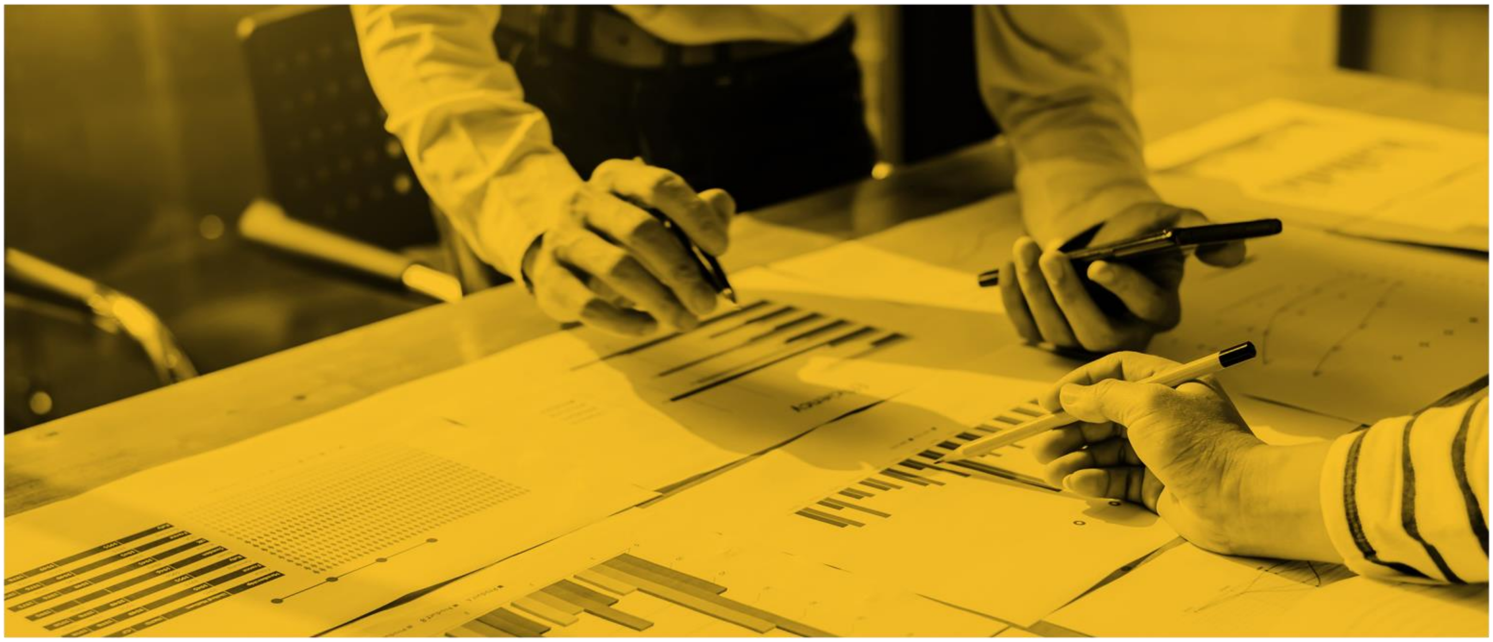

Annual Financial Report

Independent School District No. 2168

New Richland, Minnesota

For the year ended June 30, 2023

Abdo
Lighting the path forward

Edina Office
5201 Eden Avenue, Ste 250
Edina, MN 55436
P 952.835.9090

Mankato Office
100 Warren Street, Ste 600
Mankato, MN 56001
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Independent School District No. 2168
New Richland, Minnesota
Annual Financial Report
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For the Year Ended June 30, 2023

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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 2168
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

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Independent School District No. 2168
New Richland, Minnesota
School District Officials
For the Year Ended June 30, 2023

Board of Education

Name	Term on Board Expires	Position
Rick Schultz	12/31/2026	Chairman
Dan Schmidt	12/31/2024	Vice-Chairman
Terri Engel	12/31/2024	Clerk
Loren Schoenrock	12/31/2024	Treasurer
Aaron Phillips	12/31/2026	Member
Pat Theuer	12/31/2026	Member
Amy Ihrke	12/31/2026	Member

Administration

Michael Meihak	Superintendent
Karla Christopherson	Business Manager

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FINANCIAL SECTION

INDEPENDENT SCHOOL DISTRICT NO. 2168
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 2168
New Richland, Minnesota

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2168, New Richland, Minnesota, (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions and Schedule of Changes in the District's Net OPEB Liability and Related Ratios starting on page 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying combining and individual fund financial statements, schedules, table and schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, schedules, table and the schedule of expenditures of federal awards are fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

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Mankato, Minnesota
October 4, 2023

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Management’s Discussion and Analysis

As management of the Independent School District No. 2168, New Richland, Minnesota (the 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

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $6,771,748 (*net position*). Of this amount, a deficit of $8,489,413 (*unrestricted net position*) exists due to the recognition of long-term pension liabilities in accordance with GASB Statement No. 68.

- The District’s total net position increased as shown in the summary of changes in net position table on the following pages. The main cause of the increase in the current year is increased investment earnings due to higher interest rates on the District’s investments and a decrease in expenditures relating to elementary and secondary education regular instruction.

- As of the close of the current fiscal year, the District’s governmental fun balances are shown in the Financial Analysis of the District’s MD&A. The total fund balance increased in comparison with the prior year. The main reason for the increase is increased operating grants and contributions as well as investment earnings. Unassigned fund balance represents amounts that are available for spending at the District’s discretion.

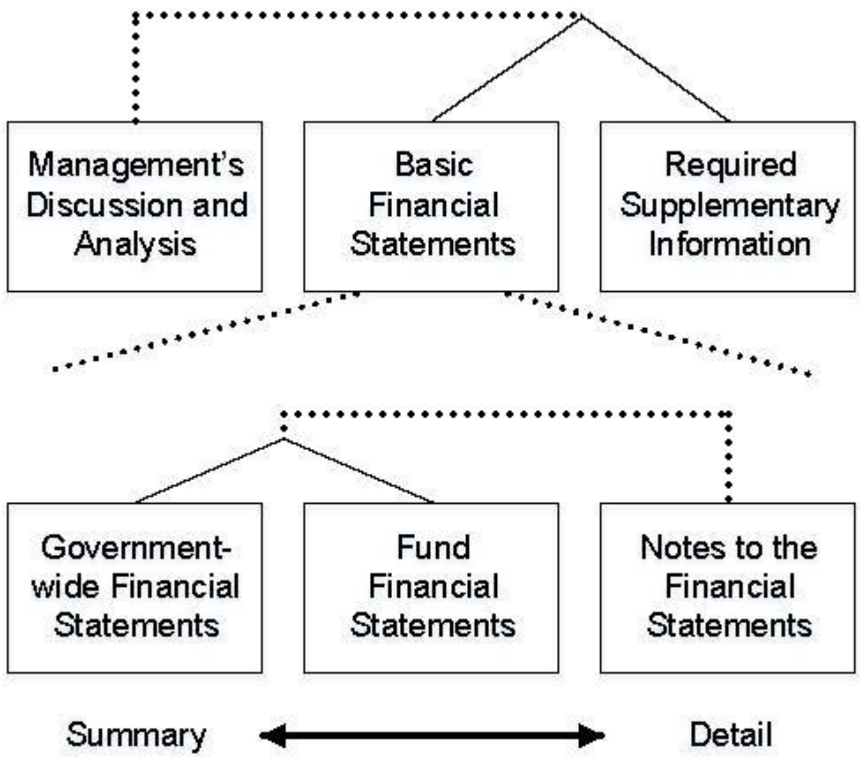
- At the end of the current fiscal year, unassigned fund balance for the General fund was $3,503,629 or 32.5 percent of total General fund expenditures. At the close of fiscal year 2022 there was an unassigned balance of $3,629,779.

- The District’s total debt increased by $4,555,000 or 49.0 percent during the current fiscal year. This increase relates to the issuance of G.O. Facilities Maintenance and Tax Abatement Bonds, Series 2022A.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

Organization of Independent School District No. 2168
Annual Financial Report



The following chart summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements:

Major Features of the District-wide and Fund Financial Statements

		Fund Financial Statements	
	District-wide Statements	**Governmental Funds**	**Fiduciary Funds**
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balance	• Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Financial Statements. The *District-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the District's net position changed during the most recent 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 related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In the district-wide financial statements, the District activities are shown in one category titled “governmental activities”:

- *Governmental activities*: The District’s basic services are reported here, including regular and special education, transportation, administration, food services, and community education. Property taxes and State aids finance most of these activities.

The District-wide financial statements can be found starting on page 28 of this report.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the District-wide financial statements. However, unlike the District-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the District-wide financial 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. By doing so, readers may better understand the long-term impact by the District’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Debt Service fund and Building Construction fund, all of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its General, Food Service, and Community Service funds. Budgetary comparison statements has been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 32 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the scholarships within the District. Fiduciary funds are *not* reflected in the District-wide financial statements because the resources of those funds are not available to support the District’s own programs. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those whom the assets belong. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found starting on page 37 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found starting on page 39 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District’s share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 70 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund financial statements and schedules and table can be found starting on page 80 of this report.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows of resources as shown in the summary of net position chart below at the close of the most recent fiscal year.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. These funds are to be used for the construction of school facilities. Another large portion of the District's net position reflects amounts restricted for specific purposes. These restrictions consist of $185,090 for educational purposes, and $54,869 for food service and $4,381,990 for building construction. The remaining deficit of $8,228,329 is mainly due to the recognition of long-term pension liabilities in accordance with GASB Statement No. 68.

Independent School District No. 2168's Net Position

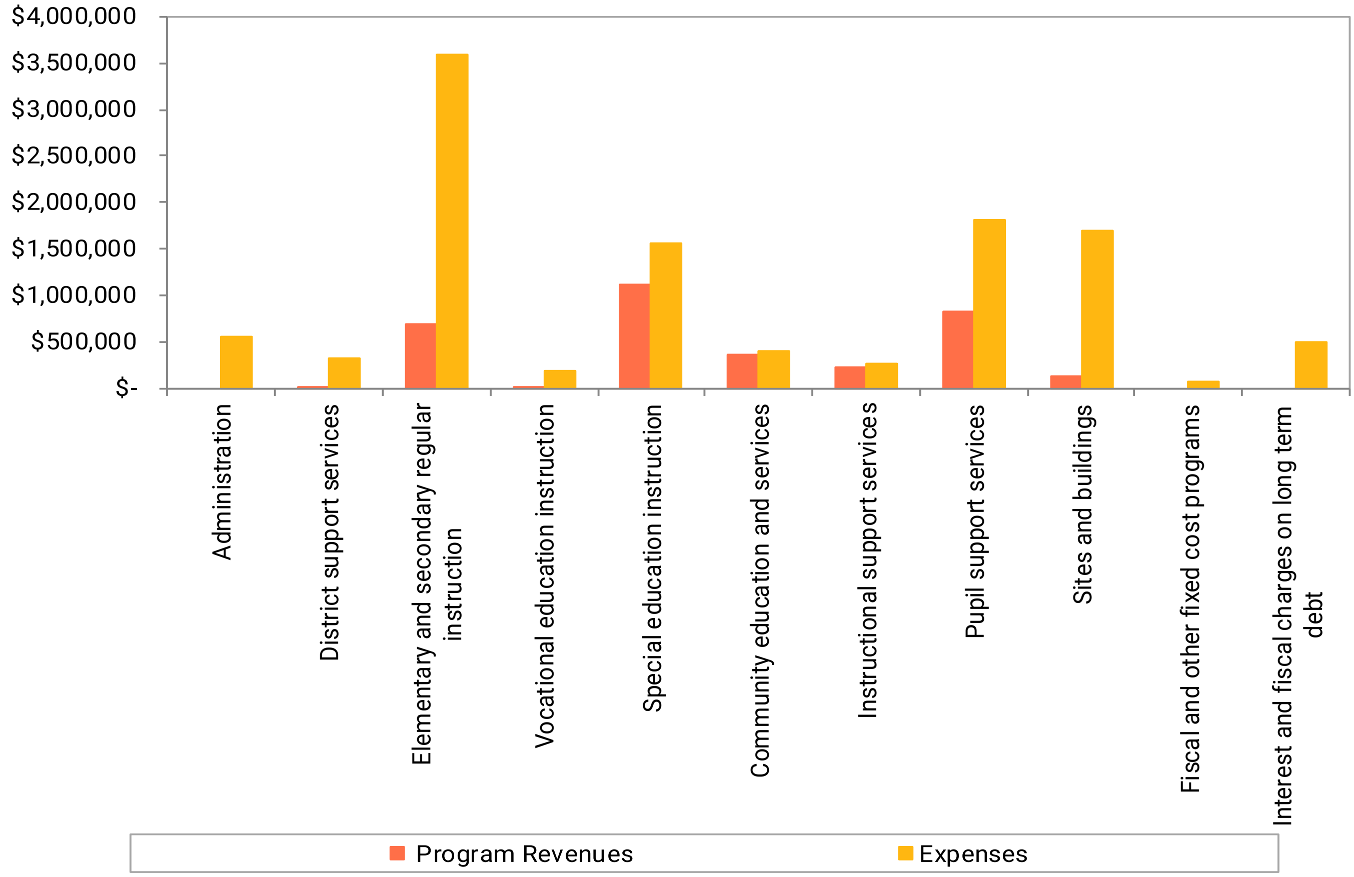
	Governmental Activities		Increase (Decrease)	
	2023	2022	Amount	Percent
Current and Other Assets	$ 10,734,536	$ 6,190,972	$ 4,543,564	73.4 %
Capital Assets	21,142,649	20,662,314	480,335	2.3
Total Assets	31,877,185	26,853,286	5,023,899	18.7
Deferred Outflows of Resources	2,329,836	2,291,968	37,868	1.7
Long-term Liabilities Outstanding	22,992,222	14,631,710	8,360,512	57.1
Other Liabilities	597,309	476,959	120,350	25.2
Total Liabilities	23,589,531	15,108,669	8,480,862	56.1
Deferred Inflows of Resources	3,845,742	8,652,754	(4,807,012)	(55.6)
Net Position				
Net investment in capital assets	10,639,212	10,488,317	150,895	1.4
Restricted	4,621,949	455,261	4,166,688	915.2
Unrestricted	(8,489,413)	(5,559,747)	(2,929,666)	52.7
Total Net Position	$ 6,771,748	$ 5,383,831	$ 1,387,917	25.8 %

