

Nov 27, 2023
Monday, November 27, 2023 6:00 PM Central

Central High School
531 Morse Street
Norwood Young America, MN 55368

Sara Eischens: Present
Shelby Erickson: Present
Josh Kroells: Present
Sarah Lehrke: Present
Emily Perlbachs: Present
Connor Smith: Present
Kyle Strickfaden: Present

Present: 7.

T. Schochenmaier

A. Franck

E. Latzig

A. Groschen

T. Gratz

J. Cink

H. Smith

D. Fox

C. Tescher

T. Gustafson

A. Winn

B. Lagegren

T Ackermann

A Honkmp

T gort

A Williams

J Kley

M Shanahan

L Hanson

C Ludford

A Halpaus

J Curson

M Wroge

J Wroge

J Mesik

S thomason

K Pugh

T Werner

W Degler

T schroeder

A Kester

J Ide

A. PROCEDURAL ITEMS:

A.1. Call to order

A.2. Roll Call

A.3. Pledge of Allegiance

A.4. Approval of Agenda

Move to approve the agenda as presented/amended:. This motion, made by Sarah Lehrke and seconded by Connor Smith, Carried.

Sara Eischens: Yea, Shelby Erickson: Yea, Josh Kroells: Yea, Sarah Lehrke: Yea, Emily Perlbachs: Yea, Connor Smith: Yea, Kyle Strickfaden: Yea
Yea: 7, Nay: 0

A.5. Consent Agenda

Move to approve Consent agenda as ammended for J bollum as BBB coach. This motion, made by Sara Eischens and seconded by Sarah Lehrke, Carried.

Kyle Strickfaden: Abstain (With Conflict), Sara Eischens: Yea, Shelby Erickson: Yea, Josh Kroells: Yea, Sarah Lehrke: Yea, Emily Perlbachs: Yea, Connor Smith: Yea
Yea: 6, Nay: 0, Abstain (With Conflict): 1

A.6. Acceptance of Gifts

Move to approve gifts. This motion, made by Emily Perlbachs and seconded by Josh Kroells, Carried.

Sara Eischens: Yea, Shelby Erickson: Yea, Josh Kroells: Yea, Sarah Lehrke: Yea, Emily Perlbachs: Yea, Connor Smith: Yea, Kyle Strickfaden: Yea
Yea: 7, Nay: 0

B. PUBLIC FORUM

C. INFORMATIONAL ITEMS: MONTHLY REPORTS

C.1. Student Council

C.2. Student Represenative

C.3. Superintendent

C.4. Board

D. DISCUSSION ITEMS

D.1. FY2023 Audit

D.2. 2024-2025 Draft Calendar

E. OPERATIONAL ITEMS

E.1.Consideration of Policy 516 Changes

move to approve as presented. This motion, made by Sara Eischens and seconded by Shelby Erickson, Carried.

Sara Eischens: Yea, Shelby Erickson: Yea, Josh Kroells: Yea, Sarah Lehrke: Yea, Emily Perlbachs: Yea, Connor Smith: Yea, Kyle Strickfaden: Yea
Yea: 7, Nay: 0

E.2.Consideration of FY2023 Audit

move to approve audit as presened. This motion, made by Sarah Lehrke and seconded by Emily Perlbachs, Carried.

Sara Eischens: Yea, Shelby Erickson: Yea, Josh Kroells: Yea, Sarah Lehrke: Yea,

Emily Perlbachs: Yea, Connor Smith: Yea, Kyle Strickfaden: Yea
Yea: 7, Nay: 0

F. NEXT BOARD MEETING

G. ADJOURNMENT

move to adjourn regular meeting 636pm. This motion, made by Sara Eischens and seconded by Sarah Lehrke, Carried.

Sara Eischens: Yea, Shelby Erickson: Yea, Josh Kroells: Yea, Sarah Lehrke: Yea,
Emily Perlbachs: Yea, Connor Smith: Yea, Kyle Strickfaden: Yea
Yea: 7, Nay: 0

H. Closed Meeting: Negotiation Strategy

Regular Board Meeting
Monday, October 23, 2023 6:00 PM Central

Central High School
531 Morse Street
Norwood Young America, MN 55368

Sara Eischens: Present
Shelby Erickson: Present
Josh Kroells: Present
Sarah Lehrke: Present
Emily Perlbachs: Present
Connor Smith: Present
Kyle Strickfaden: Present

Present: 7.

T Schochenmaier

A Franck

E Latzig

R Erpenbach

R Larson

S Forster

D Henke

A Menzel

B Droge

B Braun - Via Phone to present

A. PROCEDURAL ITEMS:

A.1. Call to order

A.2. Roll Call

A.3. Pledge of Allegiance

A.4. Approval of Agenda

Move to approve the agenda as presented/amended:. This motion, made by Sarah Lehrke and seconded by Connor Smith, Carried.

Sara Eischens: Yea, Shelby Erickson: Yea, Josh Kroells: Yea, Sarah Lehrke: Yea, Emily Perlbachs: Yea, Connor Smith: Yea, Kyle Strickfaden: Yea
Yea: 7, Nay: 0

A.5. Consent Agenda

Move to approve Consent agenda as presented. This motion, made by Sara Eischens and seconded by Shelby Erickson, Carried.

Sara Eischens: Yea, Shelby Erickson: Yea, Josh Kroells: Yea, Sarah Lehrke: Yea, Emily Perlbachs: Yea, Connor Smith: Yea, Kyle Strickfaden: Yea
Yea: 7, Nay: 0

A.6. Acceptance of Gifts

Move to approve gifts. This motion, made by Sarah Lehrke and seconded by Josh Kroells, Carried.

Sara Eischens: Yea, Shelby Erickson: Yea, Josh Kroells: Yea, Sarah Lehrke: Yea, Emily Perlbachs: Yea, Connor Smith: Yea, Kyle Strickfaden: Yea
Yea: 7, Nay: 0

B. PUBLIC FORUM

C. INFORMATIONAL ITEMS: MONTHLY REPORTS

C.1. Student Council

C.2. Student Representative

C.3. Superintendent

C.4. Board

D. DISCUSSION ITEMS

D.1. Pre-K Goals and Update

D.2. Student Services Goals and Update

D.3. Elementary Goals and Update

D.4. Secondary Goals and Update

D.5. 2022-23 Vision Card Results

D.6. Online Ticket Sales

D.7. Policy 516 Student Medication- First Reading

E. OPERATIONAL ITEMS

E.1. Superintendent Goals 2023-24

Move to approve goals as presented. This motion, made by Shelby Erickson and seconded by Emily Perlbachs, Carried.

Sara Eischens: Yea, Shelby Erickson: Yea, Josh Kroells: Yea, Sarah Lehrke: Yea, Emily Perlbachs: Yea, Connor Smith: Yea, Kyle Strickfaden: Yea
Yea: 7, Nay: 0

E.2. Consideration of MSHSL Resolution; Grant Form B application

Move to approve resolution as presented erickson smith perlbachs eischens strickfaden lehrke kroells. This motion, made by Sara Eischens and seconded by Josh Kroells, Carried.

Sara Eischens: Yea, Shelby Erickson: Yea, Josh Kroells: Yea, Sarah Lehrke: Yea, Emily Perlbachs: Yea, Connor Smith: Yea, Kyle Strickfaden: Yea
Yea: 7, Nay: 0

F. NEXT BOARD MEETING

G. ADJOURNMENT of the Regular Board meeting.

move to adjourn regular meeting. This motion, made by Sara Eischens and seconded by Connor Smith, Carried.

Sara Eischens: Yea, Shelby Erickson: Yea, Josh Kroells: Yea, Sarah Lehrke: Yea, Emily Perlbachs: Yea, Connor Smith: Yea, Kyle Strickfaden: Yea
Yea: 7, Nay: 0

H. Closed Meeting:

Negotiations Strategy Session and Update

November 5-2023 PAYROLL

GROSS PAY	\$293,147.21
FEDERAL TAX	(19,056.88)
MN STATE TAX	(9,696.50)
OASDI	(17,129.67)
MEDICARE	(4,006.16)
PERA	(3,692.94)
TRA	(17,707.84)
ANNUITIES	(7,189.55)
FLEX	(16,861.39)
VOLUNTARIES	(6,140.55)
NET PAYROLL	<u><u>\$191,665.73</u></u>
	191665.73

November 20-2023 PAYROLL

GROSS PAY	\$306,199.81
FEDERAL TAX	(20,299.17)
MN STATE TAX	(10,378.81)
OASDI	(17,939.05)
MEDICARE	(4,195.42)
PERA	(3,623.20)
TRA	(18,463.30)
ANNUITIES	(7,189.55)
FLEX	(16,861.39)
VOLUNTARIES	(5,678.98)
NET PAYROLL	<u><u>\$201,570.94</u></u>

Norwood-Young America School

Payment Reg by Bank and Check

Bank	Batch	Pmt No	Check No	Pay Type	Grp	Code	Rcd	Vendor	Tax Class	Pay/Void				Amount
										Print	Recon	Void	Date	
GEN1	P40426	56765		Wire	1	01606		CENTERPOINT ENERGY		No	No	No	10/30/2023	222.66
GEN1	P40426	56766		Wire	1	09609		XCEL ENERGY		No	No	No	10/30/2023	22,661.71
GEN1	P40426	56767		Wire	1	2728		BREMER BANK, NA28		No	Yes	No	10/30/2023	58.70
GEN1	P40426	56768		Wire	1	5002		WASTE MANAGEMENT OF WI-MN		No	Yes	No	10/30/2023	4,350.09
GEN1	p40531	56771		Wire	1	04035		TEACHERS RETIREMENT ASSOC		No	No	No	11/03/2023	37,700.57
GEN1	p40531	56772		Wire	1	05255		DEPARTMENT OF THE TREASURY		No	No	No	11/03/2023	61,328.54
GEN1	p40531	56773		Wire	1	06027		COMMISSIONER OF REVENUE		No	No	No	11/03/2023	9,696.50
GEN1	p40531	56774		Wire	1	3785		EDUCATORS FINANCIAL SERVICES		No	No	No	11/03/2023	11,314.93
GEN1	p40531	56775		Wire	1	6821		WEX Health Inc.		No	No	No	11/03/2023	285.00
GEN1	P40426	56776		Wire	1	2468	R2	MASTERCARD - HARRIS BANK		No	No	No	10/31/2023	8,514.99
GEN1	P40426	56777		Wire	1	4091		MASTERCARD - HARRIS BANK		No	No	No	10/31/2023	13,005.24
GEN1	P40426	56778		Wire	1	7066		REVTRAK		No	No	No	10/31/2023	411.92
GEN1	P40526	56779		Wire	1	2728		BREMER BANK, NA28		No	No	No	11/15/2023	119.30
GEN1	P40526	56780		Wire	1	5002		WASTE MANAGEMENT OF WI-MN		No	No	No	11/15/2023	3,908.41
GEN1	P40526	56781		Wire	1	5002		WASTE MANAGEMENT OF WI-MN		No	No	No	11/15/2023	1,664.11
GEN1	P40526	56782		Wire	1	5002		WASTE MANAGEMENT OF WI-MN		No	No	No	11/15/2023	5.00
GEN1	P40526	56783		Wire	1	6605		ELEYO	S Corporation	No	No	No	11/15/2023	2,689.72
GEN1	P40526	56784		Wire	1	6821		WEX Health Inc.		No	No	No	11/15/2023	263.25
GEN1	p40532	56855		Wire	1	04035		TEACHERS RETIREMENT ASSOC		No	No	No	11/20/2023	39,308.98
GEN1	p40532	56856		Wire	1	05255		DEPARTMENT OF THE TREASURY		No	No	No	11/20/2023	64,568.11
GEN1	p40532	56857		Wire	1	06027		COMMISSIONER OF REVENUE		No	No	No	11/20/2023	10,378.81
GEN1	p40532	56858		Wire	1	1439		DELTA DENTAL PLAN OF MN		No	No	No	11/20/2023	6,809.30
GEN1	p40532	56859		Wire	1	2260		AFLAC		No	No	No	11/20/2023	100.29
GEN1	p40532	56860		Wire	1	3785		EDUCATORS FINANCIAL SERVICES		No	No	No	11/20/2023	11,314.93
GEN1	p40532	56861		Wire	1	5699		MN PUBLIC EMPLOYEES INSURANCE PF		No	No	No	11/20/2023	84,031.30
GEN1	p40532	56862		Wire	1	6821		WEX Health Inc.		No	No	No	11/20/2023	4,389.95
GEN1	P40126	56564	42187	Check	1	4556		RETTMANN, PAUL		Yes	No	Yes	11/14/2023	(125.00)
GEN1	P40426	56732	42297	Check	1	1540		AIM ELECTRONICS, INC		Yes	No	No	10/30/2023	1,039.30
GEN1	P40426	56756	42298	Check	1	6770		AMERICAN ENGINEERING TESTING, INC.		Yes	No	No	10/30/2023	4,250.00
GEN1	P40426	56748	42299	Check	1	6460		BALZER, ANDREW		Yes	No	No	10/30/2023	115.00
GEN1	P40426	56749	42300	Check	1	6461		BEHRENS, CHUCK		Yes	No	No	10/30/2023	100.00
GEN1	P40426	56764	42301	Check	1	7087		BRIGGS, TAYLOR	Ind/Sole Proprietor	Yes	No	No	10/30/2023	115.00
GEN1	P40426	56745	42302	Check	1	4946		BSN SPORTS LLC		Yes	No	No	10/30/2023	1,040.23
GEN1	P40426	56736	42303	Check	1	3557		CARDINAL ATHLETIC FOUNDATION		Yes	No	No	10/30/2023	350.00
GEN1	P40426	56730	42304	Check	1	1118		CENTRAL BOOSTER CLUB		Yes	No	No	10/30/2023	378.00
GEN1	P40426	56722	42305	Check	1	00061		CITY OF NORWOOD YOUNG AMERICA		Yes	No	No	10/30/2023	3,339.42
GEN1	P40426	56743	42306	Check	1	4732		DAIKIN APPLIED		Yes	No	No	10/30/2023	1,650.00
GEN1	P40426	56731	42307	Check	1	1442		DALCO		Yes	No	No	10/30/2023	388.83
GEN1	P40426	56734	42308	Check	1	2721		DASHIR MANAGEMENT SERVICES INC		Yes	No	No	10/30/2023	23,685.49
GEN1	P40426	56758	42309	Check	1	6928		DAVIS MECHANICAL SYSTEMS, INC.		Yes	No	No	10/30/2023	2,841.68
GEN1	P40426	56763	42310	Check	1	7086		DAY, JON	Ind/Sole Proprietor	Yes	No	No	10/30/2023	115.00
GEN1	P40426	56742	42311	Check	1	4718		DEPARTMENT OF HUMAN SERVICES		Yes	No	No	10/30/2023	234.00
GEN1	P40426	56738	42312	Check	1	4339		DOOR POWER, INC.		Yes	No	No	10/30/2023	159.00
GEN1	P40426	56741	42313	Check	1	4717		ECM PUBLISHERS, INC.		Yes	No	No	10/30/2023	68.25
GEN1	P40426	56757	42314	Check	1	6910		FASCHING, JANE	Ind/Sole Proprietor	Yes	No	No	10/30/2023	1,440.00
GEN1	P40426	56737	42315	Check	1	3639		FOX, DARRIN		Yes	No	No	10/30/2023	13.00
GEN1	P40426	56750	42316	Check	1	6467		FUHRMAN, ROBERT		Yes	No	No	10/30/2023	115.00
GEN1	P40426	56751	42317	Check	1	6468		GARCIA-SANCHEZ, FLORMIRA		Yes	No	No	10/30/2023	595.00
GEN1	P40426	56733	42318	Check	1	2647		HOME DEPOT CREDIT SERVICES		Yes	No	No	10/30/2023	222.75
GEN1	P40426	56744	42319	Check	1	4763		HUNT, RUSS		Yes	No	No	10/30/2023	115.00
GEN1	P40426	56740	42320	Check	1	4598		ISD #2071-LAKE CRYSTAL WELCOME ME		Yes	No	No	10/30/2023	25.00
GEN1	P40426	56728	42321	Check	1	05692		ISD #2310 - SIBLEY EAST		Yes	No	No	10/30/2023	25.00
GEN1	P40426	56729	42322	Check	1	09658		J W PEPPER & SON INC		Yes	No	No	10/30/2023	50.00
GEN1	P40426	56724	42323	Check	1	00505		LANO EQUIPMENT		Yes	No	No	10/30/2023	103.50
GEN1	P40426	56752	42324	Check	1	6523		LIPPERT PIANO LLC	Ind/Sole Proprietor	Yes	No	No	10/30/2023	100.00
GEN1	P40426	56761	42325	Check	1	7084		LOYOLA CATHOLIC SCHOOL		Yes	No	No	10/30/2023	50.00
GEN1	P40426	56762	42326	Check	1	7085		M & D SPORTS SERVICES		Yes	No	No	10/30/2023	102.00
GEN1	P40426	56735	42327	Check	1	3185		MARCO TECHNOLOGIES, LLC	LLC - Partnership	Yes	No	No	10/30/2023	390.00
GEN1	P40426	56725	42328	Check	1	00572		MENARDS INC		Yes	No	No	10/30/2023	291.96
GEN1	P40426	56753	42329	Check	1	6543		MN FFA ASSOCIATION		Yes	No	No	10/30/2023	500.00
GEN1	P40426	56754	42330	Check	1	6560		MN HIGHWAY SAFETY & RESEARCH CEN		Yes	No	No	10/30/2023	196.00
GEN1	P40426	56727	42331	Check	1	00830		MN UC FUND		Yes	No	No	10/30/2023	19,885.40
GEN1	P40426	56723	42332	Check	1	00122		REGION V COMPUTER SERVICES		Yes	No	No	10/30/2023	4,127.75
GEN1	P40426	56760	42333	Check	1	7083		SCHOLASTIC BOOK FAIRS		Yes	No	No	10/30/2023	804.93
GEN1	P40426	56747	42334	Check	1	6351		SCHROEDER, LINDSAY		Yes	No	No	10/30/2023	679.12
GEN1	P40426	56726	42335	Check	1	00673		SCHROEDER, LINDSAY		Yes	No	No	10/30/2023	7,640.00
GEN1	P40426	56746	42336	Check	1	5287		SOUTHWEST METRO INTERMEDIATE DIS		Yes	No	No	10/30/2023	10,352.74
GEN1	P40426	56739	42337	Check	1	4571		SOUTHWEST MN STATE UNIVERSITY		Yes	No	No	10/30/2023	17,050.00
GEN1	P40426	56755	42338	Check	1	6654		SUMMIT FIRE PROTECTION		Yes	No	No	10/30/2023	796.00
GEN1	P40426	56759	42339	Check	1	7082		TUGI, MARGOT		Yes	No	No	10/30/2023	120.00
GEN1	p40531	56770	42340	Check	1	06032		MINNESOTA SCHOOL EMP ASSOC		Yes	No	No	11/03/2023	752.63
GEN1	p40531	56769	42341	Check	1	04034		PERA		Yes	No	No	11/03/2023	7,954.01

Norwood-Young America School

Payment Reg by Bank and Check

Bank	Batch	Pmt No	Check No	Pay Type	Grp	Code	Rcd	Vendor	Tax Class	Pay/Void				Amount
										Print	Recon	Void	Date	
GEN1	P40526	56828	42342	Check	1	5823		AURICH, JANINE		Yes	No	No	11/15/2023	148.25
GEN1	P40526	56840	42343	Check	1	6852		BERGANKDV		Yes	No	No	11/15/2023	10,000.00
GEN1	P40526	56843	42344	Check	1	6973		BIFFS, INC.		Yes	No	No	11/15/2023	672.00
GEN1	P40526	56838	42345	Check	1	6728		BLUUM OF MINNESOTA, LLC	LLC - C Corp	Yes	No	No	11/15/2023	540.00
GEN1	P40526	56848	42346	Check	1	7092		BOARD OFSCHOOL ADMINISTRATORS		Yes	No	No	11/15/2023	700.00
GEN1	P40526	56824	42347	Check	1	4946		BSN SPORTS LLC		Yes	No	No	11/15/2023	2,858.81
GEN1	P40526	56785	42348	Check	1	00048		CARQUEST AUTO PARTS		Yes	No	No	11/15/2023	40.24
GEN1	P40526	56798	42349	Check	1	01698		CARVER COUNTY PARKS		Yes	No	No	11/15/2023	803.72
GEN1	P40526	56797	42350	Check	1	01606		CENTERPOINT ENERGY		Yes	No	No	11/15/2023	2,522.50
GEN1	P40526	56819	42351	Check	1	4459		CENTRAL GIRLS BASKETBALL BOOSTEF		Yes	No	No	11/15/2023	2,610.00
GEN1	P40526	56812	42352	Check	1	3213		CENTURYLINK		Yes	No	No	11/15/2023	136.29
GEN1	P40526	56807	42353	Check	1	2382		CITY OF COLOGNE		Yes	No	No	11/15/2023	71.85
GEN1	P40526	56786	42354	Check	1	00061		CITY OF NORWOOD YOUNG AMERICA		Yes	No	No	11/15/2023	2,769.27
GEN1	P40526	56802	42355	Check	1	1442		DALCO		Yes	No	No	11/15/2023	15,266.88
GEN1	P40526	56809	42356	Check	1	2721		DASHIR MANAGEMENT SERVICES INC		Yes	No	No	11/15/2023	23,665.54
GEN1	P40526	56792	42357	Check	1	00666		ECOLAB PEST ELIMINATION DIVISION		Yes	No	No	11/15/2023	554.00
GEN1	P40526	56829	42358	Check	1	5922		EMPLOYERS PREFERRED INS. CO.		Yes	No	No	11/15/2023	893.00
GEN1	P40526	56820	42359	Check	1	4539		EPIC SPORTS		Yes	No	No	11/15/2023	185.73
GEN1	P40526	56815	42360	Check	1	3535		FOUR POINT 0 SCHOOL SERVICES		Yes	No	No	11/15/2023	8,044.15
GEN1	P40526	56854	42361	Check	1	7099		FULLER, ANDREA	Ind/Sole Proprietor	Yes	No	No	11/15/2023	50.00
GEN1	P40526	56833	42362	Check	1	6468		GARCIA-SANCHEZ, FLORMIRA		Yes	No	No	11/15/2023	880.00
GEN1	P40526	56851	42363	Check	1	7095		HANCE LOCATING & SERVICES, INC.		Yes	No	No	11/15/2023	200.00
GEN1	P40526	56837	42364	Check	1	6632		HEMMANN, MICHAEL	Ind/Sole Proprietor	Yes	No	No	11/15/2023	50.00
GEN1	P40526	56787	42365	Check	1	00182		HOME SOLUTIONS UNLIMITED		Yes	No	No	11/15/2023	474.18
GEN1	P40526	56836	42366	Check	1	6620		IDEAL ENERGIES SOLAR LEASING 2021 I	LLC - Partnership	Yes	No	No	11/15/2023	435.59
GEN1	P40526	56839	42367	Check	1	6840		INCUBATE TO INNOVATE, LLC		Yes	No	No	11/15/2023	3,000.00
GEN1	P40526	56800	42368	Check	1	07047		ISD #110 - WACONIA SCHOOL		Yes	No	No	11/15/2023	8,430.00
GEN1	P40526	56794	42369	Check	1	00838		JOSTENS INC		Yes	No	No	11/15/2023	16.90
GEN1	P40526	56822	42370	Check	1	4559		LAGERGREN, CHRIS	Ind/Sole Proprietor	Yes	No	No	11/15/2023	125.00
GEN1	P40526	56834	42371	Check	1	6523	1099A	LIPPERT, KYLE	Ind/Sole Proprietor	Yes	No	No	11/15/2023	300.00
GEN1	P40526	56835	42372	Check	1	6545		MARCO TECHNOLOGIES LLC	LLC - Partnership	Yes	No	No	11/15/2023	2,471.18
GEN1	P40526	56803	42373	Check	1	1606		MAYER LUMBER CO, INC		Yes	No	No	11/15/2023	1,347.51
GEN1	P40526	56818	42374	Check	1	4316		MCDOWELL AGENCY, INC.		Yes	No	No	11/15/2023	220.00
GEN1	P40526	56791	42375	Check	1	00572		MENARDS INC		Yes	No	No	11/15/2023	208.79
GEN1	P40526	56830	42376	Check	1	6074		MILLER, MELISSA		Yes	No	No	11/15/2023	39.46
GEN1	P40526	56825	42377	Check	1	5423		MINNESOTA HISTORICAL SOCIETY		Yes	No	No	11/15/2023	440.00
GEN1	P40526	56805	42378	Check	1	1982		MN CLAY USA		Yes	No	No	11/15/2023	390.00
GEN1	P40526	56790	42379	Check	1	00562		MN STATE UNIVERSITY - MANKATO		Yes	No	No	11/15/2023	7,700.00
GEN1	P40526	56796	42380	Check	1	01530		MUSIC MART		Yes	No	No	11/15/2023	255.50
GEN1	P40526	56804	42381	Check	1	1909		MUSIC THEATRE INTERNATIONAL		Yes	No	No	11/15/2023	1,805.00
GEN1	P40526	56814	42382	Check	1	3506		NEUBARTH, RICH		Yes	No	No	11/15/2023	7.93
GEN1	P40526	56846	42383	Check	1	7090		NOLL KATE		Yes	No	No	11/15/2023	9.98
GEN1	P40526	56827	42384	Check	1	5714		NORTHSIDE GRILL		Yes	No	No	11/15/2023	840.00
GEN1	P40526	56813	42385	Check	1	3468		PETERSON, LYNN		Yes	No	No	11/15/2023	65.50
GEN1	P40526	56817	42386	Check	1	3734		PYSICK, BETSY		Yes	No	No	11/15/2023	75.00
GEN1	P40526	56811	42387	Check	1	3068		RAIDER TOUCHDOWN CLUB		Yes	No	No	11/15/2023	687.97
GEN1	P40526	56788	42388	Check	1	00223		REGION 5A - MSHSL		Yes	No	No	11/15/2023	75.00
GEN1	P40526	56845	42389	Check	1	7068		RENT N SAVE PORTABLE SERVICES		Yes	No	No	11/15/2023	850.00
GEN1	P40526	56821	42390	Check	1	4556		RETTMANN, PAUL		Yes	No	No	11/15/2023	125.00
GEN1	P40526	56799	42391	Check	1	05604		RIDGEVIEW MEDICAL CENTER		Yes	No	No	11/15/2023	100.00
GEN1	P40526	56850	42392	Check	1	7094		ROTO-ROOTER SERVICES COMPANY		Yes	No	No	11/15/2023	823.00
GEN1	P40526	56832	42393	Check	1	6432		SCHOLASTIC		Yes	No	No	11/15/2023	42.35
GEN1	P40526	56795	42394	Check	1	01070		SCHOOL NURSE SUPPLY INC		Yes	No	No	11/15/2023	881.93
GEN1	P40526	56849	42395	Check	1	7093		SCOTT, MITCHELL		Yes	No	No	11/15/2023	40.00
GEN1	P40526	56826	42396	Check	1	5607		SCOTT, WADE		Yes	No	No	11/15/2023	100.00
GEN1	P40526	56789	42397	Check	1	00374		SMITH OIL CO.		Yes	No	No	11/15/2023	142.31
GEN1	P40526	56793	42398	Check	1	00673		SOUTH CENTRAL SERVICE COOP		Yes	No	No	11/15/2023	980.00
GEN1	P40526	56816	42399	Check	1	3621		SOUTHERN LOCK & GLASS		Yes	No	No	11/15/2023	421.00
GEN1	P40526	56852	42400	Check	1	7096		SPEECHWIRE TOURNAMENT SERVICES		Yes	No	No	11/15/2023	185.00
GEN1	P40526	56841	42401	Check	1	6869		STARRY'S EMBROIDERY & MORE		Yes	No	No	11/15/2023	444.00
GEN1	P40526	56847	42402	Check	1	7091		SWENSON, SAMANTHA		Yes	No	No	11/15/2023	270.00
GEN1	P40526	56806	42403	Check	1	2325		TAHER, INC. - BIN# 135092		Yes	No	No	11/15/2023	62,307.07
GEN1	P40526	56831	42404	Check	1	6252		T-MOBILE		Yes	No	No	11/15/2023	760.00
GEN1	P40526	56853	42405	Check	1	7097		TWIN CITY HARDWARE		Yes	No	No	11/15/2023	100.00
GEN1	P40526	56810	42406	Check	1	3058		WACONIA BASKETBALL ASSOCIATION		Yes	No	No	11/15/2023	405.00
GEN1	P40526	56844	42407	Check	1	7009		WACTOWN PROPERTIES		Yes	No	No	11/15/2023	1,941.45
GEN1	P40526	56823	42408	Check	1	4810		WILLEMS, LORA		Yes	No	No	11/15/2023	12.98
GEN1	P40526	56842	42409	Check	1	6913		WINONA STATE UNIVERSITY		Yes	No	No	11/15/2023	160.00
GEN1	P40526	56801	42410	Check	1	1144		WROGE, MARY		Yes	No	No	11/15/2023	67.74
GEN1	P40526	56808	42411	Check	1	2707		ZUMBERGE, JESSICA	Ind/Sole Proprietor	Yes	No	No	11/15/2023	50.00
GEN1	p40532	56867	42412	Check	1	07999		C.E.A.		Yes	No	No	11/20/2023	8,559.70
GEN1	p40532	56864	42413	Check	1	01140		MADISON NATL LIFE INS CO INC.		Yes	No	No	11/20/2023	1,265.81

