INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA

FINANCIAL STATEMENTS

JUNE 30, 2023

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INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
BOARD OF EDUCATION AND ADMINISTRATION
JUNE 30, 2023

2022 - 2023

Craig Britton	Chairperson	12/31/2026
Jennifer Pickett	Vice Chairperson	12/31/2026
Susan Sikkink	Treasurer	12/31/2026
Deb Ristau	Clerk	12/31/2024
Michelle Topness	Vice-Clerk	12/31/2026
Aaron Bishop	Director	12/31/2024
Jim Love	Director	12/31/2024

2021 - 2022

Craig Britton	Chairperson	12/31/2022
Jennifer Pickett	Vice Chairperson	12/31/2022
Susan Sikkink	Treasurer	12/31/2022
Deb Ristau	Clerk	12/31/2024
Michelle Topness	Vice-Clerk	12/31/2022
Aaron Bishop	Director	12/31/2024
Jim Love	Director	12/31/2024

Superintendent

Heath Olstad

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INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA

FINANCIAL SECTION

JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Independent School District #2198
Preston, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District #2198, Preston, Minnesota as of and for the year ended June 30, 2023, and the related notes to 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 the District, as of June 30, 2023, and the respective changes in financial position, and the budgetary comparison for the General Fund and each major special revenue 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 the District and meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 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 substantial likelihood that, individually or in the aggregate, they would influence the judgement 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 judgement 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 response 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 supplementary information, Uniform Financial Accounting and Reporting Standards Compliance Table, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CRF) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Supplementary Information (continued)

The supplementary information Uniform Financial Accounting and Reporting Standards Compliance Table and Schedule of Expenditures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information Uniform Financial Accounting and Reporting Standards Compliance Table and Schedule of Expenditures are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Summarized Comparative Information

The financial statements include partial year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District’s financial statement for the year ended June 30, 2022, from which such partial information was derived.

We have previously audited the District’s 2022 financial statements and our report, dated November 8, 2022, expressed unmodified opinions on the respective financial statements of the governmental activities each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 18, 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.

Smith, Schafer and Associates, Ltd.

Rochester, Minnesota
October 18, 2023

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Independent School District #2198 – Fillmore Central Schools' 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 follow this section.

FINANCIAL HIGHLIGHTS

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

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $7,786,543 *(net position)*.

- Overall revenues for the General Fund were $9,089,123 while overall expenditures totaled $8,398,828.

- The General Fund Unassigned Fund Balance is $1,434,423. This represents a decrease of $55,165 from last fiscal year. The restricted fund balances total $993,813 as compared to $986,251 last fiscal year. The assigned fund balances total $2,821,471 as compared to $2,113,326 last fiscal year. The decrease in unassigned fund balance and increase in assigned fund balance is due to allocating funds to the district's Site Improvement assigned fund balance.

- The General Fund total fund balance increased by $673,692 in 2022-2023. The increase in fund balance is due to additional federal funds received to deal with the district's response to the covid-19 pandemic.

- The Food Service Fund total fund balance increased by $30,385 in 2022-2023. This increase is due to the use of supply chain assistance funds allocated by the state of Minnesota.

- The Community Service Fund total fund balance increased by $30,814 in 2022-2023. The increase in fund balance is due to increased participation in the SAC program as well as increased interest revenue generated by Community Service cash balances.

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 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 proprietary fund statements offer short-term and long-term financial information about the activities the District operates in a manner similar to businesses.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

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, deferred outflows of resources, liabilities, and deferred inflows of resources – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is 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.

In the district-wide financial statements the District's activities are shown in one category: Governmental activities. Most of the District's basic services are included here, such as elementary and secondary regular instruction, 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 (i.e. scholarship trust fund).

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The District has three kinds of funds:

- ***Governmental funds.*** Most of 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 following the governmental funds statements that explains the relationship (or difference) between them.

- ***Proprietary funds.*** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's sole proprietary fund is an internal service fund which charges the District's activities for the cost of other postemployment benefits consisting primarily of health insurance.

