INDEPENDENT SCHOOL DISTRICT NO. 139
RUSH CITY, MINNESOTA

Financial Statements and
Supplementary Information

Year Ended
June 30, 2023

INDEPENDENT SCHOOL DISTRICT NO. 139

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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 139

School Board and Administration
Year Ended June 30, 2023

SCHOOL BOARD

School Board Members	Position
Matthew Meissner	Chairperson
Teri Umbreit	Vice Chairperson
Kristin Papke	Clerk
Stefanie Folkema	Director
Kenneth Lind	Director
William Schmidt	Director

ADMINISTRATION

Brent Stavig	Superintendent
Kerstin Quigley	Business Manager

FINANCIAL SECTION

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. 139
Rush City, 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 the Independent School District No. 139, Rush City, Minnesota (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

BASIS FOR OPINIONS

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

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

(continued)

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
5353 Wayzata Boulevard • Suite 410 • Minneapolis, MN 55416 • Phone: 952-545-0424 • Fax: 952-545-0569 • www.mmkr.com

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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

SUPPLEMENTARY INFORMATION

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual fund financial statements and schedules, are presented for purposes of additional analysis and are not required parts 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 section, 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 October 3, 2023. 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. 139'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 assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2023 by $9,444,052. The District's total net position increased by $2,560,054 during the fiscal year ended June 30, 2023.

- Government-wide revenues totaled $15,089,422 and were $2,560,054 more than expenses of $12,529,368.

- The General Fund's total fund balance (under the governmental fund presentation) increased $57,249 from the prior year, compared to an increase of $361,098 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

- Supplementary information consisting of combining and individual fund financial 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 fund. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

The District maintains the following kinds of funds:

Governmental Funds – The District's basic services are included in governmental funds, which generally focus on: 1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds 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 funds financial statements that explain the relationship (or differences) between these two types of financial statement presentations.

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

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

	2023	2022
Assets		
Current and other assets	$ 11,810,788	$ 11,774,798
Capital assets, net of depreciation/amortization	14,473,551	14,504,270
Total assets	$ 26,284,339	$ 26,279,068
Deferred outflows of resources		
Pension plan deferments	$ 2,788,506	$ 2,585,029
OPEB plan deferments	81,157	88,131
Total deferred outflows of resources	$ 2,869,663	$ 2,673,160
Liabilities		
Current and other liabilities	$ 1,305,778	$ 1,196,703
Long-term liabilities, including due within one year	13,460,179	11,095,219
Total liabilities	$ 14,765,957	$ 12,291,922
Deferred inflows of resources		
Property taxes levied for subsequent year	$ 3,454,398	$ 3,287,966
Pension plan deferments	1,460,440	6,479,377
OPEB plan deferments	29,155	8,965
Total deferred inflows of resources	$ 4,943,993	$ 9,776,308
Net position		
Net investment in capital assets	$ 9,734,526	$ 8,473,851
Restricted	3,024,485	2,657,740
Unrestricted	(3,314,959)	(4,247,593)
Total net position	$ 9,444,052	$ 6,883,998

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 and amortization amounts. A conservative versus liberal approach to depreciation and amortization estimates, as well as capitalization policies, will produce a significant difference in the calculated amounts. Another major factor in determining net position as compared to fund balances is the liability for long-term pension and other post-employment benefits (OPEB), which impacts unrestricted 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 depreciated and 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 other state funding purposes, debt service, and Permanent Fund contributed to the increase in this portion of net position. The change in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans also contributed to the change in deferred outflows, long-term liabilities, deferred inflows, and unrestricted net position. Positive operations in the current year also contributed to the increases in current assets and unrestricted net position.

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

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

	2023	2022
Revenues		
Program revenues		
Charges for services	$ 660,804	$ 545,707
Operating grants and contributions	2,681,156	3,003,336
General revenues		
Property taxes	3,424,003	3,353,763
General grants and aids	7,804,666	7,336,176
Other	518,793	783,237
Total revenues	15,089,422	15,022,219
Expenses		
Administration	694,621	707,193
District support services	470,241	474,264
Elementary and secondary regular instruction	3,904,703	4,367,724
Vocational education instruction	177,150	201,994
Special education instruction	2,341,780	1,955,058
Instructional support services	1,041,041	671,731
Pupil support services	913,289	892,363
Sites and buildings	1,244,060	975,331
Fiscal and other fixed cost programs	106,129	91,568
Food service	556,120	497,966
Community service	373,087	469,985
Depreciation/amortization not included in other functions	616,536	664,032
Interest and fiscal charges	90,611	127,536
Total expenses	12,529,368	12,096,745
Change in net position	2,560,054	2,925,474
Net position – beginning	6,883,998	3,958,524
Net position – ending	$ 9,444,052	$ 6,883,998

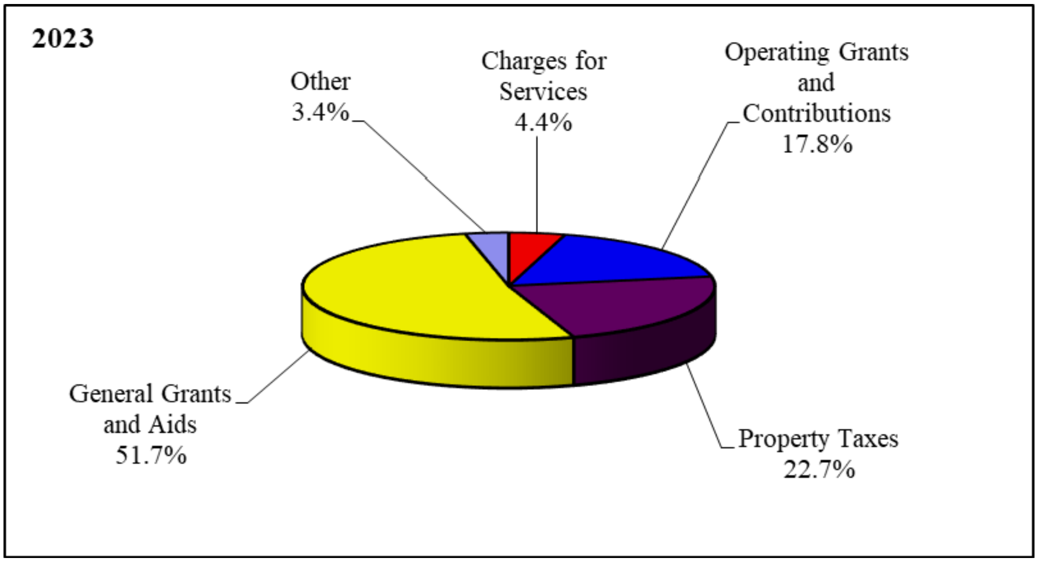
This table is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation/amortization expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

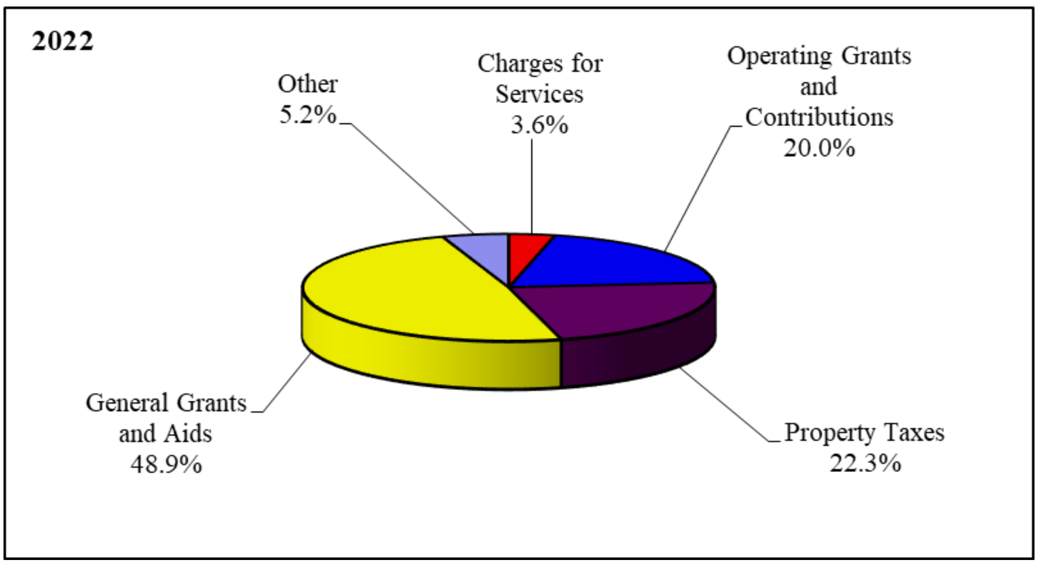
The shift with the increase in charges for services and decrease in operating grants and contributions was largely due to the changes in the funding of the child nutrition program. Meals for breakfast and lunch were provided to all students free of charge with higher federal reimbursement rates in the prior year. In the current year these programs returned to the traditional format where not all students qualify for free meals. General grants and aids, increased from the prior year, due to more students served and funding improvements to general education and special education revenue formulas.