Finance Committee Report



November 27, 2023

Purpose

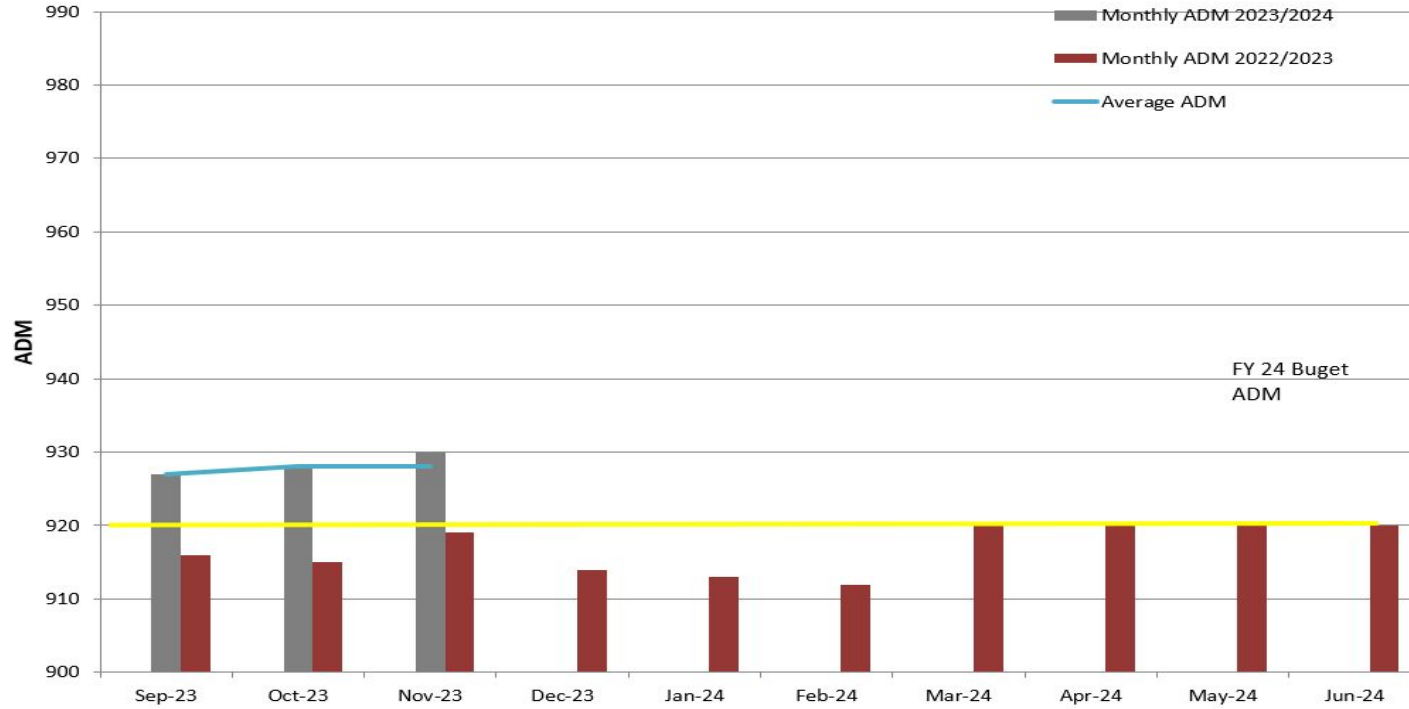


- Provide an overview of the previous months revenue, expense, and enrollment.
- Review significant changes

Enrollment by Month



23-24 Monthly, Average, and Budgeted Daily Membership



Monthly Revenue/Expense



October 2023 Data

Using FY24 Budget

YTD Revenues						
	23-24 Revenue Budget	23-24 Revenue to Date	% of Budget	22-23 Revenue Budget	22-23 Revenue to Date	% of Budget
General Fund	\$ 12,890,477	\$ 2,758,112	21.4%	\$ 12,426,742	\$ 2,222,085	17.9%
Food Services	\$ 636,450	\$ 27,437	4.3%	\$ 649,132	\$ 149,179	23.0%
Community Services	\$ 972,166	\$ 236,140	24.3%	\$ 991,834	\$ 303,277	30.6%
Debt Services	\$ 2,853,946	\$ 851,716	29.8%	\$ 2,253,133	\$ 517,380	23.0%
Scholarships	\$ 6,000	\$ 2,700	45.0%	\$ 4,000	\$ 2,713	67.8%
Student Activities	\$ 60,000	\$ 25,876	0.0%	\$ -	\$ 19,942	0.0%
Total Revenue	\$ 17,419,039	\$ 3,901,980	22.4%	\$ 16,324,841	\$ 3,214,576	19.7%
YTD Expenses						
	23-24 Expense Budget	23-24 Expenses to Date	% of Budget	21-22 Expense Budget	21-22 Expenses to Date	% of Budget
General Fund	\$ 13,419,990	\$ 2,951,575	22.0%	\$ 12,394,073	\$ 2,925,020	23.6%
Food Services	\$ 559,900	\$ 127,536	22.8%	\$ 555,628	\$ 119,574	21.5%
Community Services	\$ 937,333	\$ 296,754	31.7%	\$ 939,134	\$ 308,695	32.9%
Debt Services	\$ 2,238,191	\$ 595,658	26.6%	\$ 2,158,536	\$ 624,528	28.9%
Scholarships	\$ 6,000	\$ -	0.0%	\$ 4,000	\$ -	0.0%
Student Activities	\$ 57,000	\$ 26,603	0.0%	\$ -	\$ 24,089	0.0%
Total Expenses	\$ 17,161,414	\$ 3,998,126	23.3%	\$ 16,051,371	\$ 4,001,905	24.9%
Favorable/(Unfavorable)	\$ 257,625	\$ (96,145)	-37.32%	\$ 273,470	\$ (787,329)	-287.9%

23-24 Fund Balance					
	Prelim Audit Fund Balance 7/1/23	23-24 Revenues to Date	23-24 Expenses to Date	Fund Balance 6/30/23	Favorable/(Unfavorable)
General Fund	\$ 2,125,114	\$ 1,787,078	\$ 1,868,706	\$ 2,043,486	\$ (81,628)
Food Services	\$ 152,689	\$ 17,914	\$ 28,397	\$ 142,206	\$ (10,483)
Community Services	\$ 172,917	\$ 156,708	\$ 204,143	\$ 125,482	\$ (47,435)
Debt Services	\$ 20,979	\$ 325,926	\$ 595,658	\$ (248,752)	\$ (269,731)
Scholarships	\$ 31,492	\$ -	\$ -	\$ 31,492	\$ -
Student Activities	\$ 81,865	\$ 21,050	\$ 9,525	\$ 93,390	\$ 11,525
Total Fund Balance	\$ 2,585,056	\$ 2,308,676	\$ 2,706,428	\$ 2,187,304	\$ (397,752)

ISD 108 Promise to Voters

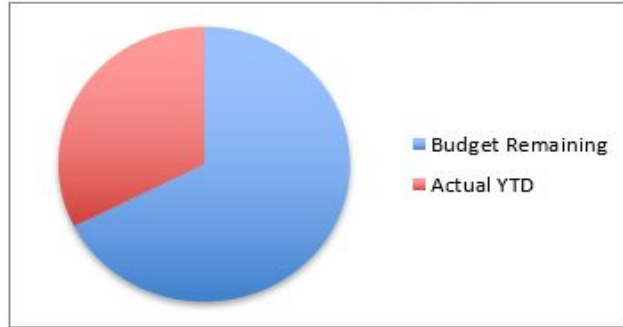


Q1 Curriculum

Budget Remaining Actual YTD

141,354

67,886



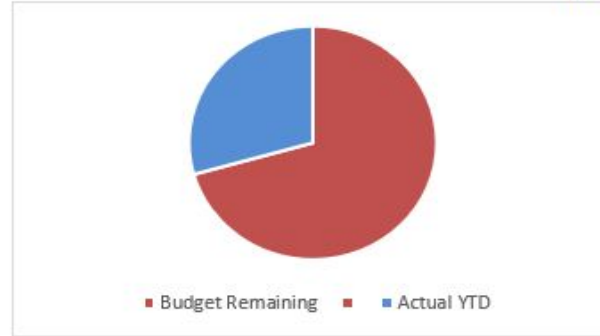
Q1 Staff Development

Budget Remaining

Actual YTD

62,436

25,943

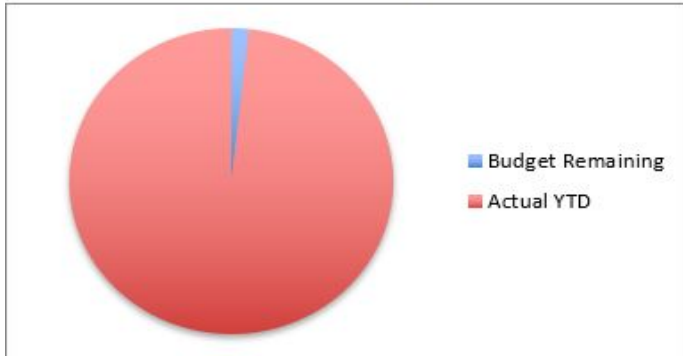


Q2 Tech Levy

Budget Remaining Actual YTD

5,927

334,980



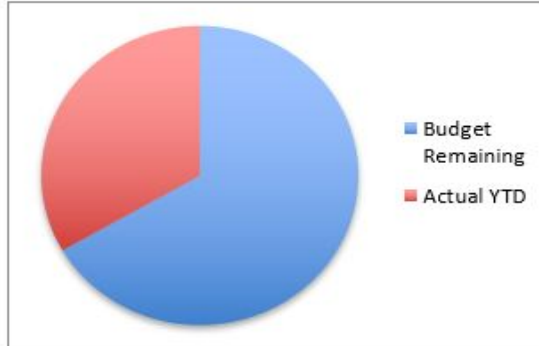
Q1 Maintain Class Size

Budget Remaining

Actual YTD

231,848

115,924



**Independent School District No. 108
Norwood Young America, Minnesota**

Basic Financial Statements

June 30, 2023

Independent School District No. 108
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**Independent School District No. 108
Board of Education and Administration
June 30, 2023**

<u>Board of Education</u>	<u>Position</u>
Sara Eischens	Chair
Shelby Erickson	Vice Chair
Connor Smith	Clerk
Kyle Strickfaden	Treasurer
Josh Kroells	Director
Emily Perlbachs	Director
Sarah Lehrke	Director
 <u>Administration</u>	
Timothy Schochenmaier	Superintendent
Amy Groschen	Finance Coordinator

Independent Auditor's Report

To the School Board
Independent School District No. 108
Norwood Young America, Minnesota

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 108, Norwood Young America, Minnesota, as of and for the year ended June 30, 2023, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 108, as of June 30, 2023, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 108 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Implementation of GASB 96

The District has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The management of Independent School District No. 108 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bergan KDV, Ltd.

Minneapolis, Minnesota
November 1, 2023

Independent School District No. 108
Management Discussion and Analysis
June 30, 2023

This section of Independent School District No. 108's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2023. Please read it in conjunction with the District's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

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

- Total General Fund revenues were \$12,212,254 and total General Fund expenditures were \$12,745,071 for the fiscal year ended June 30, 2023. Total revenues and expenditures for all governmental funds combined were \$16,552,744 and \$34,635,971, respectively.
- The total fund balance in the General Fund decreased by \$532,817 to \$2,238,473. The Unassigned fund balance in the General Fund decreased by \$393,988 to \$956,289. Total General Fund revenues were 1.7% lower than the final budget, and total General Fund expenditures were 2.8% more than the final budget.
- The total fund balance in the Food Services fund decreased by \$91,603 to \$156,303, with revenue of \$570,845 and expenditures of \$662,448.
- The total fund balance in the Community Service fund decreased by \$88,955 to \$156,303, with revenue of \$992,485 and expenditures of \$1,081,440.
- The long-term liability for compensated absences amounts to \$48,582 at June 30, 2023. This is an increase of \$12,376. The total long-term liability for other postemployment benefits is \$1,095,608 at June 30, 2023. This total liability decreased by \$243,194 in 2022-2023.
- The District has general obligation bonded debt principal outstanding in the amount of \$52,334,917 as of June 30, 2023. This is an increase of \$9,269,917 from the previous fiscal year end, as the District issued \$9,054,917 of General Obligation School Building Bonds, Series 2023A and issued \$1,140,000 of General Obligation Certificates of Participation Series 2023B, which exceeded principal payments made during the year of \$925,000.

Independent School District No. 108
Management Discussion and Analysis
June 30, 2023

FINANCIAL HIGHLIGHTS (CONTINUED)

- Net position of governmental activities decreased by \$908,022 for the fiscal year. The total expense of governmental activities was \$13,828,473. Program revenues totaled \$3,383,23 and general revenues totaled \$13,214,611.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts - Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and single audit and other required reports. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

DISTRICT-WIDE STATEMENTS

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

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

Independent School District No. 108
Management Discussion and Analysis
June 30, 2023

DISTRICT-WIDE STATEMENTS (CONTINUED)

In the district-wide financial statements the District's activities are shown as Governmental activities:

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

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds - focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes.

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position

The District's combined net position from Governmental activities was \$ 1,861,439 on June 30, 2023. (See Table A-1) This represents an increase of 2,769,461 in net position. Total assets increased by approximately \$18.3 million or 22.6% based on current year capital projects. Total liabilities increased by approximately \$20.4 million or 27.4% with long-term liabilities increasing by \$9.7 million primarily due to increases in bonds payable. There was also an increase in net pension liability of \$3,967,084, or 51.6%.

**Independent School District No. 108
Management Discussion and Analysis
June 30, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

**Table A-1
Net Position - Governmental Activities**

	Year Ended 2023	Year Ended 2022	Percentage Change
Assets			
Current and other assets	\$ 46,383,670	\$ 45,529,005	1.88%
Capital assets	34,621,869	17,190,410	101.40%
Total assets	81,005,539	62,719,415	29.16%
Deferred Outflows of Resources	3,271,290	2,707,033	20.84%
Total assets and deferred outflows of resources	\$ 84,276,829	\$ 65,426,448	28.81%
Liabilities			
Other liabilities	\$ 9,456,558	\$ 2,767,787	241.66%
Long-term liabilities	64,911,870	51,226,590	26.72%
Total liabilities	\$ 74,368,428	\$ 53,994,377	37.73%
Deferred Inflows of Resources	\$ 8,046,962	\$ 12,340,093	-34.79%
Net Position			
Net investment in capital assets	\$ 7,736,493	\$ 7,067,585	9.46%
Restricted	1,614,339	1,245,197	29.65%
Unrestricted	(7,489,393)	(9,220,804)	18.78%
Total net position	\$ 1,861,439	\$ (908,022)	305.00%

Changes in net position

The District's total revenues were \$16,597,934 for the year ended June 30, 2023. Property taxes and state formula aid accounted for 73% of total revenue for the year (See Figure A-1). 27% of total revenue came from program revenues and investment earnings.

The total cost of all programs and services was \$13,828,473. The District's expenses are predominantly related to educating and caring for students, approximately 50% (See Figure A-2). The purely administrative activities of the District accounted for just 4% of total costs.

Independent School District No. 108
Management Discussion and Analysis
June 30, 2023

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in net position (Continued)

Total revenues exceeded expenditures, increasing net position by \$2,769,461.

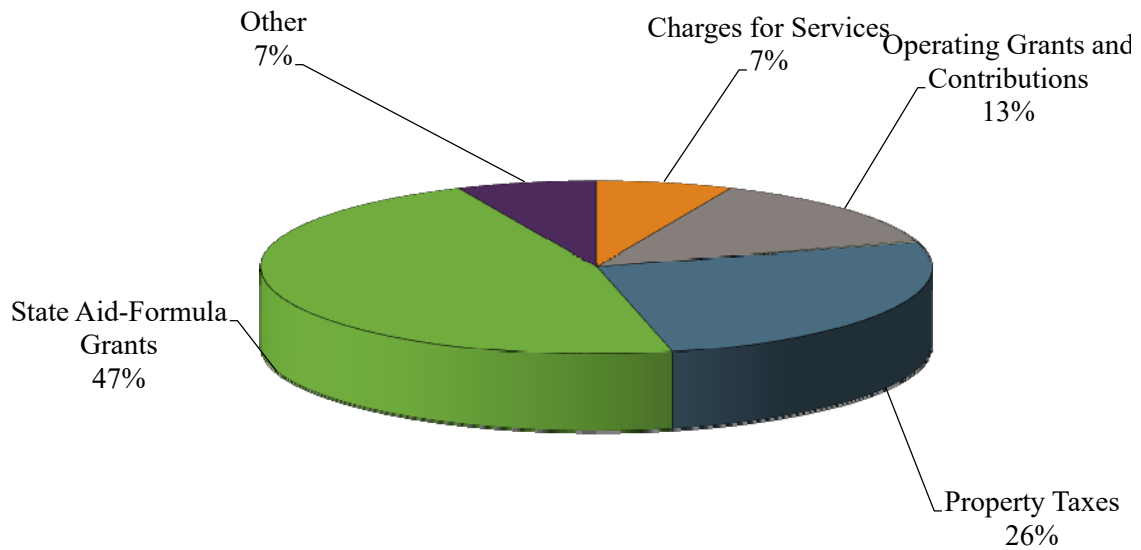
Table A-2
Change in Net Position

	Year Ended 2023	Year Ended 2022	Percentage Change
Revenues			
Program revenues			
Charges for services	\$ 1,099,692	\$ 830,983	32.34%
Operating grants and contributions	2,245,691	3,381,103	-33.58%
Capital grants and contributions	37,940	31,107	21.97%
General revenues			
Property taxes	4,308,614	3,301,886	30.49%
General grants and aids	7,793,999	7,525,911	3.56%
Investment earnings	1,111,998	(364,102)	-405.41%
Miscellaneous	-	-	#DIV/0!
Total revenues	<u>16,597,934</u>	<u>14,706,888</u>	12.86%
Expenses			
Administration	\$612,127	636,250	-3.79%
District support services	518,735	578,603	-10.35%
Elementary and secondary regular instruction	4,419,326	5,551,663	-20.40%
Vocational education instruction	173,276	169,389	2.29%
Special education instruction	1,832,316	1,762,314	3.97%
Instructional support services	557,567	494,012	12.87%
Pupil support services	1,017,456	1,063,928	-4.37%
Sites and buildings	1,816,656	2,364,290	-23.16%
Fiscal and other fixed cost programs	79,507	65,229	21.89%
Food service	575,106	538,383	N/A
Community education and services	981,167	897,211	9.36%
Unallocated depreciation	73,213	73,213	N/A
Interest and fiscal charges on long-term debt	1,172,021	516,569	N/A
Total expenses	<u>13,828,473</u>	<u>14,711,054</u>	-6.00%
Increase (decrease) in net position	2,769,461	(4,166)	-66577.70%
Net Position			
Net position - beginning	<u>(908,022)</u>	<u>(903,856)</u>	0.46%
End of year	<u>\$ 1,861,439</u>	<u>\$ (908,022)</u>	305.00%

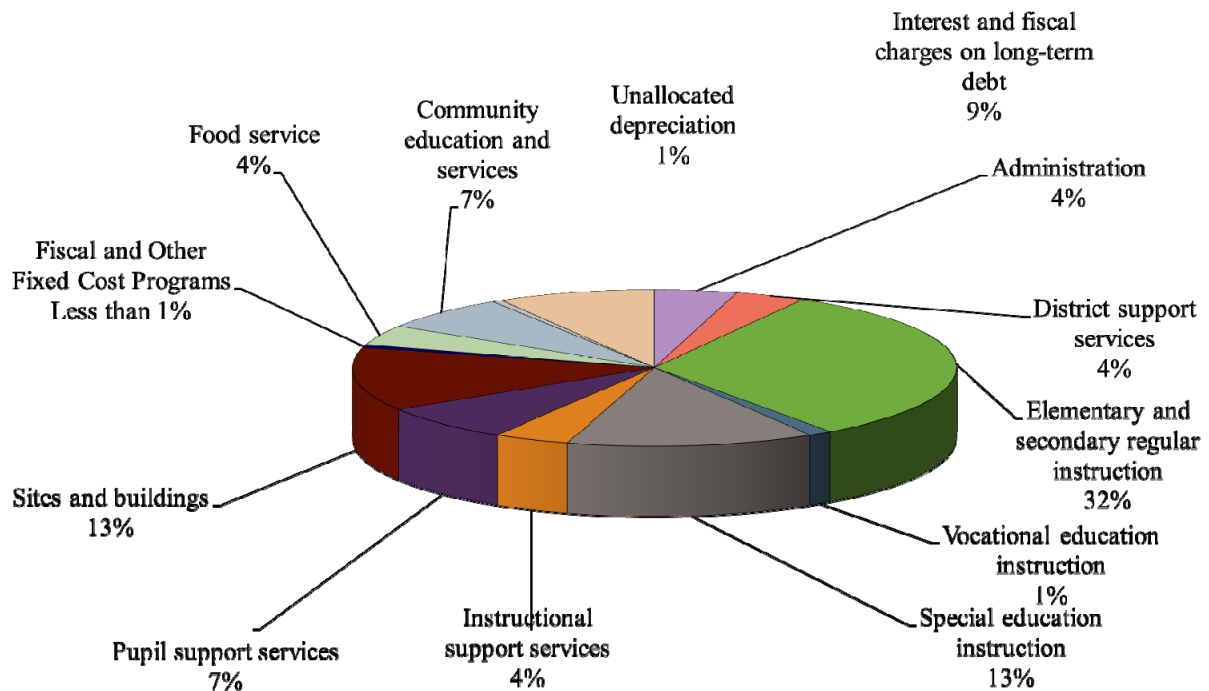
**Independent School District No. 108
Management Discussion and Analysis
June 30, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

**Figure A-1
Source of Revenues for Fiscal Year 2023**



**Figure A-2
Expenses for Fiscal Year 2023**



Independent School District No. 108
Management Discussion and Analysis
June 30, 2023

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

- The cost of all governmental activities was \$13,828,473, which is a decrease of 9.0% from the previous year. The decrease is primarily due to negative pension expense in 2023.
 - Some of the cost was paid by the users of the District's programs (\$1,099,692).
 - The federal and state governments subsidized certain programs with grants and contributions (\$2,283,631).
 - Most of the District's costs (\$10,445,150), however, were paid for by District taxpayers and the taxpayers of the State of Minnesota.
 - The net expense of governmental activities in excess of program revenue was paid for with \$4,308,614 in property taxes and \$7,793,999 of state aid based on the statewide education aid formula. Investments earnings were \$1,111,998 as a result of fair value adjustments for the year ended June 30, 2023.

Table A-3
Program Expenses and Net Cost of Services

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2023	2022		2023	2022	
Administrative	\$ 612,127	\$ 636,250	-3.79%	\$ 636,250	\$ 636,250	0.00%
District support services	518,735	578,603	-10.35%	407,537	407,537	0.00%
Elementary and secondary regular instruction	4,419,326	5,551,663	-20.40%	4,082,488	4,082,488	0.00%
Vocational education instruction	173,276	169,389	2.29%	169,389	169,389	0.00%
Special education instruction	1,832,316	1,762,314	3.97%	681,682	681,682	0.00%
Instructional support services	557,567	494,012	12.87%	494,012	494,012	0.00%
Pupil support services	1,017,456	1,063,928	-4.37%	997,350	997,350	0.00%
Sites and buildings	1,816,656	2,364,290	-23.16%	2,333,183	2,333,183	0.00%
Fiscal and other fixed cost programs	79,507	65,229	21.89%	65,229	65,229	0.00%
Food service	575,106	538,383	N/A	(120,499)	(120,499)	N/A
Community education and services	981,167	897,211	9.36%	131,458	131,458	0.00%
Unallocated depreciation	73,213	73,213	N/A	73,213	73,213	N/A
Interest and fiscal charges on long-term debt	1,172,021	516,569	N/A	516,569	516,569	N/A
Total	<u>\$ 13,828,473</u>	<u>\$ 14,711,054</u>	-6.00%	<u>\$ 10,467,861</u>	<u>\$ 10,467,861</u>	0.00%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$31,711,190, which is a decrease of \$7,165,986 from the prior year ending fund balance. Revenues for the District's governmental funds were \$16,552,744, total expenditures were \$34,635,971, and other sources and uses provided \$10,917,241.

The Capital Projects Fund balance decreased by \$6,278,573 in the current fiscal year. The Debt Service Fund balance decreased by \$401,479. The fund balance of the General Fund decreased by \$532,817. The operations of the other governmental funds resulted in the fund balance of the Food Service Fund decreasing by \$91,603 and the fund balance of the Community Service fund decreasing \$88,955.

**Independent School District No. 108
Management Discussion and Analysis
June 30, 2023**

GENERAL FUND

The following schedule presents a summary of General Fund Revenues.