Governmental Activities. Governmental activities increased the District's net position as shown in the changes in net position chart below. Key elements of this increase are as follows:

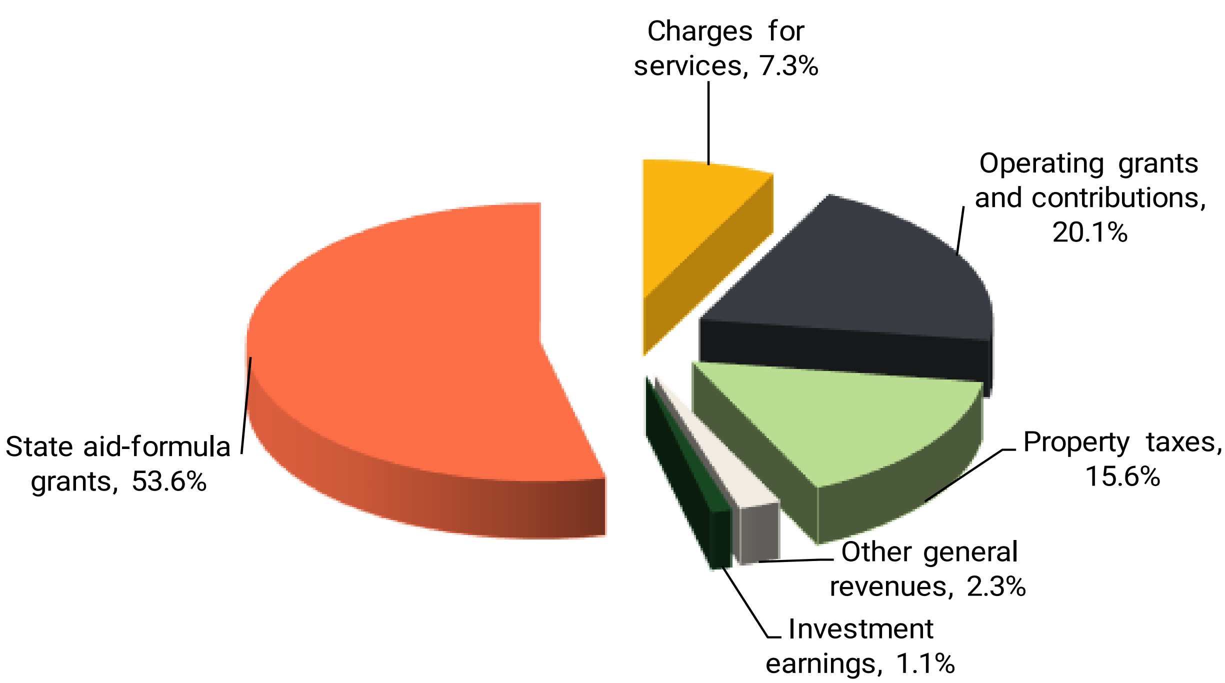
Independent School District No. 2168's Changes in Net Position

	Governmental Activities		Increase (Decrease)	
	2023	2022	Amounts	Percent
Revenues				
Program revenues				
Charges for services	$ 903,498	$ 552,712	$ 350,786	63.5 %
Operating grants and contributions	2,490,276	2,118,855	371,421	17.5
General revenues				
Property taxes	1,924,237	1,820,875	103,362	5.7
State aid-formula grants and other contributions	6,611,216	7,581,942	(970,726)	(12.8)
Other general revenues	289,305	291,204	(1,899)	(0.7)
Investment earnings	141,937	45,584	96,353	211.4
Gain on sale of assets	2,900	800	2,100	262.5
Total Revenues	12,363,369	12,411,972	(48,603)	(0.4)
Expenses				
Administration	562,198	604,732	(42,534)	(7.0)
District support services	320,756	279,295	41,461	14.8
Elementary and secondary regular instruction	3,594,235	4,394,393	(800,158)	(18.2)
Vocational education instruction	185,826	242,990	(57,164)	(23.5)
Special education instruction	1,557,419	1,509,996	47,423	3.1
Community education and services	389,340	379,259	10,081	2.7
Instructional support services	271,968	306,211	(34,243)	(11.2)
Pupil support services	1,818,494	1,417,563	400,931	28.3
Sites and buildings	1,705,289	1,476,204	229,085	15.5
Fiscal and other fixed cost programs	65,726	73,306	(7,580)	(10.3)
Interest and fiscal charges on long-term debt	504,201	300,979	203,222	67.5
Total Expenses	10,975,452	10,984,928	(9,476)	(0.1)
Change in Net Position	1,387,917	1,427,044	(39,127)	(2.7)
Net Position, July 1	5,383,831	3,956,787	1,427,044	36.1
Net Position, June 30	$ 6,771,748	$ 5,383,831	$ 1,387,917	25.8 %

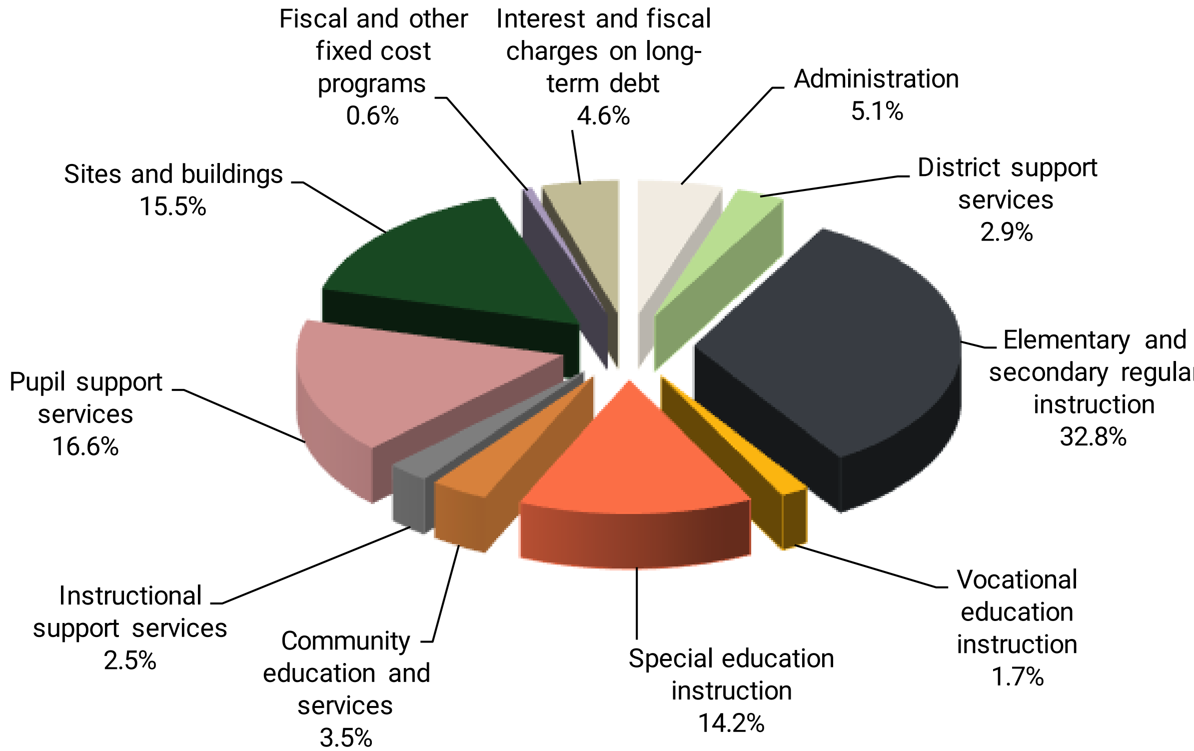
Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Expenses by Program - Governmental Activities



Financial Analysis of the District's Funds

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

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $8,189,278, an increase of $4,066,143 in comparison with the prior year. Unassigned fund balance represents amounts that are available for spending at the District's discretion. Unassigned fund balance at the close of 2023 had a balance of $3,503,629, compared to a balance of $3,629,779 in the prior year.

The General fund is the chief operating fund of the District. At the end of the current year, unassigned fund balance of the General fund had a balance of $3,503,629, while total fund balance reached $3,603,633. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 32.5 percent of total General fund expenditures, while total fund balance represents 33.5 percent of that same amount.

The fund balance of the District's General fund decreased by $260,753 during the current fiscal year. The decrease in fund balance was the result of a decrease in Revenue from Federal sources of $471,801.

The Debt Service fund has a total fund balance of $52,866, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year was $10,073. This increase is due to increase revenue from state sources.

The Building Construction fund has a total fund balance of $4,381,990, all of which is restricted for building construction projects. The net increase in fund balance during the current year was $4,381,990. This increase is due to bonds being issued for the building construction project during the current fiscal year.

General Fund Budgetary Highlights

The School had multiple budget revisions throughout the year. The total revenue budget which was increased $190,958 which mostly related to an increase in investment earnings and federal grant amounts. The expenditure budget (excluding transfers out) was increased $93,907 mainly due to an increase in pupil support services and capital outlay expenditures. The preliminary budget was approved on June 20, 2022.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2023, is shown in the chart below (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements and machinery and equipment. The total depreciation expense for the year was $946,094. The following is a schedule of capital assets as of June 30, 2023:

Independent School District No. 2168's Capital Assets
(Net of Depreciation)

	Governmental Activities		
	2023	2022	Increase (Decrease)
Land	$ 263,308	$ 263,308	$ -
Land Improvements	715,195	558,397	156,798
Buildings	18,019,472	18,574,547	(555,075)
Equipment	1,280,580	1,189,694	90,886
Construction in Progress	864,094	76,368	787,726
Total	$ 21,142,649	$ 20,662,314	$ 480,335
Percent Increase/(Decrease)			2.3%

Additional information on the District's capital assets can be found in Note 3C on page 50 of this report.

Long-term Debt. At the end of the current fiscal year, the District had total general obligation bonds outstanding as shown in the chart below. Most of this amount is to finance capital projects relating to school buildings.

Independent School District No. 2168's Outstanding Debt

	Governmental Activities		
	2023	2022	Increase (Decrease)
General Obligation Bonds	$ 13,854,000	$ 9,299,000	$ 4,555,000
Financed Purchase Arrangements	119,699	247,262	(127,563)
Total	$ 13,973,699	$ 9,546,262	$ 4,427,437
Percent Increase/(Decrease)			46.4%

The District's total debt increase as shown in the chart above was due to the issuance of G.O. Facilities Maintenance and Tax Abatement Bonds, Series 2022A.

Additional information on the District's long-term debt can be found in Note 3D on page 51 of this report.

Factors Bearing on the District's Future

Enrollment is an area of concern weighing on the District's financial future. Since Minnesota school districts are paid on pupil units served, any decline in enrollment results in less revenue. The District's student enrollment, which determines the pupil units for the purpose of funding, has been on a slight, but manageable decline up to this point. As we navigate through a worldwide pandemic, however, we have seen a larger than expected drop in enrollment. We have to be sensitive to the choices families are making during these unprecedented times and we have to work extremely hard to get those students back when we move into safer and more stable times.

