 11,046,015 |
| | 4% | 3% | 33% | 1% | 14% | 5% | 13% |
| 2017 | 4,923,047 | 2,052,095 | 39,074,208 | 1,727,610 | 17,305,271 | 6,333,778 | 12,344,131 |
| | 4% | 2% | 35% | 1% | 16% | 6% | 11% |
| 2018 | 3,618,600 | 2,774,376 | 36,792,292 | 1,604,135 | 16,690,659 | 6,380,709 | 11,308,606 |
| | 3% | 3% | 34% | 1% | 16% | 6% | 11% |
| 2019 | 2,404,931 | 2,914,489 | 15,406,822 | 551,470 | 9,188,795 | 3,770,996 | 9,919,553 |
| | 3% | 4% | 22% | 1% | 13% | 5% | 14% |
| 2020 | 3,527,550 | 2,825,243 | 29,013,805 | 1,647,733 | 14,352,862 | 7,738,382 | 11,321,031 |
| | 4% | 3% | 29% | 2% | 14% | 8% | 11% |
| 2021 | 3,732,567 | 2,920,183 | 32,235,382 | 1,741,085 | 14,439,227 | 7,479,775 | 11,334,205 |
| | 4% | 3% | 31% | 2% | 14% | 7% | 11% |
| 2022 | 3,614,109 | 3,042,190 | 29,686,990 | 1,393,696 | 14,879,136 | 6,651,162 | 11,973,638 |
| | 4% | 3% | 29% | 1% | 15% | 6% | 12% |
| 2023 | 3,000,486 | 3,270,369 | 22,911,656 | 1,158,013 | 13,355,477 | 5,401,683 | 12,669,291 |
| | 3% | 4% | 24% | 1% | 14% | 6% | 13% |

| Sites and Buildings | Fiscal and Other Fixed Cost Programs | Food Service | Community Service | Depreciation/ Amortization Not Allocated to Other Functions | Interest and Fiscal Charges | Total |
|---|---|---|---|---|---|---|
| $ 7,639,633 | $ 351,205 | $ 3,959,013 | $ 4,007,281 | $ 2,535,075 | $ 1,158,034 | $ 81,041,686 |
| 9% | 1% | 5% | 5% | 3% | 1% | 100% |
| 7,444,141 | 379,529 | 4,138,798 | 4,321,014 | 2,488,510 | 1,019,716 | 83,843,637 |
| 9% | – | 5% | 5% | 3% | 1% | 100% |
| 8,776,019 | 526,412 | 4,276,582 | 4,531,548 | 2,545,922 | 2,243,227 | 87,197,170 |
| 10% | 1% | 5% | 5% | 3% | 3% | 100% |
| 8,490,188 | 574,212 | 3,957,910 | 4,990,631 | 2,835,218 | 5,475,005 | 110,083,304 |
| 8% | 1% | 4% | 4% | 3% | 5% | 100% |
| 10,704,394 | 635,768 | 3,775,043 | 4,956,962 | 2,946,179 | 4,860,767 | 107,048,490 |
| 10% | 1% | 3% | 5% | 3% | 4% | 100% |
| 9,509,308 | 520,000 | 3,642,072 | 4,447,056 | 4,393,215 | 5,170,398 | 71,839,105 |
| 13% | 1% | 5% | 6% | 6% | 7% | 100% |
| 7,648,115 | 650,000 | 3,526,004 | 4,855,822 | 6,209,276 | 5,489,519 | 98,805,342 |
| 8% | 1% | 4% | 5% | 6% | 5% | 100% |
| 8,130,514 | 645,420 | 3,057,501 | 4,397,440 | 7,061,377 | 5,589,973 | 102,764,649 |
| 8% | 1% | 3% | 4% | 7% | 5% | 100% |
| 7,905,801 | 735,321 | 4,397,786 | 4,698,261 | 7,570,657 | 5,308,431 | 101,857,178 |
| 8% | 1% | 4% | 5% | 7% | 5% | 100% |
| 8,323,000 | 652,894 | 5,097,442 | 5,041,758 | 8,050,402 | 5,316,029 | 94,248,500 |
| 9% | 1% | 5% | 5% | 9% | 6% | 100% |

