Independent School District No. 100

Wrenshall, Minnesota

Financial Statements and
Supplementary Information

Year Ended June 30, 2023

WIPFLI

Independent School District No. 100

Year Ended June 30, 2023

Table of Contents

	Page
School Officials	1
Independent Auditor's Report	2
Required Supplementary Information	
Management's Discussion and Analysis	5
Basic Financial Statements	
District-wide Financial Statements	
Statement of Net Position (Deficit)	10
Statement of Activities	11
Fund Financial Statements - Governmental Funds	
Balance Sheet	12
Reconciliation of the Balance Sheet to the Statement of Net Position (Deficit)	13
Statement of Revenues, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	15
Statement of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual General Fund	16
Fiduciary Funds	
Statement of Fiduciary Net Position	17
Statement of Change in Fiduciary Net Position	18
Notes to Financial Statements	19
Required Supplementary Information	
Information about the District's Other Postemployment Health Care Plan	47
Information about the District's Net Pension Liability	48
Supplementary Information	
Combining Balance Sheet - Nonmajor Governmental Funds	50
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	51
Fiscal Compliance Table	52
Reports Required by *Government Auditing Standards* and the State of Minnesota	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance with Government Auditing Standards	53
Independent Auditor's Report on Legal Compliance for the State of Minnesota	55
Schedule of Findings and Responses	56
Schedule of Prior Year Findings and Responses	57

Independent School District No. 100

Year Ended June 30, 2023

School Officials

Elective	Office	Term Expires
Misty Bergman	Member	1/1/25
Mary Carlson	Vice-Chair	1/1/27
Erif Ankrum	Treasurer	1/1/27
Alice Kloepfer	Member	1/1/25
Nicole Krisak	Chair	1/1/25
Ben Johnson	Clerk	1/1/27
Appointive		
Jeff Pesta	Superintendent	

WIPFLI

Independent Auditor's Report

To the School Board
Independent School District No. 100
Wrenshall, Minnesota

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 100 (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 respective budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*. 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.

Management's Responsibility for the Financial Statements

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

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

Auditor's Responsibility

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 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 the standards applicable to financial audits contained in *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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis, pages 5 through 9, the information about the District's other postemployment health care plan, page 47, and the information about the District's net pension liability, pages 48 and 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, 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 combining nonmajor governmental funds financial statements, and the fiscal compliance table, pages 50 through 52, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor governmental funds financial statements and fiscal compliance table are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 audit procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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.

Wipfli LLP

Wipfli LLP

December 5, 2023
Duluth, Minnesota

Management’s Discussion and Analysis

Independent School District No. 100

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

As management of Independent School District No. 100 (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023.

Financial Highlights

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

- Total net position (deficit) was $662,128 at June 30, 2023, an increase of $687,487 over the prior year.
- Overall actual revenues in the Statement of Activities were $6,542,470 and expenses were $5,854,983.
- General Fund total fund balance decreased $294,460 during fiscal year ended June 30, 2023.

Overview of the Financial Statements

The financial section of the annual report consists of four parts - Independent Auditor's Report, required supplementary information which includes the Management's Discussion and Analysis (this section), the basic financial statements and supplemental information. The basic financial statements include two kinds of statements that present different views of the District.

District-wide Statements

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

The two district-wide statements report the District's net position and how it has changed.

The statement of net position presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The statement of activities presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (i.e., uncollected taxes and earned but unused compensated absences).

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, and operation of non-instructional services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, state statutes, and to control and manage money for particular purposes. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds - Most of the District's basic services are included in governmental funds. Governmental fund financial statements focus on near-term inflows of cash and other financial assets that can readily be converted to cash, as well as the balances at year-end that are available for spending. Consequently, the government funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Because this information does not encompass the additional long-term focus of the district-wide statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. A reconciliation is provided to facilitate a comparison between government funds financial statements and district-wide financial statements.

Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the private purpose trust fund. 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 district-wide financial statements because the District cannot use these assets to finance its operation.

Financial Analysis of the District as a Whole

Net position may serve over time as a useful indicator of a district's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $662,128 as of June 30, 2023.

Statement of Net Position (Deficit)
June 30,

	2023	2022
Capital assets	$ 17,471,077	$ 16,674,872
Current and other assets	2,996,026	4,587,551
Total assets	20,467,103	21,262,423
Deferred outflows of resources	1,330,761	1,588,610
Long-term liabilities	17,682,612	16,428,278
Other liabilities	1,351,767	1,668,105
Total liabilities	19,034,379	18,096,383
Deferred inflows of resources	2,101,357	4,780,009
Net position		
Net investment in capital assets	3,920,733	3,509,587
Restricted	253,996	361,559
Unrestricted (deficit)	(3,512,601)	(3,896,505)
Total net position (deficit)	$ 662,128	$ (25,359)

Change in Net Position
For the years ended June 30,

	2023	2022
Revenues		
Program revenues		
Charges for services	$ 264,487	$ 209,853
Operating grants and contributions	1,370,586	1,613,838
General revenues		
Property taxes	1,524,283	1,167,166
State aids	3,341,870	3,386,249
Other	41,244	9,161
Total revenues	6,542,470	6,386,267
Expenses		
District and school administration	378,521	352,988
District support services	328,435	333,414
Regular instruction	1,728,251	2,179,387
Vocational instruction	84,211	61,575
Exceptional instruction	913,118	949,351
Instructional support services	99,031	253,348
Pupil support services	551,131	492,110
Sites, building and equipment	699,878	510,646
Fiscal and other fixed cost programs	34,411	27,788
Food service	240,838	279,763
Community service	152,806	144,324
Interest and fiscal charges on long-term debt	496,427	329,081
Unallocated depreciation	147,925	148,285
Total expenses	5,854,983	6,062,060
Change in net position	687,487	324,207
Net position, beginning of year	(25,359)	(349,566)
Net position, end of year (deficit)	$ 662,128	$ (25,359)

Financial Analysis of the District's Funds

While the government-wide presentations are designed to present users with a more complete picture of the District's financial position and results of operation, the traditional fund accounting basis provides users with information that can be used by the District to make decisions in the near-term.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $327,998, a decrease of $1,242,574 from the prior year. This total consists of: General Fund, $156,360; Debt Service Fund, $122,904; Building Construction Fund, $0; Food Service Fund, $30,170; and Community Service Fund, $18,564.

At the end of the current fiscal year, the unassigned fund balance (deficit) of the General Fund was ($63,149). As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund budget. Unassigned fund balance represents -1.21% of the total General Fund's final budgeted expenditures of $5,222,696 at June 30, 2023. The School Board has adopted a Fund Balance Policy, establishing a goal of having a minimum General Fund unassigned fund balance equal to 8-10% of the annual budget.

The Building Construction Fund balance decreased $995,818 during the year due to the expenditure of funds on capital outlay items and maintenance projects. The Debt Service fund balance increased by $42,574 and the Community Service Fund balance increased $14,884.

General Fund Budgetary Highlights

The board of each school district must approve and adopt its revenue and expenditure budgets for the next school year prior to July 1 of each year. The budget document adopted is an expenditure-authorizing or appropriations document. No funds shall be expended by any board or district for any purpose in any school year prior to the adoption of the budget document which authorizes the expenditure or prior to an amendment to the budget document by the board to authorize the expenditure.

The originally adopted General Fund revenue and other financing sources budget was $4,952,849. Budgeted revenues and other financing sources were revised during the year to $4,886,356, a decrease of $66,493.

The originally adopted General Fund expenditure budget was $5,095,242. Budgeted expenditures were revised during the year to $5,222,696, an increase of $127,454.

Actual revenues were $282,798 more than anticipated primarily due to an increase in state and federal aid.