**Table A-4
General Fund Revenues**

	Year Ended		Change	
	June 30, 2023	June 30, 2022	Increase (Decrease)	Percent Change
Local property taxes	\$ 2,643,379	\$ 2,380,899	\$ 262,480	11.0%
Revenue from state sources	8,670,807	8,509,853	160,954	1.9%
Revenue from federal sources	528,278	1,317,363	(789,085)	-59.9%
Other	369,790	415,446	(45,656)	-11.0%
Total	<u>\$ 12,212,254</u>	<u>\$ 12,623,561</u>	<u>\$ (411,307)</u>	-3.3%

Total General Fund revenue of \$12,212,254 decreased by \$411,307 or 3.3% compared to the previous year. The biggest decrease was from Federal sources, which decreased by \$789,085 or 59.9%. due to significant amounts of COVID-19 funding expended in the prior year. Basic general education revenue is determined by the state per student funding formula and consists of state aid revenue. Other state-authorized revenue including excess levy referendum and operating capital involve an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change of revenue.

The following schedule presents a summary of General Fund expenditures.

**Table A-5
General Fund Expenditures**

	Year Ended		Change	
	June 30, 2023	June 30, 2022	Increase (Decrease)	Percent Change
Salaries	\$ 6,454,250	\$ 6,285,820	\$ 168,430	2.7%
Employee benefits	2,064,445	1,898,573	165,872	8.7%
Purchased services	2,651,132	2,795,146	(144,014)	-5.2%
Supplies and materials	808,541	950,845	(142,304)	-15.0%
Capital expenditures	490,345	212,174	278,171	131.1%
Debt service expenditures	182,404	160,390	22,014	13.7%
Other expenditures	93,954	63,829	30,125	47.2%
Total	<u>\$ 12,745,071</u>	<u>\$ 12,366,777</u>	<u>\$ 378,294</u>	3.1%

Independent School District No. 108
Management Discussion and Analysis
June 30, 2023

GENERAL FUND (CONTINUED)

The total General Fund expenditures of \$12,745,071 was an increase of \$378,294 or 3.1% over the prior year. Salaries and benefits increased by \$334,302 combined. Salaries increased 2.7% and employee benefits increased by 8.7%. Purchased services expenditures decreased \$144,014 or 5.2%, from the prior year. The remaining categories of supplies and materials, capital expenditures, debt service and other expenditures net to an overall cost increase of \$188,006 from 2022 to 2023.

In 2022-2023, General Fund expenditures exceed revenues by \$532,817 which was \$565,486 lower than budget. General Fund revenue was \$214,488 lower than budgeted and expenditures were \$350,998 more than budgeted. The unassigned fund balance decreased from \$1,350,277 at June 30, 2022 to \$956,289 at June 30, 2023.

FOOD SERVICE FUND

The Food Service Fund accounts for the activities related to providing nutrition services to the K-12 academic program. The fund operates on the principle of revenues exceeding expenditures on day-to-day operations so that the excess can be used to systematically replace and upgrade kitchen equipment around the District. By operating in this manner, the Student Nutrition Services program is self-contained and does not pull resources away from direct K-12 instruction.

The fund balance decreased by \$91,603 in 2022-2023. Food Service Fund revenue for 2022-2023 totaled \$570,845, which is a decrease of \$87,847 or 13.3% from 2021-2022. Food Service Fund expenditures for 2022-2023 totaled \$662,448, an increase of \$123,495, or 22.9% from 2021-2022.

COMMUNITY SERVICE FUND

The Community Service Fund accounts for the activities related to providing education services for Pre-Kindergarten and Post-Grade 12 students. The fund operates on a principle of breaking even on a year-to-year basis so that it does not pull resources away from K-12 instruction.

The fund balance decreased by \$88,955 in 2022-2023. Community Service Fund revenues for 2022-2023 totaled \$992,485. This was an increase of \$112,626 or 12.8% from 2021-2022. Community Service Fund expenditures for 2022-2023 totaled \$1,081,440. This was an increase of \$130,614 or 13.7% from 2021-2022, which also resulted from the expansion of services provided in the current year.

The entire fund balance is restricted to be used for specific purposes based on state requirements.

Independent School District No. 108
Management Discussion and Analysis
June 30, 2023

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for the costs of school construction, addition, and renovation projects. Bond proceeds are deposited in the Capital Projects Fund and are then drawn down as the payments are made for work completed on the various building projects. The proceeds of bonds can only be used for the purpose for which the bonds were issued.

In 2022-2023 the District had other financing sources from the sale of bonds and bond premiums totaling \$10,917,241 to fund the construction of building additions and capital improvements. In addition, the District had other local revenues totaling \$1,023,654 related to investment performance.

The District expended \$17,992,027 on capital projects during the year. The fund balance decreased by \$6,278,573 in 2022-2023. Several projects are in process at the end of the fiscal year. At such time that the District has completed all construction projects in process, the fund balance of this fund should end up at \$0 as long as no further construction or renovation is approved.

DEBT SERVICE FUND

The Debt Service Fund exists to service the principal and interest payments on long-term debt issued by the District to construct school facilities or acquire school equipment. Annual levies will provide revenue at a rate of 105% of pending debt service payments for a fiscal year. This rate is specified in statute to ensure that principal and interest payments can be made as scheduled even if there are late property tax payments or delinquencies that may arise.

Debt service revenue was \$1,753,506 for 2022-2023, 86% of which came from property tax revenue. Debt service expenditures were \$2,154,985. The District made principal payments in the amount of \$925,000 and interest and other payments of \$1,229,985. The Debt Service Fund has a fund balance of \$20,980 as of June 30, 2023, which is restricted to be used for future debt payments.

The Minnesota Department of Education monitors fund balances in the Debt Service Fund and limits the amount of funds that can be carried forward. If the fund balance gets too high, future levy authority will be reduced in order to reduce the debt service fund balance to a reasonable level. Fund balance and collection of tax levies will provide adequate cash flow for timely payment of principal and interest.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2023, the District had invested \$49,681,086 in a broad range of capital assets including: school buildings, land, and other equipment for various instructional programs (see Table A-6). Accumulated depreciation/amortization as of June 30, 2023, was \$15,059,217, with current year depreciation/amortization expense for governmental activities totaling \$840,957. More detailed information about capital assets can be found in Note 3 to the basic financial statements.

Independent School District No. 108
Management Discussion and Analysis
June 30, 2023

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

Table A-6
Capital Assets

	Year Ended 2023	Year Ended 2022	Percent Change
Land	\$ 25,000	\$ 25,000	0.0%
Construction in progress	21,277,172	3,021,349	N/A
Land improvements	140,214	140,214	0.0%
Buildings and improvements	25,366,391	25,366,391	0.0%
Equipment	2,539,758	2,523,165	0.7%
Leased buildings and improvements	227,289	227,289	N/A
Leased equipment	105,262	105,262	N/A
Less accumulated depreciation/amortization	<u>(15,059,217)</u>	<u>(14,218,260)</u>	5.9%
Total capital assets	<u>\$ 34,621,869</u>	<u>\$ 17,190,410</u>	101.4%

Long-Term Liabilities

For the fiscal year ended June 30, 2023, the District had \$64,911,870 in long-term liabilities outstanding, including \$52,334,917 in General Obligation Bonds. The increase in total long-term liabilities was \$13,685,280 from last year (see Table A-7) due in large part to an increase in net pension liability. More detailed information about the long-term liabilities is presented in Note 4 of the financial statements.

Table A-7
Long-Term Liabilities

	Year Ended 2023	Year Ended 2022	Percent Change
General obligation bonds	\$ 52,334,917	\$ 43,065,000	21.5%
Net bond premium and discount	2,861,527	2,306,120	24.1%
Lease liability	267,014	300,187	N/A
Finance purchases payable	108,805	213,191	-49.0%
Net pension liability	8,195,417	3,967,084	106.6%
Total OPEB liability	1,095,608	1,338,802	-18.2%
Compensated absences payable	<u>48,582</u>	<u>36,206</u>	34.2%
Total long-term liabilities	<u>\$ 64,911,870</u>	<u>\$ 51,226,590</u>	26.7%
Long-term liabilities			
Due within one year	\$ 1,238,486	\$ 1,080,663	
Due in more than one year	<u>63,673,384</u>	<u>50,145,927</u>	
Total	<u>\$ 64,911,870</u>	<u>\$ 51,226,590</u>	

**Independent School District No. 108
Management Discussion and Analysis
June 30, 2023**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office, ISD No. 108, 531 Morse Street, Norwood Young America, MN 55368.

BASIC FINANCIAL STATEMENTS

Independent School District No. 535
Statement of Net Position
June 30, 2023

	Governmental Activities
Assets	
Cash and investments	\$ 41,731,757
Current property taxes receivable	3,230,343
Delinquent property taxes receivable	4,319
Due from Department of Education	889,695
Due from other Minnesota school districts	23,622
Due from Federal Government through Department of Education	331,935
Due from other governmental units	153,780
Inventory	3,614
Prepaid items	14,605
Capital assets not being depreciated	
Land	25,000
Construction in progress	21,277,172
Capital assets net of accumulated depreciation	
Land improvements	37,175
Buildings and improvements	12,322,053
Equipment	710,158
Leased assets net of accumulated amortization	
Leased buildings and improvements	195,575
Leased equipment	54,736
Total assets	<u>81,005,539</u>
Deferred Outflows of Resources	
Deferred outflows related to OPEB	291,007
Deferred outflows related to pensions	2,980,283
Total deferred outflows of resources	<u>3,271,290</u>
 Total assets and deferred outflows of resources	 <u>\$ 84,276,829</u>
Liabilities	
Accounts and contracts payable	\$ 7,573,925
Salaries and benefits payable	1,046,837
Interest payable	515,736
Due to other Minnesota school districts	262,305
Due to other governmental units	8,627
Unearned revenue	49,128
Net bond principal payable	
Payable within one year	1,070,000
Payable after one year	54,126,444
Lease liability	
Payable within one year	35,390
Payable after one year	231,624
Finance purchases from direct borrowing	
Payable within one year	108,805
Compensated absences payable	
Payable within one year	24,291
Payable after one year	24,291
Total OPEB liability	1,095,608
Net pension liability	8,195,417
Total liabilities	<u>74,368,428</u>
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	5,727,339
Deferred inflows related to OPEB	177,367
Deferred inflows related to pensions	2,142,256
Total deferred inflows of resources	<u>8,046,962</u>
Net Position	
Net investment in capital assets	7,736,493
Restricted for	
General purposes	853,539
Capital projects	435,629
Food service	152,689
Community service	172,482
Unrestricted	(7,489,393)
Total net position	<u>1,861,439</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 84,276,829</u>

See notes to basic financial statements.

Independent School District No. 108
Statement of Activities
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
				Governmental Activities
Governmental activities				
Administration	\$ 612,127	\$ -	\$ -	\$ -
District support services	518,735	5,836	7,916	-
Elementary and secondary regular instruction	4,419,326	151,862	454,898	-
Vocational education instruction	173,276	-	6,996	-
Special education instruction	1,832,316	-	1,274,442	-
Instructional support services	557,567	-	-	-
Pupil support services	1,017,456	-	47,703	-
Sites and buildings	1,816,656	-	-	37,940
Fiscal and other fixed cost programs	79,507	-	-	-
Food service	575,106	281,411	282,991	-
Community education and services	981,167	660,583	170,745	-
Unallocated depreciation	73,213	-	-	-
Interest and fiscal charges on long-term debt	1,172,021	-	-	-
Total governmental activities	<u>\$ 13,828,473</u>	<u>\$ 1,099,692</u>	<u>\$ 2,245,691</u>	<u>\$ 37,940</u>
				(10,445,150)
General revenues				
Taxes				
Property taxes, levied for general purposes				2,646,330
Property taxes, levied for debt service				1,508,996
Property taxes, levied for community service				153,288
General grants and aids				7,793,999
Investment income				1,111,998
Total general revenues				<u>13,214,611</u>
Change in net position				2,769,461
Net position - beginning				<u>(908,022)</u>
Net position - ending				<u>\$ 1,861,439</u>

See notes to basic financial statements.

Independent School District No. 108
Balance Sheet - Governmental Funds
June 30, 2023

	General	Debt Service	Capital Projects
Assets			
Cash and Investments			
Cash and investments	\$ 3,767,037	\$ 1,187,553	\$ 36,194,414
Current property taxes receivable	1,500,429	1,663,748	-
Delinquent property taxes receivable	2,951	1,206	-
Due from Department of Education	877,550	-	-
Due from Federal Government through Department of Education	331,935	-	-
Due from other Minnesota school districts	-	23,622	-
Due from other governmental units	153,780	-	-
Inventory	-	-	-
Prepaid items	14,007	-	-
Total assets	<u>\$ 6,647,689</u>	<u>\$ 2,876,129</u>	<u>\$ 36,194,414</u>
Liabilities			
Accounts payable	\$ 391,814	\$ -	\$ 7,071,898
Salaries and benefits payable	988,315	-	-
Due to other Minnesota school districts	262,305	-	-
Due to other governmental units	7,230	-	-
Unearned revenue	8,596	-	-
Total liabilities	<u>1,658,260</u>	<u>-</u>	<u>7,071,898</u>
Deferred inflows of resources			
Property tax levied for subsequent year's expenditures	2,748,005	2,853,943	-
Unavailable revenue - delinquent property taxes	2,951	1,206	-
Total deferred inflows of resources	<u>2,750,956</u>	<u>2,855,149</u>	<u>-</u>
Fund Balances			
Nonspendable for			
Inventory	-	-	-
Prepaid items	14,007	-	-
Restricted for			
Student activities	81,865	-	-
Scholarships	31,492	-	-
Capital projects levy	221,264	-	-
Operating capital	2,027	-	-
Basic skills extended time	77,220	-	-
Long-term facilities maintenance	301,495	-	2,631,477
Medical assistance	135,225	-	-
Debt service	-	20,980	-
Food service	-	-	-
Community education programs	-	-	-
Early childhood family and education programs	-	-	-
School readiness	-	-	-
Capital projects	-	-	26,491,039
Assigned	417,589	-	-
Unassigned	956,289	-	-
Total fund balances	<u>2,238,473</u>	<u>20,980</u>	<u>29,122,516</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,647,689</u>	<u>\$ 2,876,129</u>	<u>\$ 36,194,414</u>

See notes to basic financial statements.

Nonmajor Funds	Total Governmental Funds
\$ 582,753	\$ 41,731,757
66,166	3,230,343
162	4,319
12,145	889,695
-	331,935
-	23,622
-	153,780
3,614	3,614
598	14,605
<u>\$ 665,438</u>	<u>\$ 46,383,670</u>
\$ 110,213	\$ 7,573,925
58,522	1,046,837
-	262,305
1,397	8,627
40,532	49,128
<u>210,664</u>	<u>8,940,822</u>
125,391	5,727,339
162	4,319
<u>125,553</u>	<u>5,731,658</u>
3,614	3,614
598	14,605
-	81,865
-	31,492
-	221,264
-	2,027
-	77,220
-	2,932,972
-	135,225
-	20,980
152,689	152,689
67,880	67,880
57,100	57,100
47,340	47,340
-	26,491,039
-	417,589
-	956,289
<u>329,221</u>	<u>31,711,190</u>
<u>\$ 665,438</u>	<u>\$ 46,383,670</u>

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Independent School District No. 108
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2023

Total fund balances - governmental funds	\$ 31,711,190
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	49,348,535
Less accumulated depreciation	(14,976,977)
Leased assets	332,551
Less accumulated amortization	(82,240)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bond principal payable	(52,334,917)
Bond premiums	(2,861,527)
Lease liability	(267,014)
Finance purchases from direct borrowing	(108,805)
Compensated absences payable	(48,582)
Total OPEB liability	(1,095,608)
Net pension liability	(8,195,417)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.	
Deferred outflows related to pensions	2,980,283
Deferred inflows related to pensions	(2,142,256)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to OPEB that are not recognized in the governmental funds.	
Deferred outflows related to OPEB	291,007
Deferred inflows related to OPEB	(177,367)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	4,319
Governmental funds do not report a liability for accrued interest on bonds and finance purchases until due and payable.	(515,736)
Total net position - governmental activities	<u>\$ 1,861,439</u>

Independent School District No. 108
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2023

	General	Debt Service	Capital Projects
Revenues			
Local property taxes	\$ 2,643,379	\$ 1,507,890	\$ -
Other local and county revenues	369,790	9,391	1,023,654
Revenue from state sources	8,670,807	236,225	-
Revenue from federal sources	528,278	-	-
Sales and other conversion of assets	-	-	-
Total revenues	<u>12,212,254</u>	<u>1,753,506</u>	<u>1,023,654</u>
Expenditures			
Current			
Administration	757,214	-	-
District support services	519,517	-	-
Elementary and secondary regular instruction	5,498,032	-	-
Vocational education instruction	220,362	-	-
Special education instruction	2,212,941	-	-
Instructional support services	648,983	-	-
Pupil support services	1,044,632	-	-
Sites and buildings	1,141,135	-	267,402
Fiscal and other fixed cost programs	79,507	-	-
Food service	-	-	-
Community education and services	-	-	-
Capital outlay			
District support services	4,199	-	-
Elementary and secondary regular instruction	10,742	-	-
Sites and buildings	425,403	-	17,649,591
Food service	-	-	-
Debt service			
Principal	137,559	925,000	-
Interest and fiscal charges	44,845	1,229,985	75,034
Total expenditures	<u>12,745,071</u>	<u>2,154,985</u>	<u>17,992,027</u>
Excess of revenues over (under) expenditures	(532,817)	(401,479)	(16,968,373)
Other Financing Sources (Uses)			
Bond issuances	-	-	10,194,917
Bond premiums	-	-	722,324
Transfers in	-	227,441	-
Transfers out	-	-	(227,441)
Total other financing sources (uses)	<u>-</u>	<u>227,441</u>	<u>10,689,800</u>
Net change in fund balances	(532,817)	(174,038)	(6,278,573)
Fund Balances			
Beginning of year	<u>2,771,290</u>	<u>195,018</u>	<u>35,401,089</u>
End of year	<u>\$ 2,238,473</u>	<u>\$ 20,980</u>	<u>\$ 29,122,516</u>

See notes to basic financial statements.

Nonmajor Funds	Total Governmental Funds
\$ 153,126	\$ 4,304,395
699,590	2,102,425
181,802	9,088,834
252,084	780,362
276,728	276,728
<u>1,563,330</u>	<u>16,552,744</u>
-	757,214
-	519,517
-	5,498,032
-	220,362
-	2,212,941
-	648,983
-	1,044,632
-	1,408,537
-	79,507
577,398	577,398
1,081,440	1,081,440
-	4,199
-	10,742
-	18,074,994
85,050	85,050
-	1,062,559
-	1,349,864
<u>1,743,888</u>	<u>34,635,971</u>
(180,558)	(18,083,227)
-	10,194,917
-	722,324
-	227,441
-	(227,441)
<u>-</u>	<u>10,917,241</u>
(180,558)	(7,165,986)
<u>509,779</u>	<u>38,877,176</u>
<u>\$ 329,221</u>	<u>\$ 31,711,190</u>

Independent School District No. 108
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances to the
Statement of Activities - Governmental Funds
Year Ended June 30, 2023

Net change in fund balances - total governmental funds	\$ (7,165,986)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the useful lives as depreciation expense.

Capital outlays	18,272,416
Depreciation/amortization expense	(840,957)

Compensated absences and severance are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.

(12,376)

OPEB contributions are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.

162,964

Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no effect on net position in the Statement of Activities.

1,062,559

Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.

2,026,020

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

10,926

Governmental funds report the effect of bond premiums and discounts when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

166,917

Proceeds from long-term debt, including bond premiums, are recognized as an other financing source, increasing fund balance in the governmental fund statements, but have no effect on net position in the Statement of Activities.

(10,917,241)

Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

4,219

Change in net position - governmental activities

\$ 2,769,461

Independent School District No. 108
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Over (Under)
Revenues				
Local property taxes	\$ 2,614,845	\$ 2,650,974	\$ 2,643,379	\$ (7,595)
Other local and county revenues	189,300	191,926	369,790	177,864
Revenue from state sources	8,617,069	8,997,189	8,670,807	(326,382)
Revenue from federal sources	454,487	586,653	528,278	(58,375)
Total revenues	<u>11,875,701</u>	<u>12,426,742</u>	<u>12,212,254</u>	<u>(214,488)</u>
Expenditures				
Current				
Administration	761,090	762,018	757,214	(4,804)
District support services	504,680	549,022	519,517	(29,505)
Elementary and secondary regular instruction	5,468,688	5,524,973	5,498,032	(26,941)
Vocational education instruction	168,808	180,810	220,362	39,552
Special education instruction	1,956,049	2,218,325	2,212,941	(5,384)
Instructional support services	525,388	527,228	648,983	121,755
Pupil support services	930,529	950,410	1,044,632	94,222
Sites and buildings	1,046,189	1,050,189	1,141,135	90,946
Fiscal and other fixed cost programs	69,000	69,000	79,507	10,507
Capital outlay				
District support services	3,000	3,000	4,199	1,199
Elementary and secondary regular instruction	15,907	15,907	10,742	(5,165)
Instructional support services	3,500	3,500	-	(3,500)
Sites and buildings	70,000	370,000	425,403	55,403
Debt service				
Principal	164,256	164,256	137,559	(26,697)
Interest and fiscal charges	5,435	5,435	44,845	39,410
Total expenditures	<u>11,692,519</u>	<u>12,394,073</u>	<u>12,745,071</u>	<u>350,998</u>
Net change in fund balance	<u>\$ 183,182</u>	<u>\$ 32,669</u>	<u>(532,817)</u>	<u>\$ (565,486)</u>
Fund Balance				
Beginning of year			<u>2,771,290</u>	
End of year			<u>\$ 2,238,473</u>	

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Independent School District No. 108
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

B. Basic Financial Statement Information

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District.

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

Depreciation and amortization expense that can be specifically identified by function is included in the direct expenses of that function. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus and Basis of Accounting

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

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. Other revenue is considered available if collected within 60 days of the end of the current fiscal period.

2. Recording of Expenditures

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

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor the constraints on the specific purpose for which amounts in these funds can be spent. If resources from more than one fund balance classification could be spent, the school will follow the approved District plan for each of the areas. If there is no plan, the District will strive to spend resources from fund balance classifications in the following order: restricted, committed, assigned, and unassigned.

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Internal Service Fund is employee and District contributions. Operating expenses for proprietary funds include claims paid and administrative expenses.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Amounts reported as program revenues include charges to customers or applicants for goods, services or privileges provided, operating grants and contributions, and capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Description of Funds:

Major Funds:

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

Capital Projects – Building Construction Fund – This fund is used to account for financial resources used for the acquisition or construction of major capital facilities funded with bond issues or special levies.

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

Nonmajor Funds:

Food Service Special Revenue Fund – This fund is used to account for food service revenues and expenditures.

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

D. Deposits and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average cash and investment balances of each fund.

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

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

Cash and investments at June 30, 2023, were comprised of demand deposits, certificates of deposit, money market funds, U.S. Treasury Notes. Investments are reported at fair value as disclosed in Note 2.

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

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

In accordance with GASB Statement No. 79, the various MNTrust securities, and money market funds are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MNTrust Investment Shares. Seven days' notice of redemption is required for withdrawals of investments in the MNTrust Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. 30-day advance notice is required for withdrawals from the MNTrust Limited Term Duration Series.

E. Property Tax Receivable

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

F. Property Taxes Levied for Subsequent Year's Expenditures

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

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Inventories

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

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as expenditures at the time of consumption.

I. Property Taxes

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

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

J. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. Capital assets are defined by the District as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the District-wide basic financial statement but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 25 to 50 years for improvements and buildings, and 5 to 20 years for equipment and furnishings.

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

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

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Right-to-Use Lease Assets/Lease Liabilities

The District recorded right-to-use lease assets as a result of implementing GASB Statement No. 87, Leases. The right-to-use lease assets are initially measured at an amount equal to the initial measurement of the lease liability plus any payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

Key estimates and judgments related to leases include (1) the discount rate, (2) lease term, and (3) lease payments.

The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District determines its estimated borrowing rate based on the applicable State and Local Government Securities rate. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a re-measurement of the leases and will remeasure the right-to-use lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liability.

L. Deferred Outflows/Inflows of Resources

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

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

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Outflows/Inflows of Resources (Continued)

Deferred inflows of resources related to pensions are recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years. Deferred inflows of resources related to OPEB are recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

M. Long-Term Obligations

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

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

N. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation benefits. Vacation leave is accrued as a liability and recorded as an expense of those funds as the benefits are earned by the employees.

O. Pensions

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

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

P. Postemployment Benefits Other than Pensions

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District.

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Postemployment Benefits Other than Pensions (Continued)

For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, which are reported at amortized cost, which approximates fair value.

Q. Fund Equity

1. Classification

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- **Nonspendable Fund Balances** – These are amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact and include inventory and prepaid items.
- **Restricted Fund Balances** – These are amounts that are restricted to specific purposes either by constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through enabling legislation.
- **Committed Fund Balances** – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the School Board (highest level of decision making authority) by majority vote.
- **Assigned Fund Balances** – These are unrestricted funds constrained by the District's intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. The School Board delegates to the Superintendent, and Executive Director of Business and Operations, the authority to assign fund balances for specific purposes.
- **Unassigned fund balance** represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose in the General Fund.

If resources from more than one fund balance classification could be spent, the District will strive to spend resources from fund balance classifications in the following order: restricted, committed, assigned, and unassigned.

2. Minimum Fund Balance Policy

The District will strive to maintain a minimum unassigned general fund balance of seven percent of the annual budget.

R. Net Position

Net Position represents the difference between assets and deferred outflows of resource; and liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets.

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Net Position (Continued)

Net position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

S. Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

T. Risk Management

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

U. Budgetary Information

The District adopts an annual budget for all funds in accordance with Minnesota State Statutes. The budget is prepared on the modified accrual basis of accounting. Before July 1, the proposed budget is presented to the School Board for review. The School Board holds public hearings, and a final budget must be prepared and adopted no later than one week after the School Board approves the audited financial statements and has published the final budget in the local newspaper. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal yearend. The actual revenues, expenditures, and transfers for the year ended June 30, 2023, have been compared to the District's budget for the year where applicable. Variances in parentheses are unfavorable and indicate revenues are less than budget or expenditures are greater than budget. The budget is adopted through passage of a resolution. Any revisions that alter total expenditures of any fund must be approved by the School Board.

Budgetary control is maintained by fund, at the object of expenditure category level within each program, and in compliance with State requirements. Also inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. Therefore, there is a constant review process and expenditures are not approved until it has been determined that (1) adequate funds were appropriated; (2) the expenditure is still necessary; and (3) funds are available. Budgeted amounts are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year end. The School Board made several supplemental budgetary appropriations throughout the year.

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

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

Checking accounts	\$ 94,313
Savings and money market accounts	52,355
Certificates of deposit	<u>2,151,800</u>
 Total deposits	 <u><u>\$ 2,298,468</u></u>

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2023, none of the District's bank balances were exposed to custodial credit risk.

B. Investments

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

Investment	Total	12 Months or Less	13 to 24 Months
District Investments			
Brokered Certificates of Deposit	\$ 734,814	\$ 494,072	\$ 240,742
MN Trust Investment Shares	31,466,807	31,466,807	-
MN Trust Series Flex	3,543,463	3,543,463	-
US Treasury Notes	<u>3,687,205</u>	<u>2,479,578</u>	<u>-</u>
 Total investments	 <u><u>\$ 39,432,289</u></u>	 <u><u>\$ 37,983,920</u></u>	 <u><u>\$ 240,742</u></u>

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

Credit Risk: The District may invest funds as authorized by *Minnesota Statutes* § 118A.04. All funds in MNTrust are invested in accordance with *Minnesota Statutes* § 475.66. Each Minnesota School District owns a pro-rata share of each investment which is held in the name of the Funds. The District has no investment policy that would further limit its investment choices. The District's MNTrust accounts were rated AAA by S&P.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District places no limit on the amount the District may invest in any one issuer.