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INDEPENDENT SCHOOL DISTRICT NO. 831

General Fund Revenue by Source
Last Ten Fiscal Years

| Year Ended June 30, | Local Property Tax Levies | State Revenue | Federal Revenue | Other Local and Miscellaneous | Total |
|---|---|---|---|---|---|
| 2014 | $ 5,017,095 | $ 57,937,865 | $ 1,944,413 | $ 2,032,995 | $ 66,932,368 |
| | 7% | 87% | 3% | 3% | 100% |
| 2015 | 10,566,174 | 56,971,250 | 2,000,562 | 2,639,541 | 72,177,527 |
| | 14% | 79% | 3% | 4% | 100% |
| 2016 | 10,143,433 | 57,995,977 | 1,833,859 | 2,255,801 | 72,229,070 |
| | 14% | 80% | 3% | 3% | 100% |
| 2017 | 12,003,610 | 57,412,440 | 1,902,513 | 2,374,673 | 73,693,236 |
| | 16% | 78% | 3% | 3% | 100% |
| 2018 | 13,421,398 | 57,201,749 | 1,953,798 | 2,589,135 | 75,166,080 |
| | 18% | 76% | 3% | 3% | 100% |
| 2019 | 11,976,441 | 58,120,768 | 1,943,362 | 3,110,611 | 75,151,182 |
| | 16% | 77% | 3% | 4% | 100% |
| 2020 | 16,942,049 | 57,199,212 | 2,119,589 | 2,560,763 | 78,821,613 |
| | 21% | 73% | 3% | 3% | 100% |
| 2021 | 17,321,043 | 57,516,905 | 4,146,102 | 2,198,158 | 81,182,208 |
| | 21% | 71% | 5% | 3% | 100% |
| 2022 | 18,186,743 | 59,202,914 | 5,213,559 | 3,268,220 | 85,871,436 |
| | 21% | 69% | 6% | 4% | 100% |
| 2023 | 18,177,247 | 60,817,495 | 3,724,895 | 3,186,927 | 85,906,564 |
| | 21% | 71% | 4% | 4% | 100% |

Note: The change in “tax shift,” as approved in legislation, impacted the amount of tax revenue recognized in fiscal year 2014. Changes in the amount of revenue recognized due to the tax shift, are offset by an adjustment to state aid payments by an equal amount.

INDEPENDENT SCHOOL DISTRICT NO. 831

General Fund Expenditures by Function
Last Ten Fiscal Years

| Year Ended June 30, | Administration | District Support Services | Elementary and Secondary Regular Instruction | Vocational Education Instruction | Special Education Instruction |
|---|---|---|---|---|---|
| 2014 | $ 3,364,983 | $ 2,434,106 | $ 30,818,312 | $ 764,300 | $ 11,842,041 |
| | 5% | 3% | 43% | 1% | 16% |
| 2015 | 3,298,590 | 3,085,780 | 29,877,813 | 872,825 | 12,139,538 |
| | 5% | 4% | 40% | 1% | 16% |
| 2016 | 3,654,157 | 2,299,936 | 28,929,355 | 942,709 | 12,427,639 |
| | 5% | 3% | 41% | 1% | 18% |
| 2017 | 3,706,541 | 1,981,718 | 27,796,600 | 1,331,649 | 13,191,811 |
| | 5% | 3% | 38% | 2% | 18% |
| 2018 | 3,305,470 | 2,794,017 | 27,505,436 | 1,228,503 | 12,505,873 |
| | 4% | 4% | 37% | 2% | 17% |
| 2019 | 3,237,724 | 2,967,753 | 26,064,394 | 1,059,116 | 12,741,535 |
| | 4% | 4% | 35% | 1% | 17% |
| 2020 | 3,372,758 | 2,906,337 | 27,191,856 | 1,555,531 | 13,637,180 |
| | 4% | 4% | 35% | 2% | 17% |
| 2021 | 3,615,285 | 2,903,287 | 29,556,070 | 1,638,936 | 13,484,153 |
| | 4% | 4% | 36% | 2% | 17% |
| 2022 | 3,554,400 | 3,127,221 | 30,088,093 | 1,421,255 | 15,135,532 |
| | 4% | 3% | 34% | 1% | 17% |
| 2023 | 3,593,383 | 3,389,876 | 30,308,513 | 1,510,027 | 16,062,965 |
| | 4% | 4% | 34% | 2% | 18% |