Actual expenditures and other financing uses were $241,717 more than anticipated due to additional capital outlay items and exceptional support costs.

Capital Asset and Debt Administration

Capital Asset

By the end of fiscal year 2023, the District had invested $23,659,032 in a broad range of capital assets, including land, school buildings, athletic facilities, buses and computer equipment. Total depreciation expense for the year was $372,778. More detailed information about the District's capital assets is presented in Note 3 to the financial statements.

Debt Administration

At June 30, 2023, the District had $13,155,000 in general obligation bonds payable. Under current state statutes, the District's general obligation bonded debt issuances are subject to a legal limitation of 10 percent of the fair market value of property in the District. The District is within its legal authority for bonded debt.

The District also had $38,664 in notes payable, $4,055,817 in net pension liability, $35,900 in total OPEB liability, and $40,551 in compensated absence liabilities at June 30, 2023.

More detailed information about the District's long-term liabilities is presented in Note 4 to the financial statements.

Factors Bearing on the District's Future

Wrenshall School District continues to promote and maintain a comprehensive PK-12 educational system for Wrenshall resident students and open enrolled students from area school districts. The educational staff is now in the ninth school year of the Quality Compensation Program which has allowed for focused-systemic staff development. Under the Quality Compensation Program the educators are evaluated every year under the Charlotte Danielson Model which has been very helpful. In addition, the professional learning communities are led by teacher leaders who do informal observations of all of the teaching staff. This has proved to be valuable and a collegial effort towards effective school improvement.

Contacting the District's Financial Management

This financial report is 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 this report or need additional financial information contact the Business Office, 207 Pioneer Drive Wrenshall, MN 55797 or call the Business Manager, (218) 384-4274.

Government-Wide Financial Statements

Independent School District No. 100

Statement of Activities

For the Year Ended June 30, 2023

		Governmental Activities
Assets and Deferred Outflows of Resources		
Current assets		
Cash and temporary cash investments	$	1,778,273
Current property taxes receivable		507,191
Delinquent property taxes receivable		18,932
Accounts receivable		11,795
Due from other Minnesota school districts		24,632
Due from Minnesota Department of Education		315,294
Due from federal government through the Minnesota Department of Education		300,227
Due from other governmental units		34,748
Inventory		4,934
Total current assets		2,996,026
Capital assets, net of depreciation		
Assets not being depreciated		22,760
Assets being depreciated, net		17,448,317
Total capital assets, net of depreciation		17,471,077
Deferred outflows of resources		
Items related to pensions plans		1,330,761
Total assets and deferred outflow of resources	$	21,797,864
Liabilities, Deferred Inflows of Resources, and Net Position (Deficit)		
Current liabilities		
Salaries payable	$	424,153
Accounts payable		34,104
Accrued payroll taxes		108,344
Due to other Minnesota school districts		129,137
Due to other governments		12,586
Interest payable		142,954
Unearned revenue		489
Short term indebtedness		500,000
Current portion of long-term liabilities		619,026
Total current liabilities		1,970,793
Long-term liabilities		17,063,586
Total liabilities		19,034,379
Deferred inflows of resources		
Property taxes levied for subsequent year's expenditures		1,440,283
Items related to pension plans		661,074
Total deferred inflows of resources		2,101,357
Net position (deficit)		
Net investment in capital assets		3,920,733
Restricted		253,996
Unrestricted (deficit)		(3,512,601)
Total net position (deficit)		662,128
Total liabilities, deferred inflows of resources, and net position (deficit)	$	21,797,864

See accompanying notes to financial statements.

Independent School District No. 100

Statement of Activities

For the Year Ended June 30, 2023

		Program Revenues			Net (Expenses) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
District and school administration	$ 378,521	$	$	$	$ (378,521)
District support services	328,435	799			(327,636)
Regular instruction	1,728,251	159,062	280,382		(1,288,807)
Vocational instruction	84,211		2,342		(81,869)
Exceptional instruction	913,118	(8,004)	826,990		(94,132)
Instructional support services	99,031				(99,031)
Pupil support services	551,131				(551,131)
Sites, buildings and equipment	699,878				(699,878)
Fiscal and other fixed program costs	34,411				(34,411)
Food service	240,838	53,019	178,065		(9,754)
Community service	152,806	59,611	82,807		(10,388)
Interest and fiscal charges on long-term debt	496,427				(496,427)
Unallocated depreciation	147,925				(147,925)
Total governmental activities	$ 5,854,983	$ 264,487	$ 1,370,586	$	(4,219,910)

General revenues	
Taxes	
Property taxes, levied for general purposes	637,550
Property taxes, levied for community service	24,777
Property taxes, levied for debt service	861,956
State aid-formula grants	3,341,870
Investment earnings	41,244
Total general revenues	4,907,397
Change in net position	687,487
Net position (deficit), beginning of the year	(25,359)
Net position (deficit), end of the year	$ 662,128

See accompanying notes to financial statements.

Independent School District No. 100

Governmental Funds – Balance Sheet

June 30, 2023

	General Fund	Debt Service Fund	Building Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and temporary cash investments	$ 969,438	$ 736,732	$	$ 72,103	$ 1,778,273
Current property taxes receivable	178,835	320,692		7,664	507,191
Delinquent property taxes receivable	7,815	10,770		347	18,932
Accounts receivable	2,388			9,407	11,795
Due from other Minnesota school districts	24,632				24,632
Due from the Minnesota Department of Education	301,773	10,479		3,042	315,294
Due from the federal government through the Minnesota Department of Education	299,496			731	300,227
Due from other governmental units	34,748				34,748
Inventory	4,100			834	4,934
Total assets	1,823,225	1,078,673	-	94,128	2,996,026
Liabilities					
Salaries payable	$ 405,840	$	$	$ 18,313	$ 424,153
Accounts payable	33,491	475		138	34,104
Accrued payroll taxes	108,344				108,344
Due to other Minnesota school districts	129,137				129,137
Due to other governments	12,586				12,586
Short term indebtedness	500,000				500,000
Unearned revenue				489	489
Total liabilities	1,189,398	475		18,940	1,208,813
Deferred inflows of resources					
Delinquent property taxes	7,815	10,770		347	18,932
Property taxes levied for subsequent year's expenditures	469,652	944,524		26,107	1,440,283
Total deferred inflows of resources	477,467	955,294		26,454	1,459,215
Fund balances					
Nonspendable	4,100			834	4,934
Assigned	21,271				21,271
Restricted	194,138	122,904		59,511	376,553
Unassigned	(63,149)			(11,611)	(74,760)
Total fund balances	156,360	122,904		48,734	327,998
Total liabilities, deferred inflows of resources, and fund balances	$ 1,823,225	$ 1,078,673	$	$ 94,128	$ 2,996,026

See accompanying notes to financial statements.

Independent School District No. 100

Governmental Funds – Reconciliation of the Balance Sheet to the Statement of Net Position (Deficit)

June 30, 2023

Total fund balances - governmental funds	$	327,998
Amounts reported for governmental activities in the statement of net position (deficit) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets		23,659,032
Less accumulated depreciation		(6,187,955)
Long-term liabilities, including bonds payable, capital leases payable, other postemployment benefits, and compensated absences payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
General obligation bonds		(13,155,000)
Notes payable		(38,664)
Unamortized bond premium		(356,680)
Compensated absences		(40,551)
Total OPEB obligation		(35,900)
The net pension liability and the deferred outflows of resources and inflow of resources related to pensions are only reported in the statement of net position		
Net pension liability		(4,055,817)
Deferred inflows of resources related to pensions		(661,074)
Deferred outflows related to pensions		1,330,761
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		18,932
Governmental funds do not report a liability for accrued interest until due and payable.		(142,954)
Total net position (deficit) - governmental activities	$	662,128

See accompanying notes to financial statements.