Spending increased in the prior year due to natural inflationary increases, pandemic grant spending, increased demand on special education services, and increased maintenance. These increases were partially offset by 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





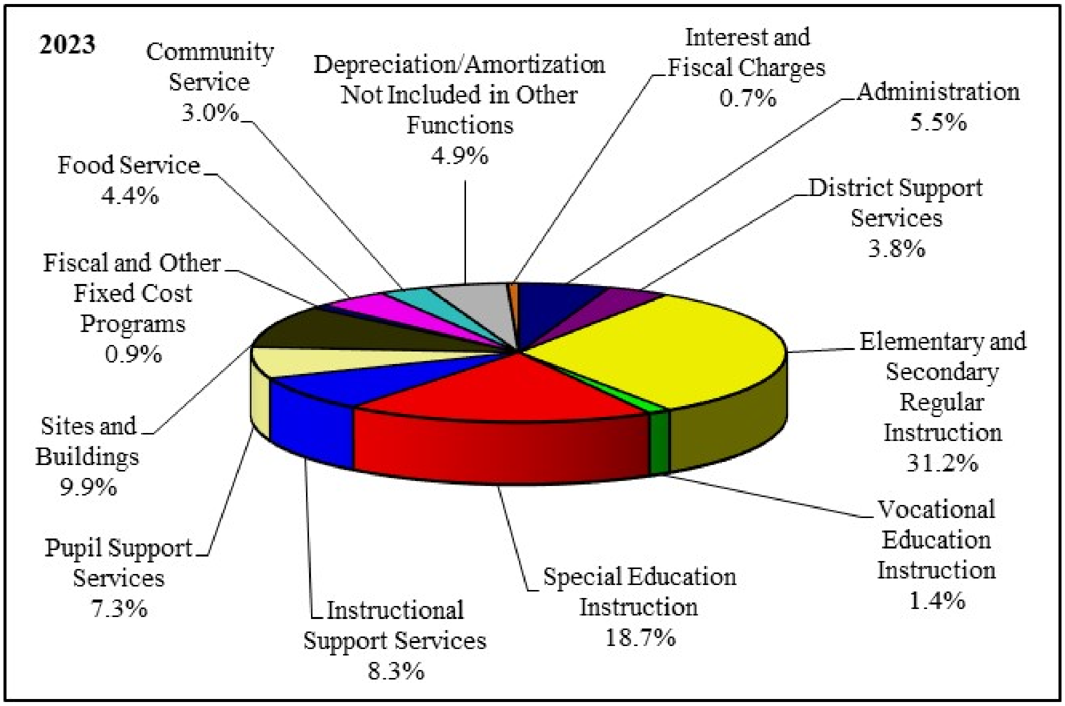
The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants.

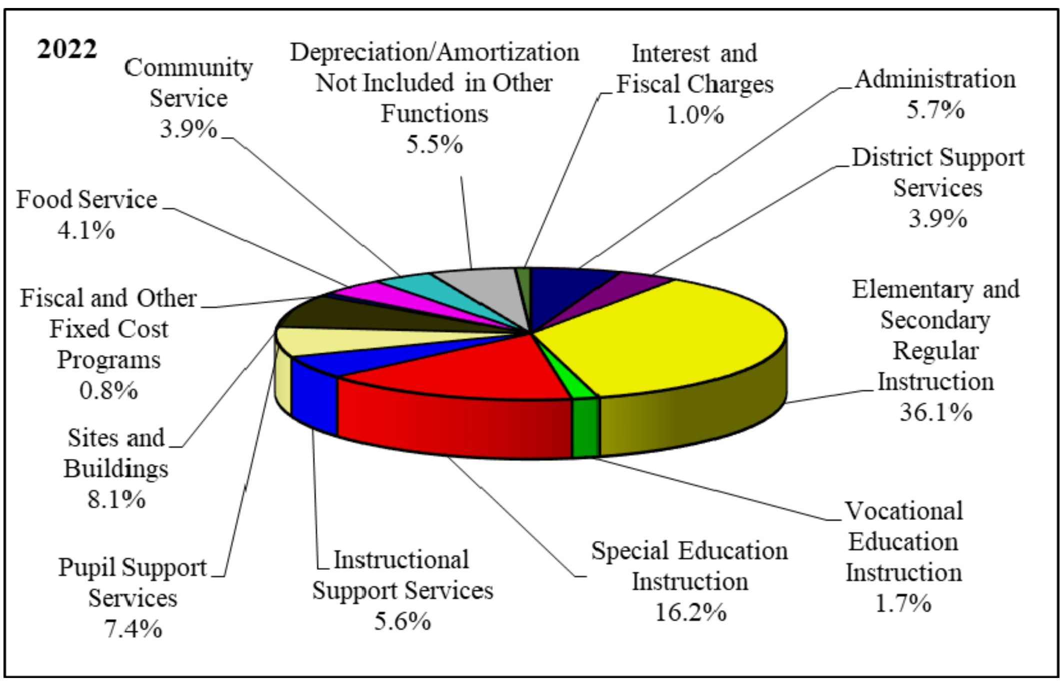
Property taxes are generally the next largest source of funding. The level of revenue property tax sources provide is not only dependent on district taxpayers by way of operating and building referenda, but also by decisions made by the Legislature in the mix of state aid and local effort in a variety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

The shift in funding sources in the graph above is consistent with the discussion on the previous page.

Figure B shows further analysis of these expense functions:

Figure B – Expenses for Fiscal Years 2023 and 2022





The District's expenses are predominately related to educating students. Programs (or functions), such as elementary and secondary regular instruction, vocational education instruction, special education instruction, and instructional support services are directly related to classroom instruction, while the rest of the programs support instruction and other necessary costs to operate the District.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported combined fund balances of $6,397,691, a decrease of $114,505 from the previous year. This decrease was primarily due to the changes in the non-major Food Service Special Revenue and Community Service Special Revenue Funds as discussed below.

The General Fund total fund balance increased from $5,498,016 at June 30, 2022 to $5,555,265 at June 30, 2023, an increase of $57,249. The District had anticipated an increase of $361,098 as planned in the final adopted budget. This variance to budget was largely due to unanticipated expenditures for demand of special education services and repairs and maintenance in sites and buildings.

The Debt Service Fund equity is entirely restricted to pay bonded obligations of the District. The overall fund balance of the Debt Service Fund increased by $11,458 in the current year. The remaining fund balance of $318,267 at June 30, 2023, is available for meeting future debt service obligations.

The Permanent Fund, used to account for the District's Aquatic Center contributions, recognized a slight fund balance increase of $19,433. Investment earnings accounted for the increase in the current year. The Permanent Fund ended the year with a total fund balance of $542,891.

The Food Service Special Revenue Fund reported $30,334 more in expenditures than revenues, decreasing the fund balance to $106,743 at year-end. The Community Service Special Revenue Fund reported a decrease in fund balance of $172,311, ending the year with a negative total fund balance of $125,475.

General Fund Budgetary Points of Interest

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to as the original budget. During the year, the District may amend that budget for known changes in circumstances such as updated enrollment levels, legislative funding, funding changes from grants or other local sources, staffing changes, insurance premium changes, special education estimate changes, and employee contract settlements. During the year the District amended the budget increasing revenues and other financing sources by $406,524 and increasing expenditures by $1,104,146.

Total revenues and other financing sources were $178,915 more than anticipated in the budget. The largest variance contributing to actual amounts exceeding budget was due to new lease debt issued in the current year, which increased other financing sources and capital expenditures. General Fund programs experienced both favorable and unfavorable expenditure variances, with spending ending the year over the total amounts approved in the final budget. Total General Fund expenditures were $482,764 above the projected amounts reported in the budget. Expenditures were more than anticipated largely due to increased demand for special education services and repairs and maintenance.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

The following table 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 3
Capital Assets

	2023	2022	Change
Land	$ 235,734	$ 235,734	$ –
Land improvements	1,789,060	1,743,880	45,180
Buildings	27,292,693	27,106,797	185,896
Furniture and equipment	3,410,604	3,100,559	310,045
Furniture and equipment – under lease	389,475	192,766	196,709
Less accumulated depreciation/amortization	(18,644,015)	(17,875,466)	(768,549)
Total	$ 14,473,551	$ 14,504,270	$ (30,719)
Depreciation/amortization expense	$ 809,779	$ 836,253	$ (26,474)

By the end of 2023, the District had invested in a broad range of capital assets, including school buildings, athletic facilities, and other equipment for various instructional programs (see Table 3).