| Instructional Support Services | Pupil Support Services | Sites and Buildings | Other Programs | Total |
|---|---|---|---|---|
| $ 3,560,499 | $ 9,949,597 | $ 8,718,984 | $ 412,317 | $ 71,865,139 |
| 5% | 14% | 12% | 1% | 100% |
| 5,312,438 | 10,214,856 | 8,657,555 | 692,148 | 74,151,543 |
| 7% | 14% | 12% | 1% | 100% |
| 4,571,268 | 11,113,359 | 7,306,746 | 842,963 | 72,088,132 |
| 6% | 15% | 10% | 1% | 100% |
| 4,875,659 | 11,214,282 | 8,252,564 | 899,378 | 73,250,202 |
| 7% | 15% | 11% | 1% | 100% |
| 5,258,752 | 10,874,254 | 10,193,913 | 946,706 | 74,612,924 |
| 7% | 14% | 14% | 1% | 100% |
| 5,286,816 | 11,736,493 | 10,863,761 | 828,465 | 74,786,057 |
| 7% | 16% | 15% | 1% | 100% |
| 7,467,572 | 11,471,940 | 10,325,268 | 884,360 | 78,812,802 |
| 9% | 15% | 13% | 1% | 100% |
| 6,999,335 | 10,792,226 | 11,011,143 | 881,180 | 80,881,615 |
| 9% | 13% | 14% | 1% | 100% |
| 6,809,508 | 12,191,222 | 13,965,344 | 2,859,692 | 89,152,267 |
| 8% | 14% | 16% | 3% | 100% |
| 6,701,455 | 14,597,682 | 10,443,052 | 2,707,325 | 89,314,278 |
| 7% | 16% | 12% | 3% | 100% |

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INDEPENDENT SCHOOL DISTRICT NO. 831

School Tax Levies and Tax Rates by Fund
Last Ten Fiscal Years

| | Year Collectible | General Fund | Community Service Special Revenue Fund | Debt Service Fund | Total All Funds |
|---|---|---|---|---|---|
| **Levies** | | | | | |
| | 2014 | $ 11,573,258 | $ 927,114 | $ 4,637,561 | $ 17,137,933 |
| | 2015 | 11,337,029 | 915,154 | 4,658,652 | 16,910,835 |
| | 2016 | 11,996,073 | 986,419 | 6,482,348 | 19,464,840 |
| | 2017 | 12,927,090 | 1,057,994 | 9,197,425 | 23,182,509 |
| | 2018 | 11,282,541 | 1,137,354 | 9,300,188 | 21,720,083 |
| | 2019 | 16,981,566 | 1,212,469 | 9,005,584 | 27,199,619 |
| | 2020 | 17,087,846 | 1,245,373 | 9,793,569 | 28,126,788 |
| | 2021 | 17,769,591 | 860,199 | 10,336,924 | 28,966,714 |
| | 2022 | 17,701,769 | 1,399,569 | 10,125,011 | 29,226,349 |
| | 2023 | 19,066,913 | 1,439,332 | 10,961,338 | 31,467,583 |
| **Tax rates** | | | | | |
| Tax capacity rates | | | | | |
| | 2014 | 11.328 | 2.097 | 10.471 | 23.896 |
| | 2015 | 9.898 | 1.849 | 9.398 | 21.145 |
| | 2016 | 10.145 | 1.952 | 12.806 | 24.903 |
| | 2017 | 11.781 | 2.005 | 17.427 | 31.213 |
| | 2018 | 8.426 | 1.940 | 15.864 | 26.230 |
| | 2019 | 8.625 | 1.926 | 14.306 | 24.857 |
| | 2020 | 8.641 | 1.857 | 14.599 | 25.097 |
| | 2021 | 9.229 | 1.218 | 14.642 | 25.089 |
| | 2022 | 9.004 | 1.873 | 13.549 | 24.426 |
| | 2023 | 8.724 | 1.572 | 11.971 | 22.267 |
| Market value rates | | | | | |
| | 2014 | 0.14626 | – | – | 0.14626 |
| | 2015 | 0.13351 | – | – | 0.13351 |
| | 2016 | 0.13979 | – | – | 0.13979 |
| | 2017 | 0.12865 | – | – | 0.12865 |
| | 2018 | 0.11395 | – | – | 0.11395 |
| | 2019 | 0.20186 | – | – | 0.20186 |
| | 2020 | 0.17344 | – | – | 0.17344 |
| | 2021 | 0.16723 | – | – | 0.16723 |
| | 2022 | 0.15336 | – | – | 0.15336 |
| | 2023 | 0.12825 | – | – | 0.12825 |