- ***Fiduciary funds.*** The District is the trustee, or fiduciary, for assets that belong to others, such as the trust fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position from Governmental activities was $7,786,543 on June 30, 2023. This was an increase of $1,874,702 from the prior year, including the impact due to change in accounting standards.

	Total	
	2023	2022
Assets		
Current and other assets	$ 9,020,444	$ 8,153,477
Capital assets	10,950,013	11,321,424
Total assets	19,970,457	19,474,901
Deferred Outflows of Resources	1,974,385	2,190,642
Liabilities		
Current liabilities	920,004	962,424
Long-Term liabilities	10,544,228	8,303,648
Total liabilities	11,464,232	9,266,072
Deferred Inflows of Resources	2,694,067	6,487,630
Net Position		
Net investment in capital assets	7,436,457	7,361,867
Restricted	1,687,579	1,503,443
Unrestricted	(1,337,493)	(2,953,469)
Total net position	$ 7,786,543	$ 5,911,841

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

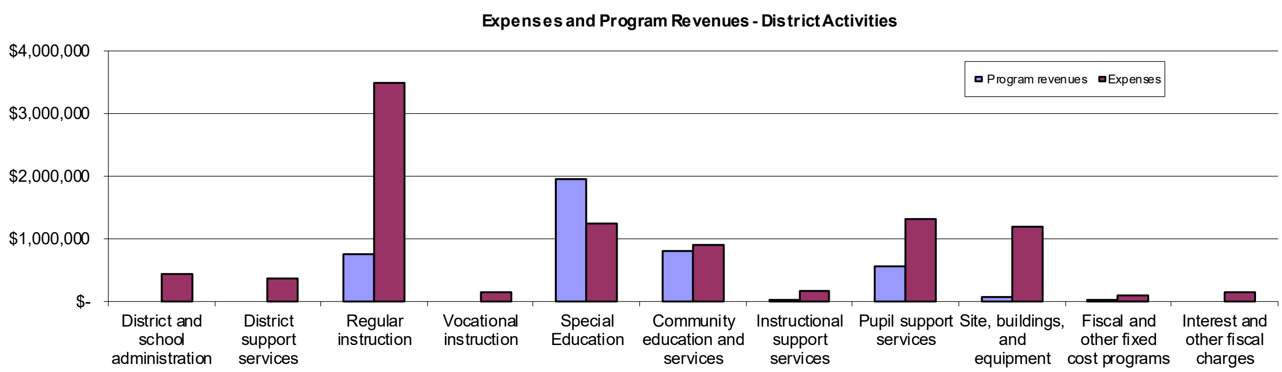
District's Revenue. The District's total revenues were $11,229,642 for the year ended June 30, 2023; compared to $10,762,832 on June 30, 2022. General revenues from federal and state sources accounted for 49.78% of total revenue for the year ended June 30, 2023, compared to 49.76% in the prior year. Local property taxes (levies) accounted for 11.74% percent (compared to 13.91% the previous year) of the total revenue, with the remaining revenue coming from other sources.