Independent School District No. 100

Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2023

	General Fund	Debt Service Fund	Building Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local property tax levies	$ 638,486	$ 859,921	$	$ 24,800	$ 1,523,207
Other local and county revenues	175,453			59,611	235,064
Revenue from state sources	3,974,624	103,589		93,623	4,171,836
Revenue from federal sources	348,454			167,721	516,175
Interest income	32,087		9,157		41,244
Sales and other conversion of assets	50			53,019	53,069
Total revenues	5,169,154	963,510	9,157	398,774	6,540,595
Expenditures					
Current					
District and school administration	376,934				376,934
District support services	319,806				319,806
Regular instruction	2,264,265				2,264,265
Vocational instruction	84,211				84,211
Exceptional instruction	909,102				909,102
Community education and services				152,806	152,806
Instructional support services	95,771				95,771
Pupil support services	595,898			240,838	836,736
Site, buildings, and equipment	531,978		(14,320)		517,658
Fiscal and other fixed cost programs	34,411				34,411
Debt service					
Principal	94,468	535,000			629,468
Interest and other fiscal costs	11,601	385,936			397,537
Capital outlay	145,968		1,019,295		1,165,263
Total expenditures	5,464,413	920,936	1,004,975	393,644	7,783,968
Excess (deficiency) of revenues over expenditures	(295,259)	42,574	(995,818)	5,130	(1,243,373)
Other financing sources					
Insurance recovery	799				799
Total other financing sources	799				799
Net change in fund balances	(294,460)	42,574	(995,818)	5,130	(1,242,574)
Fund balances, beginning	450,820	80,330	995,818	43,604	1,570,572
Fund balances, ending	$ 156,360	$ 122,904	$	$ 48,734	$ 327,998

See accompanying notes to financial statements.

Independent School District No. 100

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

For the Year Ended June 30, 2023

Total net changes in fund balances - governmental funds	$	(1,242,574)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the costs of those assets is allocated over the estimated useful lives as depreciation expense. This amount is the net effect of capital outlays, depreciation expenses and the effect of various transactions involving capital assets.		
Capital outlays		1,168,983
Depreciation expense		(372,778)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Principal payments on general obligation bonds		535,000
Principal payments on notes		54,498
Amortization of bond premium		21,260
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, However, in the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.		(25,682)
Vested employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.		
Change in total OPEB liability		1,627
Change in compensated absences		15,344
Change in deferred outflows of resources related to pensions		(257,849)
Change in deferred inflows of resources related to pensions		2,670,645
Change in pension liability		(1,882,063)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditure, and therefore are deferred in the funds.		1,076
Change in net position - governmental activities	$	687,487

See accompanying notes to financial statements.

Independent School District No. 100

General Fund – Statement of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual

For the Year Ended June 30, 2023

	Final Budget	Actual	Variance Over (Under)
Revenues			
Local property tax levies	$ 590,838	$ 638,486	$ 47,648
Other local and county revenues	113,818	175,453	61,635
Revenue from state sources	3,878,828	3,974,624	95,796
Revenue from federal sources	302,672	348,454	45,782
Sales and conversion of assets		50	50
Interest income	200	32,087	31,887
Total revenues	4,886,356	5,169,154	282,798
Expenditures			
Current			
District and school administration	428,692	376,934	(51,758)
District support services	303,591	319,806	16,215
Regular instruction	2,224,794	2,264,265	39,471
Vocational instruction	82,778	84,211	1,433
Exceptional instruction	864,157	909,102	44,945
Instructional support services	91,978	95,771	3,793
Pupil support services	566,151	595,898	29,747
Site, buildings, and equipment	529,523	531,978	2,455
Fiscal and other fixed cost programs	37,500	34,411	(3,089)
Capital outlay	26,548	145,968	119,420
Debt service			
Principal	63,984	94,468	30,484
Interest	3,000	11,601	8,601
Total expenditures	5,222,696	5,464,413	241,717
Deficiency of revenues over expenditures	(336,340)	(295,259)	41,081
Other financing sources			
Insurance recovery		799	799
Total other financing sources (uses)		799	799
Net change in fund balance	(336,340)	(294,460)	41,880
Fund balance, beginning	450,820	450,820	
Fund balance, ending	$ 114,480	$ 156,360	$ 41,880

See accompanying notes to financial statements.

Independent School District No. 100

Fiduciary Fund – Statement of Fiduciary Net Position

June 30, 2023

		Private Purpose Trust Fund
Assets		
Cash and cash equivalents	$	48,233
Liabilities		
Accounts payable	$	-
Net position		
Held in trust for scholarships		48,233
Total liabilities and net position	$	48,233

See accompanying notes to financial statements. -

Independent School District No. 100

Fiduciary Fund – Statement of Change in Fiduciary Net Position

For the Year Ended June 30, 2023

		Private Purpose Trust Fund
Additions		
Donations	$	1,800
Investment gain		1,341
Total additions		3,141
Deductions		
Scholarships paid		2,549
Total deductions		2,549
Change in net position		592
Net position, beginning of the year		47,641
Net position, end of the year	$	48,233

See accompanying notes to financial statements.

Note 1 Summary of Significant Accounting Policies

Independent School District No. 100 (District) was formed and operates pursuant to applicable Minnesota laws and statutes. The Governing Body consists of a six-member Board elected by voters of the District. Members are elected for four-year terms. The accounting policies of the District conform to accounting principles generally accepted in the United States as applied to government units. The Governmental Accounting Standards Board is the accepted standard setting board for establishing governmental accounting and financial reporting principles.

Reporting Entity

The District's financial statements include all funds, departments, agencies, boards, commissions, and other component units for which the District is considered to be financially accountable or for which the exclusion of would render the financial statements misleading. The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. Based on these criteria established by the Governmental Accounting Standards Board, there are no organizations considered to be component units of the District.

The student activity accounts of the District are under School Board control. The activity is accounted for in the General Fund.

Basic Financial Statement Presentation

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

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

The District applies restricted resources first when an expense is incurred for the purpose for which both restricted and unrestricted resources are available. Depreciation expense can be specifically identified by function and is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the statement of activities. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

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

The fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide statements.

Note 1 Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

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

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

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

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

A general summary of the nature and purpose of each of the funds maintained by the District follows:

Major Governmental Funds

General Fund - This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The general fund accounts for: administration, kindergarten through 12th grade instruction, transporting students to and from school, maintenance of facilities, equipment purchases, health and safety projects, and disabled accessibility projects.

Debt Service Fund - This fund accounts for the accumulation of resources for the retirement of principal and interest on all general obligation bond indebtedness. Assets of the Debt Service Fund are restricted to the payment of bond principal and interest.

Building Construction Fund - This fund accounts for the accumulation of resources and the related expenditures for the construction and maintenance of District buildings and sites.

Note 1 Summary of Significant Accounting Policies (Continued)

Nonmajor Governmental Funds

Special Revenue Funds - These funds are used to account for proceeds of specific revenue sources that are restricted by law or administrative action to expense for specified purposes. The District has two special revenue funds:

Food Service Fund - is used to account for food service revenues and expenditures. Revenues consist of state and federal aids and sales to students and employees.

Community Service Fund - is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs, K-6 extended day programs, or other similar services. Revenues consist of state and federal aids and grants and fees from program participants.

Fiduciary Funds

Private Purpose Trust Fund - The Scholarship Trust Fund is used to account for resources received and held by the District in a trustee capacity to be used in making scholarship awards.