Note: A tax rate based on market value is used primarily for the District’s referendum, equity, and transition levies.

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 831

Tax Capacities and Market Values
Last Ten Fiscal Years

| For Taxes Collectible | Net Tax Capacities | | | | |
|---|---|---|---|---|---|
| | | | | Fiscal Disparities | |
| | Agricultural | Nonagricultural | Tax Increment | Contribution | Distribution |
| 2014 | $ 1,798,181 | $ 42,261,513 | $ (858,721) | $ (3,136,170) | $ 4,528,567 |
| 2015 | 1,947,446 | 46,296,615 | (828,748) | (3,089,582) | 4,621,327 |
| 2016 | 1,958,007 | 48,029,784 | (197,609) | (3,149,763) | 4,689,654 |
| 2017 | 2,010,419 | 50,174,007 | (316,163) | (3,216,864) | 5,264,712 |
| 2018 | 2,083,679 | 53,722,499 | (327,428) | (3,169,145) | 5,521,366 |
| 2019 | 2,127,411 | 58,412,990 | (437,588) | (3,258,899) | 5,834,684 |
| 2020 | 2,241,354 | 63,039,694 | (761,940) | (3,495,850) | 6,144,151 |
| 2021 | 2,446,212 | 66,057,877 | (898,774) | (3,495,118) | 6,456,084 |
| 2022 | 2,529,092 | 69,760,889 | (973,551) | (3,904,950) | 7,053,473 |
| 2023 | 3,010,868 | 86,349,155 | (1,042,590) | (3,950,810) | 6,492,046 |

Note: Market value is used primarily for extension of the District’s referendum levy.

Source: State of Minnesota School Tax Report

| Total Taxable | Market Value |
| --- | --- |
| $ 44,593,370 | $3,956,177,800 |
| 48,947,058 | 4,328,284,000 |
| 51,330,073 | 4,484,223,100 |
| 53,916,111 | 4,672,890,900 |
| 57,830,971 | 4,992,499,000 |
| 62,678,598 | 5,413,348,800 |
| 67,167,409 | 5,831,765,400 |
| 70,566,281 | 6,086,754,570 |
| 74,464,953 | 6,416,807,947 |
| 90,858,669 | 7,892,213,962 |

INDEPENDENT SCHOOL DISTRICT NO. 831

Property Tax Levies and Receivables
Last Ten Fiscal Years

| For Taxes Collectible | Original Levy | | | |
|---|---|---|---|---|
| | Local Spread | Fiscal Disparities | Property Tax Credits | Total Spread |
| 2014 | $ 15,357,515 | $ 1,780,418 | $ – | $ 17,137,933 |
| 2015 | 15,139,104 | 1,771,731 | – | 16,910,835 |
| 2016 | 17,861,854 | 1,602,986 | – | 19,464,840 |
| 2017 | 21,163,913 | 2,018,596 | – | 23,182,509 |
| 2018 | 19,314,437 | 2,405,646 | – | 21,720,083 |
| 2019 | 24,932,058 | 2,164,987 | 102,574 | 27,199,619 |
| 2020 | 25,294,660 | 2,708,298 | 123,830 | 28,126,788 |
| 2021 | 26,132,524 | 2,690,687 | 143,503 | 28,966,714 |
| 2022 | 26,188,742 | 2,891,075 | 146,532 | 29,226,349 |
| 2023 | 28,767,231 | 2,533,407 | 166,945 | 31,467,583 |

Note: Delinquent taxes are written off after seven years.