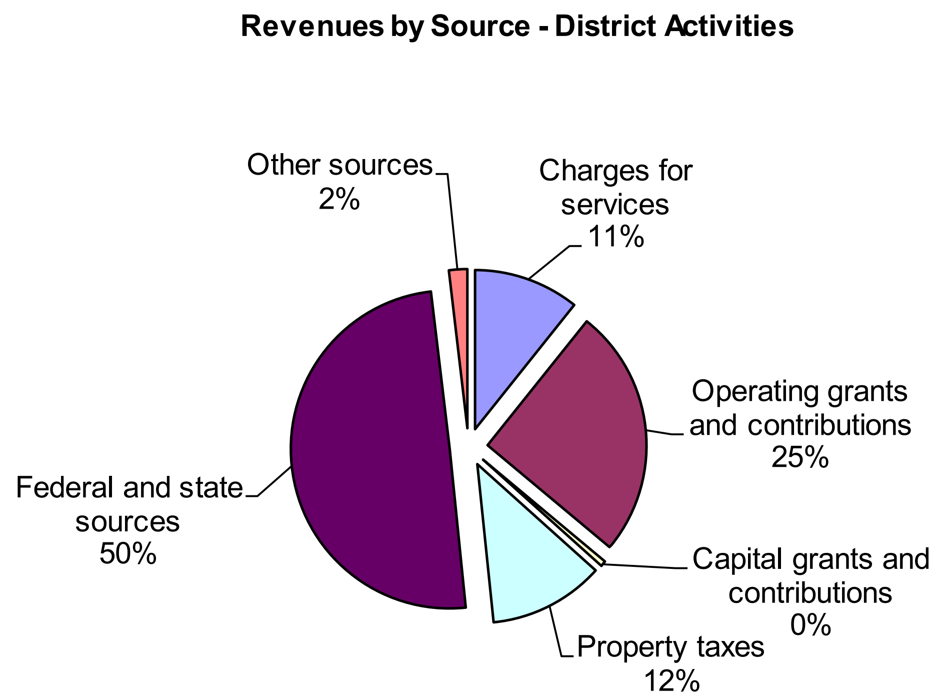
A condensed version of the Statement of Activities follows:

	Total	
	2023	2022
Revenue		
Program revenues:		
Charges for services	$ 1,206,911	$ 968,815
Operating grants and contributions	2,844,099	2,890,952
Capital grants and contributions	62,760	52,621
General revenues:		
Property taxes	1,318,109	1,496,764
State sources	5,588,336	5,341,377
Other sources	209,427	12,303
Total revenues	11,229,642	10,762,832
Expenses		
District and school administration	425,886	476,133
District support services	360,159	342,081
Regular instruction	3,474,362	3,985,244
Vocational instruction	138,392	128,942
Special education	1,224,561	1,149,001
Community education and services	878,962	804,315
Instructional support services	149,132	165,875
Pupil support services	1,305,934	1,251,716
Site, buildings, and equipment	1,179,592	1,242,446
Fiscal and other fixed cost programs	81,143	52,804
Interest and other fiscal charges	136,817	150,627
Total expenses	9,354,940	9,749,184
Change in net position	1,874,702	1,013,648
Net position, beginning	5,911,841	4,898,193
Net position, end of year	$ 7,786,543	$ 5,911,841

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Below are specific graphs that provide comparisons of the district activities direct program revenues with their expenses. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.





FUND BASIS FINANCIAL ANALYSIS

Financial Analysis of the District's Funds

The financial performance of the District as a school is reflected in its governmental funds as well. As the District completed the year, its Governmental Funds reported a combined fund balance of $6,191,766.

Enrollment is expected to remain constant for the 2023-2024 school year. A decrease in enrollment is currently projected, however with the anticipated completion of the veteran's home in Preston, we are optimistic that enrollment could begin to increase over time.

History of enrollment measured by adjusted average daily membership (ADM) is as follows:

Fiscal Year	ADM	% Change
2014	573.03	
2015	590.61	3.1%
2016	627.26	6.2%
2017	625.37	-0.3%
2018	634.51	1.5%
2019	615.93	-2.9%
2020	612.25	-0.6%
2021	574.72	-6.1%
2022	581.71	1.2%
2023	586.17	0.8%

General Fund. The General Fund includes the primary operations of the District in providing educational services to students from kindergarten through grade twelve including pupil transportation activities and capital outlay projects.

Total General Fund revenues increased by $517,318 from the previous year (being $9,089,123 in FY23, and $8,571,805 in FY22).

Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. Other state-authorized revenue includes excess levy referendum and the property tax shift also involves an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net revenue change.

Local property taxes are impacted by the state provided funds for school property tax relief. This relief was provided in two principle ways: 1) removal of the general education revenue property tax via a funding model of greater state aid; and 2) roll in of additional aid for referendum revenue into the basis formula for general education revenue.