The NRHEG School Board unanimously approved asking voters for local financial support through an operating levy request on the November 3, 2020 ballot. This request was soundly defeated and while the operating levy request was in response to a number of financial pressures that were resulting in expenses exceeding revenue, challenging the school district's ability to maintain the quality education students deserve and the community expects, we are now able to refocus on the short term as much needed federal aid has been received. That aid along with the largest education funding package from state legislators in the last 15 years, has given us the dollars we need to navigate this pandemic and the drop in student enrollment. While we believe state funding has not kept pace with inflation over the years and additional unfunded mandates have been put in place, we appreciate the efforts made in the last session and will work hard to use these dollars to continue to follow our strategic plan, with the number one goal focused on student achievement.

Labor costs account for over 80% of the District expenses. As cost of benefits continue to rise, it becomes more important during the negotiations of labor contracts that the District be cognizant to this potential unknown long-term liability. The District must continue to follow enrollment trends and maintain a responsible balance between staffing and student enrollment.

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Superintendent, Independent School District No. 2168, 306 Ash Ave, New Richland, Minnesota 56072.

DISTRICT-WIDE FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 2168
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

Independent School District No. 2168

New Richland, Minnesota

Statement of Net Position

June 30, 2023

	Governmental Activities
Assets	
Cash and temporary investments	$ 8,194,750
Receivables	
Taxes	1,296,568
Accounts and interest	45,329
Due from other school districts	13,163
Intergovernmental	1,160,449
Inventories	12,177
Prepaid items	12,100
Capital assets not being depreciated	1,127,402
Capital assets net of accumulated depreciation	20,015,247
Total Assets	31,877,185
Deferred Outflows of Resources	
Deferred pension resources	2,273,530
Deferred other post employment benefit resources	56,306
Total Deferred Outflows of Resources	2,329,836
Liabilities	
Salaries and wages payable	31,983
Accounts and other payables	119,001
Accrued interest payable	268,940
Due to other school districts	23,808
Accrued expenses	133,707
Unearned revenue	19,870
Noncurrent liabilities	
Due within one year	
Long-term liabilities	795,478
Due in more than one year	
Long-term liabilities	14,200,953
Net pension liability	7,604,051
Other postemployment benefits liability	391,740
Total Liabilities	23,589,531
Deferred Inflows of Resources	
Property taxes levied for subsequent year	2,207,195
Deferred pension resources	1,549,225
Deferred other post employment benefit resources	89,322
Total Deferred Inflows of Resources	3,845,742
Net Position	
Net investment in capital assets	10,639,212
Restricted for	
Building construction	4,381,990
Educational purposes	185,090
Food service	54,869
Unrestricted	(8,489,413)
Total Net Position	$ 6,771,748

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2168
New Richland, Minnesota
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities					
Administration	$ 562,198	$ -	$ -	$ -	$ (562,198)
District support services	320,756	-	21,250	-	(299,506)
Elementary and secondary regular instruction	3,594,235	160,560	536,066	-	(2,897,609)
Vocational education instruction	185,826	1,200	2,459	-	(182,167)
Special education instruction	1,557,419	62,596	1,061,975	-	(432,848)
Community education and services	389,340	257,065	99,712	-	(32,563)
Instructional support services	271,968	-	231,310	-	(40,658)
Pupil support services	1,818,494	389,371	443,334	-	(985,789)
Sites and buildings	1,705,289	32,706	94,170	-	(1,578,413)
Fiscal and other fixed cost programs	65,726	-	-	-	(65,726)
Interest and fiscal charges on long term debt	504,201	-	-	-	(504,201)
Total Governmental Activities	$ 10,975,452	$ 903,498	$ 2,490,276	$ -	(7,581,678)

General revenues	
Taxes	
Property taxes, levied for general purposes	1,181,208
Property taxes, levied for community service	86,596
Property taxes, levied for debt service	656,433
State aid-formula grants and other contributions	6,611,216
Other general revenues	289,305
Investment earnings	141,937
Gain on sale of assets	2,900
Total General Revenues	8,969,595
Change in Net Position	1,387,917
Net Position, July 1,	5,383,831
Net Position, June 30	$ 6,771,748

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 2168
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

Independent School District No. 2168

New Richland, Minnesota
Balance Sheet
Governmental Funds
June 30, 2023

	General	Debt Service	Building Construction	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and temporary investments	$ 3,079,577	$ 473,346	$ 4,439,270	$ 202,557	$ 8,194,750
Receivables					
Taxes					
Current	419,011	822,838	-	45,026	1,286,875
Delinquent	1,679	6,749	-	1,265	9,693
Accounts and interest	28,724	-	-	16,605	45,329
Due from other school districts	13,163	-	-	-	13,163
Intergovernmental	1,123,562	31,984	-	4,903	1,160,449
Inventories	-	-	-	12,177	12,177
Prepaid items	12,100	-	-	-	12,100
Total Assets	$ 4,677,816	$ 1,334,917	$ 4,439,270	$ 282,533	$ 10,734,536
Liabilities					
Salaries and wages payable	$ 19,110	$ -	$ -	$ 12,873	$ 31,983
Accounts and other payables	58,020	-	57,280	3,701	119,001
Due to other school districts	23,808	-	-	-	23,808
Accrued expenses	133,707	-	-	-	133,707
Unearned revenue	10,392	-	-	9,478	19,870
Total Liabilities	245,037	-	57,280	26,052	328,369
Deferred Inflows of Resources					
Property taxes levied for subsequent year	827,467	1,275,302	-	104,426	2,207,195
Unavailable revenue - delinquent property taxes	1,679	6,749	-	1,265	9,693
Total Deferred Inflows of Resources	829,146	1,282,051	-	105,691	2,216,888
Fund Balances					
Nonspendable	12,100	-	-	12,177	24,277
Restricted	87,904	52,866	4,381,990	138,613	4,661,373
Unassigned	3,503,629	-	-	-	3,503,629
Total Fund Balances	3,603,633	52,866	4,381,990	150,790	8,189,279
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 4,677,816	$ 1,334,917	$ 4,439,270	$ 282,533	$ 10,734,536

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2168
New Richland, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
June 30, 2023

Amounts reported for governmental activities in the statement of net position are different because	
Total Fund Balances - Governmental Funds	$ 8,189,279
Capital assets, net of accumulated deprecation, used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	21,142,649
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Bonds payable	(13,854,000)
Severance payable	(111,004)
Financed purchase arrangements	(119,699)
Unamortized premiums	(911,728)
Other postemployment benefits liability	(391,740)
Net pension liability	(7,604,051)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	9,693
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	2,273,530
Deferred inflows of pension resources	(1,549,225)
Governmental funds do not report long-term amounts related to other post employment benefits.	
Deferred outflows of other post employment benefit resources	56,306
Deferred inflows of other post employment benefit resources	(89,322)
Governmental funds do not report a liability for accrued interest until due and payable.	(268,940)
Total Net Position - Governmental Activities	$ 6,771,748

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2168
New Richland, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	General	Debt Service	Building Construction	Other Governmental Funds	Total
Revenues					
Local property tax levies	$ 1,078,552	$ 426,470	$ -	$ 86,514	$ 1,591,536
Other local and county revenue	612,031	-	-	293,652	905,683
Interest earned on investments	113,750	-	23,782	4,405	141,937
Revenue from state sources	7,522,408	321,005	-	96,596	7,940,009
Revenue from federal sources	1,041,106	-	-	416,224	1,457,330
Sales and other conversion of assets	23,326	-	-	260,034	283,360
Total Revenues	10,391,173	747,475	23,782	1,157,425	12,319,855
Expenditures					
Current					
Administration	698,810	-	-	-	698,810
District support services	319,690	-	-	-	319,690
Elementary and secondary regular instruction	4,592,155	-	-	-	4,592,155
Vocational education instruction	253,957	-	-	-	253,957
Special education instruction	1,696,099	-	-	-	1,696,099
Community education and services	134	-	-	427,361	427,495
Instructional support services	332,116	-	-	-	332,116
Pupil support services	903,687	-	-	763,605	1,667,292
Sites and buildings	973,386	-	-	-	973,386
Fiscal and other fixed cost programs	65,726	-	-	-	65,726
Capital outlay	716,203	-	864,094	31,626	1,611,923
Debt service					
Principal	207,563	430,000	-	-	637,563
Interest and other charges	8,006	304,412	-	-	312,418
Bond issuance costs	-	2,990	81,565	-	84,555
Total Expenditures	10,767,532	737,402	945,659	1,222,592	13,673,185
Excess (Deficiency) of Revenues Over (Under) Expenditures	(376,359)	10,073	(921,877)	(65,167)	(1,353,330)
Other Financing Sources (Uses)					
Sale of assets	2,900	-	-	-	2,900
Debt issued	80,000	-	4,985,000	-	5,065,000
Insurance recovery	32,706	-	-	-	32,706
Premium on bonds issued	-	-	318,867	-	318,867
Total Other Financing Sources (Uses)	115,606	-	5,303,867	-	5,419,473
Net Change In Fund Balances	(260,753)	10,073	4,381,990	(65,167)	4,066,143
Fund Balances, July 1	3,864,386	42,793	-	215,957	4,123,136
Fund Balances, June 30	$ 3,603,633	$ 52,866	$ 4,381,990	$ 150,790	$ 8,189,279

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2168
New Richland, Minnesota
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
to Statement of Activities
Governmental Funds
For the Year Ended June 30, 2023

Amounts reported for governmental activities in the statement of activities are different because	
Total Net Change in Fund Balances - Governmental Funds	$ 4,066,143
Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlay	1,426,429
Depreciation expense	(946,094)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Issuance of long-term debt	(5,065,000)
Principal repayments	637,563
Amortization of bond premiums, net of premium on bonds issued	(283,993)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.	(142,102)
Long-term pension activity is not reported in governmental funds.	
Pension expense	1,672,098
Direct aid contributions	7,584
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 unavailable in the funds.	324
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Severance costs	(4,515)
Other postemployment benefits costs	19,480
Change in Net Position - Governmental Activities	$ 1,387,917

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2168
New Richland, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Local property tax levies	$ 1,114,072	$ 1,081,061	$ 1,078,552	$ (2,509)
Other local and county revenue	437,716	518,136	612,031	93,895
Interest earned on investments	44,000	110,000	113,750	3,750
Revenue from state sources	7,781,760	7,758,048	7,522,408	(235,640)
Revenue from federal sources	865,810	940,961	1,041,106	100,145
Sales and other conversion of assets	27,300	20,700	23,326	2,626
Total Revenues	10,270,658	10,428,906	10,391,173	(37,733)
Expenditures				
Current				
Administration	702,217	701,141	698,810	2,331
District support services	335,894	329,960	319,690	10,270
Elementary and secondary regular instruction	4,590,746	4,578,246	4,592,155	(13,909)
Vocational education instruction	195,984	270,994	253,957	17,037
Special education instruction	1,795,683	1,712,591	1,696,099	16,492
Community education and services	-	-	134	(134)
Instructional support services	342,060	250,532	332,116	(81,584)
Pupil support services	865,961	914,018	903,687	10,331
Sites and buildings	981,792	950,001	973,386	(23,385)
Fiscal and other fixed cost programs	77,000	65,800	65,726	74
Capital outlay				
Administration	1,350	350	100	250
District support services	1,450	146	137	9
Elementary and secondary regular instruction	69,000	105,350	99,414	5,936
Vocational education instruction	2,000	800	1,164	(364)
Special education instruction	62,100	110,850	110,972	(122)
Instructional support services	5,000	21,000	20,258	742
Pupil support services	93,800	110,500	213,872	(103,372)
Sites and buildings	130,475	224,000	270,286	(46,286)
Debt service				
Principal	224,322	227,322	207,563	19,759
Interest and other charges	14,345	11,485	8,006	3,479
Total Expenditures	10,491,179	10,585,086	10,767,532	(182,446)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(220,521)	(156,180)	(376,359)	(220,179)
Other Financing Sources (Uses)				
Debt issued	-	-	80,000	80,000
Insurance recovery	-	32,710	32,706	(4)
Sale of assets	-	2,900	2,900	-
Total Other Financing Sources (Uses)	-	35,610	115,606	79,996
Net Change In Fund Balances	(220,521)	(120,570)	(260,753)	(140,183)
Fund Balances, July 1	3,864,386	3,864,386	3,864,386	-
Fund Balances, June 30	$ 3,643,865	$ 3,743,816	$ 3,603,633	$ (140,183)

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2168

New Richland, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023

	Private Purpose Trust
Assets	
Cash and temporary investments	$ 112,475
Interest receivable	327
Total Assets	$ 112,802
Net Position	
Held in Trust for Scholarships	$ 112,802

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2168
New Richland, Minnesota
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023

	Private Purpose Trust
Revenues	
Interest earned on investments	$ 656
Expenditures	
Other expenditures	1,000
Change in Net Position	(344)
Net Position, July 1	113,146
Net Position, June 30	$ 112,802

The notes to the financial statements are an integral part of this statement.