The changes presented in the table above reflect the ongoing activity at district sites during fiscal year 2023, including the capital spending in the General 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 4 illustrates the components of the District's long-term liabilities with changes from the prior year:

Table 4
Outstanding Long-Term Liabilities

	2023	2022	Change
General obligation bonds payable	$ 4,285,000	$ 5,585,000	$ (1,300,000)
Unamortized premium/discount	221,041	309,976	(88,935)
Financed purchase payable	619,300	763,046	(143,746)
Leases payable	232,984	135,443	97,541
Net pension liability	7,744,601	3,910,369	3,834,232
Total OPEB liability	357,253	391,385	(34,132)
Total	$ 13,460,179	$ 11,095,219	$ 2,364,960

The changes in general obligation bonds payable, unamortized premium/discount, and financed purchase payable, in the table above, are primarily due to principal payments and amortization during fiscal year 2023, as planned in the approved repayment schedules.

The District entered into two new leases for equipment in the current year contributing to the change in leases payable.

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 5):

Table 5
Limitations on Debt

District's market value	$ 753,344,100
Limit rate	15.0%
Legal debt limit	$ 113,001,615

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 Manager and/or the Superintendent, Independent School District No. 139, 51001 Fairfield Avenue, P.O. Box 566, Rush City, Minnesota 55069.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 139

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	$ 7,785,639	$ 7,742,440
Receivables		
Current taxes	2,261,407	2,144,490
Delinquent taxes	87,184	84,699
Accounts and interest	–	5,496
Due from other governmental units	1,667,363	1,793,274
Inventory	5,878	4,399
Prepaid items	3,317	–
Capital assets		
Not depreciated/amortized	235,734	235,734
Depreciated/amortized, net of accumulated depreciation/amortization	14,237,817	14,268,536
Total capital assets, net of accumulated depreciation/amortization	14,473,551	14,504,270
Total assets	26,284,339	26,279,068
Deferred outflows of resources		
Pension plan deferments	2,788,506	2,585,029
OPEB plan deferments	81,157	88,131
Total deferred outflows of resources	2,869,663	2,673,160
Total assets and deferred outflows of resources	$ 29,154,002	$ 28,952,228
Liabilities		
Accounts and contracts payable	$ 1,156,855	$ 1,077,127
Accrued interest payable	53,563	69,812
Unearned revenue	95,360	49,764
Long-term liabilities		
Due within one year	1,632,821	1,536,240
Due in more than one year	11,827,358	9,558,979
Total long-term liabilities	13,460,179	11,095,219
Total liabilities	14,765,957	12,291,922
Deferred inflows of resources		
Property taxes levied for subsequent year	3,454,398	3,287,966
Pension plan deferments	1,460,440	6,479,377
OPEB plan deferments	29,155	8,965
Total deferred inflows of resources	4,943,993	9,776,308
Net position		
Net investment in capital assets	9,734,526	8,473,851
Restricted for		
Capital asset acquisition and facilities maintenance	237,011	331,414
Food service	106,743	137,077
Community service	25,967	88,553
Other purposes (state funding restrictions)	1,807,679	1,300,904
Debt service	304,194	276,334
Permanent Fund		
Expendable	31,891	12,458
Nonexpendable	511,000	511,000
Unrestricted	(3,314,959)	(4,247,593)
Total net position	9,444,052	6,883,998
Total liabilities, deferred inflows of resources, and net position	$ 29,154,002	$ 28,952,228

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 139

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	Governmental Activities	Governmental Activities
Governmental activities					
Administration	$ 694,621	$ –	$ –	$ (694,621)	$ (707,193)
District support services	470,241	85,787	–	(384,454)	(374,695)
Elementary and secondary regular instruction	3,904,703	130,043	688,736	(3,085,924)	(3,536,878)
Vocational education instruction	177,150	–	3,466	(173,684)	(192,662)
Special education instruction	2,341,780	–	1,370,901	(970,879)	(663,400)
Instructional support services	1,041,041	19,372	–	(1,021,669)	(654,331)
Pupil support services	913,289	–	–	(913,289)	(892,363)
Sites and buildings	1,244,060	–	149,811	(1,094,249)	(762,447)
Fiscal and other fixed cost programs	106,129	–	–	(106,129)	(91,568)
Food service	556,120	144,456	371,444	(40,220)	192,082
Community service	373,087	281,146	96,798	4,857	(72,679)
Depreciation/amortization not included in other functions	616,536	–	–	(616,536)	(664,032)
Interest and fiscal charges	90,611	–	–	(90,611)	(127,536)
Total governmental activities	$ 12,529,368	$ 660,804	$ 2,681,156	(9,187,408)	(8,547,702)
General revenues					
Taxes					
Property taxes, levied for general purposes				2,032,837	1,989,233
Property taxes, levied for community service				62,078	61,329
Property taxes, levied for debt service				1,329,088	1,303,201
General grants and aids				7,804,666	7,336,176
Other general revenues				228,434	183,103
Investment earnings				276,961	13,173
Insurance recovery				13,398	586,961
Total general revenues				11,747,462	11,473,176
Change in net position				2,560,054	2,925,474
Net position – beginning				6,883,998	3,958,524
Net position – ending				$ 9,444,052	$ 6,883,998

INDEPENDENT SCHOOL DISTRICT NO. 139

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

	General Fund	Debt Service Fund	Permanent Fund
Assets			
Cash and temporary investments	$ 6,314,618	$ 827,894	$ 542,891
Receivables			
Current taxes	1,341,410	878,171	–
Delinquent taxes	45,942	39,490	–
Accounts and interest	–	–	–
Due from other governmental units	1,638,915	15,197	–
Due from other funds	33,014	–	–
Inventory	–	–	–
Prepaid items	3,317	–	–
Total assets	$ 9,377,216	$ 1,760,752	$ 542,891
Liabilities			
Accounts and contracts payable	$ 1,104,064	$ 950	$ –
Unearned revenue	64,730	–	–
Due to other funds	–	–	–
Total liabilities	1,168,794	950	–
Deferred inflows of resources			
Unavailable revenue – long-term receivable	619,300	–	–
Unavailable revenue – delinquent taxes receivable	45,942	39,490	–
Property taxes levied for subsequent year	1,987,915	1,402,045	–
Total deferred inflows of resources	2,653,157	1,441,535	–
Fund balances (deficit)			
Nonspendable	3,317	–	511,000
Restricted	2,044,690	318,267	31,891
Assigned	2,013,026	–	–
Unassigned	1,494,232	–	–
Total fund balances (deficit)	5,555,265	318,267	542,891
Total liabilities, deferred inflows of resources, and fund balances	$ 9,377,216	$ 1,760,752	$ 542,891

Nonmajor Funds	Total Governmental Funds 2023	Total Governmental Funds 2022
$ 100,236	$ 7,785,639	$ 7,742,440
41,826	2,261,407	2,144,490
1,752	87,184	84,699
–	–	5,496
13,251	1,667,363	1,793,274
–	33,014	–
5,878	5,878	4,399
–	3,317	–
$ 162,943	$ 11,843,802	$ 11,774,798
$ 51,841	$ 1,156,855	$ 1,077,127
30,630	95,360	49,764
33,014	33,014	–
115,485	1,285,229	1,126,891
–	619,300	763,046
1,752	87,184	84,699
64,438	3,454,398	3,287,966
66,190	4,160,882	4,135,711
5,878	520,195	515,399
125,080	2,519,928	2,171,061
–	2,013,026	2,013,026
(149,690)	1,344,542	1,812,710
(18,732)	6,397,691	6,512,196
$ 162,943	$ 11,843,802	$ 11,774,798