FUND BASIS FINANCIAL ANALYSIS (Continued)

General fund revenues and other financing sources were as follows:

	2023	2022	Increase/ (Decrease)
Local property tax levies	$ 862,090	$ 1,025,906	$ (163,816)
Other local and county sources	446,162	411,079	35,083
Investment income	212,507	9,567	202,940
State sources	6,059,491	5,876,057	183,434
Federal sources	1,479,288	1,248,070	231,218
Sales and other conversions of assets	29,585	1,126	28,459
Total	$ 9,089,123	$ 8,571,805	$ 517,318

Total General Fund expenditures increased by $65,591.

General fund expenditures and transfers were as follows:

	2023	2022	Increase/ (Decrease)
District and school administration	$ 506,507	$ 495,096	$ 11,411
District support services	370,254	352,435	17,819
Regular instruction	3,905,403	3,842,219	63,184
Vocational instruction	185,691	134,563	51,128
Special Education	1,326,636	1,189,916	136,720
Instructional support services	156,680	167,835	(11,155)
Pupil support services	802,235	661,540	140,695
Site, buildings, and equipment	1,079,025	1,433,095	(354,070)
Fiscal and other fixed cost programs and transfers out	66,397	56,538	9,859
Total	$ 8,398,828	$ 8,333,237	$ 65,591

The total General Fund balance on June 30, 2023, was $5,308,362 compared to $4,634,370 on June 30, 2022 (increase of $673,692). Of the amount, $993,813 is restricted for specific purposes by state requirements, $2,821,471 is assigned; and $1,434,423 is the Unassigned General Fund Balance.

Food Service Fund. The Food Service Fund accounts for the activities related to providing child nutrition services to support K-12 academic programs. The fund operates with the goal that revenues exceed expenditures on day-to-day school breakfast and lunch operations so that the excess can be used to systematically replace and upgrade kitchen equipment. By operating in this manner, the child nutrition services program is self-supporting and does not rely upon resources from K-12 instruction programs other than for use of school facilities.

The total Food Service Fund Balance on June 30, 2023, was $342,512 compared to $312,127 on June 30, 2022.

The Food Service revenue for 2022-2023 totaled $547,371 compared to $660,436 the previous year – a decrease of $113,065.

The Food Service expenditures for 2022-2023 totaled $519,687 compared to $550,495 the previous year – a decrease in expenditures $30,808.

FUND BASIS FINANCIAL ANALYSIS (Continued)

Community Service Fund. The Community Service Fund accounts for the activities related to providing education and recreation programs for Pre-Kindergarten and Post-Grade 12 students. Fillmore Central School's major cost centers in the Community Service Fund are daycare, learning readiness (preschool), and Early Childhood Family Education. The fund operates on the goal of breaking even on a yearly basis so that is does not rely upon resources from K-12 instruction programs other than for use of school facilities.

The Community Service Fund realized an increase in fund balance of $30,814.

Community Service Fund revenues for 2022-2023 totaled $872,932 compared to $849,523 in the previous year. This was an increase in revenue of $23,409 from the previous year. This increase is due to increased participation in the SAC program as well as increased interest revenue on cash balances.

Community Service Fund expenditures for 2022-2023 totaled $860,164 compared to $834,208 in the previous year. This was an increase in expenditures of $25,956 from the previous year. This increase is primarily due the change of food service rules for the daycare children. During the previous year, meals were provided free of charge through the Seamless Summer Option. This year meals were full-pay once again.

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

The Debt Service Restricted Fund Balances (including the OPEB debt service fund) increased by $9,078 in 2022-2023.

Internal Service Fund. The Postemployment Benefits Fund was established in fiscal 2009 with initial funding of $1,145,132 from bonds issued. The fund charges departments for the estimated cost of other postemployment benefits consisting primarily of health insurance. This fund had deficit net position of $118,605 at June 30, 2023.

***Fiduciary Fund**.* Private-purpose trust (scholarship trust) fund is the District's fiduciary fund. The net position of the scholarship trust is $24,441 (compared to $18,209 in FY22).

GENERAL FUND BUDGETARY HIGHLIGHTS

The District provided a Revised General Fund 2022-2023 budget in May of 2023. The Revised FY23 Budget estimated an increase of revenue of $213,749 over the projected FY23 budget.