Source: State of Minnesota School Tax Report

| Uncollected Taxes Receivable as of June 30, 2023 | | | |
|---|---|---|---|
| Delinquent | | Current | |
| Amount | Percent | Amount | Percent |
| $ – | – % | $ – | – % |
| – | – | – | – |
| – | – | – | – |
| 31,037 | 0.13 | – | – |
| 8,769 | 0.04 | – | – |
| 16,138 | 0.06 | – | – |
| 11,256 | 0.04 | – | – |
| 37,951 | 0.13 | – | – |
| 193,953 | 0.66 | – | – |
| – | – | 17,733,487 | 56.35 |
| $ 299,104 | | $ 17,733,487 | |

INDEPENDENT SCHOOL DISTRICT NO. 831

Student Enrollment
Last Ten Fiscal Years

| | Adjusted Average Daily Membership (ADM) | | | | | |
|---|---|---|---|---|---|---|
| Year Ended June 30, | Handicapped and Pre-Kindergarten | Kindergarten | Elementary | Secondary | Total | Total Pupil Units |
| 2014 | 107.06 | 429.29 | 2,969.74 | 3,102.01 | 6,608.10 | 7,642.50 |
| 2015 | 116.37 | 384.90 | 2,960.46 | 3,164.73 | 6,626.46 | 7,259.42 |
| 2016 | 111.89 | 351.77 | 2,814.95 | 3,173.63 | 6,452.24 | 7,086.98 |
| 2017 | 109.78 | 389.39 | 2,701.60 | 3,091.89 | 6,292.66 | 6,911.03 |
| 2018 | 113.01 | 361.39 | 2,620.92 | 3,028.80 | 6,124.12 | 6,729.89 |
| 2019 | 109.07 | 342.53 | 2,609.78 | 2,997.49 | 6,058.87 | 6,658.37 |
| 2020 | 110.99 | 337.05 | 2,476.35 | 2,980.92 | 5,905.31 | 6,501.51 |
| 2021 | 99.73 | 330.53 | 2,473.38 | 2,944.46 | 5,848.10 | 6,436.97 |
| 2022 | 104.75 | 369.06 | 2,507.63 | 2,884.72 | 5,866.16 | 6,443.13 |
| 2023 | 119.80 | 280.22 | 2,495.27 | 2,885.05 | 5,780.34 | 6,357.34 |

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

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

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

Source: Minnesota Department of Education student reporting system

# OTHER REQUIRED REPORTS

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MMKR
CERTIFIED PUBLIC ACCOUNTANTS

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

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

To the School Board and Management of
Independent School District No. 831
Forest Lake, 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. 831 (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 22, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

(continued)



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**REPORT ON COMPLIANCE AND OTHER MATTERS**

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

**PURPOSE OF THIS REPORT**

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

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

Minneapolis, Minnesota
December 22, 2023

MMKR
CERTIFIED PUBLIC ACCOUNTANTS

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# INDEPENDENT AUDITOR'S REPORT

# ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of
Independent School District No. 831
Forest Lake, 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. 831 (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 22, 2023.

## MINNESOTA LEGAL COMPLIANCE

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 – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards 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.

## PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
December 22, 2023



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INDEPENDENT SCHOOL DISTRICT NO. 831