Budgeting

Formal budgetary accounting is employed as a management control for all funds of the District. For each fund for which a formal budget is adopted, the budget is prepared on the same basis of accounting as the financial statements. The budget is adopted through passage of a resolution. The School Board must approve revisions. Legal budgetary control is at the fund account level.

Cash and Investments

Cash and investments of the individual funds are combined to form a pool and are 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 average cash balance participation by each fund.

Investments are stated at fair value or amortized cost.

Receivables

All receivables are shown net of any allowance for uncollectible amounts. No allowances for uncollectibles have been recorded. The only receivables not expected to be collected within one year are delinquent property taxes receivable.

Inventory

The District maintains no central stores and, therefore, expenses supply items as purchased. However, inventories for food items have been recorded in the proper funds. The District values its inventories at cost, on a first-in, first-out basis.

Note 1 Summary of Significant Accounting Policies (Continued)

Property Taxes

Property taxes are set by the school board and certified to the county auditor who acts as collecting agent, in December, of the year prior to collection. Taxes become a lien on property on the following January 1. Minnesota school districts operate under a levy limitation law that generally limits annual increases in taxes per capita. This law does not cover levies for bonded indebtedness.

Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The county provides tax settlements to school districts and other taxing districts in January, March, June, and November or December. Portions of the tax levy paid by the state in the form of credits are included in revenue from state sources.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as a deferred inflow of resources (property taxes levied for subsequent year). General fund revenue is determined annually by statutory funding formulas. These formulas allocate revenue between property taxes and state aids based on education funding priorities set by the Minnesota State Legislature. Changes in this allocation result in an annual change in property tax revenue recognition referred to as the “tax shift”. In prior years, the amount of shift has varied between 0 and 50 percent.

The following is a summary of tax shift transactions by fund:

	(0.0%) Total Shift June 30, 2022	State Aid Adjustment	Revenue Adjustment	(0.0%) Total Shift June 30, 2023
General Fund	$ 45,769		$ 31,619	$ 77,388

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 in the fund based financial statements because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes is considered necessary.

Note 1 Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets are reported at historical cost or estimated historical costs for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair acquisition value at the date of donation. The District maintains a threshold level of $5,000 or more for capitalizing capital assets. 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 reported in the district-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives, ranging from five to fifty years.

Capital assets not being depreciated include land and construction in progress.

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has reported deferred outflows of resources related to pensions for its proportionate share of collective deferred outflows of resources related to pensions and the Districts contributions to pension plans subsequent to the measurement date of the collective net pension liability.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has reported unavailable revenue from delinquent property taxes, which arises only under a modified accrual basis of accounting, in the governmental funds balance sheet. The District has also reported property taxes levied for subsequent years expenditures as a deferred inflow of resources in both the governmental funds balance sheet and the statement of net position. The District has also reported deferred inflows of resources for its proportionate share of the collective deferred inflows of resources related to pensions.

Long-term Obligations

In the governmental-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

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

Note 1 Summary of Significant Accounting Policies (Continued)

GASB 87 Leases

The District is a lessee in a noncancelable lease. If the contract provides the District the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The discount rate used is the implicit rate in the lease contract, if it is readily determinable, or the District's incremental borrowing rate. The District uses the incremental borrowing rate based on the information available at the commencement date for all leases. The District's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment.

The ROU asset for leases is amortized on a straight-line basis over the lease term.

Pensions

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis, and Minneapolis School District. This direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in Note 8.

Compensated Absences

Vacation granted and sick pay earned are based on length of service and various bargaining unit contracts. In the fund financial statements, vacation pay is recorded when paid. In the district-wide financial statements, a liability is recorded for vacation pay when it is earned. Unused sick leave enters into the calculation of early retirement incentive payments for some employees upon termination.

Other Postemployment Benefits (OPEB)

The District provides postemployment health insurance benefits to some retired employees as established by contracts with bargaining units or other employment contracts. These contracts state the years, age and retiring dates needed to qualify for these postemployment benefits. The contracts also establish the amount the District will contribute towards the purchase of health insurance.

Note 1 Summary of Significant Accounting Policies (Continued)

Fund Balance

In the fund financial statements, governmental funds report fund balance amounts within one of the following categories: nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance is either (a) not in spendable form, or (b) legally or contractually required to remain intact. Restricted fund balance includes amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Committed fund balance includes amounts that can be used only for specific purposes determined by a formal action of the School Board. Assigned fund balance includes amounts intended to be used for specific purposes, but do not meet the criteria to be classified as restricted or committed. In accordance with the District's fund balance policy, a majority vote of the School Board is required to commit a fund balance to a specific purpose and subsequently remove or change any commitment and the District's superintendent is authorized to assign fund balance to a specific purpose.

At June 30, 2023, the District had no committed fund balances. The portion of the fund balance not nonspendable, restricted, committed, or assigned, is reported as unassigned. If resources from one fund balance classification could be spent, the District will strive to spend resources in the following order: restricted, committed, assigned, and unassigned. The District applies restricted resources first when an expense is incurred for the purpose for which both restricted and unrestricted fund balance is available.

The District strives to maintain a minimum unassigned general fund balance of 8 – 10 percent of the general fund operating budget. At June 30, 2023, the District had not met the minimum general fund balance goal.

Net Position

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

Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through December 5, 2023, the date the financial statements were available to be issued. There were no subsequent events identified by the District that are required to be disclosed.

Change in Accounting Policy

In May 2020, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 96, SBITAs. The statement enhances the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The District adopted this guidance for the year ended June 30, 2023. The District did not have any SBITAs that were significant at June 30, 2023.

Note 2 Deposits and Investments

Deposits

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

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.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the District’s deposits may not be returned to it. The District requires collateral for deposits over FDIC insurance amounts. At June 30, 2023, the District’s deposits were not exposed to custodial credit risk.

Investments

The District may also invest idle funds as authorized by Minnesota statutes, as follows: 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 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen 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’ bank eligible for purchase by the Federal Reserve System; commercial paper issued by United States’ corporations or their Canadian subsidiaries, 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, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

Note 2 Deposits and Investments (Continued)

The Minnesota School District Liquid Asset Fund (MSDLAF) is regulated by the Minnesota Statutes and is an external investment pool not registered with the Securities and Exchange Commission (SEC). The District's investment in MSDLAF is measured at net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. The fund is a short-term money market portfolio, a cash-management vehicle created exclusively for Minnesota school districts. The Portfolio is managed to maintain a dollar-weighted average portfolio maturity of no greater than 60 days and seeks to maintain a constant net asset value (NAV) per share of $1.00.

Interest rate risk - Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

State law limits investments as discussed above. The District has no investment policy that would further limit its investment choices.

At June 30, 2023, investments consisted of the following:

		Maturities		
Investment		Less Than One Year	1 - 3 Years	Over 3 Years
External investment pools	$ 1,168,398	$ 1,168,398	$	$
Money market	111,007	111,007		
Total	$ 1,279,405	$ 1,279,405	$	$

C

redit risk - Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the District's policy to invest only in securities that meet the ratings requirements set by state statute.

S & P or Moody's	
AAAm	$ 306
AA+	-
Not rated	1,279,099
Total	$ 1,279,405

Custodial credit risk - The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At June 30, 2023, none of the District's investments were subject to custodial credit risk.

Concentration of credit risk - The concentration of credit risk is the risk of loss that may be caused by the District's investment in a single issuer. The District has no policy that would limit its investment in a single issuer.