INDEPENDENT SCHOOL DISTRICT NO. 139

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	$ 6,397,691	$ 6,512,196
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	33,117,566	32,379,736
Accumulated depreciation/amortization	(18,644,015)	(17,875,466)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.		
General obligation bonds payable	(4,285,000)	(5,585,000)
Unamortized premium/discount	(221,041)	(309,976)
Financed purchase payable	(619,300)	(763,046)
Leases payable	(232,984)	(135,443)
Net pension liability	(7,744,601)	(3,910,369)
Total OPEB liability	(357,253)	(391,385)
Accrued interest payable is included in net position, but is excluded from fund balances until due and payable.	(53,563)	(69,812)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	2,788,506	2,585,029
Deferred outflows of resources – OPEB plan deferments	81,157	88,131
Deferred inflows of resources – pension plan deferments	(1,460,440)	(6,479,377)
Deferred inflows of resources – OPEB plan deferments	(29,155)	(8,965)
Deferred inflows of resources – unavailable revenue – long-term receivable	619,300	763,046
Deferred inflows of resources – unavailable revenue – delinquent taxes	87,184	84,699
Total net position – governmental activities	$ 9,444,052	$ 6,883,998

INDEPENDENT SCHOOL DISTRICT NO. 139

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	Debt Service Fund	Permanent Fund
Revenue			
Local sources			
Property taxes	$ 2,030,502	$ 1,328,935	$ –
Investment earnings	257,528	–	19,433
Other	606,122	–	–
State sources	9,005,449	151,973	–
Federal sources	824,545	–	–
Total revenue	12,724,146	1,480,908	19,433
Expenditures			
Current			
Administration	790,748	–	–
District support services	456,760	–	–
Elementary and secondary regular instruction	4,793,242	–	–
Vocational education instruction	227,415	–	–
Special education instruction	2,544,163	–	–
Instructional support services	1,015,351	–	–
Pupil support services	1,162,584	–	–
Sites and buildings	1,512,613	–	–
Fiscal and other fixed cost programs	106,129	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	–	–
Debt service			
Principal	242,914	1,300,000	–
Interest and fiscal charges	26,345	169,450	–
Total expenditures	12,878,264	1,469,450	–
Excess (deficiency) of revenue over expenditures	(154,118)	11,458	19,433
Other financing sources			
Debt issued	196,709	–	–
Proceeds from sale of capital assets	1,260	–	–
Insurance recovery	13,398	–	–
Total other financing sources	211,367	–	–
Net change in fund balances	57,249	11,458	19,433
Fund balances (deficit)			
Beginning of year	5,498,016	306,809	523,458
End of year	$ 5,555,265	$ 318,267	$ 542,891

Nonmajor Funds	Total Governmental Funds 2023	Total Governmental Funds 2022
$ 62,081	$ 3,421,518	$ 3,356,885
–	276,961	13,173
425,602	1,031,724	868,380
126,526	9,283,948	9,066,315
341,716	1,166,261	1,304,951
955,925	15,180,412	14,609,704
–	790,748	750,115
–	456,760	486,151
–	4,793,242	4,521,942
–	227,415	212,063
–	2,544,163	2,047,260
–	1,015,351	678,810
–	1,162,584	840,234
–	1,512,613	1,051,265
–	106,129	91,568
544,696	544,696	508,829
503,940	503,940	480,036
109,934	109,934	23,460
–	1,542,914	1,461,893
–	195,795	232,284
1,158,570	15,506,284	13,385,910
(202,645)	(325,872)	1,223,794
–	196,709	–
–	1,260	–
–	13,398	586,961
–	211,367	586,961
(202,645)	(114,505)	1,810,755
183,913	6,512,196	4,701,441
$ (18,732)	$ 6,397,691	$ 6,512,196

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	$ (114,505)	$ 1,810,755
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	865,055	105,461
Depreciation/amortization expense	(809,779)	(836,253)
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.	(85,995)	–
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.	(196,709)	–
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	1,300,000	1,265,000
Financed purchase payable	143,746	139,570
Leases payable	99,168	57,323
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.	16,249	15,813
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.	88,935	88,935
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	(3,834,232)	2,612,545
Total OPEB liability	34,132	(57,949)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	203,477	(361,288)
Deferred outflows of resources – OPEB plan deferments	(6,974)	50,750
Deferred inflows of resources – pension plan deferments	5,018,937	(1,825,485)
Deferred inflows of resources – OPEB plan deferments	(20,190)	2,989
Deferred inflows of resources – unavailable revenue – long-term receivable	(143,746)	(139,570)
Deferred inflows of resources – unavailable revenue – delinquent taxes	2,485	(3,122)
Change in net position – governmental activities	$ 2,560,054	$ 2,925,474

INDEPENDENT SCHOOL DISTRICT NO. 139

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

	2023				2022
	Budgeted Amounts			Over (Under)	
	Original	Final	Actual	Final Budget	Actual
Revenue					
Local sources					
Property taxes	$ 1,951,440	$ 2,022,352	$ 2,030,502	$ 8,150	$ 1,988,682
Investment earnings	20,000	150,000	257,528	107,528	12,868
Other	308,220	542,300	606,122	63,822	566,800
State sources	8,981,443	9,195,546	9,005,449	(190,097)	8,790,671
Federal sources	1,088,971	841,400	824,545	(16,855)	638,394
Total revenue	12,350,074	12,751,598	12,724,146	(27,452)	11,997,415
Expenditures					
Current					
Administration	889,982	817,601	790,748	(26,853)	750,115
District support services	462,816	499,576	456,760	(42,816)	486,151
Elementary and secondary regular instruction	4,271,607	5,004,201	4,793,242	(210,959)	4,521,942
Vocational education instruction	223,859	216,450	227,415	10,965	212,063
Special education instruction	1,930,670	2,228,555	2,544,163	315,608	2,047,260
Instructional support services	1,146,659	1,102,146	1,015,351	(86,795)	678,810
Pupil support services	598,445	1,154,849	1,162,584	7,735	840,234
Sites and buildings	1,661,150	1,118,872	1,512,613	393,741	1,051,265
Fiscal and other fixed cost programs	106,166	87,900	106,129	18,229	91,568
Debt service					
Principal	–	139,350	242,914	103,564	196,893
Interest and fiscal charges	–	26,000	26,345	345	25,834
Total expenditures	11,291,354	12,395,500	12,878,264	482,764	10,902,135
Excess (deficiency) of revenue over expenditures	1,058,720	356,098	(154,118)	(510,216)	1,095,280
Other financing sources					
Debt issued	–	–	196,709	196,709	–
Proceeds from sale of capital assets	–	–	1,260	1,260	–
Insurance recovery	–	5,000	13,398	8,398	586,961
Total other financing sources	–	5,000	211,367	206,367	586,961
Net change in fund balances	$ 1,058,720	$ 361,098	57,249	$ (303,849)	1,682,241
Fund balances					
Beginning of year			5,498,016		3,815,775
End of year			$ 5,555,265		$ 5,498,016

See notes to basic financial statements

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

	Scholarship Custodial Fund
Assets	
Cash and temporary investments	$ 227,392
Liabilities	
Accounts and contracts payable	2,500
Net position	
Restricted for scholarships	$ 224,892

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

	Scholarship Custodial Fund
Additions	
Contributions	$ 45,868
Deductions	
Scholarships	45,450
Change in net position	418
Net position	
Beginning of year	224,474
End of year	$ 224,892

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 139 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

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

C. Government-Wide Financial Statement Presentation

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar 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/amortization not included in 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 and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

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

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

2. **Recording of Expenditures –** Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term 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.

Fiduciary funds are presented in the fiduciary fund financial statements by type: the District has a Scholarship Custodial 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.

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 primarily 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 of the general government, except those required to be accounted for in another fund.

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.

Permanent Fund – The Permanent Fund accounts for the Aquatic Center's contributions received and held by the District as restricted for pool center operations. Disbursements from the Permanent Fund are made in accordance with the trust agreement.

Nonmajor Governmental Funds

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

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

Fiduciary Fund

Scholarship Custodial Fund – The Scholarship Custodial Fund is used to account for resources held by the District, in a custodial capacity for others, to provide college scholarships for graduating students. There is no requirement that any portion of these resources be preserved as capital.

E. Budgetary Information

The School Board adopts an annual budget for most governmental funds. The District does not adopt a budget for the Permanent Fund. The budget for each fund is prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted appropriations lapse at year-end.

Actual expenditures exceeded final budgeted appropriations for fiscal 2023 by $482,764 in the General Fund, by $73,009 in the Food Service Special Revenue Fund, by $3,336 in the Community Service Special Revenue Fund, and by $950 in the Debt Service Fund. These variances were funded by revenues and other financing sources in excess of budget and available fund balance.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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

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

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

G. Receivables

When necessary, the District utilizes an allowance for uncollectible accounts to value its receivables. However, the District considers all of its current receivables to be collectible. The only receivables not expected to be fully collected within one year are delinquent property taxes receivable and a receivable from the St. Croix River Education District (SCRED), reported within due from other governmental units.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $78,678 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.