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

| | | Audit | | UFARS | | Audit – UFARS | |
|---|---|---|---|---|---|---|---|
| **General Fund** | | | | | | | |
| Total revenue | | $ | 85,906,564 | $ | 85,906,564 | $ | – |
| Total expenditures | | $ | 89,314,278 | $ | 89,314,278 | $ | – |
| Nonspendable | | | | | | | |
| 460 | Nonspendable fund balance | $ | 200,185 | $ | 200,185 | $ | – |
| Restricted | | | | | | | |
| 401 | Student activities | $ | 122,714 | $ | 122,714 | $ | – |
| 402 | Scholarships | $ | – | $ | – | $ | – |
| 403 | Staff development | $ | – | $ | – | $ | – |
| 407 | Capital projects levy | $ | – | $ | – | $ | – |
| 408 | Cooperative revenue | $ | – | $ | – | $ | – |
| 413 | Projects funded by COP | $ | – | $ | – | $ | – |
| 414 | Operating debt | $ | – | $ | – | $ | – |
| 416 | Levy reduction | $ | – | $ | – | $ | – |
| 417 | Taconite building maintenance | $ | – | $ | – | $ | – |
| 424 | Operating capital | $ | – | $ | – | $ | – |
| 426 | $25 taconite | $ | – | $ | – | $ | – |
| 427 | Disabled accessibility | $ | – | $ | – | $ | – |
| 428 | Learning and development | $ | – | $ | – | $ | – |
| 434 | Area learning center | $ | – | $ | – | $ | – |
| 435 | Contracted alternative programs | $ | – | $ | – | $ | – |
| 436 | State approved alternative programs | $ | – | $ | – | $ | – |
| 438 | Gifted and talented | $ | – | $ | – | $ | – |
| 440 | Teacher development and evaluation | $ | – | $ | – | $ | – |
| 441 | Basic skills programs | $ | – | $ | – | $ | – |
| 448 | Achievement and integration | $ | 68,273 | $ | 68,273 | $ | – |
| 449 | Safe schools levy | $ | – | $ | – | $ | – |
| 451 | QZAB payments | $ | – | $ | – | $ | – |
| 452 | OPEB liability not in trust | $ | – | $ | – | $ | – |
| 453 | Unfunded severance and retirement levy | $ | – | $ | – | $ | – |
| 459 | Basic skills extended time | $ | – | $ | – | $ | – |
| 467 | Long-term facilities maintenance | $ | (2,705,167) | $ | (2,705,167) | $ | – |
| 472 | Medical Assistance | $ | – | $ | – | $ | – |
| 464 | Restricted fund balance | $ | – | $ | – | $ | – |
| 475 | Title VII – Impact Aid | $ | – | $ | – | $ | – |
| 476 | PILT | $ | – | $ | – | $ | – |
| Committed | | | | | | | |
| 418 | Committed for separation | $ | – | $ | – | $ | – |
| 461 | Committed fund balance | $ | – | $ | – | $ | – |
| Assigned | | | | | | | |
| 462 | Assigned fund balance | $ | 195,749 | $ | 195,749 | $ | – |
| Unassigned | | | | | | | |
| 422 | Unassigned fund balance | $ | 2,480,621 | $ | 2,480,621 | $ | – |
| **Food Service** | | | | | | | |
| Total revenue | | $ | 4,614,092 | $ | 4,614,093 | $ | (1) |
| Total expenditures | | $ | 5,011,137 | $ | 5,011,137 | $ | – |
| Nonspendable | | | | | | | |
| 460 | Nonspendable fund balance | $ | 24,531 | $ | 24,531 | $ | – |
| Restricted | | | | | | | |
| 452 | OPEB liability not in trust | $ | – | $ | – | $ | – |
| 464 | Restricted fund balance | $ | 719,572 | $ | 719,572 | $ | – |
| Unassigned | | | | | | | |
| 463 | Unassigned fund balance | $ | – | $ | – | $ | – |
| **Community Service** | | | | | | | |
| Total revenue | | $ | 5,572,777 | $ | 5,572,777 | $ | – |
| Total expenditures | | $ | 5,228,468 | $ | 5,228,469 | $ | (1) |
| Nonspendable | | | | | | | |
| 460 | Nonspendable fund balance | $ | 700 | $ | 700 | $ | – |
| Restricted | | | | | | | |
| 426 | $25 taconite | $ | – | $ | – | $ | – |
| 431 | Community education | $ | 1,137,524 | $ | 1,137,524 | $ | – |
| 432 | ECFE | $ | 285,000 | $ | 285,000 | $ | – |
| 440 | Teacher development and evaluation | $ | – | $ | – | $ | – |
| 444 | School readiness | $ | 185,925 | $ | 185,925 | $ | – |
| 447 | Adult basic education | $ | – | $ | – | $ | – |
| 452 | OPEB liability not in trust | $ | – | $ | – | $ | – |
| 464 | Restricted fund balance | $ | 14,652 | $ | 14,652 | $ | – |
| Unassigned | | | | | | | |
| 463 | Unassigned fund balance | $ | – | $ | – | $ | – |