Note 2 Deposits and Investments (Continued)

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

The District had the following investments valued at recurring measurements at June 30, 2023:

		Fair Value Measurements Using		
Investments by fair value level	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
Negotiable certificates of deposit	$ -	$	$	$
Money market	111,007		111,007	
Government securities	-		-	
Total debt securties/investments by fair value level	$ 111,007	$ -	$ 111,007	$ -
Investments measured at the net asset value (NAV)				
External investment pools	1,168,398			
Total investments	$ 1,279,405			

The following table sets forth additional disclosures about the District's investments whose value are estimated using net asset value (NAV) as of June 30, 2023:

	Total	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
External Investment Pool - MSDLAF Liquid Class	$ 194	$ 0	On Demand	2 P.M. Eastern Time transaction deadline.
External Investment Pool - MSDLAF MAX Class	113	$0	14 days, with the exception of direct investments of funds distributed by the State of Minnesota	24-hour notice
External Investment Pool - MN Trust	1,168,092	$0	None	None
Total External Pool Investments	$ 1,168,398			

Note 2 Deposits and Investments (Continued)

The District's total deposits and investments are as follows:

Petty cash	$ 1,025
Deposits	546,076
Investments	1,279,405
Total	$ 1,826,506

Presented in the basic financial statements as follows:

Statement of Net Position	
Cash and cash equivalents	$ 1,778,273
Statement of Fiduciary Net Position	
Private Purpose Trust Fund	
Cash and cash equivalents	48,233
Total deposits and investments	$ 1,826,506

Note 3 Capital Assets

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

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets not being depreciated				
Land	$ 22,760			$ 22,760
Construction in progress	13,047,429	1,118,656	(14,166,085)	
Total capital assets not being depreciated	13,070,189	1,118,656	(14,166,085)	22,760
Capital assets being depreciated				
Land improvements	142,880			142,880
Buildings	7,972,511	14,116,086		22,088,597
Equipment	1,304,469	100,326		1,404,795
Total capital assets being depreciated	9,419,860	14,216,412		23,636,272
Less accumulated depreciation				
Land improvements	131,371	1,141		132,512
Buildings	4,802,601	293,208		5,095,809
Equipment	881,205	78,429		959,634
Total accumulated depreciation	5,815,177	372,778		6,187,955
Total capital assets being depreciated, net	3,604,683	13,843,634		17,448,317
Capital assets, net	$ 16,674,872	$ 14,962,290	$ (14,166,085)	$ 17,471,077

Note 3 **Capital Assets (continued)**

Depreciation is charged to governmental functions as follows:

District and school administration	$ 572
District support services	5,074
Regular instruction	7,814
Instructional support services	3,260
Pupil support services	57,937
Sites, building and equipment	150,196
Unallocated	147,926
Total	$ 372,778

Note 4 **Long-Term Obligations**

The following is a summary of change in long-term obligations:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
General Obligation Bonds					
$9,240,000 General Obligation Facilities Maintenance Bonds, Series 2020A, due in annual installments of $35,000 to $625,000 plus interest of 2.0% to 4.0% through February 2040.	9,055,000		355,000	8,700,000	395,000
$965,000 General Obligation Facilities Maintenance Bonds, Series 2021A, due in annual installments of $60,000 to $70,000 plus interest of 1.1% to 2.0% through February 2037.	965,000		60,000	905,000	60,000
$3,670,000 General Obligation Facilities Maintenance Bonds, Series 2021B, due in annual installments of $120,000 to $780,000 plus interest of 2% to 3% through February 2041.	3,670,000		120,000	3,550,000	145,000
Unamortized bond premium	377,940		21,260	356,680	
Total general obligation bonds	14,067,940	-	556,260	13,511,680	600,000
Notes payable	93,162		54,498	38,664	19,026
Pension liability	2,173,754	2,151,375	269,312	4,055,817	
Compensated absences	55,895		15,344	40,551	
Total OPEB obligation	37,527	5,017	6,644	35,900	
Total	$ 16,428,278	$ 2,156,392	$ 902,058	$ 17,682,612	$ 619,026

General Obligation School Building Refunding Bonds are paid from the Debt Service Fund. The notes payable, leases payable, pension liability, OPEB obligation and compensated absences are paid from the General, Food Service, or Community Service Funds.

Note 4 **Long-Term Obligations (Continued)**

Annual amounts required to service outstanding general obligation bonds:

	General Obligation Bonds		
	Principal	Interest	Total
2023	$ 535,000	$ 383,641	$ 918,641
2024	600,000	340,120	940,120
2025	620,000	318,770	938,770
2026	645,000	297,210	942,210
2027	670,000	274,750	944,750
2028-2032	3,665,000	1,071,320	4,736,320
2033-2037	3,850,000	643,620	4,493,620
2038-2041	3,105,000	179,262	3,284,262
Total	$ 13,690,000	$ 3,508,693	$ 17,198,693

The District has issued notes for the purchase of a buses. Annual amounts required to service outstanding notes payable are as follows:

	Notes Payable		
	Principal	Interest	Total
2024	19,026	1,237	20,263
2025	19,638	628	20,266
Total	$ 38,664	$ 1,865	$ 40,529

The District has entered into a lease for copiers. The right of use asset and related lease liability have not been recorded in the government-wide financial statements due to the insignificance of the remaining balance.

Note 5 **Interfund Transactions**

There were no interfund receivable/payables at June 30, 2023. The District also did not record any interfund transfers during 2022-23.

Note 6 **Net Position/Fund Balances**

Fund balances were non-spendable for the following purposes at June 30, 2023:

Nonspendable	
General Fund - Inventory	$ 4,100
Food Service Fund - Inventory	834
Total nonspendable	$ 4,934

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Note 6 Net Position/Fund Balances (Continued)

Fund balances were assigned for the following purposes at June 30, 2023:

Assigned		
General Fund - Kindergarten	$	100
General Fund - Gym Scoreboard		21,171
	$	21,271

Net position and fund balance were restricted for the following purposes at June 30, 2023:

Restricted		Net Position		Fund Balance
General Fund				
Student activities	$	40,870	$	40,870
Basic skills		52		52
LTFM		73,832		73,832
Operating capital		6,064		6,064
Medical assistance		38,512		38,512
Staff development		34,808		34,808
Total general fund		194,138		194,138
Debt service				122,904
Other nonmajor governmental funds				
Food service		29,336		29,336
ECFE		198		198
Community service		3,480		3,133
School readiness		26,844		26,844
Total restricted	$	253,996	$	376,553

The following funds had fund balance deficits at June 30, 2023:

Deficit Fund balances		
General Fund		
Unassigned		
Safe Schools	$	(189)
Community Service Fund		
Unassigned		
Community education	$	(11,610)

The deficit in community service is allowable by the Minnesota Department of Education and will be eliminated through revenues in future years. The deficits are included in unassigned fund balance.

Note 7 Defined Benefit Pension Plans

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

A. Teachers Retirement Fund (TRA)

1. Plan Description

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

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

2. Benefits Provided

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

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

Tier I Benefits

Tier I	Step rate formula	Percentage
Basic	1st ten years	2.2 percent per year
	All years after	2.7 percent per year
Coordinated	1st ten years if service years are prior to July 1, 2006	1.2 percent per year
	1st ten years if service years are July 1, 2006 or after	1.4 percent per year
	All other years of service if service years are prior to July 1, 2006	1.7 percent per year
	All other years of service if service years are July 1, 2006 or after	1.9 percent per year

Note 7 Defined Benefit Pension Plans (Continued)

With these provisions:

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

or

Tier II Benefits

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

Members first employed after June 30, 1989 receive only the Tier II 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 which 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 members terminating service are 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.