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Custodial Credit Risk – Investments: This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have an investment policy for custodial credit risk.

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

- Investments of \$3,687,205 are valued using a quoted market prices (Level 1 inputs).
- Investments of \$734,815 are valued using a matrix pricing model (Level 2 inputs).
- Investments of \$35,010,270 are valued using amortized cost.

C. Deposits and Investments

Summary of cash, deposits, and investments as of June 30, 2023:

Deposits (Note 2.A.)	\$ 2,298,468
Investments (Note 2.B.)	39,432,289
Petty cash	<u>1,000</u>
Total deposits and investments	<u><u>\$ 41,731,757</u></u>

Cash, deposits, and investments are presented in the June 30, 2023, basic financial statements as follows:

Statement of Net Position	
Cash and investments	<u><u>\$ 41,731,757</u></u>

NOTE 3 – INTERFUND ACTIVITY

A. Interfund Transfers

The Capital Projects Fund transferred \$227,441 to the Debt Service Fund to pay the first debt payment in February 2023.

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Construction in progress	3,021,349	18,255,823	-	21,277,172
Total capital assets not being depreciated	<u>3,046,349</u>	<u>18,255,823</u>	<u>-</u>	<u>21,302,172</u>
Capital assets being depreciated				
Land improvements	140,214	-	-	140,214
Buildings and improvements	25,366,391	-	-	25,366,391
Equipment	2,523,165	16,593	-	2,539,758
Total capital assets being depreciated	<u>28,029,770</u>	<u>16,593</u>	<u>-</u>	<u>28,046,363</u>
Less accumulated Depreciation for				
Land improvements	96,029	7,010	-	103,039
Buildings and improvements	12,363,495	680,843	-	13,044,338
Equipment	1,717,616	111,984	-	1,829,600
Total accumulated depreciation	<u>14,177,140</u>	<u>799,837</u>	<u>-</u>	<u>14,976,977</u>
Total capital assets being depreciated, net	<u>13,852,630</u>	<u>(783,244)</u>	<u>-</u>	<u>13,069,386</u>
Governmental activities, capital assets, net	<u>\$ 16,898,979</u>	<u>\$ 17,472,579</u>	<u>\$ -</u>	<u>\$ 34,371,558</u>

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Leased assets being amortized				
Buildings and improvements	\$ 227,289	\$ -	\$ -	\$ 227,289
Equipment	105,262	-	-	105,262
Total capital assets being amortized	332,551	-	-	332,551
Less accumulated amortization for				
Buildings and improvements	15,857	15,857	-	31,714
Equipment	25,263	25,263	-	50,526
Total accumulated amortization	41,120	41,120	-	82,240
Total capital assets being amortized, net	291,431	(41,120)	-	250,311
Governmental activities, leased assets, net	\$ 291,431	\$ (41,120)	\$ -	\$ 250,311

Depreciation/amortization expense for the year ended June 30, 2023, was charged to the following functions:

District support services	\$ 330
Regular instruction	225,759
Vocational instruction	725
Special education instruction	5,574
Instructional support	75
Pupil support	9,361
Sites, Building and Equipment	525,920
Unallocated	73,213
Total depreciation/amortization expense	\$ 840,957

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 5 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities						
G.O. bonds						
2010A School Building Bonds	01/19/10	1.26%	\$ 10,200,000	01/15/26	\$ 2,340,000	\$ 770,000
2014A School Building Bonds	03/19/14	2.0%-3.13%	3,330,000	02/01/29	2,780,000	60,000
2014B Capital Facilities Bonds	07/17/14	1.5%-2.5%	375,000	02/02/24	40,000	40,000
2021A School Building Bonds	12/30/21	2.0%-3.0%	9,375,000	02/01/37	9,375,000	-
2022A School Building Bonds	02/01/22	1.0%-5.0%	27,675,000	02/01/45	27,605,000	170,000
2023A General Obligation Bonds	06/14/23	4.0%-6.0%	9,054,917	02/01/43	9,054,917	-
2023B Certificates of Participation	06/14/23	6.0%	1,140,000	02/01/30	1,140,000	30,000
Total G.O. bonds					52,334,917	1,070,000
Bond premiums					2,861,527	-
Lease liability					267,014	35,390
Finance purchases from direct borrowing					108,805	108,805
Compensated absences payable					48,582	24,291
Total long-term liabilities					<u>\$ 55,620,845</u>	<u>\$ 1,238,486</u>

The long-term bond liabilities listed above were issued to finance the acquisition, construction, and refurbishing of School facilities. Bonds will be retired with assets from the Debt Service Funds while the compensated absences will be liquidated by the General Fund.

The District entered into various purchase agreements for the purchase of equipment.

B. Minimum Debt Payments

Year Ending June 30,	G.O. Bonds			Finance Purchases from Direct Borrowing		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 1,070,000	\$ 1,461,887	\$ 2,531,887	\$ 108,805	\$ 4,602	\$ 113,407
2025	1,575,000	1,604,713	3,179,713	-	-	-
2026	1,760,000	1,559,485	3,319,485	-	-	-
2027	1,950,000	1,496,681	3,446,681	-	-	-
2028	2,110,000	1,409,481	3,519,481	-	-	-
2029-2033	11,620,000	5,596,031	17,216,031	-	-	-
2034-2038	14,360,000	3,350,813	17,710,813	-	-	-
2039-2043	14,799,917	3,721,220	18,521,137	-	-	-
2044-2046	3,090,000	207,788	3,297,788	-	-	-
Total	<u>\$ 52,334,917</u>	<u>\$ 20,408,099</u>	<u>\$ 72,743,016</u>	<u>\$ 108,805</u>	<u>\$ 4,602</u>	<u>\$ 113,407</u>

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 5 – LONG-TERM DEBT (CONTINUED)

Year Ending June 30,	Lease Liability		
	Principal	Interest	Total
2024	\$ 35,390	\$ 11,523	\$ 46,913
2025	37,731	9,751	47,483
2026	16,495	8,306	24,801
2027	13,033	7,719	20,752
2028	14,267	7,108	21,375
2029-2033	92,647	24,239	116,886
2034-2036	57,450	3,210	60,660
Total	<u>\$ 267,014</u>	<u>\$ 71,856</u>	<u>\$ 338,870</u>

C. Lease Liability

The District entered into lease agreements for buildings and equipment. The lease agreements include annual principal and interest payments that are shown above. The discount rate for the lease liabilities is 5.0%.

D. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. bonds	\$ 43,065,000	\$ 10,194,917	\$ 925,000	\$ 52,334,917
Bond premiums	2,306,120	722,324	166,917	2,861,527
Finance purchases from				
direct borrowing	213,191	-	104,386	108,805
Lease liability	300,187	-	33,173	267,014
Compensated absences payable	36,206	112,609	100,233	48,582
Total long-term liabilities	<u>\$ 45,920,704</u>	<u>\$ 11,029,850</u>	<u>\$ 1,329,709</u>	<u>\$ 55,620,845</u>

NOTE 6 – FUND BALANCES

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

A. Restricted/Reserved Fund Equity

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 6 – FUND BALANCES (CONTINUED)

A. Restricted/Reserved Fund Equity (Continued)

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

Restricted/Reserved for Scholarships – This balance represents available resources for the scholarship funds.

Restricted/Reserved for Capital Projects Levy – This balance represents available resources from the capital projects levy to be used for building construction and other projects under *Minnesota Statutes* 126C.10, subd. 14. All interest income attributable to the capital projects levy must be credited to this account.

Restricted/Reserved for Operating Capital – This balance represents available resources in the General Fund to be used to purchase equipment and facilities.

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

Restricted/Reserved for Long-Term Facilities Maintenance (LTFM) – This balance represents available resources to be used for LTFM projects in accordance with the 10-year plan (*Minnesota Statutes* § 123B.595, subd. 12).

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

Restricted for Debt Service – This balance represents the resources available for the payment of general obligation bond principal, interest, and related costs.

Restricted for Food Service – This balance represents the accumulation of the activity to provide the food service program.

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

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

Restricted/Reserved for School Readiness – This balance represents the resources available to provide for services for school readiness programs (*Minnesota Statutes* § 124D.16).

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

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 6 – FUND BALANCES (CONTINUED)

A. Restricted/Reserved Fund Equity (Continued)

Restricted for Capital Projects – This balance represents the remaining positive fund balance of the Capital Projects Fund.

B. Assigned Fund Equity

Assignment of the fund balance indicates that portion of the fund balance that reflects a tentative plan for future use of the funds. The following is a summary of the assigned fund balances:

Staff development and teacher training	\$ 58,627
Curriculum	109,418
Fund balance transfers	<u>499,544</u>
Total	<u><u>\$ 667,589</u></u>

C. Government-Wide Restrictions

Net position restricted for "General Purposes" are comprised of the total General Fund restricted fund balances.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans. Total pension expense for the year ended June 30, 2023, was (\$1,373,364). The components of pension expense are noted in the following plan summaries.

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

Teachers' Retirement Association

A. Plan Description

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

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

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

A. Benefits Provided

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

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

Tier I Benefits

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

With these provisions:

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

Tier II Benefits

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

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier II Benefits (Continued)

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

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

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

C. Contribution Rate

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

	June 30, 2021		June 30, 2022		June 30, 2023	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
Basic	11.0%	12.13%	11.0%	12.34%	11.0%	12.55%
Coordinated	7.5%	8.13%	7.5%	8.34%	7.5%	8.55%

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

C. Contribution Rate (Continued)

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

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

Amounts reported in the allocation schedules may not precisely agree with basic 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.

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Valuation date	July 1, 2022
Measurement date	June 30, 2022
Experience study	June 28, 2019 (demographic and economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% after June 30, 2028.
Projected salary increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028.
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Mortality Assumptions

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

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	35.5 %	5.10 %
International stocks	16.5	5.30
Private markets	25.0	5.90
Fixed income	25.0	0.75
Total	<u>100.0 %</u>	

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

Changes in actuarial assumptions since the 2021 valuation:

- None

E. Discount Rate

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

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability

On June 30, 2023, the District reported a liability of \$7,086,612 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.0885% at the end of the measurement period and 0.0765% for the beginning of the year.

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

District's proportionate share of net pension liability	\$ 7,086,612
State's proportionate share of the net pension liability associated with the district	525,414

For the year ended June 30, 2023, the District recognized pension expense of (\$1,509,082). Included in this amount, the District recognized \$72,246 as pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 100,457	\$ 56,715
Net difference between projected and actual earnings on plan investments	548,461	-
Changes of assumptions	981,605	1,511,531
Changes in proportion	487,533	528,910
Contributions to TRA subsequent to the measurement date	493,005	-
Total	\$ 2,611,061	\$ 2,097,156

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

The \$493,005 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2024	\$ (1,252,970)
2025	200,993
2026	107,171
2027	873,184
2028	92,522
Total	<u>\$ 20,900</u>

G. Pension Liability Sensitivity

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

District proportionate share of NPL		
1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
\$ 11,171,658	\$ 7,086,612	\$ 3,738,148

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.

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

H. Pension Plan Fiduciary Net Position

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

Public Employees' Retirement Association

A. Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plan administered by PERA. PERA's defined benefit pension plan is established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plan under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

The General Employees Retirement Plan covers certain full time and part time employees of the District. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

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

General Employees Plan Benefits

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

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

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

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2023 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2023, were \$82,550. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2023, the District reported a liability of \$1,108,805 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$32,483.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0140% at the end of the measurement period and 0.0145% for the beginning of the period.

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

District's proportionate share of net pension liability	\$ 1,108,805
State's proportionate share of the net pension liability associated with the District	<u>32,483</u>
Total	<u><u>\$ 1,141,288</u></u>

For the year ended June 30, 2023, the District recognized pension expense of \$135,718 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized \$4,854 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 deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 9,262	\$ 12,297
Changes in actuarial assumptions	259,634	4,799
Difference between projected and actual investments earnings	6,718	-
Change in proportion	11,058	28,004
Contributions paid to PERA subsequent to the measurement date	<u>82,550</u>	<u>-</u>
Total	<u><u>\$ 369,222</u></u>	<u><u>\$ 45,100</u></u>

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

The \$82,550 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2024	\$ 96,702
2025	90,312
2026	(45,716)
2027	100,274
Total	<u>\$ 241,572</u>

E. Long-Term Expected Return on Investment

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

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

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions

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

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

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

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

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

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

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

G. Discount Rate

The discount rate used to measure the total pension liability in 2022 was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (5.5%)	Current Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
District's proportionate share of the PERA net pension liability	\$ 1,751,415	\$ 1,108,805	\$ 581,765

I. Pension Plan Fiduciary Net Position

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

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District's defined benefit OPEB plan provides a single-employer defined benefit health care plan to eligible retirees. The plan health insurance plan after retirement. This plan covers active and retired employees who have reached age 55 with three years of service. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated at the end of each contract period. The implicit rate subsidy is only until Medicare eligibility. The Plan does not issue a publicly available financial report. No assets are acclimated in a trust.

B. Benefits Provided

The District provides benefits to certain employees and retirees based on different bargaining groups. The General Fund, Food Service Fund, and Community Service Fund typically liquidate the liability related to OPEB.

C. Members

As of July 1, 2021, the following were covered by the benefit terms:

Active employees	102
Retirees receiving benefits	11
Spouses receiving benefits	5
Total	118

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

D. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Discount Rate	3.80%
20-Year Municipal Bond Yield	3.80%
Inflation	2.50%
Healthcare cost trend increases	6.25% decreasing to 5.00% over 5 years then to 4.00% over the next 48 years.
Mortality Assumption	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.
Salary increases	Service graded table.

The actuarial assumptions used in the July 1, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2021 through June 30, 2022.

Actuary's assumption changes:

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

E. Discount Rate

The discount rate used to measure the total OPEB liability was 3.80% based on the 20-year municipal bond yield.

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Changes in Total OPEB Liability

Changes in the total OPEB liability are as follows:

	Total OPEB Liability
Balances at July 1, 2022	\$ 1,338,802
Changes for the year	
Service cost	59,683
Interest	26,887
Differences between expected and actual economic experience	-
Changes in assumptions	(92,220)
Plan changes	-
Benefit payments	(237,544)
Net changes	(243,194)
Balances at June 30, 2023	\$ 1,095,608

G. OPEB Liability Sensitivity

The following presents the District's total OPEB liability calculated using the discount rate of 3.80% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	1% Decrease in Discount Rate (2.80%)	Current Discount Rate (3.80%)	1% Increase in Discount Rate (4.80%)
Total OPEB liability	\$ 1,159,640	\$ 1,095,608	\$ 1,032,971

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

	1% Decrease (5.25% Decreasing to 4.00% then	Current (6.25% Decreasing to 5.00% then	1% Increase (7.25% Decreasing to 6.00% then
Total OPEB liability	\$ 1,030,497	\$ 1,095,608	\$ 1,171,331

Independent School District No. 108
Notes to Basic Financial Statements

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

**H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB**

For the year ended June 30, 2023, the District recognized OPEB expense of \$57,331. 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
Liability gains and losses	\$ 167,058	\$ 88,587
Changes of assumptions	47,260	88,780
District's contributions subsequent to the measurement date	76,689	-
Total	<u>\$ 291,007</u>	<u>\$ 177,367</u>

The \$76,689 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Total
2024	\$ (29,239)
2025	(29,232)
2026	17,949
2027	17,949
2028	17,949
Thereafter	41,575
Total	<u>\$ 36,951</u>

NOTE 9 – COMMITMENTS

At June 30, 2023, the District had various construction contract commitments for projects outstanding totaling \$32,939,769.

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REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 108
Schedule of Changes in Total OPEB Liability
and Related Ratios

	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>
Total OPEB Liability			
Service cost	\$ 54,658	\$ 56,298	\$ 43,046
Interest	56,000	51,383	47,415
Plan changes	-	-	(199,334)
Differences between expected and actual experience	-	-	(265,771)
Changes of assumptions	-	-	(17,350)
Benefit payments	<u>(264,959)</u>	<u>(230,934)</u>	<u>(190,995)</u>
Net change in total OPEB liability	<u>(154,301)</u>	<u>(123,253)</u>	<u>(582,989)</u>
Beginning of year	<u>1,723,757</u>	<u>1,569,456</u>	<u>1,446,203</u>
End of year	<u><u>\$ 1,569,456</u></u>	<u><u>\$ 1,446,203</u></u>	<u><u>\$ 863,214</u></u>
Covered-employee payroll	\$ 5,455,389	\$ 5,619,051	\$ 5,488,512
Total OPEB liability as a percentage of covered-employee payroll	28.77%	25.74%	15.73%

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

<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>
\$ 63,883	\$ 74,233	\$ 59,683
27,223	27,054	26,887
232,633	9,487	-
-	208,824	-
30,321	32,548	(92,220)
<u>(98,652)</u>	<u>(131,966)</u>	<u>(237,544)</u>
<u>255,408</u>	<u>220,180</u>	<u>(243,194)</u>
 <u>863,214</u>	 <u>1,118,622</u>	 <u>1,338,802</u>
 <u><u>\$ 1,118,622</u></u>	 <u><u>\$ 1,338,802</u></u>	 <u><u>\$ 1,095,608</u></u>
 \$ 5,653,167	 \$ 5,606,627	 \$ 5,774,826
19.79%	23.88%	18.97%

Independent School District No. 108
Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0197%	\$ 925,407	\$ -	\$ 925,407	\$ 1,036,762	89.3%	78.7%
2015	0.0176%	912,123	-	912,123	1,015,987	89.8%	78.2%
2016	0.0166%	1,347,838	17,586	1,365,424	958,440	142.5%	68.9%
2017	0.0155%	989,510	12,419	1,001,929	954,333	105.0%	75.9%
2018	0.0151%	837,686	27,486	865,172	951,120	91.0%	79.5%
2019	0.0141%	779,557	24,166	803,723	919,853	87.4%	80.2%
2020	0.0149%	893,323	27,620	920,943	998,480	92.2%	79.1%
2021	0.0145%	619,215	18,855	638,070	1,041,213	61.3%	87.0%
2022	0.0140%	1,108,805	32,483	1,141,288	1,045,240	109.2%	76.7%

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

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

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0994%	\$ 4,580,280	\$ 322,239	\$ 4,902,519	\$ 4,625,216	99.0%	81.5%
2015	0.0915%	5,660,180	694,117	6,354,297	4,646,493	121.8%	76.8%
2016	0.0905%	21,586,409	2,167,064	23,753,473	4,707,533	458.6%	44.9%
2017	0.0877%	17,506,511	1,692,691	19,199,202	4,719,227	371.0%	51.6%
2018	0.0892%	5,601,813	526,486	6,128,299	4,925,947	113.7%	78.1%
2019	0.0872%	5,558,146	491,791	6,049,937	4,949,883	112.3%	78.2%
2020	0.0849%	6,272,526	525,571	6,798,097	4,935,038	127.1%	75.5%
2021	0.0765%	3,347,869	282,519	3,630,388	5,276,310	63.5%	86.6%
2022	0.0885%	7,086,612	525,413	7,612,025	5,469,185	129.6%	76.2%

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

**Independent School District No. 108
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years**

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 76,199	\$ 76,199	\$ -	\$ 1,015,987	7.50%
2016	71,883	71,883	-	958,440	7.50%
2017	71,575	71,575	-	954,333	7.50%
2018	71,334	71,334	-	951,120	7.50%
2019	68,989	68,989	-	919,853	7.50%
2020	74,886	74,886	-	998,480	7.50%
2021	78,091	78,091	-	1,041,213	7.50%
2022	78,393	78,393	-	1,045,240	7.50%
2023	82,550	82,550	-	1,100,667	7.50%

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

**Schedule Of District Contributions
TRA Retirement Fund
Last Ten Years**

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 348,487	\$ 348,487	\$ -	\$ 4,646,493	7.50%
2016	353,065	353,065	-	4,707,533	7.50%
2017	353,942	353,942	-	4,719,227	7.50%
2018	369,446	369,446	-	4,925,947	7.50%
2019	381,636	381,636	-	4,949,883	7.71%
2020	390,855	390,855	-	4,935,038	7.92%
2021	428,964	428,964	-	5,276,310	8.13%
2022	456,130	456,130	-	5,469,185	8.34%
2023	493,005	493,005	-	5,766,140	8.55%

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

Independent School District No. 108
Notes to the Required Supplementary Information

TRA Retirement Fund

2022 Changes

Changes in Actuarial Assumptions

- None

2021 Changes

Changes in Actuarial Assumptions

- The investment return assumption was changed from 7.5% to 7.0%.

2020 Changes

Changes in Actuarial Assumptions

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

2019 Changes

Changes in Actuarial Assumptions

- None

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was increased to 7.5% from 5.12%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

Independent School District No. 108
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2017 Changes

Changes in Actuarial Assumptions

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

2016 Changes

Changes in Actuarial Assumptions

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

Independent School District No. 108
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2015 Changes

Changes of Benefit Terms

- The DTRFA was merged into TRA on June 30, 2015.

Changes in Actuarial Assumptions

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

Independent School District No. 108
Notes to the Required Supplementary Information

General Employees Fund

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were 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 and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

Independent School District No. 108
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Independent School District No. 108
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Independent School District No. 108
Notes to the Required Supplementary Information

Post Employment Health Care Plan

2023 Changes

Changes in Actuarial Assumptions

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

2022 Changes

Changes in Actuarial Assumptions

- 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 2.40% to 2.10%.

Changes in Plan Provisions

- The percentages of annual salary used to determine the GASB 75 subsidized benefits for District Office employees were updated.
- Per an early retirement agreement, one Teacher received an additional lump sum payment of \$6,500 payable to a Health Care Savings Plan during the fiscal year ending June 30, 2021.
- Effective July 1, 2020, the Teacher's ERI benefit that was previously paid monthly over two years (included in GASB 73) is now paid in one single lump sum to an HRA (included in GASB 75).

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The teacher's ERI benefit that was previously paid monthly over 2 years (included in GASB 73) is now paid in one single lump sum to an HRA (included in GASB 75).

SUPPLEMENTARY INFORMATION

Independent School District No. 108
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2023

	Special Revenue Funds		Total Nonmajor Funds
	Food Service	Community Service	
Assets			
Cash and investments	\$ 266,088	\$ 316,665	\$ 582,753
Current property taxes receivable	-	66,166	66,166
Delinquent property taxes receivable	-	162	162
Due from Department of Education	-	12,145	12,145
Inventory	3,614	-	3,614
Prepaid items	-	598	598
Total assets	<u>\$ 269,702</u>	<u>\$ 395,736</u>	<u>\$ 665,438</u>
Liabilities			
Accounts payable	\$ 101,991	\$ 8,222	\$ 110,213
Salaries and benefits payable	-	58,522	58,522
Due to other governmental units	-	1,397	1,397
Unearned revenue	11,408	29,124	40,532
Total liabilities	<u>113,399</u>	<u>97,265</u>	<u>210,664</u>
Deferred Inflows of Resources			
Property taxes levied for subsequent year's expenditures	-	125,391	125,391
Unavailable revenue - delinquent property taxes	-	162	162
Total deferred inflows of resources	<u>-</u>	<u>125,553</u>	<u>125,553</u>
Fund Balances			
Nonspendable			
Inventory	3,614	-	3,614
Prepaid items	-	598	598
Restricted			
Community education programs	-	67,880	67,880
Early childhood family and education programs	-	57,100	57,100
School readiness	-	47,340	47,340
Fund purpose	152,689	-	152,689
Total fund balances	<u>156,303</u>	<u>172,918</u>	<u>329,221</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 269,702</u>	<u>\$ 395,736</u>	<u>\$ 665,438</u>

Independent School District No. 108
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2023

	Special Revenue Funds		Total Nonmajor Funds
	Food Service	Community Service	
Revenues			
Local property taxes	\$ -	\$ 153,126	\$ 153,126
Other local and county revenues	24,375	675,215	699,590
Revenue from state sources	26,058	155,744	181,802
Revenue from federal sources	243,684	8,400	252,084
Sales and other conversion of assets	276,728	-	276,728
Total revenues	<u>570,845</u>	<u>992,485</u>	<u>1,563,330</u>
Expenditures			
Current			
Food service	577,398	-	577,398
Community education and services	-	1,081,440	1,081,440
Capital outlay			
Food service	85,050	-	85,050
Total expenditures	<u>662,448</u>	<u>1,081,440</u>	<u>1,743,888</u>
Net change in fund balances	(91,603)	(88,955)	(180,558)
Fund Balances			
Beginning of year	<u>247,906</u>	<u>261,873</u>	<u>509,779</u>
End of year	<u>\$ 156,303</u>	<u>\$ 172,918</u>	<u>\$ 329,221</u>

Independent School District No. 108
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2023