K. Capital Assets

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

Capital assets are recorded in the government-wide financial statements, but are not reported in the governmental fund financial statements. Capital assets are depreciated/amortized 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/amortization purposes. Useful lives vary from 20 to 50 years for land improvements and buildings and 5 to 15 years for furniture and equipment. Assets under lease are amortized over the term of the lease or over the useful life of the applicable asset class previously described, if future ownership is anticipated. Land is not depreciated.

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

L. Long-Term Obligations

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Compensated Absences

1. **Vacation Pay –** The District compensates certain employees upon termination of employment for unused vacation. The full-time employees of the District earn vacation based upon the number of completed years of service. Since teachers do not receive vacation benefits, there is not a material vacation liability to accrue as of June 30, 2023.

2. **Sick Pay** – Substantially all district employees are entitled to sick leave at various rates. Unused sick leave is not paid out upon termination; therefore, no liability is reported as of year-end.

N. 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.

O. Deferred Outflows/Inflows of Resources

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

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

Property taxes levied for subsequent years, which represent 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unavailable revenue from long-term receivables and property taxes receivable, arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. The District has recorded a long-term receivable and delinquent property taxes not collected within 60 days of year-end, which are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available.

P. Net Position

In the government-wide 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 and 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 their 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.

Q. 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, nonspendable portions in the Permanent Fund, and other long-term assets.

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

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

- **Assigned –** Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board resolution, the District's business manager and superintendent are authorized to establish assignments of fund balance.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

R. Use of Estimates

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

S. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and 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. The only reduction in the District's insurance coverage was in the area of cyber security related to an insurance review in the current year.

T. Prior Period Comparative Financial Information/Reclassification

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

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	$	–
Investments		8,013,031
Total deposits and investments	$	8,013,031

Cash and investments are presented in the financial statements as follows:

Statement of Net Position		
Cash and temporary investments	$	7,785,639
Statement of Fiduciary Net Position		
Cash and temporary investments		
Scholarship Custodial Fund		227,392
Total deposits and investments	$	8,013,031

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 zero, while the balance on the bank records was $248,225. 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 had the following investments at year-end:

Investment Type	Credit Risk Rating	Credit Risk Agency	Fair Value Measurements	Interest Risk – Maturity Duration in Years Less Than 1	Total
Investment pools/mutual funds					
Minnesota School District					
Liquid Asset Fund					
Liquid Class	AAA	S&P	Amortized Cost	N/A	$ 118,337
MAX Class	AAA	S&P	Amortized Cost	N/A	7,894,694
Total					$ 8,013,031

N/A – Not Applicable

The Minnesota School District Liquid Asset Fund (MSDLAF) is regulated by Minnesota Statutes and is an external investment pool, which is not registered with the Securities and Exchange Commission. The District's investment in this pool is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. For MSDLAF investments, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice for the Liquid Class; the redemption notice period is 14 days for the MAX Class, with the exception of direct investments of funds distributed by the state of Minnesota. Withdrawals prior to the restriction periods may be subject to a penalty and there is a 24-hour hold on all requests for redemptions.

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.

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.

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)

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. The District's investment policies do not further restrict investing in specific financial instruments.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended is as follows:

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year
Capital assets, not depreciated/amortized				
Land	$ 235,734	$ –	$ –	$ 235,734
Capital assets, depreciated/amortized				
Land improvements	1,743,880	45,180	–	1,789,060
Buildings	27,106,797	185,896	–	27,292,693
Furniture and equipment	3,100,559	437,270	(127,225)	3,410,604
Furniture and equipment – under lease	192,766	196,709	–	389,475
Total capital assets, depreciated/amortized	32,144,002	865,055	(127,225)	32,881,832
Less accumulated depreciation/amortization for				
Land improvements	(1,165,531)	(38,542)	–	(1,204,073)
Buildings	(14,378,210)	(517,495)	–	(14,895,705)
Furniture and equipment	(2,276,754)	(154,329)	41,230	(2,389,853)
Furniture and equipment – under lease	(54,971)	(99,413)	–	(154,384)
Total accumulated depreciation/amortization	(17,875,466)	(809,779)	41,230	(18,644,015)
Net capital assets, depreciated/amortized	14,268,536	55,276	(85,995)	14,237,817
Total capital assets, net	$ 14,504,270	$ 55,276	$ (85,995)	$ 14,473,551

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

Elementary and secondary regular instruction	$ 26,067
Vocational education instruction	1,390
Instructional support services	102,218
Pupil support services	59,499
Community service	4,069
Depreciation/amortization not included in other functions	616,536
Total depreciation/amortization expense	$ 809,779

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

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

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
2015 Refunding Bonds	11/12/2015	2.00–3.00%	$ 9,175,000	02/01/2026	$ 3,785,000
2017 Facilities Maintenance Bonds	02/09/2017	3.00%	$ 1,075,000	02/01/2027	500,000
Total general obligation bonds payable					$ 4,285,000

These bonds were issued to finance acquisition, construction, and/or improvements of capital facilities, or to finance the retirement (refunding) of prior bond issues. 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 105.0 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. Financed Purchase Payable

In June 2012, the District entered into an agreement to finance the purchase of a building for $1,930,000 on behalf of SCRED. The agreement bears an interest rate of 2.97 percent and a final maturity of February 1, 2027. The District makes semiannual payments through the General Fund. Also, in June 2012, the District entered into an agreement to sell the building to SCRED to purchase the building capitalized by SCRED at $1,930,000. The agreement bears an interest rate of 2.97 percent and a final maturity of February 1, 2027. SCRED makes semiannual payments to the District. The terms of the sale between SCRED and the District are identical to the financed purchase payment terms, with the intent of the transactions to be hold harmless to the District in matching debt payments with receipts from SCRED. The District has reported $619,300 in due from other governmental units in the General Fund that matches the remaining amount owed on this agreement.

C. Leases Payable

The District has obtained the use of certain technology equipment through lease financing agreements. 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 by the General Fund. The agreements are secured by the original equipment. The lessor may repossess the property and seek full recovery of the losses upon default. The District currently has the following leases payable outstanding:

Lease Description	Issue Date	Interest Rate	Final Maturity	Principal Outstanding
Technology equipment	03/11/2020	3.50%	07/01/2023	$ 17,095
Technology equipment	09/01/2020	3.50%	07/05/2023	10,016
Technology equipment	06/05/2021	3.50%	07/05/2024	55,695
Technology equipment	07/25/2022	2.82%	07/01/2025	75,434
Technology equipment	07/25/2022	2.68%	07/01/2026	74,744
Total leases payable				$ 232,984

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

D. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including: pensions and OPEB. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed primarily from the General Fund.

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 as of and for the year ended June 30, 2023:

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA	$ 2,051,289	$ 833,499	$ 50,701	$ 312,788
TRA	5,693,312	1,955,007	1,409,739	(1,047,645)
Total	$ 7,744,601	$ 2,788,506	$ 1,460,440	$ (734,857)

E. Minimum Debt Payments

Minimum annual principal and interest payments to maturity for general obligation bonds payable, financed purchase payable, and leases payable are as follows:

Year Ending	General Obligation Bonds Payable		Financed Purchase Payable		Leases Payable	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2024	$ 1,345,000	$ 128,550	$ 148,047	$ 17,303	$ 96,880	$ 7,029
2025	1,385,000	88,200	152,477	12,873	71,897	3,951
2026	1,425,000	46,650	157,039	8,311	44,774	1,757
2027	130,000	3,900	161,737	3,612	19,433	521
	$ 4,285,000	$ 267,300	$ 619,300	$ 42,099	$ 232,984	$ 13,258

F. Changes in Long-Term Liabilities

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year	Due Within One Year
General obligation bonds payable	$ 5,585,000	$ –	$ 1,300,000	$ 4,285,000	$ 1,345,000
Unamortized premium/discount	309,976	–	88,935	221,041	–
Total bonds payable	5,894,976	–	1,388,935	4,506,041	1,345,000
Financed purchase payable	763,046	–	143,746	619,300	148,047
Leases payable	135,443	196,709	99,168	232,984	96,880
Net pension liability	3,910,369	4,346,194	511,962	7,744,601	–
Total OPEB liability	391,385	33,540	67,672	357,253	42,894
	$ 11,095,219	$ 4,576,443	$ 2,211,483	$ 13,460,179	$ 1,632,821