3. Contribution Rate

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

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

Note 7 **Defined Benefit Pension Plans (Continued)**

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

Employer contributions reported in TRA's CAFR Statement of Changes in Fiduciary Net Position	$ 482,679,000
Employer contributions not related to future contribution efforts	(2,178,000)
Deduct TRA's contributions not included in allocation	(572,000)
Total employer contributions	479,929,000
Total nonemployer contributions	35,590,000
Total contributions reported in Schedule of Employer and Non-Employer Allocations	$ 515,519,000

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

4. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information:

Valuation Date	July 1, 2022
Measurement Date	June 30, 2022
Experience Study	June 28, 2019 (demographic assumptions) June 28, 2019 (economic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25%, thereafter
Projected Salary Increase	2.85 to 8.85% before July 1, 2028 and 3.25 to 9.25% thereafter
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Note 7 **Defined Benefit Pension Plans (Continued)**

Mortality Assumption:

Pre-retirement	RP- 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
Post-retirement	RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of rates. Generational projection uses MP-2015 scale.
Post-disability	RP-2014 disabled retiree mortality table, without adjustment.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	33.5%	5.10%
International Stocks	16.5%	5.30%
Private Markets	25.0%	5.90%
Fixed Income	25.0%	0.75%
Total	100%	

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

Changes in actuarial assumptions since the 2021 valuation:

- None

Note 7 Defined Benefit Pension Plans (Continued)

5. Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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 and employer contributions will be made at the fiscal 2022 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

6. Net Pension Liability

At June 30, 2023, the District reported a liability of $2,970,772 for its proportionate share of 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 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 0.0371% at the end of the measurement period and 0.0364% for the beginning of the period.

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

District's proportional share of net pension liability	$	2,970,772
State's proportional share of net pension liability associated with the District	$	220,578

For the year ended June 30, 2023, the District recognized pension expense of $447,853. It also recognized $30,330 as an increase to pension expense for the support provided by direct aid.

Note 7 Defined Benefit Pension Plans (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 42,831	$ 25,433
Changes in actuarial assumptions	466,930	611,579
Net difference between projected and actual investment earnings on pension plan investments	101,834	
Changes in proportion	154,300	8,375
Contributions paid to TRA subsequent to the measurement date	191,132	
Total	$ 957,027	$ 645,387

$191,132 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Pension Expense Amount
2024	$ (412,200)
2025	89,765
2026	44,549
2027	391,196
2028	7,198
Total	$ 120,508

7. Pension Liability Sensitivity

The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the liability measured using a discount rate 1 percentage point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount Rate	6.00%	7.00%	8.00%
District's proportionate share of the TRA net pension liability	$ 4,683,260	$ 2,970,772	$ 1,567,065

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

Note 7 Defined Benefit Pension Plans (Continued)

8. Pension Plan Fiduciary Net Position

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org; by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, Minnesota, 55103-4000; or by calling (651)296-2409 or 1-800-657-3669.

B. Public Employee Retirement Association (PERA)

1. Plan Description

All full-time and certain part-time employees of the District other than teachers, covered by the General Employees Plan, participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Benefits Provided

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

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated 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 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 66.

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

Note 7 Defined Benefit Pension Plans (Continued)

3. Contributions

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

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2023; the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2023 were $67,493. The District's contribution was equal to the required contributions as set by state statute.

4. Pension Costs

At June 30, 2023, the District reported a liability of $1,085,045 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District's totaled $31,807.

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 received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The District's proportion was 0.0137% at the end of the measurement period and 0.0136% for the beginning of the period.

District's proportional share of net pension liability	$	1,085,045
State's proportional share of net pension liability associated with the District		31,807
Total	$	1,116,852

For the year ended June 30, 2023 the District recognized pension expense of $169,109 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $4,753 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

Note 7 Defined Benefit Pension Plans (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 9,063	$ 11,468
Changes in actuarial assumptions	243,827	4,219
Net difference between projected and actual earnings on plan investments	19,955	
Changes in proportion	33,396	
Contributions made to PERA subsequent to the measurement date	67,493	
Total	$ 373,734	$ 15,687

$67,493 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Pension Expense Amount
2023	$ 117,999
2024	106,935
2025	(32,506)
2026	98,126
Total	$ 290,554

5. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent in the June 30, 2022 actuarial valuation and 7.0 percent in the June 30, 2023 actuarial valuation. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter.

Note 7 Defined Benefit Pension Plans (Continued)

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

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

The following changes in actuarial assumptions occurred in 2022:

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

The following changes in plan provisions occurred in 2022:

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

6. Long-term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimates 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 Stocks	33.5%	5.10%
International Stocks	16.5%	5.30%
Private Markets	25.0%	5.90%
Fixed Income	25.0%	0.75%
Total	100.0%	

7. Discount Rate

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 the contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was 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.

Note 7 Defined Benefit Pension Plans (Continued)

8. Pension Liability Sensitivity

The following table presents the District's proportionate share of the net pension liability 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	Discount Rate	1% Increase in Discount Rate
Discount Rate	5.50%	6.50%	7.50%
District's proportionate share of the PERA net pension liability	$ 1,713,885	$ 1,085,045	$ 569,299

8. Pension Plan Fiduciary Net Position

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

Note 8 Postemployment Healthcare Plan

Plan Description – The District administers a single-employer defined benefit OPEB plan which provides medical benefits to eligible retired employees and their dependents in accordance with the terms of the plan. The District has not established a trust fund to account for the plan and there is not a stand-alone report for the plan.

Total Other Postemployment Benefit Liability

The District's total OPEB liability of $35,900 was measured as of June 30, 2022 and was determined by an update to the actuarial valuation dated June 30, 2022.

Actuarial Assumptions and Other Inputs

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

Inflation rate	2.25%
Discount rate	3.69%
Healthcare trend rates	6.70% for FY2022, gradually decreasing over several decades to an ultimate rate of 3.70% in FY2075 and later years.

The discount rate was determined using the Municipal GO AA index rate for 20-Year, tax-exempt municipal bonds.

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2015 for teachers and Pub-2010 for non-teachers based on scale MP-2020 and other adjustments.

Change in the Total OPEB Liability

Balance at 6/30/2022	$	37,527
Changes for the year:		
Service Cost		4,223
Interest		794
Changes of assumptions		(5,833)
Difference between expected and actual experience		-
Benefit payments		(811)
Net change		(1,627)
Balance at 6/30/2023	$	35,900

Note 8 Postemployment Healthcare Plan (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.69 percent) or 1-percentage point higher (4.69 percent) than the current discount rate:

	1% Decrease 2.69%	Discount Rate 3.69%	1% Increase 4.69%
Total OPEB Liability	$ 39,097	$ 35,900	$ 32,957

Sensitivity of the Total OPEB Liability to Changes in the Health Care Trend Rates

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Total OPEB Liability	$ 31,347	$ 35,900	$ 41,412

OPEB Expense

For the year ended June 30, 2023 the District recognized OPEB expense of ($816).

Note 9 Commitments and Contingencies

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

Note 10 **Temporary Notes Payable**

The District issued General Obligation Aid Anticipation Certificate of Indebtedness, Series 2023A during fiscal year 2023. The note matures on September 30, 2023, and the interest rate is 3.97%. The following is a summary of the temporary note activity during fiscal year 2023.

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023
G.O. Aid Certificate of Indebtedness, Series 2023	-	500,000	-	500,000
	-	500,000	-	500,000

Note 11 **Risk Management**

The District's property and liability premiums and reemployment claims are paid by the General Fund. The General, Food Service and Community Service Funds pay workers' compensation premiums based on salaries. There were no significant reductions in insurance coverage from coverage in prior years and insurance settlements have not exceeded insurance coverage in any of the past three years.

The District purchases commercial insurance for property and liability, transferring the risk of loss to the insurance carrier.

The District participates in a risk pool for workers' compensation insurance. The pool in turn contracts with an insurance carrier, thereby transferring the risk from the pool members to the insurance carrier. The workers' compensation policy is retrospectively rated in that the initial premium is adjusted based on the actual experience during coverage period of the group of entities that participate in the pool.