The Actual FY23 revenues were $201,723 more than the Revised Budget for revenue. This was due to greater than anticipated interest earnings, tuition/participation fees from neighboring districts, state special education revenue, TRA/PERA special funding, and facility project rebates.

The Revised FY23 Budget expenditures were $128,345 less than the Original FY23 Budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2023, the District had invested $21,221,621 (before depreciation) in a broad range of capital assets including school buildings, athletic facilities, technology equipment, and other types of equipment.

	Total (Net of Depreciation) 2023	2022
Land	$ 44,373	$ 44,373
Construction in progress		554,123
Site improvements	3,169,403	3,218,458
Buildings	6,977,250	6,720,888
Machinery and equipment	758,987	783,582
Total	$ 10,950,013	$ 11,321,424

Long Term Liabilities. As of June 30, 2023, the District had $4,010,000 in bonds outstanding. The District also had $1,125 in severance benefits payable at the end of the year. A summary of outstanding long-term liabilities as of June 30, 2023, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable:					
General Obligation Bonds:					
Alternative Facilities Bond 2010A	$ 450,000	$	$ 145,000	$ 305,000	$ 150,000
Alternative Facilities Bond 2012A	410,000		65,000	345,000	65,000
Alternative & Capital Facilities Bond 2014A	3,050,000		230,000	2,820,000	235,000
OPEB Refunding Bonds 2017A	620,000		80,000	540,000	85,000
Bond Discount	(6,418)		(996)	(5,422)	
Bond Premium	55,975		6,997	48,978	
Other Liabilities:					
Severance Payable	2,250		1,125	1,125	
Governmental Activities Long-term Liabilities	$ 4,581,807	$	$ 527,126	$ 4,054,681	$ 535,000

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Covid-19 pandemic has significantly affected the district's enrollment as students transitioned to virtual options as well as homeschooling to keep families safe. We are hopeful that the opening of a veteran's home in Preston in the fall of 2023 will bring new young working families to the area and make a positive impact on our future enrollment. To offset our decline of enrollment we are holding a special election in the fall of 2023 asking the community to support an operating referendum that will increase annual revenue by $300,000.

The District will continue to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

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, Independent School District #2198, 702 Chatfield Street NW, Preston, Minnesota 55965.

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INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
STATEMENT OF NET POSITION
June 30, 2023
With Comparative Data as of June 30, 2022

	Governmental Activities	
	2023	2022
Assets		
Cash and cash equivalents	$ 6,920,645	$ 6,176,712
Taxes receivable	877,032	826,212
Other receivables	28,298	63,509
Due from other governmental units	1,129,230	1,039,632
Inventory	9,722	10,487
Prepaid items	55,517	36,925
Capital Assets:		
Nondepreciable	44,373	598,496
Depreciable, net of accumulated depreciation	10,905,640	10,722,928
TOTAL ASSETS	19,970,457	19,474,901
Deferred Outflows of Resources		
Deferred outflows from pension activities	1,897,584	2,096,812
Deferred outflows from OPEB activity	76,801	93,830
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,974,385	2,190,642
Liabilities		
Accounts payable	48,144	93,173
Due to other governmental units	82,582	40,224
Unearned revenue	18,704	31,463
Accrued liabilities	719,217	739,805
Accrued interest payable	51,357	57,759
Long-Term Liabilities:		
Due within one year	535,000	490,000
Due in more than one year	3,519,681	4,091,807
Net pension liability	6,043,206	3,242,490
Other postemployment benefits payable	446,341	479,351
TOTAL LIABILITIES	11,464,232	9,266,072
Deferred Inflows of Resources		
Deferred inflows from pension activities	993,629	4,965,653
Deferred inflows from OPEB activity	65,188	40,274
Property taxes levied for subsequent year	1,635,249	1,481,702
TOTAL DEFERRED INFLOWS OF RESOURCES	2,694,067	6,487,630
Net Position		
Net investment in capital assets	7,436,457	7,361,867
Restricted:		
Operating capital purposes	580,028	634,258
State-mandated restrictions	272,340	108,032
Food service	342,512	312,127
Community service	385,458	354,644
Debt service	107,241	94,382
Unrestricted	(1,337,493)	(2,953,469)
TOTAL NET POSITION	$ 7,786,543	$ 5,911,841