NOTE 5 – FUND BALANCES

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

A. Classifications

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

	General Fund	Debt Service Fund	Permanent Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	$ –	$ –	$ –	$ 5,878	$ 5,878
Prepaid items	3,317	–	–	–	3,317
Restricted principal	–	–	511,000	–	511,000
Total nonspendable	3,317	–	511,000	5,878	520,195
Restricted					
Student activities	214,067	–	–	–	214,067
Staff development	231,506	–	–	–	231,506
Operating capital	139,779	–	–	–	139,779
Learning and development	599,993	–	–	–	599,993
Gifted and talented	35,488	–	–	–	35,488
Basic skills programs	691,201	–	–	–	691,201
Long-term facilities maintenance	97,232	–	–	–	97,232
Medical Assistance	35,424	–	–	–	35,424
Debt service	–	318,267	–	–	318,267
Pool center operations	–	–	31,891	–	31,891
Food service	–	–	–	100,865	100,865
Early childhood family education	–	–	–	21,602	21,602
Community service	–	–	–	2,613	2,613
Total restricted	2,044,690	318,267	31,891	125,080	2,519,928
Assigned					
Q Comp	13,026	–	–	–	13,026
Subsequent year's budget	257,456	–	–	–	257,456
Capital projects	1,742,544	–	–	–	1,742,544
Total assigned	2,013,026	–	–	–	2,013,026
Unassigned					
Unassigned – safe schools levy deficit	(20,040)	–	–	–	(20,040)
Unassigned – community education deficit	–	–	–	(79,934)	(79,934)
Unassigned – school readiness deficit	–	–	–	(69,756)	(69,756)
Unassigned	1,514,272	–	–	–	1,514,272
Total unassigned	1,494,232	–	–	(149,690)	1,344,542
Total	$ 5,555,265	$ 318,267	$ 542,891	$ (18,732)	$ 6,397,691

B. Minimum Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding the minimum fund balance. The policy establishes that the District will strive to maintain a minimum unrestricted General Fund balance (consisting of assigned and unassigned fund balances) of 15.0 percent of the General Fund expenditures for each fiscal year. If the balance will decrease below 15.0 percent, the administration shall apprise the School Board of this prior to budget adoption. If the balance will decrease below 10.0 percent, the School Board will initiate certain measures to ensure that the balance does not fall below this level.

At June 30, 2023, the unrestricted fund balance (consisting of assigned and unassigned fund balances, without restricted account deficits) of the General Fund was 27.4 percent of fiscal 2023 actual expenditures.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

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

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

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

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

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

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

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 2022 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 $164,824 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 $419,285. 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 $2,051,289 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 $16.0 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 $60,229. 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 0.0259 percent at the end of the measurement period and 0.0226 percent for the beginning of the period.

District's proportionate share of the net pension liability	$	2,051,289
State's proportionate share of the net pension liability associated with the District	$	60,229

For the year ended June 30, 2023, the District recognized pension expense of $303,788 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional $9,000 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's pension expense for the annual $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	$ 17,134	$ 19,181
Changes in actuarial assumptions	406,880	7,538
Net collective difference between projected and actual investment earnings on pension plan investments	127,910	–
Changes in proportion	116,751	23,982
District's contributions to the GERF subsequent to the measurement date	164,824	–
Total	$ 833,499	$ 50,701

The $164,824 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	$ 216,540
2025	$ 212,776
2026	$ 3,150
2027	$ 185,508

2. TRA Pension Costs

At June 30, 2023, the District reported a liability of $5,693,312 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 0.0711 percent at the end of the measurement period and 0.0673 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	$ 5,693,312
State's proportionate share of the net pension liability associated with the District	$ 422,360

For the year ended June 30, 2023, the District recognized negative pension expense of $1,105,721. It also recognized $58,076 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	$ 81,677	$ 46,415
Changes in actuarial assumptions	863,375	1,121,786
Net collective difference between projected and actual investment earnings on pension plan investments	267,241	–
Changes in proportion	323,429	241,538
District's contributions to the TRA subsequent to the measurement date	419,285	–
Total	$ 1,955,007	$ 1,409,739

A total of $419,285 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	$ (993,445)
2025	$ 209,297
2026	$ 142,981
2027	$ 735,420
2028	$ 31,730

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 in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	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	$ 3,240,118	$ 2,051,289	$ 1,076,265
TRA discount rate	6.00%	7.00%	8.00%
District's proportionate share of the TRA net pension liability	$ 8,975,196	$ 5,693,312	$ 3,003,190

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.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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. Retirees 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's contributions in the current year totaled $42,894 as required on a pay-as-you-go basis to finance current year benefits as described in the previous section.

D. Membership

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

Retirees and beneficiaries receiving benefits	9
Active plan members	139
Total members	148

E. Total OPEB Liability of the District

The District's total OPEB liability of $357,253 as of year-end was measured as of July 1, 2022, and was determined by an actuarial valuation as of July 1, 2021.

F. Actuarial Methods and Assumptions

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

Discount rate	3.80%
20-year municipal bond yield	3.80%
Inflation rate	2.50%
Healthcare trend rate	6.25% grading to 5.00% over 5 years and then to 4.00% over the next 48 years

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-year municipal bond yield.

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

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.

The retirement and withdrawal assumptions used to value GASB Statement No. 75 liabilities are similar to those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

Economic assumptions are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information, as well as for consistency with the other economic assumptions.

G. Changes in the Total OPEB Liability

	Total OPEB Liability
Beginning balance	$ 391,385
Changes for the year	
Service cost	25,208
Interest	8,332
Changes in actuarial assumptions	(27,815)
Benefit payments	(39,857)
Total net changes	(34,132)
Ending balance	$ 357,253

Assumption changes since the prior measurement date include the following:

- The inflation rate was changed from 2.00 percent to 2.50 percent.
- The discount rate was changed from 2.10 percent to 3.80 percent.

H. Total OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
OPEB discount rate	2.80%	3.80%	4.80%
Total OPEB liability	$ 377,365	$ 357,253	$ 337,934

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.0 percentage point lower or 1.0 percentage point higher than the current healthcare cost trend rates:

	1% Decrease in Healthcare Trend Rate	Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
OPEB healthcare trend rate	5.25% grading to 4.00%, then 3.00%	6.25% grading to 5.00%, then 4.00%	7.25% grading to 6.00%, then 5.00%
Total OPEB liability	$ 324,396	$ 357,253	$ 395,908

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

For the current year ended, the District recognized OPEB expense of $35,926. 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	$ 24,443	$ 3,640
Changes in actuarial assumptions	13,820	25,515
District's contributions subsequent to the measurement date	42,894	–
Total	$ 81,157	$ 29,155

A total of $42,894 reported as deferred outflows of resources related to OPEB contributions, subsequent to the measurement date, will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	OPEB Expense Amount
2024	$ 2,386
2025	$ 2,388
2026	$ 5,371
2027	$ 3,598
2028	$ (4,635)

NOTE 8 – INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2023, the General Fund recorded a receivable of $33,014 from the Community Service Special Revenue Fund to eliminate a short term cash deficit.

NOTE 9 – STEWARDSHIP AND ACCOUNTABILITY

At June 30, 2023, the District's Community Service Special Revenue Fund reported a deficit fund balance total of $125,475. The District is currently considering options and working with the City to eliminate this deficit that was due to one-time capital repairs that were needed for the community pool.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Programs

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

B. Legal Contingencies

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.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 139

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

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's 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 Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.0269%	$ 1,261,899	$ –	$ 1,261,899	$ 1,401,848	90.02%	78.70%
06/30/2016	06/30/2015	0.0242%	$ 1,254,248	$ –	$ 1,254,248	$ 1,398,493	89.69%	78.20%
06/30/2017	06/30/2016	0.0231%	$ 1,878,262	$ 24,534	$ 1,902,796	$ 1,448,307	129.69%	68.90%
06/30/2018	06/30/2017	0.0232%	$ 1,483,487	$ 18,657	$ 1,502,144	$ 1,451,200	102.22%	75.90%
06/30/2019	06/30/2018	0.0231%	$ 1,281,293	$ 42,071	$ 1,323,364	$ 1,505,333	85.12%	79.50%
06/30/2020	06/30/2019	0.0226%	$ 1,249,503	$ 38,832	$ 1,288,335	$ 1,607,040	77.75%	80.20%
06/30/2021	06/30/2020	0.0234%	$ 1,402,937	$ 43,402	$ 1,446,339	$ 1,677,947	83.61%	79.10%
06/30/2022	06/30/2021	0.0226%	$ 965,120	$ 29,485	$ 994,605	$ 1,619,505	59.59%	87.00%
06/30/2023	06/30/2022	0.0259%	$ 2,051,289	$ 60,229	$ 2,111,518	$ 1,942,251	105.61%	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	$ 104,887	$ 104,887	$ –	$ 1,398,493	7.50%
06/30/2016	$ 108,623	$ 108,623	$ –	$ 1,448,307	7.50%
06/30/2017	$ 108,840	$ 108,840	$ –	$ 1,451,200	7.50%
06/30/2018	$ 112,900	$ 112,900	$ –	$ 1,505,333	7.50%
06/30/2019	$ 120,528	$ 120,528	$ –	$ 1,607,040	7.50%
06/30/2020	$ 125,846	$ 125,846	$ –	$ 1,677,947	7.50%
06/30/2021	$ 121,463	$ 121,463	$ –	$ 1,619,505	7.50%
06/30/2022	$ 145,669	$ 145,669	$ –	$ 1,942,251	7.50%
06/30/2023	$ 164,824	$ 164,824	$ –	$ 2,197,653	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. 139