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
01 General Fund				06 Building Construction Fund			
Total revenue	\$ 12,212,254	\$ 12,212,254	\$ -	Total revenue	\$ 1,023,654	\$ 1,023,654	\$ -
Total expenditures	12,745,071	12,745,072	(1)	Total expenditures	17,992,027	17,992,027	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	14,007	14,007	-	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted/reserved:</i>			
4.01 Student Activities	81,865	81,865	-	4.07 Capital Projects Levy	-	-	-
4.02 Scholarships	31,492	31,492	-	4.09 Alternative Facility Program	-	-	-
4.03 Staff Development	-	-	-	4.13 Building Projects Funded by COP/LP	-	-	-
4.07 Capital Projects Levy	221,264	221,264	-	4.67 Long-term Facilities Maintenance	2,631,477	2,631,477	-
4.08 Cooperative Programs	-	-	-	<i>Restricted:</i>			
4.09 Alternative Facility Program	-	-	-	4.64 Restricted fund balance	26,491,039	26,491,039	-
4.13 Building Projects Funded by COP/LP	-	-	-	<i>Unassigned:</i>			
4.14 Operating Debt	-	-	-	4.63 Unassigned fund balance	-	-	-
4.16 Levy Reduction	-	-	-				
4.17 Taconite Building Maintenance	-	-	-	07 Debt Service Fund			
4.24 Operating Capital	2,027	2,027	-	Total revenue	\$ 1,753,506	\$ 1,753,506	\$ -
4.26 \$25 Taconite	-	-	-	Total expenditures	2,154,985	2,154,986	(1)
4.27 Disabled Accessibility	-	-	-	<i>Nonspendable:</i>			
4.28 Learning and Development	-	-	-	4.60 Nonspendable fund balance	-	-	-
4.34 Area Learning Center	-	-	-	<i>Restricted/reserved:</i>			
4.35 Contracted Alternative Programs	-	-	-	4.25 Bond refunding	-	-	-
4.36 State Approved Alternative Program	-	-	-	4.33 Maximum effort loan aid	-	-	-
4.38 Gifted and Talented	-	-	-	4.51 QZAB payments	-	-	-
4.40 Teacher Development and Evaluation	-	-	-	4.67 LTFM	-	-	-
4.41 Basic Skills Programs	-	-	-	<i>Restricted:</i>			
4.45 Career Technical Programs	-	-	-	4.64 Restricted fund balance	20,980	20,979	1
4.48 Achievement and Integration Revenue	-	-	-	<i>Unassigned:</i>			
4.49 Safe School Crime	-	-	-	4.63 Unassigned fund balance	-	-	-
4.51 QZAB Payments	-	-	-				
4.52 OPEB Liabilities not Held in Trust	-	-	-	08 Trust Fund			
4.53 Unfunded Severance and Retirement Levy	-	-	-	Total revenue	\$ -	\$ -	\$ -
4.59 Basic Skills Extended Time	77,220	77,220	-	Total expenditures	-	-	-
4.67 Long-term Facilities Maintenance	301,495	301,495	-	<i>Unassigned:</i>			
4.72 Medical Assistance	135,225	135,225	-	4.01 Student Activities	-	-	-
4.75 Title VII - Impact Aid	-	-	-	4.02 Scholarships	-	-	-
4.76 Payments in Lieu of Taxes	-	-	-	4.22 Net position	-	-	-
<i>Restricted:</i>				18 Custodial Fund			
4.64 Restricted fund balance	-	-	-	Total expenditures	-	-	-
4.75 Title VII - Impact Aid	-	-	-	<i>Unassigned:</i>			
4.76 Payments in Lieu of Taxes	-	-	-	4.01 Student Activities	-	-	-
<i>Committed:</i>				4.02 Scholarships	-	-	-
4.18 Committed for separation	-	-	-	4.48 Achievement and Integration	-	-	-
4.61 Committed fund balance	-	-	-	4.64 Restricted	-	-	-
<i>Assigned:</i>				20 Internal Service Fund			
4.62 Assigned fund balance	417,589	417,588	1	Total revenue	\$ -	\$ -	\$ -
<i>Unassigned:</i>				Total expenditures	-	-	-
4.22 Unassigned fund balance	956,289	956,288	1	<i>Unassigned:</i>			
				4.22 Net position	-	-	-
02 Food Services Fund				25 OPEB Revocable Trust			
Total revenue	\$ 570,845	\$ 570,846	(1)	Total revenue	\$ -	\$ -	\$ -
Total expenditures	662,448	662,449	(1)	Total expenditures	-	-	-
<i>Nonspendable:</i>				<i>Unassigned:</i>			
4.60 Nonspendable fund balance	3,614	3,614	-	4.22 Net position	-	-	-
<i>Restricted/reserved:</i>				45 OPEB Irrevocable Trust			
4.52 OPEB liabilities not held in trust	-	-	-	Total revenue	\$ -	\$ -	\$ -
<i>Restricted:</i>				Total expenditures	-	-	-
4.64 Restricted fund balance	152,689	152,689	-	<i>Unassigned:</i>			
<i>Unassigned:</i>				4.22 Net position	-	-	-
4.63 Unassigned fund balance	-	-	-				
04 Community Service Fund				47 OPEB Debt Service			
Total revenue	\$ 992,485	\$ 992,484	1	Total revenue	\$ -	\$ -	\$ -
Total expenditures	1,081,440	1,081,441	(1)	Total expenditures	-	-	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	598	598	-	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted:</i>			
4.26 \$25 Taconite	-	-	-	4.25 Bond refundings	-	-	-
4.31 Community Education	67,880	67,879	1	4.64 Restricted fund balance	-	-	-
4.32 ECFE	57,100	57,100	-	<i>Unassigned:</i>			
4.40 Teacher Development and Evaluation	-	-	-	4.63 Unassigned fund balance	-	-	-
4.44 School Readiness	47,340	47,340	-				
4.47 Adult Basic Education	-	-	-				
4.52 OPEB Liabilities not Held in Trust	-	-	-				
<i>Restricted:</i>							
4.64 Restricted fund balance	-	-	-				
<i>Unassigned:</i>							
4.63 Unassigned fund balance	-	-	-				

Independent School District No. 108
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Agency/Pass Through Agency/Program Title	Federal Assistance Listing Number	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education		
Child nutrition cluster		
School Breakfast Program	10.553	\$ 17,733
National School Lunch Program	10.555	153,867
Commodities programs (noncash assistance)	10.555	39,707
Special Milk Program for Children	10.556	1,541
COVID-19 - Supply Chain Assistance	10.555	30,836
Total child nutrition cluster		<u>243,684</u>
U.S. Department of Treasury		
Through Minnesota Department of Education		
COVID - Coronavirus State and Local Fiscal Recovery Fund	21.027	<u>24,208</u>
U.S. Department of Education		
Through Minnesota Department of Education		
Title I, Part A - Grants to Local Educational Agencies	84.010	59,113
Special education cluster		
Through minnesota department of education:		
Special Education Grants to States	84.027	211,934
IDEA Part B Section 611 Mandatory Coordinated Early Intervening Services	84.027	39,597
ARP IDEA Part B	84.027X	16,323
Special Education Preschool Grants	84.173	11,442
ARP IDEA Part B Section 619 – Preschool Grants for Children with Disabilities	84.173X	3,684
Total special education cluster		<u>282,980</u>
Carl Perkins, Vocational and Applied Technology	84.048A	7,916
Special Education - Grants for Infants and Families	84.181	8,011
Title II, Part A - Supporting Effective Instruction State Grants	84.367	19,219
Title IV, Part A - Student Support and Academic Enrichment Program	84.424A	13,403
Education Stabilization Fund		
COVID - Elementary and Secondary School Emergency Relief	84.425	150
COVID - Governor's Emergency Education Relief Fund	84.425C	5,040
COVID - Elementary and Secondary School Emergency Relief II	84.425D	25,484
COVID - ARP - Learning Recovery and Emergency Relief	84.425U	76,308
Total Education Stabilization Fund		<u>106,982</u>
Total U.S. Department of Education		<u>497,624</u>
U.S. Department of Health and Human Services		
Through Minnesota Department of Education		
COVID - Minnesota COVID-19 Testing Program	93.323	<u>22,282</u>
Total federal expenditures		<u>\$ 787,798</u>

Independent School District No. 108
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2023

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes of net assets, or cash flows of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – PASS-THROUGH GRANT NUMBERS

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

NOTE 4 – INVENTORY

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

NOTE 5 – INDIRECT COST RATE

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

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Basic Financial Statements Performed in Accordance
with *Government Auditing Standards***

Independent Auditor's Report

To the School Board
Independent School District No. 108
Norwood Young America, 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 basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 108, Norwood Young America, Minnesota, as of and for the year ending June 30, 2023, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 1, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

District's Response to the Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

BerganKDV, Ltd.

Minneapolis, Minnesota
November 1, 2023

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

Independent Auditor's Report

To the School Board
Independent School District No. 108
Norwood Young America, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2023. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

Report on Internal Control over Compliance (Continued)

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

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

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

BerganKDV, Ltd.

Minneapolis, Minnesota
November 1, 2023

**Independent School District No. 108
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).
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Internal control over financial reporting:

- | | |
|--|---|
| <ul style="list-style-type: none"> • Material weakness(es) identified? • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | <p>Yes, Audit Finding 2023-001</p> <p>None reported</p> |
|--|---|

Noncompliance material to financial statements noted?	No
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Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
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Internal control over major programs:

- | | |
|--|--------------------------------|
| <ul style="list-style-type: none"> • Material weakness(es) identified? • Significant deficiency(ies) identified? | <p>No</p> <p>None reported</p> |
|--|--------------------------------|

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No
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Identification of Major Programs

Assistance Listing No.:	10.553/10.555/10.556
Name of Federal Program or Cluster	Child Nutrition Cluster

Assistance Listing No.:	84.027/84.173
Name of Federal Program or Cluster	Special Education Cluster

Auditee qualified as low risk auditee?	No
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**Independent School District No. 108
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 2023-001

Criteria:

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

Condition:

The District does not have adequate segregation of accounting duties.

Context:

This finding impacts the internal control for all significant accounting functions.

Effect or Potential Effect:

The lack of adequate segregation of accounting duties could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. As a result of this condition, material audit adjustments were required for contracts payable and construction in progress.

Cause:

There are a limited number of office employees.

Recommendation:

Continue to review the accounting system and year-end closing process, including changes that may occur. Implement segregation whenever practical.

**Independent School District No. 108
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2023-001 (Continued)

Responsible Official's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
Administration will review current segregation of accounting duties to determine if further segregation is possible.
3. Official Responsible for Ensuring CAP
Tim Schochenmaier, Superintendent, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is June 30, 2024.
5. Plan to Monitor Completion of CAP
The School Board will be monitoring this CAP.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs noted.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None

Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 108
Norwood Young America, 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 basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 108, Norwood Young America, Minnesota, as of and for the year ended June 30, 2023, and the related notes to basic financial statements, and have issued our report thereon dated November 1, 2023.

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

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

BergankDV, Ltd.

Minneapolis, Minnesota
November 1, 2023

**Independent School District No. 108
Norwood Young America, Minnesota**

Communications Letter

June 30, 2023

Independent School District No. 108
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Report on Matters Identified as a Result of the Audit of the Basic Financial Statements

To the School Board and Management
Independent School District No. 108
Norwood Young America, Minnesota

In planning and performing our audit of the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 108, Norwood Young America, Minnesota as of and for the year ended June 30, 2023, 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, 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 opinion on the basic 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 over financial reporting.

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 have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error, or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 over financial reporting, such that there is a reasonable possibility that a material misstatement of the District's basic financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

The material weakness identified is stated within this letter.

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.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated November 1, 2023, on such statements.

The purpose of this communication, which is an integral part of our audit, is to describe for the School Board and management and others within the District and state oversight agencies the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

Bergan KDV, Ltd.

Minneapolis, Minnesota
November 1, 2023

Independent School District No. 108

Material Weakness

Lack of Segregation of Accounting Duties

The District has a lack of segregation of accounting duties due to a limited number of office employees. The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. As a result of this condition, material audit adjustments were required for contracts payable and construction in progress.

Management and the School Board are aware of this condition and have taken certain steps to compensate for the lack of segregation but due to the number of staff needed to properly segregate all of the accounting duties, the costs of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. However, management and the School Board must remain aware of this situation and should continually monitor the accounting system, including changes that occur.

Segregation of accounting duties relates to four key areas: initiation/authorization, processing/recording, reconciling/reporting of financial data, and custody of assets. This lack of segregation can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- The Finance Coordinator has access to various areas of the accounting system and can initiate, record, process, and report financial information. The Finance Coordinator also has access to District bank accounts.
- The Payroll Coordinator enters payroll information and processes payroll.
- The Finance Coordinator records and maintains all capital asset records.
- Cash payments can be received at various locations and there are instances where the individual collecting payment can also record and process receipts in the accounting system.

We recommend segregation or independent review be implemented whenever practical and cost effective.

Independent School District No. 108 Required Communication

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District for the year ended June 30, 2023. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Basic Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the basic financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the basic financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the basic financial statements are free of material misstatement. An audit of the basic financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Generally accepted accounting principles provide for certain Required Supplementary Information (RSI) to supplement the financial statements. Our responsibility with respect to the RSI, which supplements the basic audit financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Our responsibility for the supplementary information accompanying the basic financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the basic financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our Responsibility in Relation to *Government Auditing Standards*

As communicated in our engagement letter, part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Independent School District No. 108 Required Communication

Our Responsibility in Relation to Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)

As communicated in our engagement letter, in accordance with the Uniform Guidance, we examined on a test basis, evidence about the District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit provided a reasonable basis for our opinion, it did not provide a legal determination on the District's compliance with those requirements.

In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

We have identified the following significant risks of material misstatement:

- **Management Override of Controls** – Management override of internal control is considered a risk in substantially all engagements as management may be incentivized to produce better results.
- **Misappropriation of Assets** – If duties cannot be appropriately segregated, there is a risk of unauthorized transactions being made by the District. In addition, generally this results in less review taking place as transactions are recorded in the financial statements.
- **Improper Revenue Recognition** – Revenue recognition is considered a fraud risk on substantially all engagements as it generally has a significant impact on the results of the governments operations. In addition, complexities exist surrounding the calculation and recording of various revenue sources.

Independent School District No. 108 Required Communication

Qualitative Aspects of the District's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in the notes to the basic financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during 2023. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's current judgements. Those judgements are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgements. The most sensitive estimates affecting the basic financial statements relate to:

Depreciation – The District is currently depreciating its capital assets over their estimated useful lives, as determined by management, using the straight-line method.

Expense Allocation – Certain expenses are allocated to programs based on an estimate of the benefit to that particular program. Examples are salaries, benefits, and supplies.

General Education and Special Education Aid – General Education Aid is an estimate until average daily membership (ADM) values are final. Since this is normally not done until after the reporting deadline, this Aid is an estimate. Special Education Aid is dependent on the availability of monies and complex formulas that are finalized after reporting deadlines.

Total Other Post Employment Benefits (OPEB) Liability, Deferred Outflows of Resources Related to OPEB and Deferred Inflows of Resources Related to OPEB – These balances are based on an actuarial study using the estimates of future obligations of the District for post employment benefits.

Net Pension Liability, Deferred Outflows of Resources Related to Pensions and Deferred Inflows of Resources Related to Pensions – These balances are based on an allocation by the pension plans using estimates based on contributions.

Lease Liability and Right-to-Use Lease Assets – These balances are based on estimates and judgments determined by the District related to the discount rate, lease term, and lease payments.

Compensated Absences Payable – This liability is determined for vacation leave that is earned but unpaid. This liability also includes termination benefits that uses a vesting method based historical data. The liability is recorded for vested benefits and unvested benefits which are expected to vest in future periods.

**Independent School District No. 108
Required Communication**

Qualitative Aspects of the District's Significant Accounting Practices (Continued)

Significant Accounting Estimates (Continued)

We evaluated the key factors and assumptions used to develop the accounting estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain basic financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The basic financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effects of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the basic financial statements taken as a whole and each applicable opinion unit. Management has corrected all such misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that were identified as a result of our audit procedures were brought to the attention of and corrected by management.

- Contracts payable and construction in progress balances were understated.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's basic financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Independent School District No. 108
Required Communication

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating, and regulatory conditions affecting the District, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditor.

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating, and regulatory conditions affecting the District, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditor.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the basic financial statements.

Independent School District No. 108 Financial Analysis

The following pages provide graphic representation of select data pertaining to the financial position and operations of the District for the past five years. Our analysis of each graph is presented to provide a basis for discussion of past performance and how implementing certain changes may enhance future performance.

Average Daily Membership and Pupil Units

The largest single funding source for Minnesota school districts is basic General Education Aid. Each year, the State Legislature sets a basic formula allowance. Total basic general education revenue is calculated by multiplying the formula allowance by the number of pupil units for which a district is entitled to aid. Pupil units are calculated using a legislatively determined weighting system applied to ADM. Over the years, various modifications have been made to this calculation, including changes in weighting and special consideration for declining enrollment districts.

Due to its complexity, it would be impossible to fully explain the funding of public education in Minnesota within this letter. The last section of this report, which contains a summary of legislative changes affecting school districts, gives an indication of how complicated the funding system is. The following section provides some state-wide funding and financial trend information.

Year	General Education Aid Formula Allowance	
	Amount	Percent Increase
2014	\$ 5,302	1.5%
2015*	5,831	1.9%
2016	5,948	2.0%
2017	6,067	2.0%
2018	6,188	2.0%
2019	6,312	2.0%
2020	6,438	2.0%
2021	6,567	2.0%
2022	6,728	2.5%
2023	6,863	2.0%
2024	7,138	4.0%
2025	7,281	2.0%

* General Education Aid - Of the \$529 increase over 2014, \$105 is for inflation at 1.9%; the remaining \$424 is a shifting of revenue to adjust for pupil weight changes, pension adjustments changes and other restructuring.

Independent School District No. 108 **Financial Analysis**

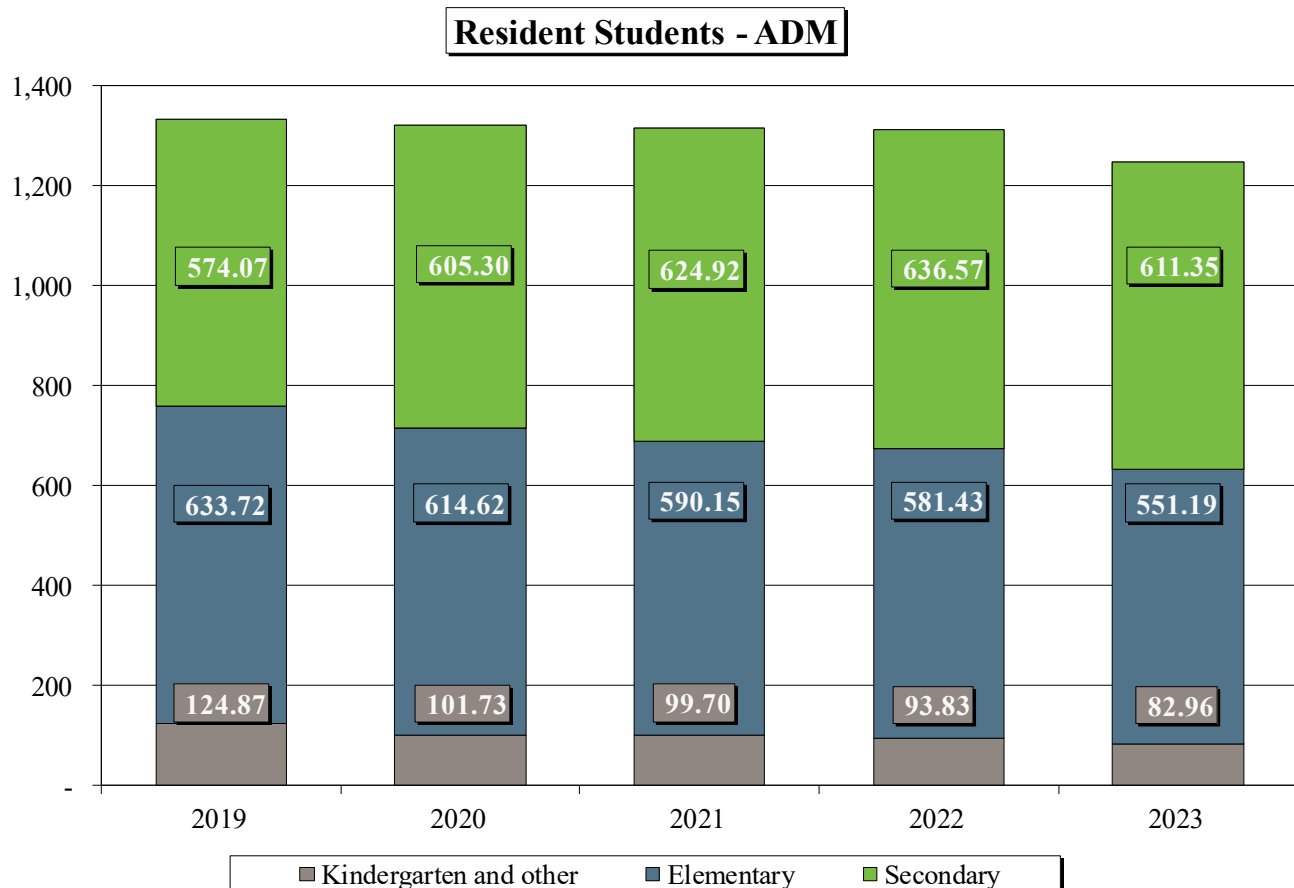
Average Daily Membership and Pupil Units (Continued)

The following chart and graph summarizes resident ADM of the District over the past five years.

Resident ADM	2019	2020	2021	2022	2023
Kindergarten and other	124.87	101.73	99.70	93.83	82.96
Elementary	633.72	614.62	590.15	581.43	551.19
Secondary	574.07	605.30	624.92	636.57	611.35
Total Resident ADM	1,332.66	1,321.65	1,314.77	1,311.83	1,245.50

* Estimate as of October 16, 2023

The chart and graph above provides resident ADM over the past five years. Total resident ADM has decreased in each of the last four years. Resident ADM ended 2023 with a total of 1,245.50, a decrease of 66.33 ADM compared to 2022.



Independent School District No. 108

Financial Analysis

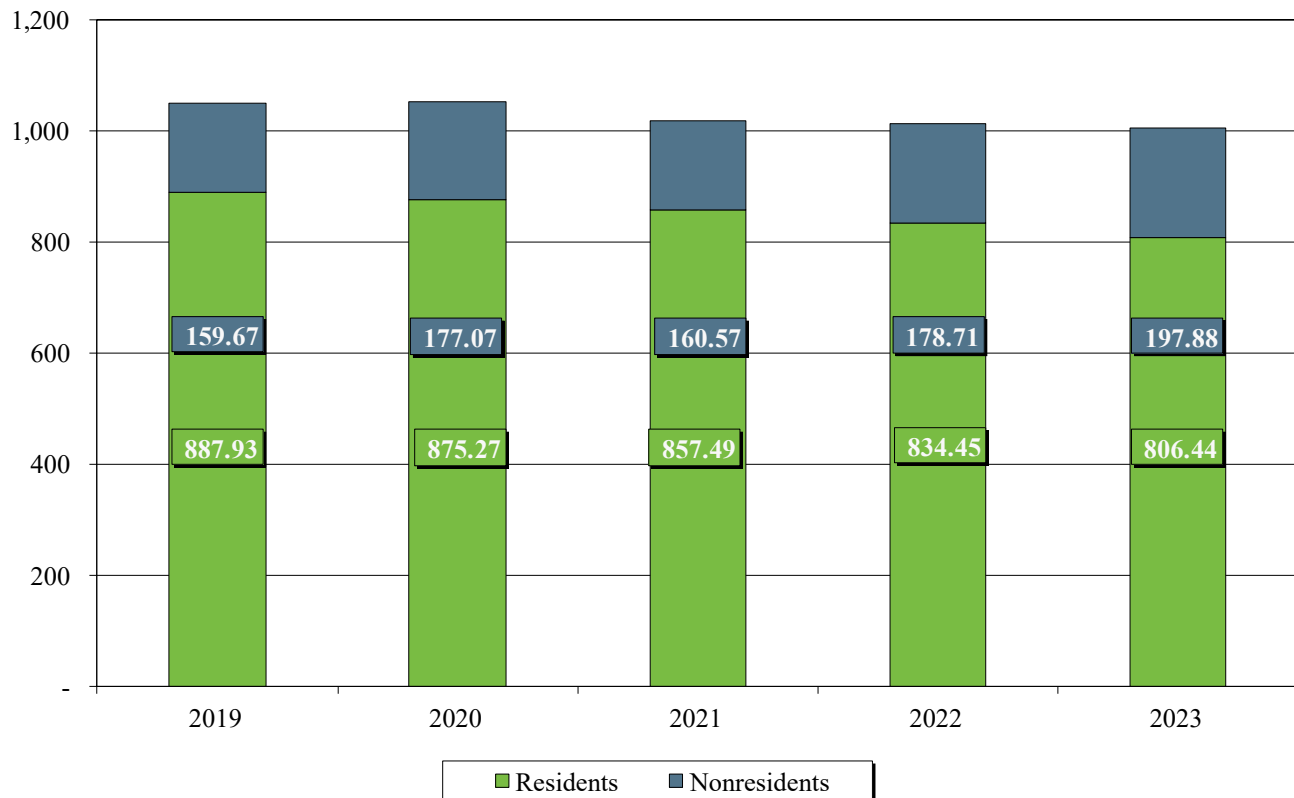
Average Daily Membership and Pupil Units (Continued)

Pupil Units Weighting	Pre- Kindergarten	Handicapped Kindergarten	Kindergarten	Elementary Grades 1-3	Elementary Grades 4-6	Secondary
Fiscal Years 2019-2023	1.000	1.000	1.000	1.000	1.000	1.200

Pupil units are computed by weighting ADM (PUN) using the factors on the table above. The PUN served table and graph below converts resident ADM into weighted or adjusted pupil unit data for the past five years taking into consideration the above weighting factors and open enrollment.

	2019	2020	2021	2022	2023
Residents	1,447.46	1,442.73	1,439.77	1,439.14	1,367.77
Residents going elsewhere	(559.53)	(567.46)	(582.28)	(604.69)	(561.33)
Nonresidents coming in	159.67	177.07	160.57	178.71	197.88
Total Adjusted PUN	1,047.60	1,052.34	1,018.06	1,013.16	1,004.32

Students Served - PUN



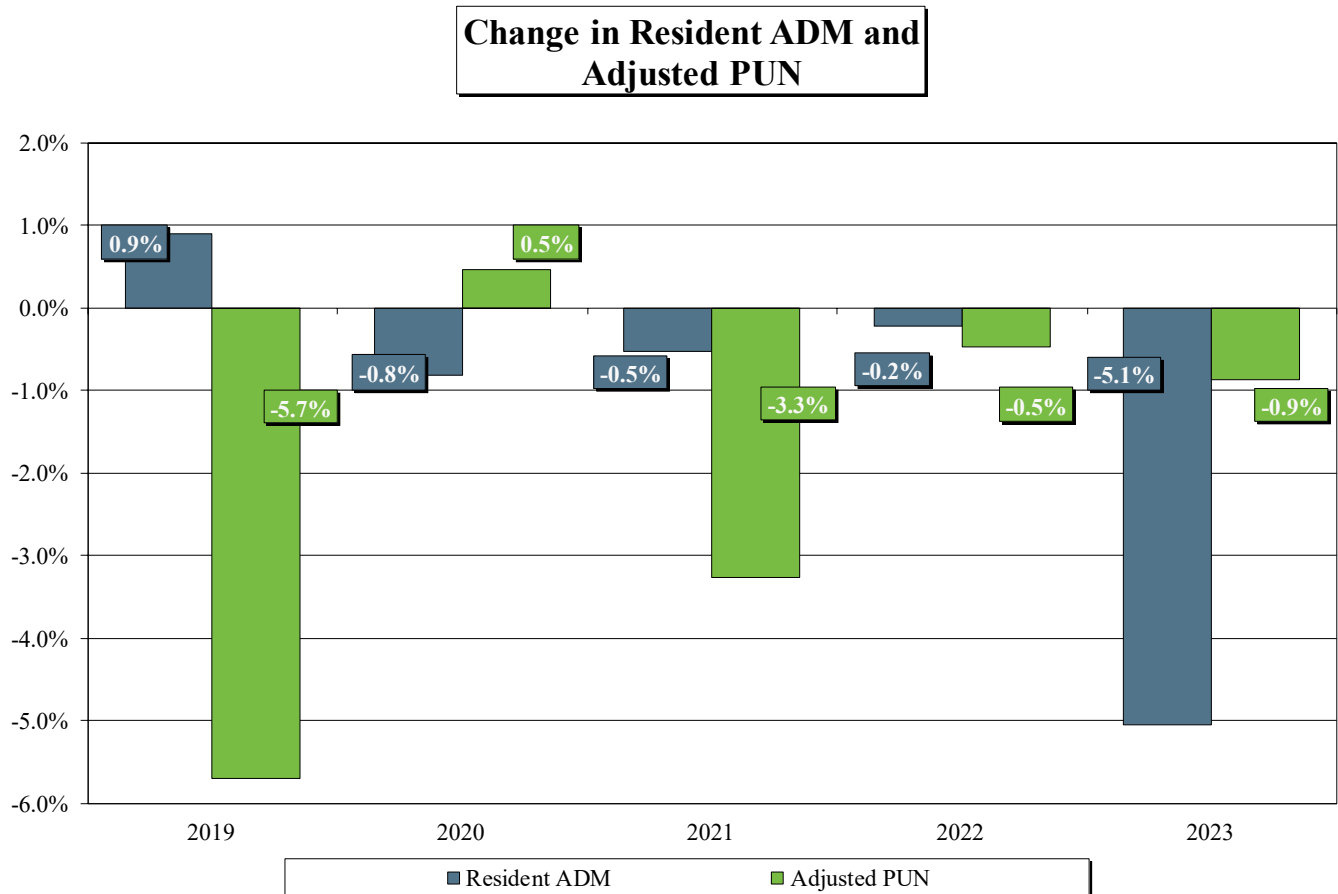
* Estimate as of October 16, 2023

Independent School District No. 108 Financial Analysis

Average Daily Membership and Pupil Units (Continued)

Resident ADM and Adjusted PUN both decreased from 2022 to 2023, although the decrease in Adjusted PUN was less than 1%. Open enrollment is a factor in the District's student count fluctuation. For each of the five years shown, the District has experienced a net loss due to open enrollment. In 2019, the net loss was 399.86 and in 2023 the net loss dropped to 363.45. These losses are due to resident students leaving the District through open enrollment and the growing number of students attending charter schools. The number of residents going elsewhere decreased by 43.36 adjusted PUN. The number of nonresidents coming into the District increased by 19.17.