The District handles reemployment costs through a self-insurance plan. The District retains the risks associated with reemployment claims.

Required Supplementary Information

Independent School District No. 100

Information about the District's Other Postemployment Health Care Plan

Year Ended June 30, 2023

	2023	2022	2021	2020	2019
Measurement date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability					
Service Cost	$ 4,223	$ 5,553	$ 4,899	$ 3,018	$ 2,840
Interest	794	1,333	1,421	1,142	985
Changes of assumptions	(5,833)	(174)	2,576	3,626	(134)
Differences between expected and actual experience	-	(17,710)	-	4,352	
Benefit payments	(811)	(682)	(349)		
Net change in total OPEB liability	(1,627)	(11,680)	8,547	12,138	3,691
Total OPEB Liability - beginning of year, as restated	37,527	49,207	40,660	28,522	24,831
Total OPEB liability - end of year	$ 35,900	$ 37,527	$ 49,207	$ 40,660	$ 28,522
Covered payroll	2,846,978	3,020,185	2,933,720	2,808,572	2,755,952
Total OPEB liability as a percentage of covered payroll	1.3%	1.2%	1.7%	1.4%	1.0%

Notes to Schedule

Funding: There are no assets accumulated in a trust that meets the criteria of GASB No 75, paragraph 4, to pay related benefits.

Changes of Assumptions:

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

Healthcare trend rates were reset to reflect updated recent experience and new plan offerings.

Medical per capita claims costs were updated to reflect recent experience and new plan offerings.

Withdrawl, mortalitity, and salary increase rates were updated from the rates used in the 7/1/2021 PERA General Employees Plan and 7/1/2021 Teachers Retirement Association valuations to the rates used in the 7/1/2021 valuations.

The inflation assumption stayed at 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.

*This schedule is intended to present information for the last 10 years. Additional information wil be added as it becomes available.

Independent School District No. 100

Information about the District's Net Pension Liability

Year Ended June 30, 2023 *

Schedule of Employer's Contributions

Teacher's Retirement Association (TRA)

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
June 30, 2023	$191,132	$191,132	$0	$2,235,467	8.55%
June 30, 2022	$191,378	$191,378	$0	$2,294,698	8.34%
June 30, 2021	$176,971	$176,971	$0	$2,176,751	8.13%
June 30, 2020	$167,529	$167,529	$0	$2,115,259	7.92%
June 30, 2019	$156,084	$156,084	$0	$2,024,431	7.71%
June 30, 2018	$149,550	$149,550	$0	$1,994,004	7.50%
June 30, 2017	$132,702	$132,702	$0	$1,769,357	7.50%
June 30, 2016	$125,327	$125,327	$0	$1,671,027	7.50%
June 30, 2015	$121,217	$121,217	$0	$1,616,225	7.50%

Public Employees Retirement Association (PERA)

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
June 30, 2023	$67,493	$67,493	$0	$899,905	7.50%
June 30, 2022	$76,874	$76,874	$0	$1,024,977	7.50%
June 30, 2021	$72,448	$72,448	$0	$965,968	7.50%
June 30, 2020	$70,264	$70,264	$0	$936,853	7.50%
June 30, 2019	$63,878	$63,878	$0	$851,704	7.50%
June 30, 2018	$57,567	$57,567	$0	$767,561	7.50%
June 30, 2017	$54,108	$54,108	$0	$721,292	7.50%
June 30, 2016	$48,936	$48,936	$0	$652,479	7.50%
June 30, 2015	$48,834	$48,834	$0	$661,441	7.38%

* This schedule is intended to present information for the last 10 years. Additional information will be added as it becomes available.

Independent School District No. 100

Information about the District's Net Pension Liability (Continued)

Year Ended June 30, 2023 *

Schedule of Employer's Share of Net Pension Liability

Teacher's Retirement Association (TRA)

Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability	Employer's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability associated with the District	Total	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2022	0.0371%	$2,970,772	$220,578	$3,191,350	$2,294,698	129.5%	76.2%
June 30, 2021	0.0364%	$1,592,973	$134,452	$1,727,425	$2,176,751	73.2%	86.6%
June 30, 2020	0.0364%	$2,689,281	$225,653	$2,914,934	$2,115,259	127.1%	75.5%
June 30, 2019	0.0357%	$2,275,525	$201,588	$2,477,113	$2,024,431	112.4%	78.1%
June 30, 2018	0.0361%	$2,266,863	$213,075	$2,479,938	$1,994,004	113.7%	78.1%
June 30, 2017	0.0329%	$6,567,437	$635,199	$7,202,636	$1,769,357	371.2%	51.6%
June 30, 2016	0.0321%	$7,656,616	$768,046	$8,424,662	$1,671,027	458.2%	44.9%
June 30, 2015	0.0318%	$1,967,145	$241,285	$2,208,430	$1,616,225	121.7%	76.8%
June 30, 2014	0.0329%	$1,622,613	$106,605	$1,729,218	$1,502,810	108.0%	81.5%

Public Employees Retirement Association (PERA)

Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability	Employer's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability associated with the District	Total	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2022	0.0137%	$1,085,045	$31,807	$1,116,852	$1,024,977	105.9%	76.7%
June 30, 2021	0.0136%	$580,781	$17,716	$598,497	$965,968	60.1%	87.0%
June 30, 2020	0.0131%	$785,405	$24,212	$809,617	$936,853	83.8%	79.1%
June 30, 2019	0.0120%	$663,463	$20,666	$684,129	$851,704	77.9%	80.2%
June 30, 2018	0.0114%	$632,425	$20,791	$653,216	$767,561	82.4%	79.5%
June 30, 2017	0.0112%	$715,001	$9,025	$724,026	$721,292	99.1%	75.9%
June 30, 2016	0.0105%	$852,548	$11,200	$863,748	$652,479	130.7%	68.9%
June 30, 2015	0.0113%	$585,625	0	$585,625	$661,441	88.5%	78.2%
June 30, 2014	0.0122%	$573,095	0	$573,095	$642,881	89.1%	78.7%

* This schedule is intended to present information for the last 10 years. Additional information will be added as it becomes available.

Supplementary Financial Information

Independent School District No. 100

Nonmajor Governmental Funds – Combining Balance Sheet

June 30, 2023

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service Fund	Community Service Fund	
Assets			
Cash and temporary cash investments	$ 35,911	$ 36,192	$ 72,103
Accounts receivable	9,407		9,407
Current property taxes receivable		7,664	7,664
Delinquent property taxes receivable		347	347
Due from the Minnesota Department of Education	55	2,987	3,042
Due from the federal government through the Minnesota Department of Education	731		731
Inventory	834		834
Total assets	$ 46,938	$ 47,190	$ 94,128
Liabilities			
Salaries payable	$ 16,218	$ 2,095	$ 18,313
Accounts payable	61	77	138
Unearned revenue	489		489
Total liabilities	16,768	2,172	18,940
Deferred inflows of resources			
Delinquent property taxes		347	347
Property taxes levied for subsequent year's expenditures		26,107	26,107
Total deferred inflows of resources		26,454	26,454
Fund balances			
Nonspendable	834		834
Restricted	29,336	30,175	59,511
Unassigned		(11,611)	(11,611)
Total fund balances	30,170	18,564	48,734
Total liabilities, deferred inflows of resources, and fund balances	$ 46,938	$ 47,190	$ 94,128

Independent School District No. 100

Nonmajor Governmental Funds – Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2023