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Independent School District No. 2168, (the District) was incorporated under the laws of the State of Minnesota, (the State). The District operates under a School Board form of government for the purpose of providing educational services to individuals within the area. The District is governed by an elected School Board of seven members. 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. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The District has no component units that meet the GASB criteria.

B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) 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.*

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advanced, which are recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized as revenue as soon as 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.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. State revenue is recognized in the year to which it applies according to Minnesota statutes and accounting principles generally accepted in the United States of America. Minnesota statutes include State aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure was made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Note 1: Summary of Significant Accounting Policies (Continued)

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have been reported as unavailable revenue.

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

Description of Funds

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

Major Governmental Funds

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

The *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Building Construction capital project fund* accounts for capital costs related to building construction.

Non-Major Governmental Funds

The *Food Service special revenue fund* is used to account for food service revenue and expenditures.

The *Community Service special revenue fund* accounts for services provided to residents in the areas of recreation, civic activities, non-public pupils, adult or early childhood programs, or other similar services.

Note 1: Summary of Significant Accounting Policies (Continued)

Fiduciary Funds

The *Private-Purpose Trust fund* is used to account for resources legally held in trust by agreements where the School Board has accepted the responsibility to serve as trustee.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The District may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.

2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received 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.

3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.

4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.

5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.

6. Bankers acceptances of Unites States banks eligible for purchase by the Federal Reserve System.

7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.

8. Repurchase or reverse repurchase 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.

9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Note 1: Summary of Significant Accounting Policies (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 asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Minnesota School District Liquid Asset Fund (MSDLAF) investment pool operates in accordance with appropriate Minnesota laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The MSDLAF is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule §2a7. Financial statements of the MSDLAF fund can be obtained by contacting PFM Asset Management, LLC at P.O. Box 11760, Harrisburg, PA 17108-11760.

Property Taxes

The School Board annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the District. These taxes attach an enforceable lien on taxable property within the District on January 1 and are payable by the property owners in May and October of each year. The taxes are collected by the County Treasurer and tax settlements are made to the District three or four times throughout the year.

Statutory funding formulas determine the majority of the District revenue in the General and special revenue funds. This revenue is divided between property taxes and State aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift." The remaining portion of taxes collectible in 2023 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

Taxes payable on qualifying property, as defined by Minnesota statutes, are partially reduced by a market value credit aid. The credits are paid to the District by the State in lieu of taxes levied against the property.

Current property taxes receivable is the uncollected portion of the taxes levied in 2022 and collectible in 2023. This levy is offset with a deferred inflow of resources, property taxes levied for subsequent year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Accounts Receivable

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. No allowance for uncollectible accounts has been recorded. The only receivable not expected to be collected within one year are delinquent property taxes receivable.

Inventories And Prepaid Items

Food Service fund inventories include items purchased by the District and commodities donated by the U.S. Department of Agriculture (USDA). Commodities are valued using a standard price list furnished by the USDA and purchased inventory is valued at the lower of cost or market on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements.

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets include property, plant and equipment. Capital assets are defined by the District as assets with an initial, individual cost of more than $2,500 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50
Plumbing and electrical	30
Building improvements interior, portable classroom, and fire system	25
Heating and ventilation system, long-term admin software, furniture and fixtures, outdoor equipment, roofing, and site improvements	20
Custodial equipment, grounds equipment, kitchen euipment, and machinery and tools	15
All other equipment, short-term admin softwarem and long-term instructional software	10
Vehicles and buses	8
Carpet replacement	7
Computer hardware, copiers, short-term instructional software, and library books	5

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. Accordingly, the items, deferred pension resources and deferred other post-employment benefit resources, are reported only in the statement of net position. These items result from actuarial calculations and current year pension and OPEB contributions made subsequent to the measurement date.

Compensated Absences

Vacation Pay - Vacations taken or estimated to be taken within 60 days after year end are expensed and included in salaries payable as of June 30. Since teachers are not eligible for vacation pay and amounts accrued to other employees are insignificant, no long-term portion of vacation liabilities is recorded in the financial statements.

Sick Pay - Substantially all District employees are entitled to sick leave at various rates. Employees are not compensated for unused sick leave upon termination of employment.

Note 1: Summary of Significant Accounting Policies (Continued)

Severance Pay - The District maintains a severance pay plan for its staff. The plan contains benefit formulas based on years of service and minimum age requirements. If severance benefits are paid within the first 60 days after year end, an accrual is made in the governmental fund incurring the liability. Otherwise, vested severance pay, if any, is recorded in the statement of net position and severance pay expenses are recognized when earned. As of June 30, 2023, the District has a severance liability of $111,004 of which $2,903 is considered current. The General fund is typically used to liquidate governmental severance benefits payable.

Postemployment Benefits Other Than Pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 75, at July 1, 2021. The General fund is typically used to liquidate governmental other postemployment benefits payable.

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. The recognition of bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

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

Pensions

<u>Teachers Retirement Association (TRA)</u>

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Teachers Retirement Association (TRA) and additions to/deductions from TRA's fiduciary net position have been determined on the same basis as they are reported by TRA.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in in Note 4.

Note 1: Summary of Significant Accounting Policies (Continued)

Public Employees Retirement Association (PERA)

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by 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. The General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for the General Employee Plan (GERP) and TRA is as follows:

	Public Employees Retirement Association of Minnesota (PERA)	Teacher's Retirement Association (TRA)	Total All Plans
School's proportionate share	$ 273,330	$ (1,383,068)	$ (1,109,738)
Proportionate share of State's contribution	7,584	60,474	68,058
Total pension expense	$ 280,914	$ (1,322,594)	$ (1,041,680)

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: delinquent property taxes and property taxes levied for subsequent year. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Furthermore, the District has additional items which qualify for reporting in this category on the statement of net position. The items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position and results from actuarial calculations involving net differences between projected and actual earnings on plan investments and changes in proportions.

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the School Board (the Board), which is the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board modifies or rescinds the commitment by resolution.

Note 1: Summary of Significant Accounting Policies (Continued)

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Board itself or by an official to which the governing body delegates the authority. The Board has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Board or the Budget Committee.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of fund balance when expenditures are made.

The District has formally adopted a fund balance policy for the General fund. The District's policy is to maintain a minimum unassigned fund balance of 22% to 28% of the general fund annual operating budget.

Net Position

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

a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

b. Restricted net position - Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

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

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Budgets are prepared for District governmental funds on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the funds.

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

1. Prior to July 1, the budget is prepared by the Superintendent to be adopted by the School Board.

2. Budgets for General, Special Revenue and Debt Service funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

3. Budgeted amounts are as originally adopted, or as amended.

4. Budget appropriations lapse at year end.

Note 2: Stewardship, Compliance and Accountability (Continued)

5. The legal level of budgetary control is the department level.

6. The District does not use encumbrance accounting.

The District amended the originally adopted budget for the General fund in the current year to account for the decrease in current expenditures and increase in capital outlay expenditures.

B. Excess of Actual Expenditures Over Appropriations

For the year ended June 30, 2023, expenditures exceeded appropriations in the following funds:

Fund	Budget	Actual	Excess
General	$ 10,585,086	$ 10,767,532	$ 182,446
Food Service	752,642	763,605	10,963
Community Service	455,262	458,987	3,725

The excess expenditures were funded by revenues in excess of budget and available fund balance.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the School Board, the District maintains deposits at those depository banks which are members of the Federal Reserve System.

Minnesota statutes require that all District deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;

- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;

- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;

- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;

Note 3: Detailed Notes on All Funds (Continued)

- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and

- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the District.

At year end, the District's carrying amount of deposits was $2,432,180 and the bank balance was $2,909,434. Of the bank balance, $500,000 was covered by federal depository insurance and $2,409,434 was covered by bonds or collateral held by the District's agent in the District's name.

Investments

The investments of the District are subject to the following risks:

- *Credit Risk*. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the District's investments to the list on page 41 of the notes.

- *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.

- *Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

- *Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40.

Note 3: Detailed Notes on All Funds (Continued)

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

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
Pooled Investments at Amortized Costs			
Minnesota School District Liquid			
Asset Fund + MAX Class	not rated	less than 6 months	$ 5,442,860
Financial Investors Trust - U.S.			
Treasury Money Market Fund	not rated	less than 6 months	432,185
Total investments			$ 5,875,045

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.
(2) Interest rate risk is disclosed using the segmented time distribution method.
N/A Indicates not applicable or available.

The Minnesota School District Liquid Asset Fund (MSDLAF) is a trust organized and existing under the laws of the State of Minnesota and the Minnesota Joint Powers Act, as amended. The trust was established for the purpose of allowing Minnesota school districts to pool their investment funds to obtain a competitive investment yield, while maintaining liquidity and preserving capital. The credit rating for the MSDLAF is AAA. The weighted average days to maturity are less than six months. The District's investment in the MSDLAF is equal to the value of pool shares.

A reconciliation of cash and temporary investments as shown on the statement of net position for the District follows:

Deposits	$ 2,432,180
Investments	5,875,045
Total	8,307,225
Less Fiduciary Fund Cash and Temporary Investments	(112,475)
Cash and Temporary Investments	$ 8,194,750

B. Property Taxes

Current property taxes receivable is recorded for taxes levied in 2022 and payable in 2023. A portion of the current property taxes receivable is recognized as revenue in the fiscal year ended June 30, 2023 in accordance with Minnesota statutes and the remaining balance is recorded as a deferred inflow of resources for subsequent years' operations.

Delinquent property taxes receivable represents uncollected taxes from the previous six years' property tax levies.

Note 3: Detailed Notes on All Funds (Continued)

Taxes receivable is comprised of the following components:

	General	Debt Service	Nonmajor Governmental	Total
Current Taxes	$ 419,011	$ 822,838	$ 45,026	$ 1,286,875
Delinquent Taxes	1,679	6,749	1,265	9,693
Total Taxes Receivable	$ 420,690	$ 829,587	$ 46,291	$ 1,296,568
Property Taxes Levied for Subsequent Year	$ 827,467	$ 1,275,302	$ 104,426	$ 2,207,195

C. Capital Assets

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

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Governmental Activities				
Capital Assets not Being Depreciated				
Land	$ 263,308	$ -	$ -	$ 263,308
Construction In Progress	76,368	900,756	(113,030)	864,094
Total Capital Assets not Being Depreciated	339,676	900,756	(113,030)	1,127,402
Capital Assets Being Depreciated				
Land Improvements	1,402,280	209,184	-	1,611,464
Buildings	28,990,318	48,322	-	29,038,640
Equipment	7,448,310	381,197	(65,345)	7,764,162
Total Capital Assets Being Depreciated	37,840,908	638,703	(65,345)	38,414,266
Less Accumulated Depreciation				
Land Improvements	(843,883)	(52,386)	-	(896,269)
Buildings	(10,415,771)	(603,397)	-	(11,019,168)
Equipment	(6,258,616)	(290,311)	65,345	(6,483,582)
Total Accumulated Depreciation	(17,518,270)	(946,094)	65,345	(18,399,019)
Total Capital Assets Being Depreciated, Net	20,322,638	(307,391)	-	20,015,247
Governmental Activities Capital Assets, Net	$ 20,662,314	$ 593,365	$ (113,030)	$ 21,142,649

Note 3: Detailed Notes on All Funds (Continued)

Depreciation expense was charged to governmental activities as follows:

Administration	$ 375
District Support Services	107
Elementary And Secondary Regular Instruction	155,283
Vocational Education Instruction	2,446
Community Education	3,681
Instructional Support Services	4,804
Pupil Support Services	68,516
Sites and Buildings	696,911
Special Education Instruction	13,971
Total Depreciation Expense	$ 946,094

D. Long-term Liabilities

Finance Purchased Arrangements

The District has entered into multiple financed purchase arrangements. The details are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End	Due Within One Year
Energy savings upgrades	$ 1,647,683	4.25 %	12/27/07	11/27/23	$ 61,106	$ 61,106
Bus 32 and 34	80,000	5.65	11/20/22	12/20/25	58,593	18,469
Total Purchase Arrangements					$ 119,699	$ 79,575

The annual requirement to amortize all financed purchase arrangements at June 30, 2023 are as follows:

Year Ending June 30,	Principal Payments	Interest Payments	Total
2024	$ 79,575	$ 3,961	$ 83,536
2025	19,512	2,267	21,779
2026	20,612	1,167	21,779
Total	$ 119,699	$ 7,395	$ 127,094

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. In addition, general obligation bonds have been issued to refund general obligation bonds.