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	0.0761%	$ 3,278,099	$ 230,528	$ 3,508,627	$ 3,255,055	100.71%	81.50%
06/30/2016	06/30/2015	0.0635%	$ 3,925,404	$ 481,354	$ 4,406,758	$ 3,283,067	119.57%	76.80%
06/30/2017	06/30/2016	0.0676%	$ 16,113,178	$ 1,617,614	$ 17,730,792	$ 3,483,187	462.60%	44.88%
06/30/2018	06/30/2017	0.0688%	$ 13,722,499	$ 1,326,273	$ 15,048,772	$ 3,695,058	371.37%	51.57%
06/30/2019	06/30/2018	0.0662%	$ 4,156,430	$ 390,628	$ 4,547,058	$ 3,634,869	114.35%	78.07%
06/30/2020	06/30/2019	0.0635%	$ 4,047,503	$ 358,090	$ 4,405,593	$ 3,784,591	106.95%	78.21%
06/30/2021	06/30/2020	0.0693%	$ 5,119,977	$ 429,026	$ 5,549,003	$ 4,026,402	127.16%	75.48%
06/30/2022	06/30/2021	0.0673%	$ 2,945,249	$ 248,480	$ 3,193,729	$ 4,027,909	73.12%	86.63%
06/30/2023	06/30/2022	0.0711%	$ 5,693,312	$ 422,360	$ 6,115,672	$ 4,393,876	129.57%	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	$ 246,230	$ 246,230	$ –	$ 3,283,067	7.50%
06/30/2016	$ 261,239	$ 261,239	$ –	$ 3,483,187	7.50%
06/30/2017	$ 277,126	$ 277,126	$ –	$ 3,695,058	7.50%
06/30/2018	$ 272,615	$ 272,615	$ –	$ 3,634,869	7.50%
06/30/2019	$ 291,792	$ 291,792	$ –	$ 3,784,591	7.71%
06/30/2020	$ 318,891	$ 318,891	$ –	$ 4,026,402	7.92%
06/30/2021	$ 327,469	$ 327,469	$ –	$ 4,027,909	8.13%
06/30/2022	$ 366,311	$ 366,311	$ –	$ 4,393,876	8.34%
06/30/2023	$ 419,285	$ 419,285	$ –	$ 4,903,969	8.55%

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

INDEPENDENT SCHOOL DISTRICT NO. 139

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

	District Fiscal Year-End Date					
	2018	2019	2020	2021	2022	2023
Total OPEB liability						
Service cost	$ 22,624	$ 23,303	$ 23,344	$ 26,326	$ 30,898	$ 25,208
Interest	11,310	10,856	11,045	10,018	8,404	8,332
Changes in actuarial assumptions	–	–	(7,012)	10,628	12,764	(27,815)
Plan changes	–	–	–	–	(2,257)	–
Differences between expected and actual experience	–	–	(10,920)	–	36,665	–
Benefit payments	(60,269)	(35,477)	(21,670)	(20,573)	(28,525)	(39,857)
Net change in total OPEB liability	(26,335)	(1,318)	(5,213)	26,399	57,949	(34,132)
Total OPEB liability – beginning	339,903	313,568	312,250	307,037	333,436	391,385
Total OPEB liability – ending	$ 313,568	$ 312,250	$ 307,037	$ 333,436	$ 391,385	$ 357,253
Covered-employee payroll	$ 4,837,982	$ 4,983,121	$ 5,381,947	$ 5,543,405	$ 5,734,047	$ 5,906,068
Total OPEB liability as a percentage of covered-employee payroll	6.48%	6.27%	5.70%	6.02%	6.83%	6.05%

Note 1: The District has not established a trust fund to finance GASB Statement No. 75 related benefits.

Note 2: The District implemented GASB Statement No. 75 in fiscal 2018. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

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

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The inflation rate was changed from 2.00 percent to 2.50 percent.
- The discount rate was changed from 2.10 percent to 3.80 percent.

2021 CHANGES IN PLAN PROVISIONS

- The principals no longer have an explicit post-employment subsidy.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates, mortality tables, salary increase rates for non-teachers, and withdrawal rates were updated.
- The inflation rate was changed from 2.50 percent to 2.00 percent.
- The discount rate was changed from 2.40 percent to 2.10 percent.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.10 percent to 2.40 percent.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality tables, medical trend rates, and salary scale assumptions were updated.
- The discount rate was changed from 3.40 percent to 3.10 percent.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.
- The discount rate was changed from 3.50 percent to 3.40 percent.

2017 CHANGES IN METHODS

- The actuarial cost method was changed from projected unit credit to entry-age as prescribed by GASB Statement No. 75.
- An average claim cost with different aging factors was used in the prior valuation to determine claims costs. For this valuation, an aging table was applied to the average age 65 annual claims amount to derive the claims costs at all the possible retirement ages.

SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 139

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

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	$ 100,236	$ –	$ 100,236
Receivables			
Current taxes	–	41,826	41,826
Delinquent taxes	–	1,752	1,752
Due from other governmental units	7,369	5,882	13,251
Inventory	5,878	–	5,878
Total assets	$ 113,483	$ 49,460	$ 162,943
Liabilities			
Accounts and contracts payable	$ 4,910	$ 46,931	$ 51,841
Unearned revenue	1,830	28,800	30,630
Due to other funds	–	33,014	33,014
Total liabilities	6,740	108,745	115,485
Deferred inflows of resources			
Unavailable revenue – delinquent taxes receivable	–	1,752	1,752
Property taxes levied for subsequent year	–	64,438	64,438
Total deferred inflows of resources	–	66,190	66,190
Fund balances (deficit)			
Nonspendable	5,878	–	5,878
Restricted	100,865	24,215	125,080
Unassigned	–	(149,690)	(149,690)
Total fund balances (deficit)	106,743	(125,475)	(18,732)
Total liabilities, deferred inflows of resources, and fund balances	$ 113,483	$ 49,460	$ 162,943

INDEPENDENT SCHOOL DISTRICT NO. 139

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	$ –	$ 62,081	$ 62,081
Other	144,456	281,146	425,602
State sources	29,728	96,798	126,526
Federal sources	341,716	–	341,716
Total revenue	515,900	440,025	955,925
Expenditures			
Current			
Food service	544,696	–	544,696
Community service	–	503,940	503,940
Capital outlay	1,538	108,396	109,934
Total expenditures	546,234	612,336	1,158,570
Net change in fund balances	(30,334)	(172,311)	(202,645)
Fund balances (deficit)			
Beginning of year	137,077	46,836	183,913
End of year	$ 106,743	$ (125,475)	$ (18,732)

INDEPENDENT SCHOOL DISTRICT NO. 139

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	$ 128,000	$ 144,456	$ 16,456	$ 4,739
State sources	170,500	29,728	(140,772)	18,752
Federal sources	108,500	341,716	233,216	666,557
Total revenue	407,000	515,900	108,900	690,048
Expenditures				
Current				
Salaries	155,225	164,897	9,672	133,355
Employee benefits	29,300	45,713	16,413	33,906
Purchased services	25,000	25,901	901	22,165
Supplies and materials	260,700	306,931	46,231	319,219
Other expenditures	1,500	1,254	(246)	184
Capital outlay	1,500	1,538	38	17,491
Total expenditures	473,225	546,234	73,009	526,320
Net change in fund balances	$ (66,225)	(30,334)	$ 35,891	163,728
Fund balances (deficit)				
Beginning of year		137,077		(26,651)
End of year		$ 106,743		$ 137,077