INDEPENDENT SCHOOL DISTRICT NO. 831

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

| | | Audit | UFARS | Audit – UFARS |
|---|---|---|---|---|
| **Building Construction** | | | | |
| Total revenue | | $ 150,860 | $ 150,860 | $ – |
| Total expenditures | | $ 5,667,538 | $ 5,667,538 | $ – |
| Nonspendable | | | | |
| 460 | Nonspendable fund balance | $ – | $ – | $ – |
| Restricted | | | | |
| 407 | Capital projects levy | $ – | $ – | $ – |
| 413 | Projects funded by COP | $ – | $ – | $ – |
| 467 | Long-term facilities maintenance | $ (265,876) | $ (265,876) | $ – |
| 464 | Restricted fund balance | $ – | $ – | $ – |
| Unassigned | | | | |
| 463 | Unassigned fund balance | $ – | $ – | $ – |
| **Debt Service** | | | | |
| Total revenue | | $ 9,628,234 | $ 9,628,234 | $ – |
| Total expenditures | | $ 9,599,821 | $ 9,599,821 | $ – |
| Nonspendable | | | | |
| 460 | Nonspendable fund balance | $ – | $ – | $ – |
| Restricted | | | | |
| 425 | Bond refundings | $ – | $ – | $ – |
| 433 | Maximum effort loan | $ – | $ – | $ – |
| 451 | QZAB payments | $ – | $ – | $ – |
| 467 | Long-term facilities maintenance | $ – | $ – | $ – |
| 464 | Restricted fund balance | $ 1,848,292 | $ 1,848,292 | $ – |
| Unassigned | | | | |
| 463 | Unassigned fund balance | $ – | $ – | $ – |
| **Trust** | | | | |
| Total revenue | | $ – | $ – | $ – |
| Total expenditures | | $ – | $ – | $ – |
| 401 | Student activities | $ – | $ – | $ – |
| 402 | Scholarships | $ – | $ – | $ – |
| 422 | Net position | $ – | $ – | $ – |
| **Custodial Fund** | | | | |
| Total revenue | | $ – | $ – | $ – |
| Total expenditures | | $ – | $ – | $ – |
| 401 | Student activities | $ – | $ – | $ – |
| 402 | Scholarships | $ – | $ – | $ – |
| 448 | Achievement and integration | $ – | $ – | $ – |
| 464 | Restricted fund balance | $ – | $ – | $ – |
| **Internal Service** | | | | |
| Total revenue | | $ 10,066,524 | $ 10,066,523 | $ 1 |
| Total expenditures | | $ 10,599,891 | $ 10,599,891 | $ – |
| 422 | Net position | $ (2,055,951) | $ (2,055,951) | $ – |
| **OPEB Revocable Trust Fund** | | | | |
| Total revenue | | $ – | $ – | $ – |
| Total expenditures | | $ – | $ – | $ – |
| 422 | Net position | $ – | $ – | $ – |
| **OPEB Irrevocable Trust Fund** | | | | |
| Total revenue | | $ 23,387 | $ 23,387 | $ – |
| Total expenditures | | $ 300,250 | $ 300,250 | $ – |
| 422 | Net position | $ 432,446 | $ 432,446 | $ – |
| **OPEB Debt Service Fund** | | | | |
| Total revenue | | $ 593,158 | $ 593,157 | $ 1 |
| Total expenditures | | $ 549,488 | $ 549,488 | $ – |
| Nonspendable | | | | |
| 460 | Nonspendable fund balance | $ – | $ – | $ – |
| Restricted | | | | |
| 425 | Bond refundings | $ – | $ – | $ – |
| 464 | Restricted fund balance | $ 156,739 | $ 156,739 | $ – |
| Unassigned | | | | |
| 463 | Unassigned fund balance | $ – | $ – | $ – |

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

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