Note 3: Detailed Notes on All Funds (Continued)

General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds currently outstanding are as follows:

					Principal Outstanding	
Description	Original Issue	Interest Rate	Issue Date	Final Maturity	Due Within One Year	Total
G.O. School Building Bonds, Series 2019A	$ 8,575,000	2.98 - 5.00 %	08/14/19	02/01/40	$ 355,000	$ 8,430,000
G.O. Capital Facilities Refunding Bonds, Series 2021A	611,000	0.59	06/08/21	02/01/28	88,000	439,000
G.O. Facilities Maintenance and Tax Abatement Bonds, Series 2022A	4,985,000	4.00 - 5.00	11/10/22	02/01/38	270,000	4,985,000
Total					$ 713,000	$ 13,854,000

The annual requirements to amortize all bonds outstanding at June 30, 2023 are as follows:

Year Ending June 30,	Principal Payments	Interest Payments	Total
2024	$ 713,000	$ 575,714	$ 1,288,714
2025	797,000	492,341	1,289,341
2026	826,000	456,328	1,282,328
2027	875,000	418,820	1,293,820
2028	913,000	379,039	1,292,039
2029 - 2033	4,660,000	1,336,700	5,996,700
2034 - 2038	3,830,000	568,800	4,398,800
2039 - 2040	1,240,000	55,840	1,295,840
Total	$ 13,854,000	$ 4,283,582	$ 18,137,582

<u>Changes in Long-term Liabilities</u>

Long-term liability activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	$ 9,299,000	$ 4,985,000	$ (430,000)	$ 13,854,000	$ 713,000
Bond premiums	627,735	317,867	(33,874)	911,728	-
Total Bonds Payable	9,926,735	5,302,867	(463,874)	14,765,728	713,000
Other Liabilities					
Financed purchase arrangements	247,262	80,000	(207,563)	119,699	79,575
Severance payable	106,489	4,515	-	111,004	2,903
Total Long-term Liabilities	$ 10,280,486	$ 5,387,382	$ (671,437)	$ 14,996,431	$ 795,478

Note 3: Detailed Notes on All Funds (Continued)

E. Components of Fund Balance

At June 30, 2023, portions of the District's fund balance are not available for appropriation due to not being in spendable form (nonspendable), legal restrictions (Restricted) and policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Building Construction	Nonmajor Governmental	Total	Reconciling Items	UFARS Balance
Nonspendable for							
Inventories	$ -	$ -	$ -	$ 12,177	$ 12,177	$ -	$ 12,177
Prepaid items	12,100	-	-	-	12,100	-	12,100
Total Nonspendable	$ 12,100	$ -	$ -	$ 12,177	$ 24,277	$ -	$ 24,277
Restricted for							
Student activities	$ 20,586	$ -	$ -	$ -	$ 20,586	$ -	$ 20,586
Staff development	15,145	-	-	-	15,145	-	15,145
Area learning center	5,032	-	-	-	5,032	-	5,032
Safe schools	-	-	-	-	-	(73)	(73)
Long term facility maintenance	47,141	-	-	-	47,141	-	47,141
Community education	-	-	-	19,480	19,480	-	19,480
Early childhood and family education	-	-	-	56,508	56,508	-	56,508
School readiness	-	-	-	3,302	3,302	-	3,302
Food service	-	-	-	42,692	42,692	8,222	50,914
Community service	-	-	-	16,631	16,631	-	16,631
Capital projects	-	-	4,381,990	-	4,381,990		4,381,990
Debt service	-	52,866	-	-	52,866	-	52,866
Total Restricted	$ 87,904	$ 52,866	$ 4,381,990	$ 138,613	$ 4,661,373	$ 8,149	$ 4,669,522
Unassigned	$ 3,503,629	$ -	$ -	$ -	$ 3,503,629	$ (8,149)	$ 3,495,480

Restricted for Student Activities - This amount represents available resources for various student activities.

Restricted for Staff Development - This amount represents available resources for staff development. Revenues are derived from state aids and expenditures are for staff development at each site.

Restricted for Area Learning Center - This amount represents resources for the Area Learning Center.
Restricted for Gifted and Talented - This amount represents resources dedicated to providing challenging educational programs to gifted and talented students.

Restricted for Safe Schools - This amount represents resources restricted for crime prevention and making schools safe for students and staff.

Restricted for Long-term Facility Maintenance - This amount represents available resources for larger maintenance projects. Revenues are derived from State aids and expenditures are for maintenance.

Restricted for Community Education - This amount represents available resources for community education classes. Revenues are derived from local tax levies and State aids and expenditures are for salaries, benefits and supplies.

Note 3: Detailed Notes on All Funds (Continued)

Restricted for Early Childhood Family Education (ECFE) - This amount represents available resources for ECFE classes. Revenues are derived from local tax levies and State aids and expenditures are for salaries, benefits and supplies.

Restricted for School Readiness - This amount represents available resources to provide for services for school readiness programs. Revenues are derived from State aids, fees and grants and expenditures are for salaries, benefits and supplies.

Restricted for Food Service - This amount represents available resources available for food service. Revenues are derived from sales to pupils and State aid.

Restricted for Community Service - This amount represents available resources available for community services. Revenues are derived from tax levies and local and county sources and expenditures are primarily for salaries, benefits, purchased services supplies and materials.

Restricted for Capital Projects - This amount represents available resources dedicated for capital expenditure building projects, equipment purchases, vehicles and computer hardware and software. Revenues are derived from tax levies and State aids and expenditures are for repair and restoration of existing facilities and construction of new facilities, purchase of equipment, computers, software, textbooks and library books.

Restricted for Debt Service - This amount represents available resources dedicated exclusively for debt service payments. Revenues are derived from tax levies and expenditures are for principal, interest and paying agent fees.

Note 4: Defined Benefit Pension Plans - Statewide

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

Disclosures relating to these plans follow:

A. Teachers Retirement Association (TRA)

1. Plan Description

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

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

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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 as described:

Tier I:	Step Rate Formula	Percentage
Basic	First ten years of service	2.2 percent per year
	All years after	2.7 percent per year
Coordinated	First ten years if service years are prior to July 1, 2006	1.2 percent per year
	First 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

With these provisions:

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

2. Three percent per year early retirement reduction factors for all years under normal retirement age.

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

or

Tier II: 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. 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 per year 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 or the retiree - no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is also 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 provisions in effect at the time they last terminated their public service.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

3. Contribution Rate

Per Minnesota statutes, chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year were:

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

The District's contributions to TRA for the years ending June 30, 2023, 2022 and 2021 were $441,604, $307,754 and $341,918, respectively. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

The following is a reconciliation of employer contributions in TRA's fiscal year 2022 Annual Comprehensive Financial Report "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 Annual Comprehensive Financial Report Statement of Changes in Fiduciary Net Position	$ 482,679,000
Employer Contributions not Related to Future Contribution Efforts	(2,178,000)
TRA'S Contributions not Included in Allocation	(572,000)
Total Employer Contributions	479,929,000
Total Non-employer Contributions	35,590,000
Total Contributions Reported in Schedule of Employer and Non-employer Pension Allocations	$ 515,519,000

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

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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
Experience study	June 30, 2022
	June 5, 2019 (demographic and economic assumptions)*
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% 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
Mortality Assumption	
Pre-retirement	RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale
Post-retirement	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability	RP-2014 disabled retiree mortality table, without adjustment.

*The assumptions prescribed are based on the experience study dated June 28, 2019. For GASB 67 purposes, the long-term rate of return assumptions is selected by TRA management in consultation with the actuary.

5. Long-Term Rate of Return

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

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.50 %	5.10 %
International Equity	16.50	5.30
Private Markets	25.00	5.90
Fixed Income	25.00	0.75
Total	100.00 %	

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

Changes in actuarial assumptions since the 2021 valuation:

- None

6. Discount Rate

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

7. Net Pension Liability

At June 30, 2023, the District reported a liability of $5,877,484 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District proportionate share was 0.0734 percent at the end of the measurement period and 0.0730 percent for the beginning of the year.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

District's Proportionate Share of Net Pension Liability	$ 5,877,484
State's Proportionate Share of Net Pension Liability Associated with the District	435,804

For the year ended June 30, 2023, the District recognized negative pension expense of $1,383,068. It also recognized $60,474 as an increase to pension expense for the support provided by direct aid.
On June 30, 2023, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 86,683	$ 51,667
Changes in Actuarial Assumptions	901,920	1,349,572
Net Difference Between Projected and Actual Earnings on Plan Investments	260,465	-
Changes in Proportion	-	123,451
Contributions to TRA Subsequent to the Measurement Date	441,605	-
Total	$ 1,690,673	$ 1,524,690

Deferred outflows of resources totaling $441,605 related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

2024	$ (1,343,491)
2025	12,976
2026	(32,232)
2027	650,421
2028	433,258
Thereafter	3,446

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

8. Pension Liability Sensitivity

The following presents the net pension liability of TRA calculated using the discount rate of 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate.

District Proportionate Share of NPL		
1 Percent Decrease (6.00%)	Current (7.00%)	1 Percent Increase (8.00%)
$ 9,265,533	$ 5,877,484	$ 3,100,340

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.

9. Pension Plan Fiduciary Net Position

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

B. Public Employees Retirement Association (PERA)

1. Plan Description

The District participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota statutes*, chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

General Employees Retirement Plan

All full-time and certain part-time employees of the City are covered by the General Employees Plan. 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.

General Employee Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary 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.

3. Contributions

Minnesota statutes chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

<u>General Employees Fund Contributions</u>

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District’s contributions to the General Employees Fund for the year ending June 30, 2023, 2022 and 2021 were $128,337, $122,430 and $112,411, respectively. The District’s contributions were equal to the contractually required contributions for each year as set by state statute.

4. Pension Costs

<u>General Employee Fund Pension Costs</u>

At June 30, 2023, the District reported a liability of $1,726,567 for its proportionate share of the General Employee Fund’s net pension liability. The District’s net pension liability reflected a reduction due to the State of Minnesota’s contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the State’s contribution meets the definition of a special funding situation. The State of Minnesota’s proportionate share of the net pension liability associated with the District totaled $50,755. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportionate 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, 2022 through June 30, 2023 relative to the total employer contributions received from all of PERA’s participating employers. The District’s proportion was 0.0218 percent which was an increase of 0.0010 percent from its proportion measured as of June 30, 2022.

District's Proportionate Share of the Net Pension Liability	$ 5,877,484
State of Minnesota's Proportionate Share of the Net Pension Liability Associate With the District	435,804
Total	$ 6,313,288

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

For the year ended June 30, 2023, the District recognized pension expense of $273,330 for its proportionate share of GERP's pension expense. In addition, the District recognized an additional $7,584 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.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 14,422	$ 17,641
Changes in Actuarial Assumptions	373,370	6,894
Net Difference Between Projected and Actual Earnings on Plan Investments	58,972	-
Changes in Proportion	7,756	-
Contributions to GERF Subsequent to the Measurement Date	128,337	-
Total	$ 582,857	$ 24,535

The $128,337 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2024	$ 159,940
2025	158,834
2026	(44,935)
2027	156,146

5. Long-Term Expected Return on Investment

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

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.50 %	5.10 %
Private Markets	25.00	5.90
Fixed Income	25.00	0.75
International Equity	16.50	5.30
Total	100.00 %	

6. Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on 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. Benefit increases after retirement are assumed to be 1.25 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 27 years of service

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

Actuarial assumptions used in the June 30, 2023 valuation were based on the results of actuarial experience studies. The most recent four year experience study in the General Employee Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

<u>General Employees Fund</u>

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

7. Discount Rate

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

8. *Pension Liability Sensitivity*

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

District Proportionate Share of NPL		
1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
$ 2,727,203	$ 1,726,567	$ 905,891

9. Pension Plan Fiduciary Net Position

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

Note 5: Postemployment Benefits Other Than Pensions

A. Plan Description

The District administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides healthcare insurance for eligible retirees and their spouses through the District's group health insurance plan until Medicare age, which covers both active and retired members. Benefit provisions are established through negotiations between the District and the unions representing District employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

At June 30, 2023, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	6
Active Plan Members	98
Total Plan Members	104

Note 5: Postemployment Benefits Other Than Pensions (Continued)

B. Funding Policy

The District has historically funded these liabilities on a pay-as-you-go basis. Contribution requirements are negotiated between the District and union representatives on a per contract basis. At the present time, no retiree benefits are provided except the allowance to continue health insurance that is mandated by Minnesota Law. The District does not contribute any of the cost of current-year premiums for eligible retired plan members or their spouses. For fiscal year 2023, the District contributed $39,436 to the plan. Plan members receiving benefits contribute 100 percent of their premium costs.