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service Fund	Community Service Fund	
Revenues			
Local property tax levies	$	$ 24,800	$ 24,800
Other local and county revenues		59,611	59,611
Revenue from state sources	10,344	83,279	93,623
Revenue from federal sources	167,721		167,721
Sales and other conversion of assets	53,019		53,019
Total revenues	231,084	167,690	398,774
Expenditures			
Current			
Community education and services		152,806	152,806
Pupil support services	240,838		240,838
Capital outlay			
Total expenditures	240,838	152,806	393,644
Net change in fund balances	(9,754)	14,884	5,130
Fund balances, beginning	39,924	3,680	43,604
Fund balances, ending	$ 30,170	$ 18,564	$ 48,734

Independent School District No. 100

Fiscal Compliance Table

For the Year Ended June 30, 2023

	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total revenues	$ 5,169,154	$ 5,169,153	$ 1
Total expenditures	5,464,413	5,464,415	(2)
Non spendable			
460 Non spendable fund balance	4,100	4,100	
Restricted/Reserve			
401 Student activities	40,870	40,870	
403 Staff development	34,808	34,808	
405 Deferred maintenance			
406 Health and safety			
407 Capital Projects Levy			
408 Cooperative revenue			
411 Severance pay			
413 Project funded by COP			
414 Operating debt			
416 Levy reduction			
417 Taconite building maintenance			
423 Certain teacher programs			
424 Operating capital	6,064	6,064	
426 $25 Taconite			
427 Disabled accessibility			
428 Learning and development			
434 Area learning center			
435 Contracted alt. Programs			
436 St. approved alt. Program			
438 Gifted & talented			
441 Basic skills program	52	52	
445 Career and technical Programs			
446 First Grade Preparedness			
449 Safe schools levy	(189)	(189)	
450 Prekindergarten			
451 QZAB payments			
452 OPEB liability not in trust			
453 Unfunded sev & retirement levy			
467 LTFM	73,832	73,832	
472 Medical Assistance	38,512	38,512	
Restricted			
464 Restricted fund balance			
Committed			
418 Committed for separation			
461 Committed fund balance			
Assigned			
462 Assigned fund balance	21,271	21,271	
Unassigned			
422 Unassigned fund balance	(62,960)	(62,960)	
02 FOOD SERVICE			
Total revenues	231,084	231,084	
Total expenditures	240,838	240,838	
Non spendable			
460 Non spendable fund balance	834	834	
Restricted			
452 OPEB liability not in trust			
464 Restricted fund balance	29,336	29,337	(1)
Unassigned			
463 Unassigned fund balance	-		
04 COMMUNITY SERVICE			
Total revenues	167,690	167,691	(1)
Total expenditures	152,806	152,806	
Non spendable			
460 Non spendable fund balance			
Restricted/Reserve			
426 $25 taconite			
431 Community education	(11,610)	(11,610)	
432 ECFE	198	198	
444 School readiness	26,844	26,844	
447 Adult Basic Education			
452 OPEB liability not in trust			
Restricted			
464 Restricted fund balance	3,133	3,133	
Unassigned			
463 Unassigned fund balance			

	Audit	UFARS	Audit - UFARS
06 BUILDING CONSTRUCTION			
Total revenues	$ 9,157	$ 9,157	$
Total expenditures	1,004,975	1,004,976	(1)
Non spendable			
460 Non spendable fund balance			
Restricted/Reserve			
467 LTFM		-	
407 Down payment levy			
409 Alternative facility program			
413 Projects funded by COP			
Restricted			
464 Restricted fund balance		-	
Unassigned			
463 Unassigned fund balance			
07 DEBT SERVICE			
Total revenues	963,510	963,510	
Total expenditures	920,936	920,936	
Non spendable			
460 Non spendable fund balance			
Restricted/Reserve			
425 Bond refundings			
451 QZAB payments			
Restricted			
464 Restricted fund balance	122,904	122,904	
Unassigned			
463 Unassigned fund balance			
08 TRUST			
Total revenues			
Total expenditures			
422 Net position			
18 CUSTODIAL FUND			
Total revenues	3,141	3,141	-
Total expenditures	2,549	2,549	-
402 Scholarships	48,233	48,233	-
20 INTERNAL SERVICE			
Total revenues			
Total expenditures			
422 Net position			
25 OPEB REVOCABLE TRUST FUND			
Total revenues			
Total expenditures			
422 Net position			
45 OPEB IRREVOCABLE TRUST FUND			
Total revenues			
Total expenditures			
422 Net position			
47 OPEB DEBT SERVICE FUND			
Total revenues			
Total expenditures			
Non spendable			
460 Non spendable fund balance			
Restricted			
425 Bond refundings			
464 Restricted fund balance			
Unassigned			
463 Unassigned fund balance			

Reports Required by *Government Auditing Standards* and the State of Minnesota

WIPFLI

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance with Government Auditing Standards

To the School Board
Independent School District No. 100
Wrenshall, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States 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. 100, Wrenshall, Minnesota (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 5, 2023.

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 entity'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 the attention of those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control that we consider to be a significant deficiency, which is described in the accompanying schedule of findings and responses as item 2023-001.

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

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Wipfli LLP

Wipfli LLP

December 5, 2023
Duluth, Minnesota

WIPFLI

Independent Auditor's Report on Legal Compliance for the State of Minnesota

To the School Board
Independent School District No. 100
Wrenshall, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States 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. 100, (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 5, 2023.

The *Minnesota Legal Compliance Audit Guide for School Districts,* promulgated by the State Auditor pursuant to Minnesota Statute §6.65 contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, uniform financial accounting and reporting standards for school districts, and miscellaneous provisions. Our audit considered all of the listed categories.

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 *Minnesota Legal Compliance Audit Guide for School Districts*. 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.

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

Wipfli LLP

Wipfli LLP

December 5, 2023
Duluth, Minnesota

Financial Statement Findings

Item 2023-001 - Financial Statement Presentation and Disclosures (Significant Deficiency)

Criteria - The District is responsible for having controls in place to prepare the financial statements in accordance with accounting principles generally accepted in the United States (GAAP).

Condition - The District's internal control over financial reporting does not end at the general ledger, but extends to the financial statements and related notes. As part of our professional services for the year ended June 30, 2023, Wipfli assisted in drafting the financial statements and related notes. While the District does have an internal control process to review the financial statements prepared by the auditors, the District does not have sufficient expertise to completely prepare its own financial statements and related notes, and relies on the auditors to provide necessary understanding of current accounting and disclosure principles in the preparation of the financial statements and related notes.

Cause - The District does not expect, nor does it require, its financial staff to have the ability to prepare GAAP statements.

Effect - The completeness of the related note disclosures and the accuracy of the overall financial presentation is negatively impacted as outside auditors do not have the same comprehensive understanding of the District and its staff. The potential exists that a misstatement of the financial statements and related notes could occur and not be prevented or detected by the District.

Recommendation - We recommend that management and those charged with governance continue to evaluate whether to accept the degree of risk associated with this condition because of cost or other considerations.

DISTRICT'S CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement

   The District does not disagree with the audit finding.

2. Action Planned

   The District will continue to rely upon the auditors to prepare the financial statements and related notes. Management will review and approve the annual financial statements and related notes.

3. Official Responsible

   The Superintendent is the official responsible for ensuring corrective action for the deficiency.

4. Planned Completion Date

   Ongoing.

5. Plan to Monitor

   The School Board will monitor compliance with the corrective action plan.

Minnesota Legal Compliance Findings

None

Independent School District No. 100

Schedule of Prior Year Findings and Responses

For the Year Ended June 30, 2023

Financial Statement Findings

Item 2022-001 –Financial Statement Presentation and Disclosure

Resolution: This finding was repeated for fiscal year 2023 as item 2023-001.