The following graph illustrates the percentage change from year-to-year in resident ADM and PUN served.



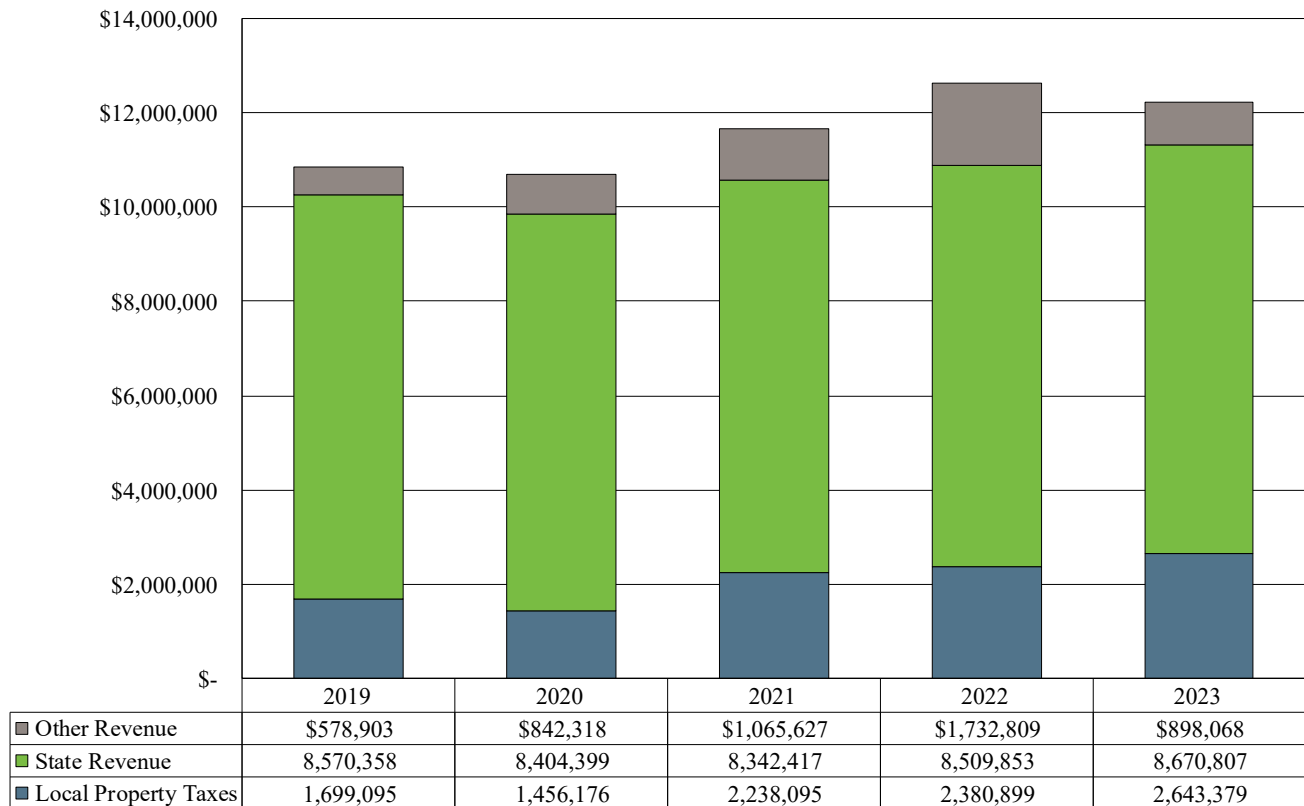
* Estimate as of October 16, 2023

Independent School District No. 108 **Financial Analysis**

General Fund Sources of Revenue

The following table displays the sources of revenue for the General Fund.

General Fund Sources of Revenue



Total General Fund revenues of \$12,212,254 was a decrease of \$411,307, or 3.3%, from 2022 to 2023 and increased \$1,363,898, or 12.6% over the course of the five years presented.

State revenue, which makes up the largest percentage of the District's revenue at 71.0%, increased by \$160,954 in 2023 due to an increase in general education aid and special education funding. Local property tax revenue increased \$262,480 due primarily to an increase in the tax levy for the General Fund. Other revenue sources decreased \$834,741 compared to 2023 primarily due to receiving less federal funding through the Elementary and Secondary School Emergency Relief (ESSER) Grant Program along with other additional funding related to the COVID-19 pandemic.

Independent School District No. 108 Financial Analysis

General Fund Budget and Actual

The chart on the following page highlights 2023 General Fund budget and actual results. Originally, in June 2022, the District budgeted for a surplus of \$183,182 for 2023. Budget revisions decreased the projected surplus to \$32,669. The District ended 2023 with an actual deficit of \$532,817 for the General Fund.

Overall, General Fund revenues were under budget by \$214,488, or 1.7%. Revenues from state sources were under budget by \$326,382 due to fewer students than anticipated resulting in less General Education Aid than budgeted. Other local and county revenues were \$177,864 over budget with better investment performance and greater medical assistance revenue than anticipated.

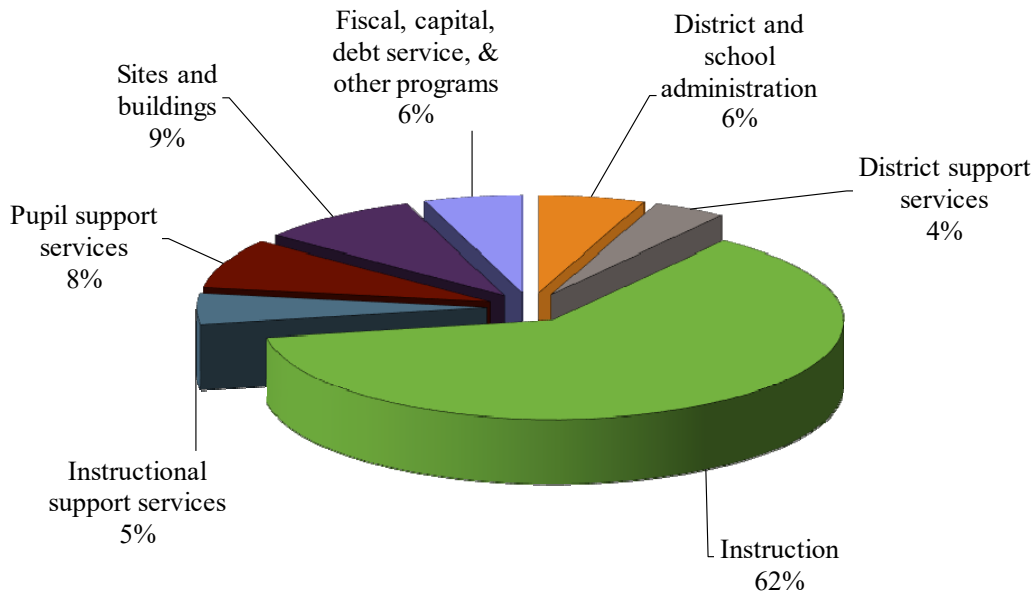
General Fund expenditures were over budget by \$350,998 in total. Instructional support services expenditures came in over budgeted amounts by \$121,755 due in part to higher salaries and benefits than budgeted. Pupil support services expenditures were \$94,222 over budget as a result of special education transportation costs being higher than anticipated. Sites and buildings costs were \$90,946 over budget with building fuel costs exceeding budgeted amounts.

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	\$ 2,614,845	\$ 2,650,974	\$ 2,643,379	\$ (7,595)
Other local and county revenues	189,300	191,926	369,790	177,864
Revenue from state sources	8,617,069	8,997,189	8,670,807	(326,382)
Revenue from federal sources	454,487	586,653	528,278	(58,375)
Total revenues	<u>11,875,701</u>	<u>12,426,742</u>	<u>12,212,254</u>	<u>(214,488)</u>
Expenditures				
Administration	761,090	762,018	757,214	(4,804)
District support services	504,680	549,022	519,517	(29,505)
Regular instruction	5,468,688	5,524,973	5,498,032	(26,941)
Vocational education instruction	168,808	180,810	220,362	39,552
Special education instruction	1,956,049	2,218,325	2,212,941	(5,384)
Instructional support services	525,388	527,228	648,983	121,755
Pupil support services	930,529	950,410	1,044,632	94,222
Sites and buildings	1,046,189	1,050,189	1,141,135	90,946
Fiscal and other fixed cost programs	69,000	69,000	79,507	10,507
Capital outlay	92,407	392,407	440,344	47,937
Debt service	169,691	169,691	182,404	12,713
Total expenditures	<u>11,692,519</u>	<u>12,394,073</u>	<u>12,745,071</u>	<u>350,998</u>
Net Change in Fund Balances	<u>\$ 183,182</u>	<u>\$ 32,669</u>	<u>\$ (532,817)</u>	<u>\$ (565,486)</u>

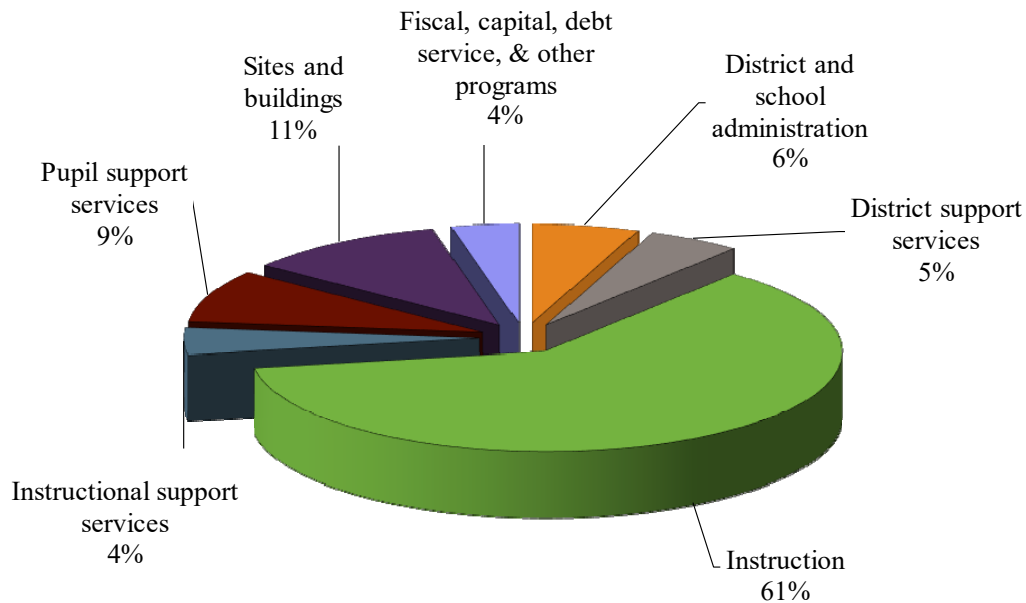
Independent School District No. 108 Financial Analysis

General Fund Expenditure Allocation

2023 General Fund Expenditure Allocation



2022 General Fund Expenditure Allocation



Total instruction expenditures (regular, special education and vocational) represents approximately 62% of total General Fund expenditures for 2023 and approximately 61% for 2022. Expenditures related to instruction programs increased \$332,534, instructional support services increased \$116,343, while sites and buildings decreased \$211,799 and District support service costs decreased \$112,587 during 2023.

Independent School District No. 108 Financial Analysis

General Fund Operations

The chart below illustrates the General Fund revenue, expenditures, and fund balances for the past five years.

Year Ended June 30,	2019	2020	2021	2022	2023
Revenues	\$ 10,848,356	\$ 10,702,893	\$ 11,646,139	\$ 12,623,561	\$ 12,212,254
Expenditures	10,999,546	10,710,634	11,270,964	12,366,777	12,745,071
Excess of revenues over (under) expenditures	(151,190)	(7,741)	375,175	256,784	(532,817)
Add other sources	12,138	173,988	-	-	-
Add transfers in	-	536,455	-	-	-
Less transfers out	-	(290,455)	-	-	-
Fund balance, July 1	1,729,285	1,590,233	2,139,331	2,514,506	2,771,290
Change in accounting principle	-	136,851	-	-	-
Fund Balance, June 30	\$ 1,590,233	\$ 2,139,331	\$ 2,514,506	\$ 2,771,290	\$ 2,238,473
Nonspendable for					
Prepays	\$ 9,942	\$ 4,431	\$ 65,776	\$ 55,979	\$ 14,007
Restricted/reserved for					
Student Activities	-	109,199	109,590	103,059	81,865
Scholarships	-	34,705	33,584	31,777	31,492
Capital Projects Levy	-	-	77,282	95,954	221,264
Health and Safety	-	-	-	-	-
Projects Funded by Certificates of Participation	-	-	-	-	-
Operating Capital	-	-	113,666	61,353	2,027
Basic Skills Extended Time	-	-	-	43,341	77,220
Disabled Accessibility	1,078	-	-	-	-
Gifted and Talented	-	-	-	-	-
Safe Schools Levy	-	-	-	-	-
Long Term Facilities Maintenance	191,693	100,000	220,739	295,600	301,495
Medical Assistance	102,804	70,832	63,891	109,326	135,225
Committed for					
Assigned	-	-	607,182	624,624	417,589
Unassigned	1,284,716	1,820,164	1,222,796	1,350,277	956,289
Fund Balance, June 30	\$ 1,590,233	\$ 2,139,331	\$ 2,514,506	\$ 2,771,290	\$ 2,238,473

At June 30, 2023, the District has 7.5% of actual expenditures (based on 2023 levels) in the unassigned fund balance. The District has a fund balance policy to maintain an unassigned fund balance of no less than 7% of budgeted general fund expenditures.

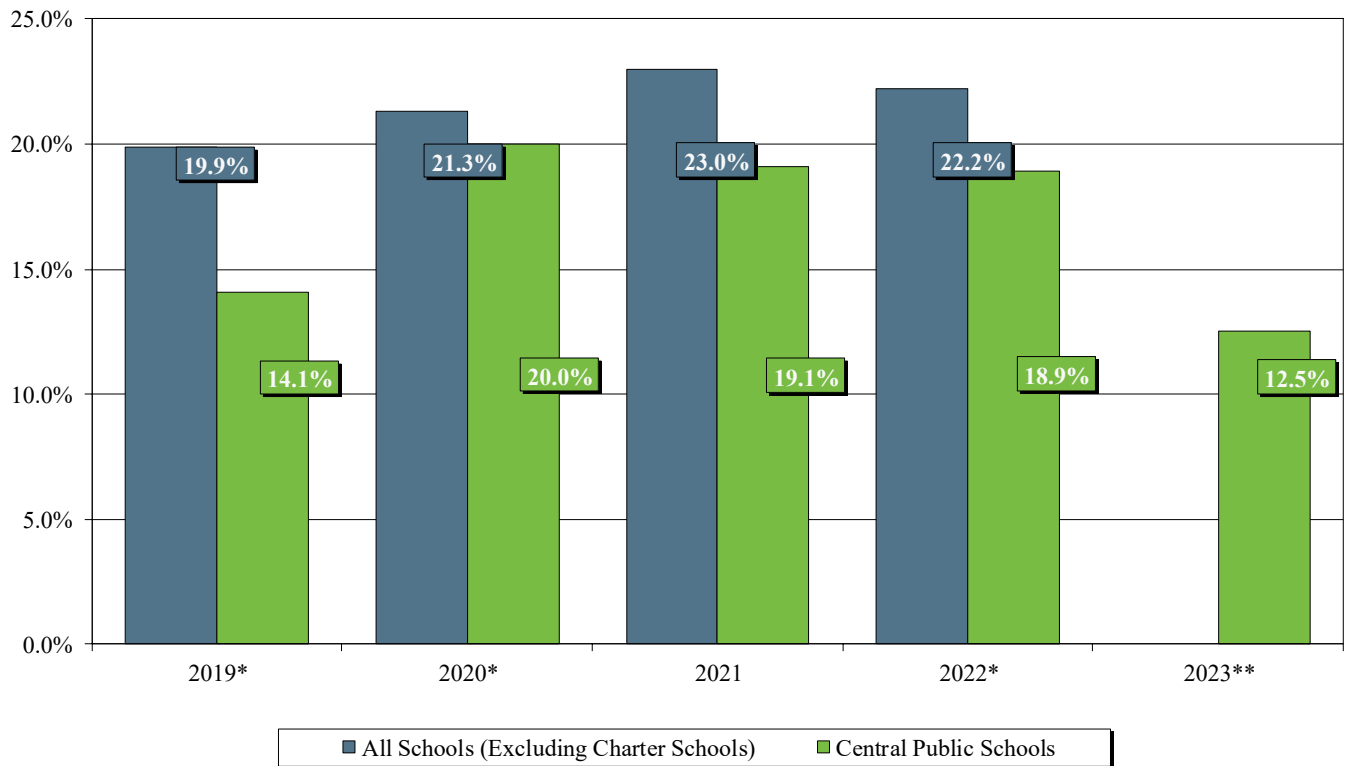
From 2022 to 2023, revenues decreased 3.3% and expenditures increased 3.1%. Included in the illustration above are all the general activities of the District, including all categorical or reserved programs. All of these activities comprise the General Fund, per the Uniform Financial Accounting and Reporting Standards (UFARS) definition. Overall, the General Fund balance decreased \$532,817 while the unassigned portion decreased by \$393,988.

Independent School District No. 108 Financial Analysis

General Fund Financial Health

One of the most common comparable statistics used to evaluate school district financial health is the operating fund balance as a percentage of operating expenditures.

Unrestricted Fund Balance as a Percentage of Unrestricted Expenditures



* Information was obtained from the Minnesota Department of Education (MDE) web site report *General Fund Unreserved Balance for Fiscal Years 2019-2022*. Fiscal year 2023 information is not available.

** MDE 2023 UFARS Turnaround Compliance Report

Independent School District No. 108 Financial Analysis

Revenues Per Student

Revenues per student (ADM served) are summarized as follows:

Independent School District No. 108*	2019	2020	2021	2022	2023**
General Fund	\$ 10,844	\$ 11,062	\$ 12,565	\$ 13,609	\$ 13,234
Food Service Fund	475	487	466	712	619
Community Service Fund	991	857	837	951	1,076
Building Construction Fund	-	-	-	(390)	1,109
Debt Service Fund	1,028	1,035	1,071	1,053	1,900
Total Revenues Per Student	\$ 13,338	\$ 13,441	\$ 14,939	\$ 15,935	\$ 17,938

State Average*	2019	2020	2021	2022	2023
General Fund	\$ 13,148	\$ 13,628	\$ 14,612	\$ 15,166	N/A
Food Service Fund	553	548	569	791	N/A
Community Service Fund	638	595	571	685	N/A
Building Construction Fund	112	134	82	35	N/A
Debt Service Fund	1,252	1,307	1,466	1,447	N/A
Total Revenues Per Student	\$ 15,703	\$ 16,212	\$ 17,300	\$ 18,124	N/A

Districts with 500 to 999 ADM Served*	2019	2020	2021	2022	2023
General Fund	\$ 12,562	\$ 13,102	\$ 14,113	\$ 14,598	N/A
Food Service Fund	574	576	623	856	N/A
Community Service Fund	380	362	364	428	N/A
Building Construction Fund	44	122	106	106	N/A
Debt Service Fund	894	958	1,189	1,204	N/A
Total Revenues Per Student	\$ 14,454	\$ 15,120	\$ 16,395	\$ 17,192	N/A

* Source: *School District Profiles*; year 2023 is not yet available.

** Estimate as of October 16, 2023

Independent School District No. 108 Financial Analysis

Expenditures Per Student

Expenditures per student (ADM served) are summarized as follows:

Independent School District No. 108*	2019	2020	2021	2022	2023**
General Fund	\$ 11,001	\$ 10,889	\$ 12,159	\$ 13,331	\$ 13,812
Food Service Fund	487	488	441	583	718
Community Service Fund	887	1,138	813	1,028	1,172
Building Construction Fund	-	-	-	3,987	19,498
Debt Service Funds	1,022	1,023	1,073	1,068	2,335
Total Expenditures Per Student	\$ 13,397	\$ 13,538	\$ 14,486	\$ 19,997	\$ 37,535

State Average*	2019	2020	2021	2022	2023
General Fund	\$ 13,025	\$ 13,313	\$ 14,167	\$ 15,010	N/A
Food Service Fund	559	554	529	666	N/A
Community Service Fund	638	622	571	646	N/A
Building Construction Fund	1,642	2,085	2,008	1,773	N/A
Debt Service Funds	1,354	1,345	1,522	1,531	N/A
Total Expenditures Per Student	\$ 17,218	\$ 17,919	\$ 18,797	\$ 19,626	N/A

Districts with 500 to 999 ADM Served*	2019	2020	2021	2022	2023
General Fund	\$ 12,265	\$ 12,440	\$ 13,295	\$ 14,015	N/A
Food Service Fund	610	608	615	769	N/A
Community Service Fund	449	465	477	539	N/A
Building Construction Fund	1,404	2,745	3,602	2,787	N/A
Debt Service Funds	1,331	1,289	1,737	2,097	N/A
Total Expenditures Per Student	\$ 16,059	\$ 17,547	\$ 19,726	\$ 20,207	N/A

* Source: *School District Profiles*; year 2023 is not yet available.

** Estimate as of October 16, 2023

Independent School District No. 108 Financial Analysis

Food Service Fund

The following table presents five years of comparative operating results for the Food Service Fund.

Year Ended June 30,	2019	2020	2021	2022	2023
Revenues	\$ 458,829	\$ 469,034	\$ 429,806	\$ 658,692	\$ 570,845
Expenditures	470,218	470,784	407,380	538,953	662,448
Excess of revenues over (under) expenditures	(11,389)	(1,750)	\$22,426	119,739	(91,603)
Fund balance, July 1	118,880	107,491	105,741	128,167	247,906
Fund Balance, June 30	\$ 107,491	\$ 105,741	\$ 128,167	\$ 247,906	\$ 156,303

Overall, food service revenues decreased \$87,847 from 2022 to 2023, while expenditures increased \$123,495. The decrease in revenue was the result of less federal funding related to meal reimbursements. The increase in expenditures primarily was related to the purchase of equipment. The Fund finished the year with a 24% fund balance based on 2023 spending levels.

Community Service Fund

The following table presents five years of comparative operating results for the Community Service Fund.

Year Ended June 30,	2019	2020	2021	2022	2023
Revenues	\$ 957,272	\$ 826,130	\$ 772,202	\$ 879,859	\$ 992,485
Expenditures	857,136	850,599	750,670	950,826	1,081,440
Excess of revenues over (under) expenditures	100,136	(24,469)	21,532	(70,967)	(88,955)
Other financing sources (uses)	-	(246,000)	-	-	-
Fund balance, July 1	481,641	581,777	311,308	332,840	261,873
Fund Balance, June 30	\$ 581,777	\$ 311,308	\$ 332,840	\$ 261,873	\$ 172,918

As the table indicates, Community Service Fund expenditures exceeded revenues in 2023 by \$88,955 dropping fund balance to \$172,918 at the end of the year. Revenues increased by 12.8% while expenditures increased by 13.7% based on increased community service programming fees and costs.

Due to MDE regulations, the total Community Service Fund is segregated, or restricted, as follows: restricted for community education \$67,880, restricted for early childhood and family education \$57,100, and restricted for school readiness \$47,340. There is also nonspendable fund balance of \$598.

Independent School District No. 108

Legislative Summary

The following is a brief summary of current legislative changes and issues affecting the funding of Minnesota school districts. More detailed and extensive summaries are available from the Minnesota Department of Education (MDE).

American Indian Education Aid

Beginning in 2024, a school district or charter school enrolling at least 20 American Indian students will receive the greater of the sum of \$40,000 plus \$500 per American Indian student over the 20-count threshold or the amount of American Indian Education aid received in 2015.

American Rescue Plan (ARP) Act

The ARP Act was signed into law on March 11, 2021, and focuses on returning to, and maintaining, safe in-person learning for all students.

The ARP includes \$1.3 billion for E-12 education in ESSER funds for Minnesota to help schools returning to, and maintaining, safe in-person learning for all students. Per the federal law, 90% of these funds have been allocated to eligible districts and charter schools. 9.5% of these funds are for flexible use by each state education agency to create a plan to meet the needs of students. Funds are eligible for spending through September 30, 2024.

Area Learning Center (ALC) Transportation Aid

ALC transportation aid reimburses school districts for costs associated with transportation of students to and from an ALC program. Total statewide revenue is capped at \$1,000,000 annually. School districts can apply for this new funding stream for 2024 and beyond.

Basic Alternative Teacher Compensation Aid (Q-Comp)

The total cap for basic alternative teacher compensation aid increased from \$88,118,000 to \$88,461,000 for 2024 and 2025 and \$89,486,000 for 2026 and beyond.

Basic General Education Aid

The formula allowance for 2023 is set at \$6,863 and for 2024, the formula allowance is set at \$7,138, which is a 4% increase over 2023. The formula allowance for 2025 is \$7,281, or a 2% increase from 2024.

Basic Skills Revenue

The allowable uses for basic skills funding for 2024 and beyond have changed. Guidance on specific changes is included in the 2024 UFARS Manual.

Building and Cybersecurity

Local education agencies may apply for grants to improve security and cybersecurity. The grants may be used for security-related facility improvements and cybersecurity insurance premiums. State-wide funding of \$24,332,000 has been appropriated for these grants.

Safe school revenue has also been expanded to include cyber security measures.

Compensatory Education Revenue

The compensatory allowance for 2024 was updated and corresponds to increases in the basic formula allowance. A hold-harmless provision has been added for 2025 so that compensatory revenue for each site is the greater of its calculated revenue for 2025 or the 2024 actual revenue.

Independent School District No. 108 Legislative Summary

Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act

The CRRSA Act was signed into law on December 27, 2020, and provided an additional \$2.75 billion for the Emergency Assistance for Nonpublic School Fund (EANS Fund) of which \$41,697,717 was awarded to Minnesota. Funds are eligible for spending through September 30, 2023.

Gender-Neutral Single-User Restroom Grants

Local education agencies may apply for grants to remodel, construct, or repurpose space for gender-neutral single-user restrooms. Grants to school districts are capped at \$75,000 per site. State-wide funding of \$1,000,000 has been appropriated for these grants.

Lease Levy Authority

Minnesota Statutes 2023 § 126C.40, subdivision 1 grants authority to intermediate, cooperative units, and joint powers districts to levy for the costs of leasing administrative and classroom space. Levy authority is capped at \$65 per adjusted pupil unit of the member district(s). The proportionate share of deferred maintenance expenditures of district-owned buildings or sites leased to an intermediate, cooperative unit, or joint powers district may also be levied.