C. Actuarial Methods and Assumptions

The District's total OPEB liability of $391,740 was measured as of July 1, 2022, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of July 1, 2021.

The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	2.10%
20-Year Municipal Bond Yield	2.10%
Inflation Rate	2.00%
Salary Increases	3.00%
Medical Trend Rate	6.25% as of July 1, 2022 grading to 5.00% over 4 years
Dental Trend Rate	N/A

The discount rate used to measure the total OPEB liability was 2.10 percent. Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

Mortality rates were based on the Pub-2010 Public Retirement Plan Headcount-Weighted Mortality Tables with MP-2020 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2021 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

D. Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balance at June 30, 2021	$ 386,433
Changes for the Year	
Service Cost	40,156
Interest	8,506
Benefit Payments	(43,355)
Net Changes	5,307
Balances at June 30, 2022	$ 391,740

Since the prior measurement date, there have been no changes in assumptions or benefits.

Note 5: Postemployment Benefits Other Than Pensions (Continued)

E. Sensitivity of the Total OPEB Liability

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 (1.10 percent) or 1-percentage-point higher 3.10 percent) than the current discount rate:

1 Percent Decrease (1.10%)	Current (2.10%)	1 Percent Increase (3.10%)
$ 412,927	$ 391,740	$ 370,935

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 Healthcare Cost Trent Rates that is 1-percentage point lower (5.50 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.50 percent increasing to 6.00 percent) than the current Healthcare Cost Trend rate:

1 Percent Decrease (5.25% Decreasing to 4%)	Healthcare Cost Trend Rates (6.25% Decreasing to 5.00%)	1 Percent Increase (7.25% Decreasing to 6%)
$ 350,687	$ 391,740	$ 440,452

F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the District recognized OPEB expense of ($19,480). At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ 86,705
Changes in Actuarial Assumptions	16,871	2,617
Contributions Subsequent to the Measurement Date	39,435	-
Total	$ 56,306	$ 89,322

Deferred outflows of resources totaling $39,435 related to OPEB resulting from the District's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2024	$ 28,705
2025	28,705
2026	7,524
2027	7,517
2028	-

Note 6: 403(b) Plan

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the "Plan"). Employees of the District are eligible to participate in the Plan beginning their fourth year of service with the District. Some employees are eligible to receive a match of employee contributions up to the qualifying amount set forth in their contract. Contributions are invested in tax deferred annuities hosted by a vendor from whom the District has obtained. The District's contributions for the years ended June 30, 2023, 2022, and 2021 are $58,974, $51,584, and $62,333 respectively. The related employee contributions were $123,768, $113,550, and $153,098 for the years ended June 30, 2023, 2022, and 2021, respectively.

Note 7: Other Information

A. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries insurance. Settled claims have not exceeded this coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The District's management is not aware of any incurred but not reported claims.

B. Federal And State Programs

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

C. Affiliated Organizations

The District, in conjunction with South Central Service Cooperative (SCSC), created a joint powers agreement for group employee benefits and other financial and risk management services. The SCSC's board is defined in the Joint Powers Agreement. A member may withdraw upon written notice given to the Board. In the event of dissolution, amounts received from participants to the benefit fund reserve shall be used exclusively for the payment of benefits to or on behalf of enrolled employees, payment of reasonable expenses, and payment of taxes. Separate financial statements of the affiliated organization may be obtained from SCSC. The affiliated organization is in good financial health. It is not anticipated to be a burden on the District.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 2168
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

Independent School District No. 2168
New Richland, Minnesota
Required Supplementary Information
For the Year Ended June 30, 2023

Schedule of Employer's Share of TRA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/22	0.0734 %	$ 5,877,484	$ 435,804	$ 6,313,288	$ 4,472,758	131.4 %	76.2 %
06/30/21	0.0730	3,076,538	259,373	3,335,911	4,205,629	73.2	86.6
06/30/20	0.0742	5,481,995	459,303	5,941,298	4,198,081	130.6	75.5
06/30/19	0.0742	5,481,995	459,303	5,941,298	4,198,081	130.6	75.5
06/30/18	0.0785	5,003,606	442,560	5,446,166	4,396,706	123.9	78.2
06/30/17	0.0796	5,002,273	469,844	5,472,117	4,400,760	124.3	78.1
06/30/16	0.0792	15,809,757	1,529,052	17,338,809	4,262,867	406.7	51.6
06/30/15	0.0773	18,437,894	1,851,052	20,288,946	4,022,720	504.4	44.9
06/30/14	0.0803	4,967,349	608,958	5,576,307	4,432,631	125.8	76.8
06/30/13	0.0844	3,889,091	273,479	4,162,570	3,903,735	106.6	81.1

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's TRA Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
06/30/23	$ 441,604	$ 441,604	$ -	$ 5,164,959	8.6 %
06/30/22	307,754	307,754	-	3,690,096	8.3
06/30/21	341,918	341,918	-	4,205,633	8.1
06/30/20	332,488	332,488	-	4,198,081	7.9
06/30/19	338,986	338,986	-	4,396,706	7.7
06/30/18	330,057	330,057	-	4,400,760	7.5
06/30/17	319,715	319,715	-	4,262,867	7.5
06/30/16	301,704	301,704	-	4,022,720	7.5
06/30/15	332,447	332,447	-	4,432,627	7.5

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

2022 – No changes noted.

2021 – The investment return assumption was changed from 7.50 percent to 7.00 percent.

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

2019 - No changes noted.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

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

2015 - The cost of living adjustment was not assumed to increase to 2.5 percent but remain at 2.0 percent for all future years. The investment return assumption was changed from 8.25 percent to 8.00 percent.

2014 - The cost of living adjustment was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2034.

Notes to the Required Supplementary Information - TRA (Continued)

Changes in Plan Provisions

2022 - No changes noted.

2021 - No changes noted.

2020 - No changes noted.

2019 - No changes noted.

2018 - The 2018 Omnibus Pension Bill contained a number of changes:

- The COLA was reduced from 2.0 percent each January 1 to 1.0 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1 percent each year until reaching the ultimate rate of 1.5 percent in January 1, 2028.

- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.

- The COLA trigger provision, which would have increased the COLA to 2.5 percent if the funded ratio was at least 90 percent for two consecutive years, was eliminated.

- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt

- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0 percent to 3.0 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5 percent to 7.5 percent, effective July 1, 2018.

- The employer contribution rate is increased each July 1 over the next 6 years (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 - No changes noted.

2016 - No changes noted.

2015 - On June 30, 2015, the Duluth Teachers Retirement Fund Association was merged into TRA. This also resulted in a state-provided contribution stream of $14.377 million until the plan becomes fully funded.

2014 - The increase in the post-retirement benefit adjustment (COLA) will be made once the plan is 90% funded (on a market value basis) in two consecutive years, rather than just one year.

Independent School District No. 2168
New Richland, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2023

Schedule of Employer's Share of PERA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/22	0.0218 %	$ 1,726,567	$ 50,755	$1,777,322	$ 1,632,394	105.8 %	76.7 %
06/30/21	0.0208	888,253	27,207	915,460	1,498,813	59.3	87.0
06/30/20	0.0214	1,283,028	39,457	1,322,485	1,523,920	84.2	79.0
06/30/19	0.0209	1,155,514	35,998	1,191,512	1,474,253	80.8	80.2
06/30/18	0.0213	1,181,637	38,762	1,220,399	1,431,853	85.2	79.5
06/30/17	0.0210	1,340,626	16,832	1,357,458	1,350,813	100.5	75.9
06/30/16	0.0220	1,786,291	23,343	1,809,634	1,364,240	132.6	68.9
06/30/15	0.0221	1,145,337	-	1,145,337	1,278,861	89.6	78.2
06/30/14	0.0240	1,127,400	-	1,127,400	1,346,698	83.7	78.8

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
06/30/23	$ 128,337	$ 128,337	$ -	$ 1,711,160	7.5 %
06/30/22	122,430	122,430	-	1,632,400	7.5
06/30/21	112,411	112,411	-	1,498,813	7.5
06/30/20	114,294	114,294	-	1,523,920	7.5
06/30/19	110,569	110,569	-	1,474,253	7.5
06/30/18	107,389	107,389	-	1,431,853	7.5
06/30/17	101,311	101,311	-	1,350,813	7.5
06/30/16	102,318	102,318	-	1,364,240	7.5
06/30/15	95,915	95,915	-	1,278,867	7.5

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

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

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Notes to the Required Supplementary Information - PERA (Continued)

Changes in Plan Provisions

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

2020 - Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 - The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The state's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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

2016 - No changes noted.

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised.

Schedule of Changes in the School's Net OPEB Liability and Related Ratios

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	$ 40,156	$ 38,986	$ 32,901	$ 31,943	$ 37,935	$ 36,830
Interest	8,506	13,542	12,920	18,171	18,147	17,772
Differences between expected and actual experience	-	(70,447)	-	(119,236)	-	-
Changes in assumptions	-	25,306	-	(7,851)	-	-
Benefit payments	(43,355)	(37,355)	(26,399)	(56,637)	(42,241)	(47,084)
Net Change in Total OPEB Liability	5,307	(29,968)	19,422	(133,610)	13,841	7,518
Total OPEB Liability - Beginning	386,433	416,401	396,979	530,589	516,748	509,230
Total OPEB Liability - Ending	$ 391,740	$ 386,433	$ 416,401	$ 396,979	$ 530,589	$ 516,748
Covered - Employee Payroll	$ 4,820,286	$ 4,679,889	$ 4,851,123	$ 4,709,828	$ 4,926,847	$ 4,783,347
Districts' Total OPEB Liability as a Percentage of Covered Employee Payroll	8.13 %	8.26 %	8.58 %	8.43 %	10.77 %	10.80 %

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

<u>Changes in Benefits</u>

2023 - None

2022 - None

2021 - None

2020 - None

2019 - None

2018 - None

Schedule of Changes in the School's Net OPEB Liability and Related Ratios (Continued)

<u>Changes in Assumptions</u>

2023 - None

2022- The health care trend rates were changed to better anticipate short-term and long term medical increases. The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale. The salary increase rates for non-teachers were updated to reflect the latest experience study. The withdrawal rates were updated to reflect the latest experience study. The inflation rate was changed from 2.50% to 2.00%. The discount rate was changed from 3.10% to 2.10%.

2021 - None

2020 - The health care trend rates were changed to better anticipate short term and long term medical increases. The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale. The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group. The discount rate was changed from 3.40% to 3.10%. These changes decreased the liability $7,851.