INDEPENDENT SCHOOL DISTRICT NO. 139

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	$ 61,665	$ 62,081	$ 416	$ 61,493
Other – primarily tuition and fees	330,731	281,146	(49,585)	296,841
State sources	58,604	96,798	38,194	100,465
Total revenue	451,000	440,025	(10,975)	458,799
Expenditures				
Current				
Salaries	294,935	269,046	(25,889)	278,874
Employee benefits	86,615	75,695	(10,920)	75,005
Purchased services	80,650	103,216	22,566	81,817
Supplies and materials	36,800	55,983	19,183	44,340
Capital outlay	110,000	108,396	(1,604)	5,969
Total expenditures	609,000	612,336	3,336	486,005
Net change in fund balances	$ (158,000)	(172,311)	$ (14,311)	(27,206)
Fund balances (deficit)				
Beginning of year		46,836		74,042
End of year		$ (125,475)		$ 46,836

INDEPENDENT SCHOOL DISTRICT NO. 139

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

	2023			2022
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 1,330,960	$ 1,328,935	$ (2,025)	$ 1,306,710
State sources	151,973	151,973	–	156,427
Total revenue	1,482,933	1,480,908	(2,025)	1,463,137
Expenditures				
Debt service				
Principal	1,300,000	1,300,000	–	1,265,000
Interest	167,550	167,550	–	205,500
Fiscal charges and other	950	1,900	950	950
Total expenditures	1,468,500	1,469,450	950	1,471,450
Net change in fund balances	$ 14,433	11,458	$ (2,975)	(8,313)
Fund balances				
Beginning of year		306,809		315,122
End of year		$ 318,267		$ 306,809

OTHER REQUIRED REPORTS

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. 139
Rush City, 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. 139, Rush City, Minnesota (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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify one deficiency in internal control, described in the accompanying Schedule of Findings and Responses as findings 2023-001 that we consider to be a material weakness.

(continued)

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COMPLIANCE AND OTHER MATTERS

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

DISTRICT'S RESPONSE TO FINDING

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

PURPOSE OF 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
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PRINCIPALS
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INDEPENDENT AUDITOR'S REPORT

ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of
Independent School District No. 139
Rush City, 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. 139, Rush City, Minnesota (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, we noted that the District failed to comply with the provisions of the claims and disbursements section of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minnesota Statutes § 6.65, insofar as they relate to accounting matters as described in the Schedule of Findings and Responses as finding 2023-002. Also, in connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

DISTRICT'S RESPONSE TO FINDING

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

PURPOSE OF 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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A. FINANCIAL STATEMENT FINDINGS IN INTERNAL CONTROL OVER FINANCIAL REPORTING

MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

2023-001 Segregation of Duties

Criteria – Internal control over financial reporting.

Condition – Independent School District No. 139 (the District) has limited segregation of duties in several areas, including the processing of general disbursements, payroll transactions, investing activities, general receipt entries, and journal entries.

Questioned Costs – Not applicable.

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

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

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

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

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

Corrective Action Plan

Actions Planned – The District's Business Manager intends to review policies, procedures, and transaction cycles, and work with the District's financial auditors to review specific weaknesses identified during the annual audit and actions needed to eliminate or mitigate this internal control weakness.

Official Responsible – The District's Business Manager, Kerstin Quigley.

Planned Completion Date – June 30, 2024.

Disagreement with or Explanation of Finding – There is no disagreement with the finding.

Plan to Monitor – The District's Business Manager, Kerstin Quigley will make the entire business services office aware of its objective to address this condition and supervise the progress of planned actions during the year.

B. MINNESOTA LEGAL COMPLIANCE FINDINGS

2023-002 PROMPT PAYMENT OF INVOICES

Criteria – Minnesota Statutes § 471.425, Subd. 2.

Condition – Minnesota Statutes require the District to pay each vendor obligation according to the terms of each contract or within 35 days after the receipt of the goods or services or the invoice for the goods or services. If such obligations are not paid within the appropriate time period, the District must pay interest on the unpaid obligations at the rate of 1.5 percent per month or part of a month. For 2 of 25 disbursements selected for testing, the District did not pay the obligation within the required time period, and did not pay interest on the unpaid obligation.

Questioned Costs – Not applicable.

Context – Two of twenty-five disbursements tested were not in compliance.

Repeat Finding – This is a current year finding.

Cause – This was an oversight by district personnel.

Effect – Certain invoices were not paid within the 35-day period required by Minnesota Statutes.

Recommendation – We recommend that the District review procedures in place to ensure that all invoices are paid within statutory requirements.

Corrective Action Plan

Actions Planned – The District's Business Manager will review payment schedules in light of statutory requirements to ensure invoices are paid within statutory timelines.

Official Responsible – The District's Business Manager, Kerstin Quigley.

Planned Completion Date – June 30, 2024.

Disagreement With or Explanation of Finding – There is no disagreement with the finding.

Plan to Monitor – The District's Business Manager, Kerstin Quigley will review invoices to ensure invoice payments are made in a timely manner.

INDEPENDENT SCHOOL DISTRICT NO. 139

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

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		$ 12,724,146	$ 12,724,148	$ (2)
Total expenditures		$ 12,878,264	$ 12,878,264	$ –
Nonspendable				
460	Nonspendable fund balance	$ 3,317	$ 3,317	$ –
Restricted				
401	Student activities	$ 214,067	$ 214,067	$ –
402	Scholarships	$ –	$ –	$ –
403	Staff development	$ 231,506	$ 231,506	$ –
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	$ 139,779	$ 139,779	$ –
426	$25 taconite	$ –	$ –	$ –
427	Disabled accessibility	$ –	$ –	$ –
428	Learning and development	$ 599,993	$ 599,993	$ –
434	Area learning center	$ –	$ –	$ –
435	Contracted alternative programs	$ –	$ –	$ –
436	State approved alternative program	$ –	$ –	$ –
438	Gifted and talented	$ 35,488	$ 35,488	$ –
440	Teacher development and evaluation	$ –	$ –	$ –
441	Basic skills programs	$ 691,201	$ 691,201	$ –
448	Achievement and integration	$ –	$ –	$ –
449	Safe schools levy	$ (20,040)	$ (20,040)	$ –
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	$ 97,232	$ 97,232	$ –
472	Medical Assistance	$ 35,424	$ 35,424	$ –
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	$ 2,013,026	$ 2,013,026	$ –
Unassigned				
422	Unassigned fund balance	$ 1,514,272	$ 1,514,272	$ –
Food Service				
Total revenue		$ 515,900	$ 515,899	$ 1
Total expenditures		$ 546,234	$ 546,234	$ –
Nonspendable				
460	Nonspendable fund balance	$ 5,878	$ 5,878	$ –
Restricted				
452	OPEB liability not in trust	$ –	$ –	$ –
464	Restricted fund balance	$ 100,865	$ 100,865	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Community Service				
Total revenue		$ 440,025	$ 440,024	$ 1
Total expenditures		$ 612,336	$ 612,336	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
426	$25 taconite	$ –	$ –	$ –
431	Community education	$ (79,934)	$ (79,934)	$ –
432	ECFE	$ 21,602	$ 21,602	$ –
440	Teacher development and evaluation	$ –	$ –	$ –
444	School readiness	$ (69,756)	$ (69,756)	$ –
447	Adult basic education	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
464	Restricted fund balance	$ 2,613	$ 2,613	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

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

		Audit	UFARS	Audit – UFARS
Building Construction				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
407	Capital projects levy	$ –	$ –	$ –
413	Projects funded by COP	$ –	$ –	$ –
467	Long-term facilities maintenance	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Debt Service				
Total revenue		$ 1,480,908	$ 1,480,909	$ (1)
Total expenditures		$ 1,469,450	$ 1,469,450	$ –
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	$ 318,267	$ 318,267	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Trust				
Total revenue		$ 19,433	$ 19,433	$ –
Total expenditures		$ –	$ –	$ –
401	Student activities	$ –	$ –	$ –
402	Scholarships	$ –	$ –	$ –
422	Net position	$ 542,891	$ 542,891	$ –
Custodial Fund				
Total revenue		$ 45,868	$ 45,868	$ –
Total expenditures		$ 45,450	$ 45,450	$ –
401	Student activities	$ –	$ –	$ –
402	Scholarships	$ 224,892	$ 224,892	$ –
448	Achievement and integration	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
Internal Service				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
OPEB Revocable Trust Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
OPEB Irrevocable Trust Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
OPEB Debt Service Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
425	Bond refundings	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

Note 1: 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.

Note 2: The amount of funds held for the Aquatic Center accounted for as a Permanent Fund for financial statement purposes is included in the Trust Fund net position balance for the purpose of this table.