Local Optional Revenue

The second-tier equalization threshold for 2024 remains at \$510,000 before increasing to \$587,244 for 2025, \$642,038 for 2026, and \$671,345 for 2027 and later.

Long-term Facilities Maintenance (LTFM) Revenue

Joint powers districts may be included in the LTFM program along with intermediate and secondary cooperative districts.

Additionally, LTFM plans must include provisions for gender-neutral bathrooms, which has been added to the allowable list of LTFM expenses. No new LTFM funding is available for these expenses.

Online Learning Students

The Online Instruction Act repeals and replaces the Online Learning Act. Local education agencies can provide online instruction to enrolled students with a limit of 40 students per course. Entities must apply to MDE to provide online instruction to non-enrolled students.

Operating Referendum

Minnesota Statutes 2023 § 126C.17, subdivision 9 has been added, which allows School Boards to renew an existing operating referendum authority one-time through board resolution using the same per-pupil amounts and length of time. Board approval must happen by June 15 in the fiscal year prior to the last fiscal year generating revenue.

Pension Bill and Pension Adjustment Revenue

TRA required contributions have increased to 7.75% for employees effective for fiscal year 2024. Required employer contributions increase 0.2% in fiscal year 2024 until a required contribution rate of 8.75% is reached.

The pension adjustment rate for districts (besides ISD No. 625, St. Paul) is 1.25% for fiscal years 2024 and 2025 and 2.0% for fiscal year 2026 and 2027. For fiscal year 2028 and later, pension adjustment revenue must not exceed the fiscal year 2027 amount, and the revenue will be prorated, as necessary.

School Breakfast Program

Early childhood special education students are now eligible to participate in the School Breakfast program.

Independent School District No. 108 Legislative Summary

School Library Aid

New program revenue has been added to be used for school district libraries including media specialist salary and benefits, equipment, furniture, supplies, IT infrastructure, and electric and material resources.

For school districts, 2024 aid amounts to \$16.11 multiplied by the adjusted pupil units or \$40,000, whichever is greater.

For charter schools, 2024 aid amounts to \$16.11 multiplied by the adjusted pupil units or \$20,000, whichever is greater.

Special Education Aids

The Special Education Cross Subsidy Reduction Aid paid to districts increases from 6.43% to 44% beginning in 2024. A further increase to 50% begins in 2027.

An additional \$1,689 per ADM will be provided beginning in 2024 based on students served at special education sites where the federal instruction setting is greater than 3 for special education cooperatives, education districts, and intermediates.

Student Support Personnel Revenue

A new aid has been added to be used to hire new positions for student support services or to increase the full time equivalent of a current position, to maintain a position that would otherwise be eliminated, or to make a temporary position permanent.

"Student Support Services Personnel" means an individual licensed to serve as a school counselor, school psychologist, school social worker, school nurse, or chemical dependency counselor in Minnesota.

Student support services personnel aid is calculated based on the fiscal year per pupil allocation multiplied by the district's total adjusted pupil units, or \$40,000, whichever is greater. The aid cannot exceed expenditures.

Transportation Sparsity Revenue

Under *Minnesota Statutes* § 126C.10, subdivision 18a, qualifying districts with eligible expenses greater than revenue will receive an increase in additional revenue from 18.2% to 35% of calculated unfunded pupil transportation expenses beginning in 2024.

Unemployment Insurance Aid

Effective May 28, 2023, certain non-certified hourly school workers may qualify for "between term" summer unemployment benefits. A new aid has been created to reimburse districts for between term unemployment insurance costs, which are not eligible for levy reimbursement. The total aid available is \$135 million in fiscal year 2024 and is available until fiscal year 2027 or depletion.

Voluntary Prekindergarten (VPK)/School Readiness Plus

VPK seats are included in the calculation of general education revenue. Seats are funded at 0.6 ADM. The number of seats funded are set at 7,160 for 2024, 10,160 for 2025 with a state-wide cap of \$50 million, and 12,360 for 2026 and later.

Independent School District No. 108

Emerging Issues

Executive Summary

The following is an executive summary of financial related updates to assist you in staying current on emerging issues in accounting and finance. This summary will give you a preview of the new standards that have been recently issued and what is on the horizon for the near future. The most recent and significant updates includes:

- **Implementation Guide No. 2021-1 – Amending Capitalization Requirements**
GASB has issued Implementation Guide No. 2021-1, amending previously issued guidance regarding capitalization requirements for capital assets that are significant in the aggregate but below the government's capitalization threshold individually.
- **Accounting Standard Update – GASB Statement No. 100 – Accounting Changes and Error Corrections**
GASB has issued GASB Statement No. 100 relating to accounting and financial reporting for accounting changes and error corrections. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability.
- **Accounting Standard Update – GASB Statement No. 101 – Compensated Absences**
GASB has issued GASB Statement No. 101 relating to accounting and financial reporting for compensated absences. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave.

The following are extensive summaries of the current updates. As your continued business partner, we are committed to keeping you informed of new and emerging issues. We are happy to discuss these issues with you further and their applicability to your District.

Implementation Guide No. 2021-1 – Amending Capitalization Requirements

Implementation Guide No. 2021-1, amended previously issued guidance contained in Implementation Guide No. 2015-1 regarding capitalization requirements for capital assets that are significant in the aggregate.

Original guidance stated that it *may be* appropriate for a government to establish a capitalization policy that would require capitalization for certain types of assets with individual acquisition costs that are less than the threshold for an individual asset.

Amended guidance states that a government *should* capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant. Computers and classroom furniture are common examples of asset types that could be significant collectively. The amended guidance clarifies that if 100 computers costing \$1,500 each totaling a \$150,000 aggregate amount is significant, the government *should* capitalize the computers. Information provided above was obtained from www.gasb.org.

Independent School District No. 108

Emerging Issues

Accounting Standard Update – GASB Statement No. 100 – *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting – understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement.

This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in Required Supplementary Information (RSI) and Supplementary Information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

GASB Statement No. 100 is effective for reporting periods beginning after June 15, 2023. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.

Independent School District No. 108

Emerging Issues

Accounting Standard Update – GASB Statement No. 101 – *Compensated Absences*

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences – including parental leave, military leave, and jury duty leave – not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

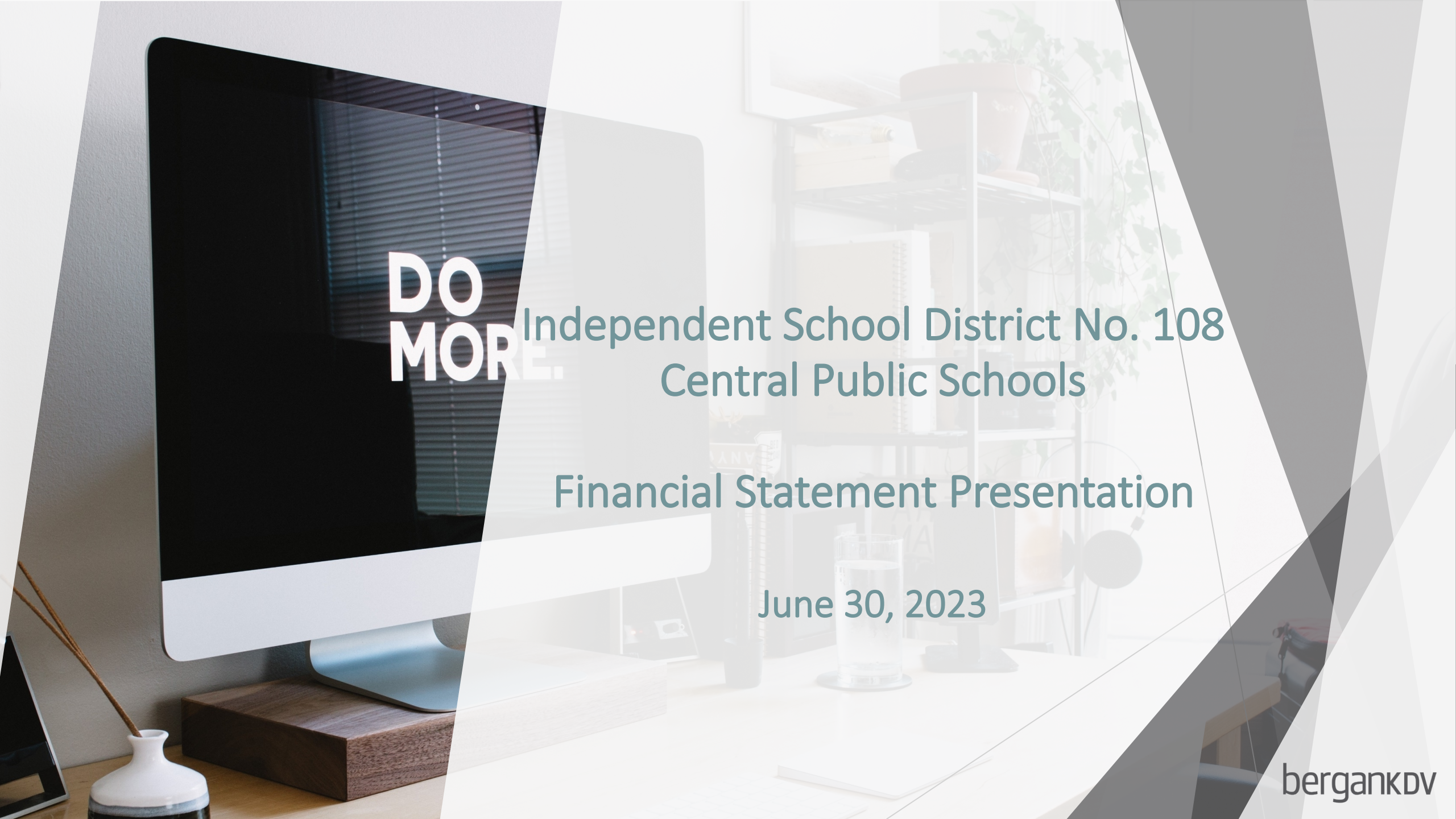
This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

GASB Statement No. 101 is effective for reporting periods beginning after December 15, 2023. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.



**DO
MORE.**

Independent School District No. 108
Central Public Schools

Financial Statement Presentation

June 30, 2023

Audit Results

- Independent Auditor's Report – Unmodified opinion
- Single Audit in Accordance with Uniform Guidance – Unmodified opinion on three major federal programs – No findings reported
- Government Auditing Standards Report – Lack of Segregation of Accounting Duties
- Minnesota Legal Compliance – No findings reported
- Communications Letter – Required Communication, Financial Analysis, Legislative Update and Emerging Issues

General Education Aid

Formula Allowance

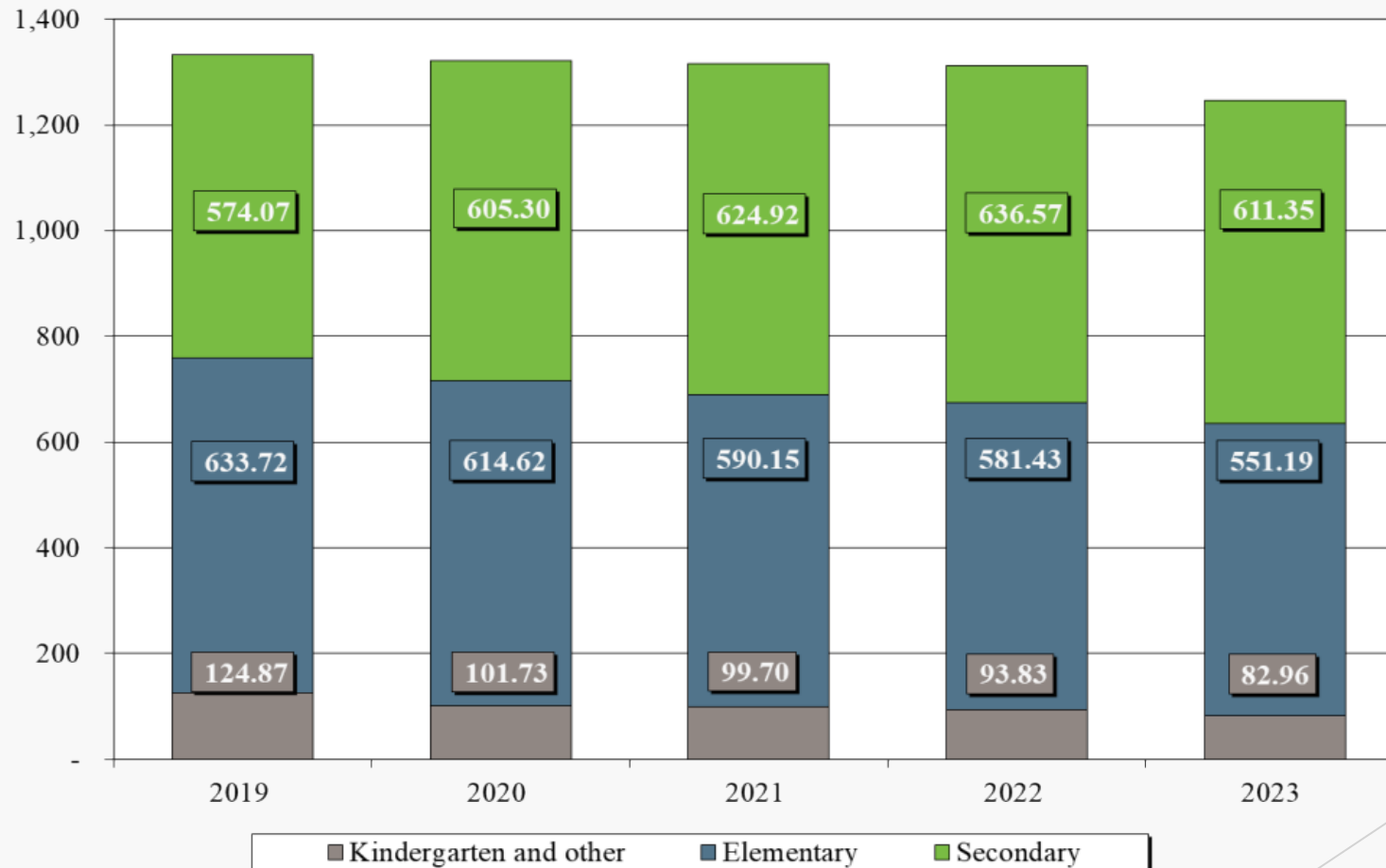
Year	General Education Aid Formula Allowance	
	Amount	Percent Increase
2014	\$ 5,302	1.5%
2015*	5,831	1.9%
2016	5,948	2.0%
2017	6,067	2.0%
2018	6,188	2.0%
2019	6,312	2.0%
2020	6,438	2.0%
2021	6,567	2.0%
2022	6,728	2.5%
2023	6,863	2.0%
2024	7,138	4.0%
2025	7,281	2.0%

* General Education Aid - Of the \$529 increase over 2014, \$105 is for inflation at 1.9%; the remaining \$424 is a shifting of revenue to adjust for pupil weight changes, pension adjustments changes and other restructuring.

Average Daily Membership and Pupil Units – Resident ADM

Resident ADM	2018	2019	2020	2021	*2022
Kindergarten and other	114.45	124.87	101.73	99.70	93.83
Elementary	630.32	633.72	614.62	590.15	581.43
Secondary	576.60	574.07	605.30	624.92	636.57
Total Resident ADM	1,321.37	1,332.66	1,321.65	1,314.77	1,311.83

Average Daily Membership and Pupil Units – Resident Students - ADM

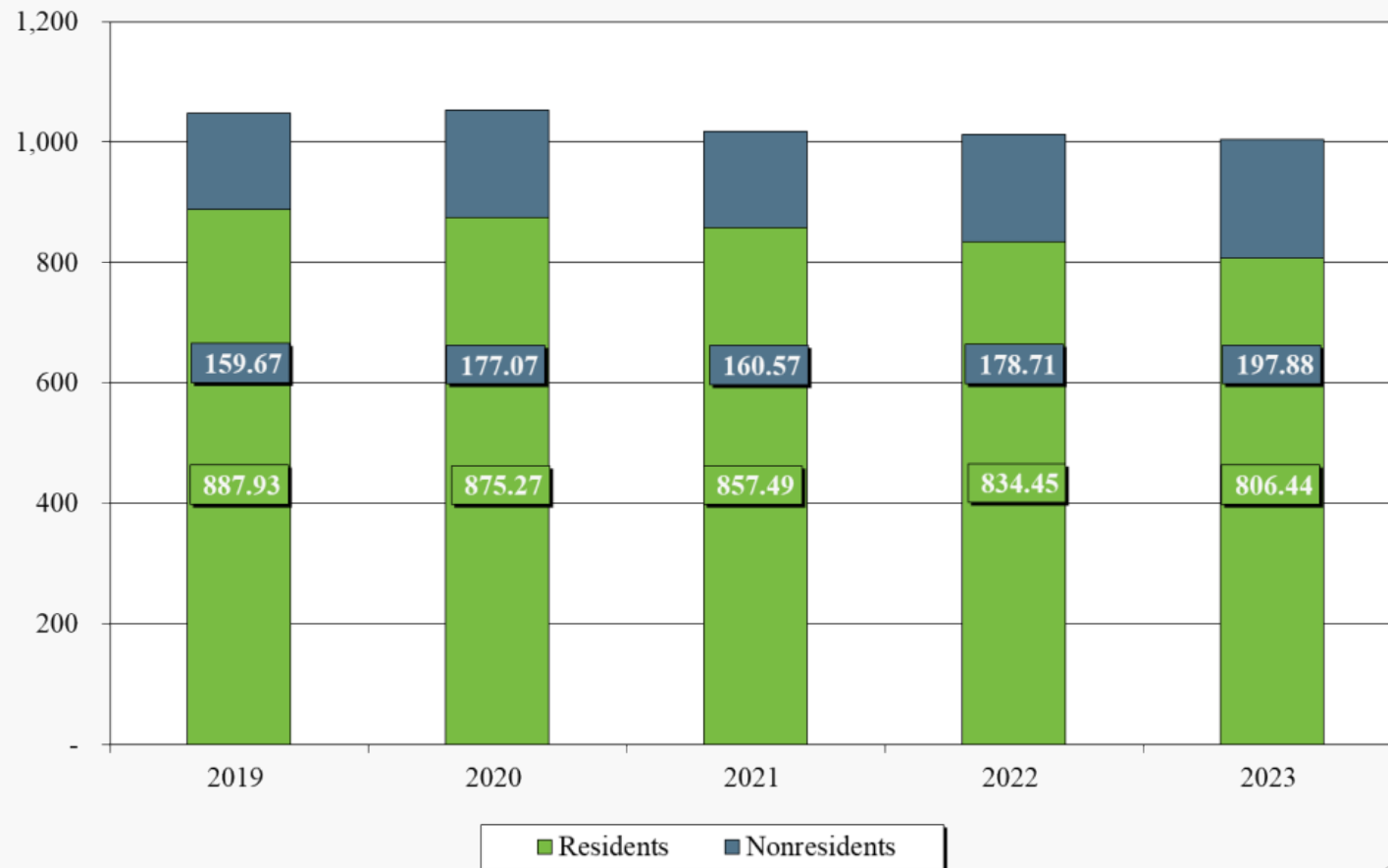


Average Daily Membership and Pupil Units –Weighting/Adjusted PUN

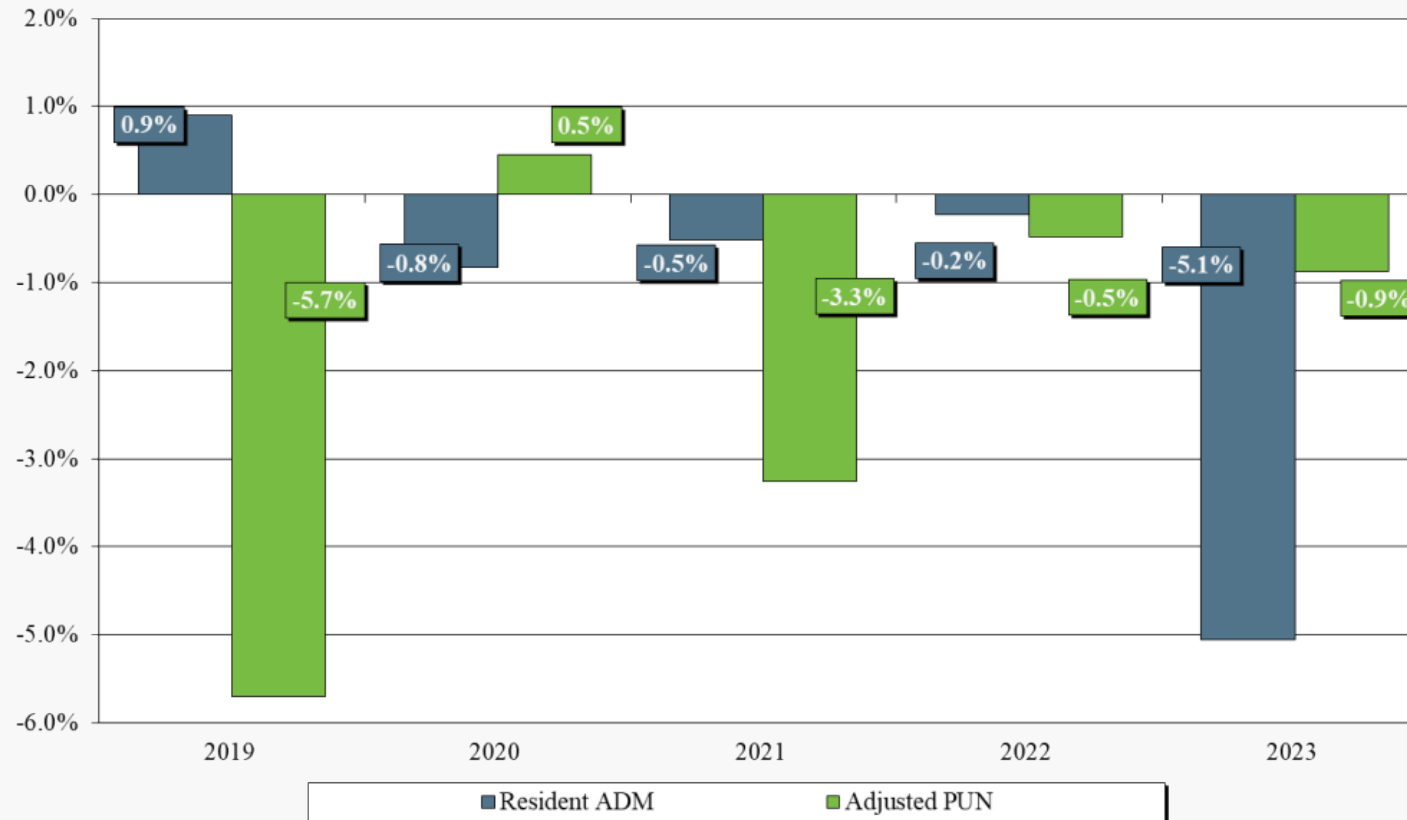
Pupil Units Weighting	Pre- Kindergarten	Handicapped Kindergarten	Kindergarten	Elementary Grades 1-3	Elementary Grades 4-6	Secondary
Fiscal Years 2019-2023	1.000	1.000	1.000	1.000	1.000	1.200

	2019	2020	2021	2022	2023
Residents	1,447.46	1,442.73	1,439.77	1,439.14	1,367.77
Residents going elsewhere	(559.53)	(567.46)	(582.28)	(604.69)	(561.33)
Nonresidents coming in	159.67	177.07	160.57	178.71	197.88
Total Adjusted PUN	1,047.60	1,052.34	1,018.06	1,013.16	1,004.32