2019 - None

2018 - None

<u>Changes in Method</u>

2023 - None

2022 - None

2021 - None

2020 - None

2019 - None

2018 - None

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES AND TABLE

INDEPENDENT SCHOOL DISTRICT NO. 2168
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

Independent School District No. 2168
New Richland, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2023

	Special Revenue		
	Food Service	Community Service	Totals
Assets			
Cash and temporary investments	$ 52,349	$ 150,208	$ 202,557
Receivables			
Taxes			
Current	-	45,026	45,026
Delinquent	-	1,265	1,265
Accounts and interest	-	16,605	16,605
Intergovernmental	-	4,903	4,903
Inventories	12,177	-	12,177
Total Assets	$ 64,526	$ 218,007	$ 282,533
Liabilities			
Salaries and wages payable	$ 4,319	$ 8,554	$ 12,873
Accounts and other payables	1,796	1,905	3,701
Unearned revenue	3,542	5,936	9,478
Total Liabilities	9,657	16,395	26,052
Deferred Inflows of Resources			
Property taxes levied for subsequent year	-	104,426	104,426
Unavailable revenue - delinquent property taxes	-	1,265	1,265
Total Deferred Inflows of Resources	-	105,691	105,691
Fund Balances			
Nonspendable for			
Inventories	12,177	-	12,177
Restricted for			
Community education	-	19,480	19,480
Early childhood family education	-	56,508	56,508
School readiness	-	3,302	3,302
Community service	-	16,631	16,631
Food service	42,692	-	42,692
Total Fund Balances	54,869	95,921	150,790
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 64,526	$ 218,007	$ 282,533

Independent School District No. 2168
New Richland, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2023

	Special Revenue		
	Food Service	Community Service	Totals
Revenues			
Local property tax levies	$ -	$ 86,514	$ 86,514
Other local and county revenue	-	293,652	293,652
Interest earned on investments	1,846	2,559	4,405
Revenue from state sources	30,955	65,641	96,596
Revenue from federal sources	416,224	-	416,224
Sales and other conversion of assets	260,034	-	260,034
Total Revenues	709,059	448,366	1,157,425
Expenditures			
Current			
Community education and services	-	427,361	427,361
Pupil support services	763,605	-	763,605
Capital outlay	-	31,626	31,626
Total Expenditures	763,605	458,987	1,222,592
Net Change In Fund Balances	(54,546)	(10,621)	(65,167)
Fund Balances, July 1	109,415	106,542	215,957
Fund Balances, June 30	$ 54,869	$ 95,921	$ 150,790

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Independent School District No. 2168
New Richland, Minnesota
General Fund
Balance Sheets
June 30, 2023 and 2022

	2023	2022
Assets		
Cash and temporary investments	$ 3,079,577	$ 3,366,486
Receivables		
Taxes		
Current	419,011	524,673
Delinquent	1,679	655
Accounts	28,724	28,795
Due from other school districts	13,163	13,547
Intergovernmental	1,123,562	1,128,775
Prepaid items	12,100	-
Total Assets	$ 4,677,816	$ 5,062,931
Liabilities		
Salaries payable	$ 19,110	$ 17,437
Accounts and other payables	58,020	34,400
Due to other school districts	23,808	28,944
Accrued expenses	133,707	166,681
Unearned revenue	10,392	7,300
Total Liabilities	245,037	254,762
Deferred Inflows of Resources		
Property taxes levied for subsequent year	827,467	943,128
Unavailable revenue - delinquent property taxes	1,679	655
Total Deferred Inflows of Resources	829,146	943,783
Fund Balances		
Nonspendable for		
Prepaid items	12,100	-
Restricted for		
Student activities	20,586	32,226
Staff development	15,145	39,018
Learning and development	-	10,840
Area learning center	5,032	5,032
Long term facility maintenance	47,141	147,491
Unassigned	3,503,629	3,629,779
Total Fund Balances	3,603,633	3,864,386
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 4,677,816	$ 5,062,931

Independent School District No. 2168
New Richland, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued on the Following Page)
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023				2022
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	$ 1,114,072	$ 1,081,061	$ 1,078,552	$ (2,509)	$ 1,055,581
Other local and county revenue	437,716	518,136	612,031	93,895	509,992
Interest earned on investments	44,000	110,000	113,750	3,750	45,571
Revenue from state sources	7,781,760	7,758,048	7,522,408	(235,640)	7,994,209
Revenue from federal sources	865,810	940,961	1,041,106	100,145	1,008,058
Sales and other conversion of assets	27,300	20,700	23,326	2,626	21,258
Total revenues	10,270,658	10,428,906	10,391,173	(37,733)	10,634,669
Expenditures					
Current					
Administration					
Salaries	469,385	506,110	506,303	(193)	474,996
Employee benefits	208,132	169,206	167,513	1,693	180,831
Purchased services	10,500	11,475	11,776	(301)	5,548
Supplies and materials	3,050	3,385	2,807	578	2,361
Other expenditures	11,150	10,965	10,411	554	10,736
Total administration	702,217	701,141	698,810	2,331	674,472
District support services					
Salaries	140,351	142,537	139,727	2,810	117,144
Employee benefits	57,793	56,273	54,500	1,773	47,790
Purchased services	101,600	95,020	92,797	2,223	87,731
Supplies and materials	7,300	7,780	8,635	(855)	7,988
Other expenditures	28,850	28,350	24,031	4,319	26,508
Total district support services	335,894	329,960	319,690	10,270	287,161
Elementary and secondary regular instruction					
Salaries	3,104,264	3,072,379	3,064,756	7,623	3,184,310
Employee benefits	975,630	949,666	930,314	19,352	949,412
Purchased services	277,047	260,917	282,029	(21,112)	274,780
Supplies and materials	214,805	267,984	291,822	(23,838)	239,832
Other expenditures	19,000	27,300	23,234	4,066	19,944
Total elementary and secondary regular instruction	4,590,746	4,578,246	4,592,155	(13,909)	4,668,278
Vocational education instruction					
Salaries	129,874	185,135	177,900	7,235	177,896
Employee benefits	51,850	69,559	60,732	8,827	70,923
Purchased services	2,100	2,100	1,868	232	-
Supplies and materials	12,160	14,200	13,457	743	11,779
Total vocational education instruction	195,984	270,994	253,957	17,037	260,598
Special education instruction					
Salaries	1,129,258	972,689	936,614	36,075	1,001,006
Employee benefits	330,475	261,147	244,235	16,912	287,259
Purchased services	327,190	463,015	497,920	(34,905)	340,295
Supplies and materials	8,535	15,515	17,130	(1,615)	8,212
Other expenditures	225	225	200	25	350
Total special education instruction	1,795,683	1,712,591	1,696,099	16,492	1,637,122

Independent School District No. 2168
New Richland, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023				2022
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (continued)					
Community education and services	$ -	$ -	$ 134	$ (134)	$ -
Employee benefits					
Instructional support services					
Salaries	216,974	149,319	241,536	(92,217)	215,699
Employee benefits	49,336	26,113	52,245	(26,132)	69,552
Purchased services	58,600	58,600	24,196	34,404	30,950
Supplies and materials	17,150	16,500	14,139	2,361	30,625
Total instructional support services	342,060	250,532	332,116	(81,584)	346,826
Pupil support services					
Salaries	488,341	500,079	528,120	(28,041)	523,073
Employee benefits	117,086	113,397	111,913	1,484	112,852
Purchased services	103,524	108,032	83,777	24,255	105,391
Supplies and materials	157,010	192,510	179,877	12,633	134,952
Total pupil support services	865,961	914,018	903,687	10,331	876,268
Sites and buildings					
Salaries	245,063	246,884	272,910	(26,026)	253,956
Employee benefits	111,584	105,412	98,813	6,599	110,124
Purchased services	473,245	404,705	419,078	(14,373)	360,451
Supplies and materials	151,900	193,000	182,585	10,415	170,347
Total sites and buildings	981,792	950,001	973,386	(23,385)	894,878
Fiscal and other fixed cost programs					
Purchased services	77,000	65,800	65,726	74	73,306
Total current	9,887,337	9,773,283	9,835,760	(62,477)	9,718,909
Capital outlay					
Administration	1,350	350	100	250	4,694
District support services	1,450	146	137	9	2,564
Elementary and secondary regular instruction	69,000	105,350	99,414	5,936	151,751
Vocational education instruction	2,000	800	1,164	(364)	3,022
Special education instruction	62,100	110,850	110,972	(122)	2,239
Instructional support services	5,000	21,000	20,258	742	30,284
Pupil support services	93,800	110,500	213,872	(103,372)	-
Sites and buildings	130,475	224,000	270,286	(46,286)	278,844
Total capital outlay	365,175	572,996	716,203	(143,207)	473,398
Debt service					
Principal	224,322	227,322	207,563	19,759	215,140
Interest and other charges	14,345	11,485	8,006	3,479	24,945
Total debt service	238,667	238,807	215,569	23,238	240,085
Total Expenditures	10,491,179	10,585,086	10,767,532	(182,446)	10,432,392
Excess (Deficiency) of Revenues Over (Under) Expenditures	(220,521)	(156,180)	(376,359)	(220,179)	202,277
Other Financing Sources (Uses)					
Debt issued	-	-	80,000	80,000	-
Insurance recovery	-	32,710	32,706	(4)	-
Sale of assets	-	2,900	2,900	-	800
Total Other Financing Sources (Uses)	-	35,610	115,606	79,996	800
Net Change In Fund Balances	(220,521)	(120,570)	(260,753)	(140,183)	203,077
Fund Balances, July 1	3,864,386	3,864,386	3,864,386	-	3,661,309
Fund Balances, June 30	$ 3,643,865	$ 3,743,816	$ 3,603,633	$ (140,183)	$ 3,864,386

Independent School District No. 2168
New Richland, Minnesota
Food Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023				2022
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Interest earned on investments	$ 700	$ 700	$ 1,846	$ 1,146	$ -
Revenue from state sources	32,800	30,400	30,955	555	18,182
Revenue from federal sources	253,100	421,679	416,224	(5,455)	608,626
Sales and other conversion of assets	222,600	258,950	260,034	1,084	22,341
Total Revenues	509,200	711,729	709,059	(2,670)	649,149
Expenditures					
Current					
Pupil support services					
Salaries	208,918	208,918	255,530	(46,612)	173,795
Employee benefits	95,797	92,824	57,395	35,429	73,613
Purchased services	18,400	32,400	31,691	709	15,340
Supplies and materials	257,100	418,300	418,805	(505)	280,282
Other expenditures	1,000	200	184	16	195
Total Expenditures	581,215	752,642	763,605	(10,963)	543,225
Net Change In Fund Balances	(72,015)	(40,913)	(54,546)	(13,633)	105,924
Fund Balances, July 1	109,415	109,415	109,415	-	3,491
Fund Balances, June 30	$ 37,400	$ 68,502	$ 54,869	$ (13,633)	$ 109,415

Independent School District No. 2168
New Richland, Minnesota
Community Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023				2022
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	$ 117,868	$ 117,868	$ 86,514	$ (31,354)	$ 85,286
Other local and county revenue	193,690	257,290	293,652	36,362	219,009
Interest earned on investments	-	-	2,559	2,559	-
Revenue from state sources	62,757	62,467	65,641	3,174	60,827
Total revenues	374,315	437,625	448,366	10,741	365,122
Expenditures					
Current					
Community education and services					
Salaries	232,575	271,570	260,582	10,988	240,206
Employee benefits	48,301	51,419	44,926	6,493	43,847
Purchased services	39,725	70,825	88,577	(17,752)	60,386
Supplies and materials	30,350	31,950	32,348	(398)	47,020
Other expenditures	750	800	928	(128)	2,250
Total community education and services	351,701	426,564	427,361	(797)	393,709
Capital outlay					
Community education and services	3,800	28,698	31,626	(2,928)	8,386
Total Expenditures	355,501	455,262	458,987	(3,725)	402,095
Net Change in Fund Balances	18,814	(17,637)	(10,621)	7,016	(36,973)
Fund Balances, July 1	106,542	106,542	106,542	-	143,515
Fund Balances, June 30	$ 125,356	$ 88,905	$ 95,921	$ 7,016	$ 106,542

Independent School District No. 2168
New Richland, Minnesota
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023				2022
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	$ 444,901	$ 430,422	$ 426,470	$ (3,952)	$ 444,355
Interest earned on investments	350	350	-	(350)	-
Revenue from state sources	320,810	319,899	321,005	1,106	320,130
Total Revenues	766,061	750,671	747,475	(3,196)	764,485
Expenditures					
Debt service					
Principal	430,000	430,000	430,000	-	427,000
Interest and other charges	304,412	304,412	304,412	-	312,553
Bond issuance costs	3,785	3,785	2,990	795	991
Total Expenditures	738,197	738,197	737,402	795	740,544
Deficiency of Revenues Under Expenditures	27,864	12,474	10,073	(2,401)	23,941
Other Financing Sources (Uses)					
Transfers out	-	-	-	-	(30,971)
Net Change in Fund Balances	27,864	12,474	10,073	(2,401)	(7,030)
Fund Balances, July 1	42,793	42,793	42,793	-	49,823
Fund Balances, June 30	$ 70,657	$ 55,267	$ 52,866	$ (2,401)	$ 42,793

Independent School District No. 2168
New Richland, Minnesota
Schedules of Tax Capacity, Tax Levy and Tax Rates
For the Years Ended June 30, 2023 and 2022

	2023	2022
Tax Capacity		
Agricultural	$ 8,387,333	$ 7,331,793
Nonagricultural	5,761,628	4,695,182
Total	$ 14,148,961	$ 12,026,975
Tax Levy		
General	$ 977,539	$ 1,113,891
Community Service	104,561	88,950
Debt Service	1,276,944	676,310
Total	$ 2,359,043	$ 1,879,151
Tax Capacity Rates		
General	2.256	4.211
Community Service	0.739	0.740
Debt Service	9.025	5.623
Total	12.020	10.574

Fiscal Compliance Report - 6/30/2023
District: N.R.H.E.G. (2168-1)