Average Daily Membership and Pupil Units – Students Served - PUN

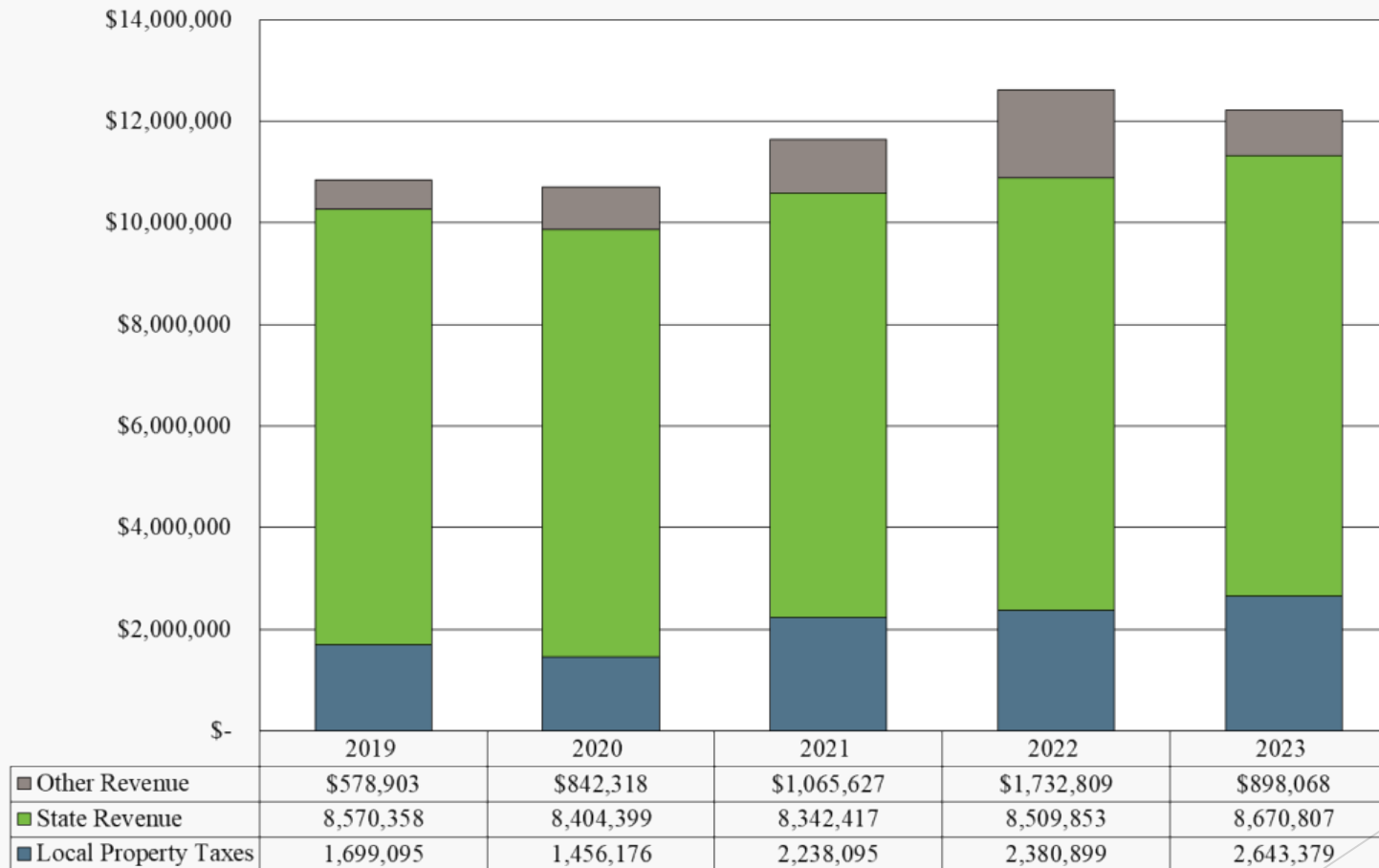


Change in Resident ADM and Adjusted PUN



General Fund

Sources of Revenue



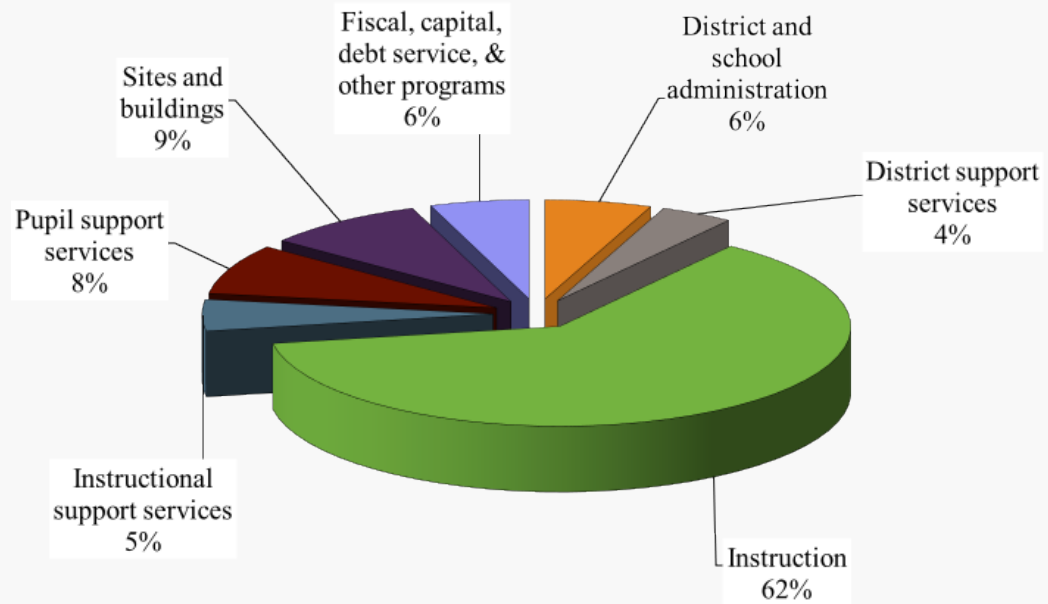
General Fund

Budget to Actual

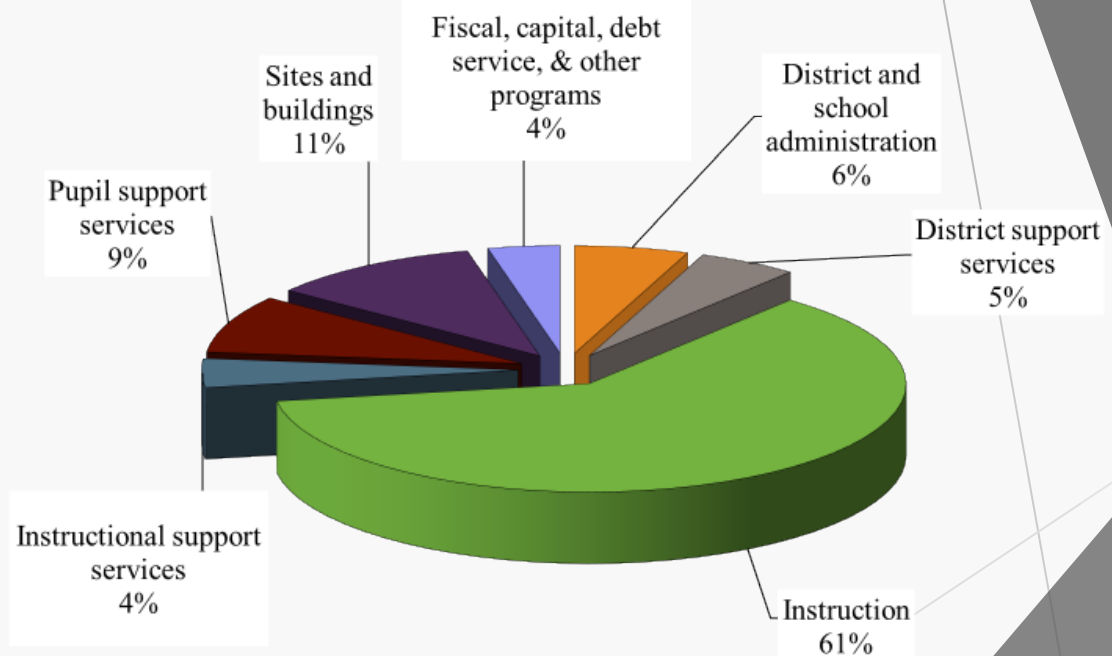
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	\$ 2,614,845	\$ 2,650,974	\$ 2,643,379	\$ (7,595)
Other local and county revenues	189,300	191,926	369,790	177,864
Revenue from state sources	8,617,069	8,997,189	8,670,807	(326,382)
Revenue from federal sources	454,487	586,653	528,278	(58,375)
Total revenues	11,875,701	12,426,742	12,212,254	(214,488)
Expenditures				
Administration	761,090	762,018	757,214	(4,804)
District support services	504,680	549,022	519,517	(29,505)
Regular instruction	5,468,688	5,524,973	5,498,032	(26,941)
Vocational education instruction	168,808	180,810	220,362	39,552
Special education instruction	1,956,049	2,218,325	2,212,941	(5,384)
Instructional support services	525,388	527,228	648,983	121,755
Pupil support services	930,529	950,410	1,044,632	94,222
Sites and buildings	1,046,189	1,050,189	1,141,135	90,946
Fiscal and other fixed cost programs	69,000	69,000	79,507	10,507
Capital outlay	92,407	392,407	440,344	47,937
Debt service	169,691	169,691	182,404	12,713
Total expenditures	11,692,519	12,394,073	12,745,071	350,998
Net Change in Fund Balances	\$ 183,182	\$ 32,669	\$ (532,817)	\$ (565,486)

General Fund Expenditures

2023 General Fund Expenditure Allocation



2022 General Fund Expenditure Allocation

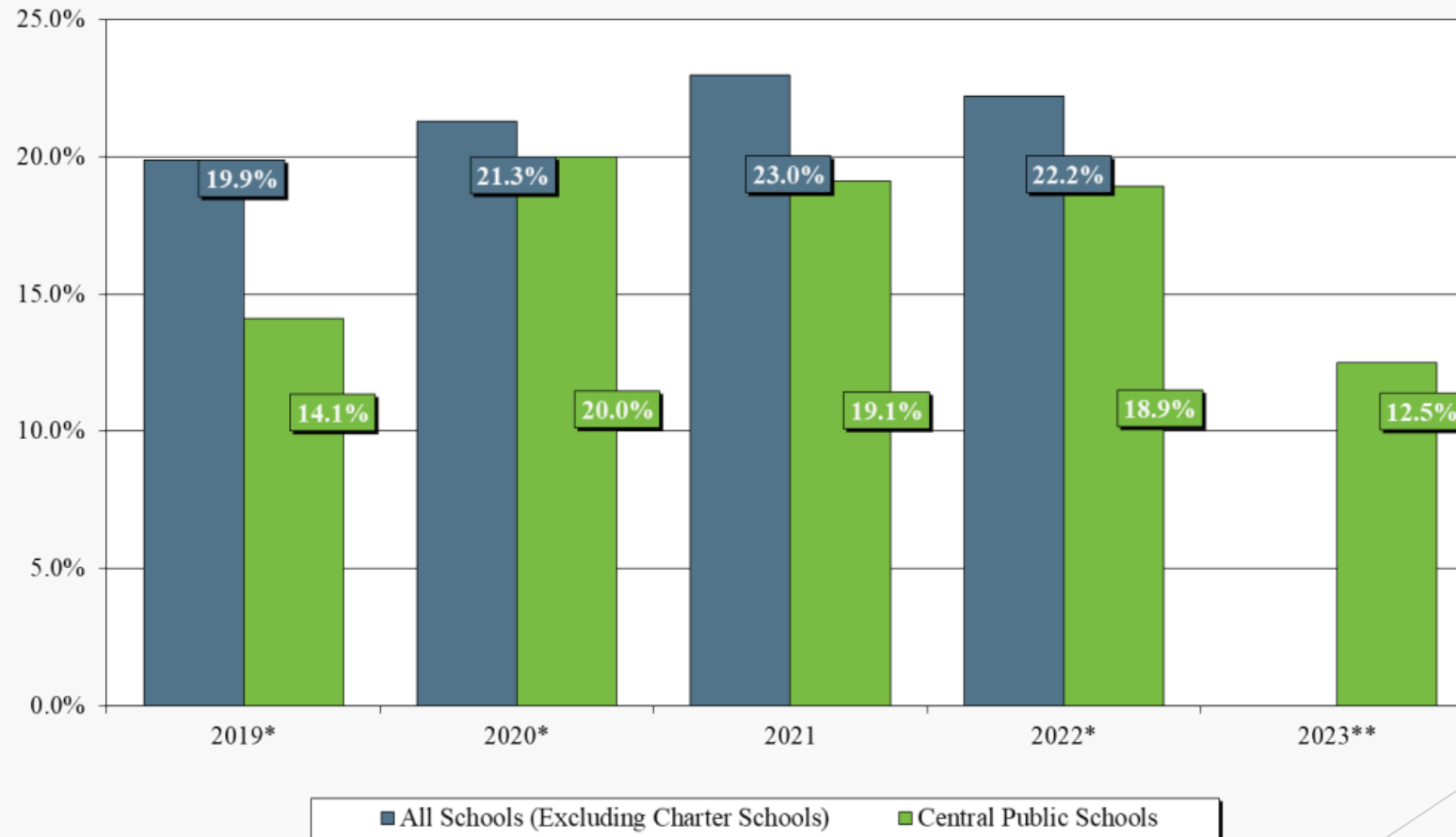


General Fund Operations

Year Ended June 30,	2019	2020	2021	2022	2023
Revenues	\$ 10,848,356	\$ 10,702,893	\$ 11,646,139	\$ 12,623,561	\$ 12,212,254
Expenditures	10,999,546	10,710,634	11,270,964	12,366,777	12,745,071
Excess of revenues over (under) expenditures	(151,190)	(7,741)	375,175	256,784	(532,817)
Add other sources	12,138	173,988	-	-	-
Add transfers in	-	536,455	-	-	-
Less transfers out	-	(290,455)	-	-	-
Fund balance, July 1	1,729,285	1,590,233	2,139,331	2,514,506	2,771,290
Change in accounting principle	-	136,851	-	-	-
Fund Balance, June 30	\$ 1,590,233	\$ 2,139,331	\$ 2,514,506	\$ 2,771,290	\$ 2,238,473
Nonspendable for					
Prepays	\$ 9,942	\$ 4,431	\$ 65,776	\$ 55,979	\$ 14,007
Restricted/reserved for					
Student Activities	-	109,199	109,590	103,059	81,865
Scholarships	-	34,705	33,584	31,777	31,492
Capital Projects Levy	-	-	77,282	95,954	221,264
Health and Safety	-	-	-	-	-
Projects Funded by Certificates of Participation	-	-	-	-	-
Operating Capital	-	-	113,666	61,353	2,027
Basic Skills Extended Time	-	-	-	43,341	77,220
Disabled Accessibility	1,078	-	-	-	-
Gifted and Talented	-	-	-	-	-
Safe Schools Levy	-	-	-	-	-
Long Term Facilities Maintenance	191,693	100,000	220,739	295,600	301,495
Medical Assistance	102,804	70,832	63,891	109,326	135,225
Committed for					
Assigned	-	-	607,182	624,624	417,589
Unassigned	1,284,716	1,820,164	1,222,796	1,350,277	956,289
Fund Balance, June 30	\$ 1,590,233	\$ 2,139,331	\$ 2,514,506	\$ 2,771,290	\$ 2,238,473

General Fund

Unrestricted Fund Balance as a Percentage of Unrestricted Expenditures



Food Service Fund

Year Ended June 30,	2019	2020	2021	2022	2023
Revenues	\$ 458,829	\$ 469,034	\$ 429,806	\$ 658,692	\$ 570,845
Expenditures	470,218	470,784	407,380	538,953	662,448
Excess of revenues over (under) expenditures	(11,389)	(1,750)	\$22,426	119,739	(91,603)
Fund balance, July 1	118,880	107,491	105,741	128,167	247,906
Fund Balance, June 30	\$ 107,491	\$ 105,741	\$ 128,167	\$ 247,906	\$ 156,303

Community Service Fund

Year Ended June 30,	2019	2020	2021	2022	2023
Revenues	\$ 957,272	\$ 826,130	\$ 772,202	\$ 879,859	\$ 992,485
Expenditures	857,136	850,599	750,670	950,826	1,081,440
Excess of revenues over (under) expenditures	100,136	(24,469)	21,532	(70,967)	(88,955)
Other financing sources (uses)	-	(246,000)	-	-	-
Fund balance, July 1	481,641	581,777	311,308	332,840	261,873
Fund Balance, June 30	\$ 581,777	\$ 311,308	\$ 332,840	\$ 261,873	\$ 172,918

Questions?

Andrew Grice

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DO
MORE.

A modern office interior featuring a long hallway with glass-walled rooms on both sides. The rooms have black frames and are furnished with contemporary decor, including a sofa, a floor lamp, and a tripod stand. The hallway has a polished floor and a ceiling with exposed pipes and black pendant lights. The overall atmosphere is clean, bright, and professional.

THANK
LET'S DO MORE, TOGETHER.
YOU

BerganKDV is a leading professional services firm with a contagious culture; where growth is fostered and making a difference means something. Our values drive our decisions, and our passion is empowering people and creating a wow experience for our clients.

We are powered by people who do business the Midwest way delivering comprehensive business, financial and technology solutions including business planning and consulting, tax, assurance and accounting, technology, wealth management and turnaround management services. From tax reform to technology, we go beyond so you can...

DO MORE.



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2024-25

Central Public Schools

Students	Teachers
1st Qtr 42	46
2nd Qtr 43	45
3rd Qtr 43	45
4th Qtr 39	40
167	176

July

S	M	T	W	T	F	S
	1	2	3	4	5	
	8	9	10	11	12	
	15	16	17	18	19	
	22	23	24	25	26	
	29	30	31			

Jan. 2: School Resumes

Jan17: End of 2nd Qtr. Early Release

Jan. 20: No School; Staff Development

January

S	M	T	W	T	F	S
		1	2	3		
	6	7	8	9	10	
	13	14	15	16	17	
	20	21	22	23	24	
	27	28	29	30	31	

August

S	M	T	W	T	F	S
				1	2	
	5	6	7	8	9	
	12	13	14	15	16	
	19	20	21	22	23	
	26	27	28	29	30	

Aug. 22: New Teacher Workshop

Aug. 26-29: Teacher Workshop

Aug. 28-29: Transition Day E-5
(Conferences and open house
individualized by appointment)

Aug. 28: Open House 6-12

Feb. 6: Kindergarten Registration

Feb. 13 & 17: E-6 Conferences

Feb 17: No School; Staff Development

Feb. 17 & 20 MS/HS Conferences

February

S	M	T	W	T	F	S
	3	4	5	6	7	
	10	11	12	13	14	
	17	18	19	20	21	
	24	25	26	27	28	

September

S	M	T	W	T	F	S
	2	3	4	5	6	
	9	10	11	12	13	
	16	17	18	19	20	
	23	24	25	26	27	
	30					

Sept. 2: Labor Day No School

Sept. 3: Transition Day 6th & 9th
grades at school. Bussing provid-
ed.

Sept. 4: E-12 First Day of
School

Mar. 21: End of 3rd Qtr. Early Release

March 24: Teacher Comp
March 25 - March 28:
No School Spring Break

March

S	M	T	W	T	F	S
	3	4	5	6	7	
	10	11	12	13	14	
	17	18	19	20	21	
	24	25	26	27	28	
	31					

October

S	M	T	W	T	F	S
		1	2	3	4	
	7	8	9	10	11	
	14	15	16	17	18	
	21	22	23	24	25	
	28	29	30	31		

Oct. 10 & Oct. 15: E-6 Conferences

Oct. 17 & 18: No School; Fall Recess

April 18: No School; Staff and Students

April

S	M	T	W	T	F	S
		1	2	3	4	
	7	8	9	10	11	
	14	15	16	17	18	
	21	22	23	24	25	
	28	29	30			

November

S	M	T	W	T	F	S
				1		
	4	5	6	7	8	
	11	12	13	14	15	
	18	19	20	21	22	
	25	26	27	28	29	

Nov. 1: End of 1st Qtr. Early Release

Nov. 4: No School; Staff Development

Nov. 4 & 7: HS/MS Conferences

Nov. 27, 28 & 29: No School
Teacher Comp. & Thanksgiving Break

May 23: Last Day of School,
1/2 day, students released after
lunch

May 23: Graduation

May

S	M	T	W	T	F	S
				1	2	
	5	6	7	8	9	
	12	13	14	15	16	
	19	20	21	22	23	
	26	27	28	29	30	

December

S	M	T	W	T	F	S
	2	3	4	5	6	
	9	10	11	12	13	
	16	17	18	19	20	
	23	24	25	26	27	
	30	31				

Dec. 23- Jan. 1 : No
School; Winter Break

Snow Day Procedure:
On the first snow/cold weather
day class will be cancelled and
the following 5 snow/cold
weather days will be "e-learning
days"

June

S	M	T	W	T	F	S
	2	3	4	5	6	
	9	10	11	12	13	
	16	17	18	19	20	
	23	24	25	26	27	
	30					

Adopted: _____

MSBA/MASA Model Policy 516

Orig. 1995

Revised: _____

Rev. 2022

516 STUDENT MEDICATION

[Note: The necessary provisions for complying with Minnesota Statutes sections 121A.22, Administration of Drugs and Medicine, 121A.221, Possession and Use of Asthma Inhalers by Asthmatic Students, and 121A.222, Possession and Use of Nonprescription Pain Relievers by Secondary Students are included in this policy. The statutes do not regulate administration of drugs and medicine for students aged 18 and over or other nonprescription medications. Please note that section 121A.22 does not require school districts to apply the administration of medication rule to drugs or medicine used off school grounds, drugs or medicines used in connection with athletics or extra-curricular activities, and drugs and medicines that are used in connection with activities that occur before or after the regular school day.]

I. PURPOSE

The purpose of this policy is to set forth the provisions that must be followed when administering nonemergency prescription medication to students at school.

II. GENERAL STATEMENT OF POLICY

The school district acknowledges that some students may require prescribed drugs or medication during the school day. The school district's licensed school nurse, trained health clerk, principal, or teacher will administer prescribed medications, except any form of medical cannabis, in accordance with law and school district procedures.

III. REQUIREMENTS

- A. The administration of prescription medication or drugs at school requires a completed signed request from the student's parent. An oral request must be reduced to writing within two school days, provided that the school district may rely on an oral request until a written request is received.
- B. An "Administering Prescription Medications" form must be completed annually (once per school year) and/or when a change in the prescription or requirements for administration occurs. Prescription medication as used in this policy does not include any form of medical cannabis as defined in Minnesota Statutes section 152.22, subdivision 6.
- C. Prescription medication must come to school in the original container labeled for the student by a pharmacist in accordance with law and must be administered in a manner consistent with the instructions on the label.
- D. The school nurse may request to receive further information about the prescription, if needed, prior to administration of the substance.
- E. Prescription medications are not to be carried by the student, but will be left with the appropriate school district personnel. Exceptions to this requirement are: prescription asthma medications self-administered with an inhaler (See Part J.5. below), and medications administered as noted in a written agreement between the school district and the parent or as specified in an IEP (individualized education program), Section 504

plan, or IHP (individual health plan).

- F. The school must be notified immediately by the parent or student 18 years old or older in writing of any change in the student's prescription medication administration. A new medical authorization or container label with new pharmacy instructions shall be required immediately as well.
- G. For drugs or medicine used by children with a disability, administration may be as provided in the IEP, Section 504 plan or IHP.
- H. The school nurse, or other designated person, shall be responsible for the filing of the Administering Prescription Medications form in the health records section of the student file. The school nurse, or other designated person, shall be responsible for providing a copy of such form to the principal and to other personnel designated to administer the medication.
- I. Procedures for administration of drugs and medicine at school and school activities shall be developed in consultation with a school nurse, a licensed school nurse, or a public or private health organization or other appropriate party (if appropriately contracted by the school district under Minnesota Statutes section 121A.21). The school district administration shall submit these procedures and any additional guidelines and procedures necessary to implement this policy to the school board for approval. Upon approval by the school board, such guidelines and procedures shall be an addendum to this policy.
- J. If the administration of a drug or medication described in this section requires the school district to store the drug or medication, the parent or legal guardian must inform the school if the drug or medication is a controlled substance. For a drug or medication that is not a controlled substance, the request must include a provision designating the school district as an authorized entity to transport the drug or medication for the purpose of destruction if any unused drug or medication remains in the possession of school personnel. For a drug or medication that is a controlled substance, the request must specify that the parent or legal guardian is required to retrieve the drug or controlled substance when requested by the school.
- K. Specific Exceptions:
 - 1. Special health treatments and health functions such as catheterization, tracheostomy suctioning, and gastrostomy feedings do not constitute administration of drugs and medicine;
 - 2. Emergency health procedures, including emergency administration of drugs and medicine are not subject to this policy;
 - 3. Drugs or medicine provided or administered by a public health agency to prevent or control an illness or a disease outbreak are not governed by this policy;
 - 4. Drugs or medicines used at school in connection with services for which a minor may give effective consent are not governed by this policy;
 - 5. Drugs or medicines that are prescription asthma or reactive airway disease medications can be self-administered by a student with an asthma inhaler if:
 - a. the school district has received a written authorization from the pupil's parent permitting the student to self-administer the medication;

- b. the inhaler is properly labeled for that student; and
- c. the parent has not requested school personnel to administer the medication to the student.

The parent must submit written authorization for the student to self-administer the medication each school year. In a school that does not have a school nurse or school nursing services, the student's parent or guardian must submit written verification from the prescribing professional which documents that an assessment of the student's knowledge and skills to safely possess and use an asthma inhaler in a school setting has been completed.

If the school district employs a school nurse or provides school nursing services under another arrangement, the school nurse or other appropriate party must assess the student's knowledge and skills to safely possess and use an asthma inhaler in a school setting and enter into the student's school health record a plan to implement safe possession and use of asthma inhalers;

6. Medications:

- a. that are used off school grounds;
- b. that are used in connection with athletics or extracurricular activities; or
- c. that are used in connection with activities that occur before or after the regular school day

are not governed by this policy.

[Note: The provisions of paragraph 6 are optional and the school board may choose to include or exclude any of the provisions specified.]

7. Nonprescription Medication. A secondary student may possess and use nonprescription pain relief in a manner consistent with the labeling, if the school district has received written authorization from the student's parent or guardian permitting the student to self-administer the medication. The parent or guardian must submit written authorization for the student to self-administer the medication each school year. The school district may revoke a student's privilege to possess and use nonprescription pain relievers if the school district determines that the student is abusing the privilege. This provision does not apply to the possession or use of any drug or product containing ephedrine or pseudoephedrine as its sole active ingredient or as one of its active ingredients. Except as stated in this paragraph, only prescription medications are governed by this policy.

[Note: School districts should consult with licensed medical and nursing personnel to address whether nonprescription medications will be allowed at elementary schools and whether and under what conditions school personnel will participate in storing or administering nonprescription medications.]

8. At the start of each school year or at the time a student enrolls in school, whichever is first, a student's parent, school staff, including those responsible for student health care, and the prescribing medical professional must develop

and implement an individualized written health plan for a student who is prescribed epinephrine auto-injectors that enables the student to:

- a. possess epinephrine auto-injectors; or
- b. if the parent and prescribing medical professional determine the student is unable to possess the epinephrine, have immediate access to epinephrine auto-injectors in close proximity to the student at all times during the instructional day.

The plan must designate the school staff responsible for implementing the student's health plan, including recognizing anaphylaxis and administering epinephrine auto-injectors when required, consistent with state law. This health plan may be included in a student's § 504 plan.

9. A student may possess and apply a topical sunscreen product during the school day while on school property or at a school-sponsored event without a prescription, physician's note, or other documentation from a licensed health care professional. School personnel are not required to provide sunscreen or assist students in applying sunscreen.

L. "Parent" for students 18 years old or older is the student.

M. Districts and schools may obtain and possess epinephrine auto-injectors to be maintained and administered by school personnel to a student or other individual if, in good faith, it is determined that person is experiencing anaphylaxis regardless of whether the student or other individual has a prescription for an epinephrine auto-injector. The administration of an epinephrine auto-injector in accordance with this section is not the practice of medicine.

A district or school may enter into arrangements with manufacturers of epinephrine auto-injectors to obtain epinephrine auto-injectors at fair-market, free, or reduced prices. A third party, other than a manufacturer or supplier, may pay for a school's supply of epinephrine auto-injectors.

N. Procedure regarding unclaimed drugs or medications.

1. The school district has adopted the following procedure for the collection and transport of any unclaimed or abandoned prescription drugs or medications remaining in the possession of school personnel in accordance with this policy. Before the transportation of any prescription drug or medication under this policy, the school district shall make a reasonable attempt to return the unused prescription drug or medication to the student's parent or legal guardian. Transportation of unclaimed or unused prescription drugs or medications will occur at least annually, but may occur more frequently at the discretion of the school district.
2. If the unclaimed or abandoned prescription drug is not a controlled substance as defined under Minnesota Statutes section 152.01, subdivision 4, or is an over-the-counter medication, the school district will either designate an individual who shall be responsible for transporting the drug or medication to a designated drop-off box or collection site or request that a law enforcement agency transport the drug or medication to a drop-off box or collection site on behalf of the school district.
3. If the unclaimed or abandoned prescription drug is a controlled substance as defined in Minnesota Statutes section 152.01, subdivision 4, the school district or school personnel is prohibited from transporting the prescription drug to a drop-off box or collection site for prescription drugs identified under this paragraph. The school district must request that a law enforcement agency transport the prescription drug or medication to a collection bin that complies with Drug Enforcement Agency

regulations, or if a site is not available, under the agency's procedure for transporting drugs.

- Legal References:**
- Minn. Stat. § 13.32 (Educational Data)
 - Minn. Stat. § 121A.21 (Hiring of Health Personnel)
 - Minn. Stat. § 121A.22 (Administration of Drugs and Medicine)
 - Minn. Stat. § 121A.2205 (Possession and Use of Epinephrine Auto-Injectors; Model Policy)
 - Minn. Stat. § 121A.2207 (Life-Threatening Allergies in Schools; Stock Supply of Epinephrine Auto-Injectors)
 - Minn. Stat. § 121A.221 (Possession and Use of Asthma Inhalers by Asthmatic Students)
 - Minn. Stat. § 121A.222 (Possession and Use of Nonprescription Pain Relievers by Secondary Students)
 - Minn. Stat. § 121A.223 (Possession and Use of Sunscreen)
 - Minn. Stat. § 151.212 (Label of Prescription Drug Containers)
 - Minn. Stat. § 152.01 (Definitions)
 - Minn. Stat. § 152.22 (Definitions)
 - Minn. Stat. § 152.23 (Limitations)
 - 20 U.S.C. § 1400 *et seq.* (Individuals with Disabilities Education Act)
 - 29 U.S.C. § 794 *et seq.* (Rehabilitation Act of 1973, § 504)
- Cross References:**
- MSBA/MASA Model Policy 418 (Drug-Free Workplace/Drug-Free School)