	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	$10,391,173	$10,391,157	$16
Total Expenditures	$10,767,532	$10,767,515	$17
Non Spendable:			
4.60 Non Spendable Fund Balance	$12,100	$12,100	$0
Restricted / Reserved:			
4.01 Student Activities	$20,586	$20,586	$0
4.02 Scholarships	$0	$0	$0
4.03 Staff Development	$15,145	$15,145	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Funded by COP/FP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	$0	$0	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$5,032	$5,032	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe Schools Levy	($73)	($72)	($1)
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$0	$0	$0
4.67 LTFM	$47,141	$47,140	$1
4.72 Medical Assistance	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$0	$0	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$0	$0	$0
Unassigned:			
4.22 Unassigned Fund Balance	$3,503,702	$3,503,703	($1)
02 FOOD SERVICES			
Total Revenue	$709,059	$709,058	$1
Total Expenditures	$763,605	$763,604	$1
Non Spendable:			
4.60 Non Spendable Fund Balance	$12,177	$12,177	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$50,914	$50,914	$0

	Audit	UFARS	Audit - UFARS
06 BUILDING CONSTRUCTION			
Total Revenue	$23,782	$23,780	$2
Total Expenditures	$945,659	$945,659	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Funded by COP/FP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$4,381,990	$4,381,990	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
07 DEBT SERVICE			
Total Revenue	$747,475	$747,475	$0
Total Expenditures	$737,402	$737,402	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$52,866	$52,866	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
08 TRUST			
Total Revenue	$656	$656	$0
Total Expenditures	$1,000	$1,000	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$112,802	$112,802	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
18 CUSTODIAL			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
20 INTERNAL SERVICE			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
25 OPEB REVOCABLE TRUST			
Total Revenue	$0	$0	$0

Unassigned:			
4.63 Unassigned Fund Balancee	($8,222)	($8,222)	$0

04 COMMUNITY SERVICE

Total Revenue	$448,366	$448,368	($2)
Total Expenditures	$458,987	$458,989	($2)
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$19,480	$19,480	$0
4.32 E.C.F.E	$56,508	$56,508	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$3,302	$3,301	$1
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$16,631	$16,631	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

45 OPEB IRREVOCABLE TRUST

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

47 OPEB DEBT SERVICE

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

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OTHER REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 2168
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Members of the School Board
Independent School District No. 2168
New Richland, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2168, New Richland, Minnesota, (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated October 4, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts sections of the *Minnesota Legal Compliance Audit Guide for Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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.

Abdo

Abdo
Mankato, Minnesota
October 4, 2023

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

Members of the School Board
Independent School District No. 2168
New Richland, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2168, New Richland, Minnesota, (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 4, 2023.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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. We consider the deficiency described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2023-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings, Responses and Questioned costs items 2023-002 and 2023-003 to be a significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, 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. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the District's compliance with those requirements. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported in accordance with *Government Auditing Standards* or statutes set forth by the State of Minnesota.

Response to Findings

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

Purpose of this Report

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

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Mankato, Minnesota
October 4, 2023

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FEDERAL AWARD PROGRAMS

INDEPENDENT SCHOOL DISTRICT NO. 2168
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

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

Members of the School Board
Independent School District No. 2168
New Richland, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the School District No. 2068, New Richland, Minnesota compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

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

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

Report on Internal Control Over Compliance

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

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

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

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

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Abdo
Mankato, Minnesota
October 4, 2023

Independent School District No. 2168
New Richland, Minnesota
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Funding Source	Administering Department	Program Name	Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Federal Program Clusters	Total Federal Expenditures
U.S. Department of Agriculture	Minnesota Department of Education	School Breakfast Program	10.553	1000004082	$ 73,774	
U.S. Department of Agriculture	Minnesota Department of Education	National School Lunch Program	10.555	1000004082	298,348	
U.S. Department of Agriculture	Minnesota Department of Education	Commodity Supplement Food Program	10.555	1000004082	44,102 *	
		Total Child Nutrition cluster				$ 416,224
U.S. Department of Treasury	Minnesota Department of Revenue	Coronavirus State and Local Fiscal Recovery Funds - COVID-19	21.027C	N/A	795	
		Total Coronavirus State and Local Fiscal Recovery Funds Cluster				795
U.S. Department of Education	Minnesota Department of Education	Special Education Grants to States	84.027	H027A220087	267,879	
U.S. Department of Education	Minnesota Department of Education	Special Education Preschool Grants	84.173	H173A220086	16,894	
		Total Special Education IDEA cluster				284,773
U.S. Department of Education	Minnesota Department of Education	Title I Grants to Local Educational Agencies	84.010	S010A220023A	107,840	
U.S. Department of Education	Minnesota Department of Education	Supporting Effective Instruction State Grants	84.367	S367A220022	19,185	
U.S. Department of Education	Minnesota Department of Education	Student Support and Academic Enrichment Program	84.424	S424A220024	10,000	
U.S. Department of Education	Minnesota Department of Education	COVID-19 Education Stabilization Fund Under The Coronavirus Aid, Relief, and Economic Security Act	84.425D	S425S200045	24,602	
U.S. Department of Education	Minnesota Department of Education	COVID-19 Education Stabilization Fund Under The Coronavirus Aid, Relief, and Economic Security Act	84.425UC	D425C210015	483,554	
U.S. Department of Health and Human Services	Minnesota Department of Education	Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	N/A	110,357	
		Total Other Programs				755,538
		Total Expended				$ 1,457,330

* This represents noncash assistance comprised of the value of commodities issued to the District for the year.

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Independent School District No. 2168, New Richland, Minnesota (the District). The District's reporting entity is defined in Note 1A to the District's financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). All federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

Note 2: Summary of Significant Accounting Policies for Expenditures

Expenditures reported on this schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, Cost Principles for Non-Profit-Organizations, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Pass-Through Entity Identifying Numbers

Pass-through entity identifying numbers, if any, are presented where available.

Note 4: Subrecipients

No federal expenditures presented in this schedule were provided to subrecipients.

Note 5: Indirect Cost Rate

During the year ended June 30, 2023, the District did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Independent School District No. 2168
New Richland, Minnesota
Schedules of Findings, Responses and Questioned Costs
For the Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No

Identification of Major Programs/Projects	**CFDA No.**
Title I Grants to Local Educational Agencies	84.010
Education Stablilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act	84.425

Dollar threshold used to distinguish between Type A and Type B Programs	$ 750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

A material weakness relating to the audit of the financial statements is reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* . Finding 2023-001 is reported as a material weakness.

Significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* . Findings 2023-002 and 2023-003 are reported as a significant deficiencies.

Section III - Major Federal Award Findings and Questioned Costs

There are no significant deficiencies, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported in accordance with the Uniform Guidance.

Section IV - Schedule of Prior Year Audit Findings

There were prior year audit findings that are attached.

Other Issues

Corrective Action Plans are attached as required to be reported under the Federal Single Audit Act.

Finding	Description
2023-001	**Material Audit Adjustments**
Condition:	During our audit, adjustments were needed adjust State receivables. taxes receivable, and capital assets.
Criteria:	The financial statements are the responsibility of the District's management.
Cause:	District staff has not prepared a year end trial balance reflecting all necessary accounting entries.
Effect:	It is likely that if a misstatement were to occur, it would not be detected by the District's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.
Recommendation:	We recommend the business manager review each journal entry, obtain an understanding of why the entry was necessary, and modify current procedures to ensure that future corrections are not needed.
Management Response:	The Business and Finance Manager continues training dealing with governmental financial/accounting practices.

Finding	**Description**
2023-002	**Segregation of Duties**
Condition:	During our audit, we found that the District has a limited segregation of duties related to many aspects of its accounting systems.
Criteria:	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
Cause:	Specific situations include: cash receipts, cash disbursements and payroll. The Business and Finance Manager has responsibility over all areas of authorization, custody of assets, recording and reconciling activity. While there is some review of transactions by the Board and Superintendent, there is more than a remote likelihood that a misstatement of the District's financial statements that is more that inconsequential could go undetected.
Effect:	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in segregation of duties and internal controls can result in undetected errors or misappropriation of assets of the District.
Recommendation:	Under these circumstances the most effective controls lie in 1) managements knowledge of the District's financial operations and 2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transaction. We recommend the District evaluate its controls and make any changes considered necessary. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations.
Management Response:	The District will continue to review its procedures to determine if any improvements can be made using the limited personnel available.

Finding	Description
2023-003	**Financial Report Preparation**
Condition:	We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the Board as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size. However, based on auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
Criteria:	Internal controls should be in place to provide reasonable assurance over financial reporting.
Cause:	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size.
Effect:	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
Recommendation:	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. We have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the District is reviewing the financial statements we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the District should agree its financial software to the numbers reported in the financial statements.
Management Response:	The District is aware of the control deficiency, which is an unavoidable consequence of the financial restrictions of school districts. Each year, the District has a presentation from our auditor to the Board of Education after the audit is performed. Management recognizes that it is not economically feasible to fully correct this finding; it is aware of the deficiency and is relying on oversight by management and School Board to monitor the deficiency.

New Richland-Hartland-Ellendale-Geneva Public Schools
Independent School District No. 2168

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Michael Meihak, Superintendent

Secondary School
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(507)465-3205
Fax (507)465-8633
David Bunn, Principal

Elementary School
600 School Street
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(507)684-3181
Fax (507)684-2108
Nicholas Jurrens, Principal

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2023-001 Material Audit Adjustments

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

The Business and Finance Manager continues training dealing with UFARS financial/accounting practices and works with the audit team to understand the adjustments made and to correct them for future years.

3. Official Responsible for Ensuring CAP:

Michael Meihak, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date for CAP:

June 30, 2024.

5. Plan to Monitor Completion of CAP:

The Board of Education will be monitoring this corrective action plan.

M. Meihak

Michael Meihak
Superintendent

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2023-002 Segregation of Duties

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

The District reviews and makes improvements to its internal control structure on an ongoing basis and attempts to maximize the segregation of duties in all areas with the limited staff available.

3. Official Responsible for Ensuring CAP:

Michael Meihak, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date for CAP:

June 30, 2024.

5. Plan to Monitor Completion of CAP:

The Board of Education will be monitoring this corrective action plan.

M. Meihak

Michael Meihak
Superintendent

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2023-003 Financial Statement Preparations

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

The District will have the auditor prepare the financial statements. The District is relying on oversight of management and Board to monitor the deficiency.

3. Official Responsible for Ensuring CAP:

Michael Meihak, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date for CAP:

June 30, 2024..

5. Plan to Monitor Completion of CAP:

The Board of Education will be monitoring this corrective action plan.

M. Meihak

Michael Meihak
Superintendent

Finding	**Description**
2022-001	**Material Audit Adjustments**
Condition:	During our audit, adjustments were needed adjust State receivables, taxes receivable, severance payable and capital assets.
Criteria:	The financial statements are the responsibility of the District's management.
Cause:	District staff has not prepared a year end trial balance reflecting all necessary accounting entries.
Effect:	It is likely that if a misstatement were to occur, it would not be detected by the District's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.
Recommendation:	We recommend the business manager review each journal entry, obtain an understanding of why the entry was necessary, and modify current procedures to ensure that future corrections are not needed.
Management Response:	The Business and Finance Manager continues training dealing with governmental financial/accounting practices.

Finding	Description
2022-002	**Segregation of Duties**
Condition:	During our audit, we found that the District has a limited segregation of duties related to many aspects of its accounting systems.
Criteria:	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
Cause:	Specific situations include: cash receipts, cash disbursements and payroll. The Business and Finance Manager has responsibility over all areas of authorization, custody of assets, recording and reconciling activity. While there is some review of transactions by the Board and Superintendent, there is more than a remote likelihood that a misstatement of the District's financial statements that is more that inconsequential could go undetected.
Effect:	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in segregation of duties and internal controls can result in undetected errors or misappropriation of assets of the District.
Recommendation:	Under these circumstances the most effective controls lie in 1) managements knowledge of the District's financial operations and 2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transaction. We recommend the District evaluate its controls and make any changes considered necessary. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations.
Management Response:	The District will continue to review its procedures to determine if any improvements can be made using the limited personnel available.

Finding	**Description**
2022-003	**Financial Report Preparation**
Condition:	We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the Board as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size. However, based on auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
Criteria:	Internal controls should be in place to provide reasonable assurance over financial reporting.
Cause:	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size.
Effect:	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
Recommendation:	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. We have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the District is reviewing the financial statements we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the District should agree its financial software to the numbers reported in the financial statements.
Management Response:	The District is aware of the control deficiency, which is an unavoidable consequence of the financial restrictions of school districts. Each year, the District has a presentation from our auditor to the Board of Education after the audit is performed. Management recognizes that it is not economically feasible to fully correct this finding; it is aware of the deficiency and is relying on oversight by management and School Board to monitor the deficiency.