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023
With Partial Comparative Data for the Year Ended June 30, 2022

	2023			
		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
District and school administration	$ 425,886	$	$	$
District support services	360,159			
Regular instruction	3,474,362	451,445	300,110	
Vocational instruction	138,392			
Special education	1,224,561	14,774	1,934,739	
Community education and services	878,962	551,588	231,563	
Instruction support services	149,132		17,188	
Pupil support services	1,305,934	180,283	360,499	
Site, buildings, and equipment	1,179,592			62,760
Fiscal and other fixed cost programs	81,143	8,821		
Interest and other fiscal charges	136,817			
Total governmental activities	$ 9,354,940	$ 1,206,911	$ 2,844,099	$ 62,760

General Revenues:
Property taxes levied for:
General purposes
Community Service
Debt Service
State aid not restricted to specific purposes
Investment income
Total general revenues

Change in net position

Net Position - Beginning

Net Position - Ending

See Notes to Financial Statements

2023	2022
Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Total Governmental Activities	Total Governmental Activities
$ (425,886)	$ (476,133)
(360,159)	(342,081)
(2,722,807)	(3,320,795)
(138,392)	(128,942)
724,952	568,167
(95,811)	(34,250)
(131,944)	(133,294)
(765,152)	(589,139)
(1,116,832)	(1,189,825)
(72,322)	(39,877)
(136,817)	(150,627)
(5,241,170)	(5,836,796)
953,607	1,112,154
69,948	72,432
294,554	312,178
5,588,336	5,341,377
209,427	12,303
7,115,872	6,850,444
1,874,702	1,013,648
5,911,841	4,898,193
$ 7,786,543	$ 5,911,841

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023
With Partial Comparative Data as of June 30, 2022

	General	Food Service	Community Service
Assets			
Cash and cash equivalents	$ 5,454,823	$ 305,310	$ 495,555
Current property taxes receivable	439,965		34,976
Delinquent property taxes receivable	5,093		401
Accounts receivable	10,616	14,541	3,141
Due from other school districts	50,803		
Due from Minnesota Department of Education	588,033		4,795
Due from Federal through Minnesota Department of Education	437,049	13,248	7,626
Prepaid items	58,655		
Inventory		9,722	
TOTAL ASSETS	$ 7,045,037	$ 342,821	$ 546,494
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	$ 43,795	$ 309	$ 4,040
Salaries and accrued liabilities payable	655,769		63,448
Due to other school districts	82,582		
Due to other governments			
Unearned revenue	2,444		16,260
TOTAL LIABILITIES	784,590	309	83,748
Deferred Inflows of Resources			
Unavailable revenue:			
Property taxes levied for subsequent year	946,992		76,887
Delinquent property taxes	5,093		401
TOTAL DEFERRED INFLOWS OF RESOURCES	952,085		77,288
Fund Balances			
Nonspendable	58,655	9,722	
Restricted	993,813	332,790	385,458
Assigned	2,821,471		
Unassigned	1,434,423		
TOTAL FUND BALANCES	5,308,362	342,512	385,458
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 7,045,037	$ 342,821	$ 546,494

See Notes to Financial Statements

		Total Governmental Funds	
Debt Service	OPEB Debt Service	2023	2022
$ 271,591	$ 74,104	$ 6,601,383	$ 5,854,919
350,148	43,285	868,374	821,778
2,644	520	8,658	4,434
		28,298	28,581
		50,803	50,729
26,902	774	620,504	502,598
		457,923	521,233
		58,655	45,505
		9,722	10,487
$ 651,285	$ 118,683	$ 8,704,320	$ 7,840,264
$	$	$ 48,144	$ 93,174
		719,217	739,805
		82,582	16,365
			23,859
		18,704	31,463
		868,647	904,666
509,410	101,960	1,635,249	1,481,702
2,644	520	8,658	4,434
512,054	102,480	1,643,907	1,486,136
		68,377	55,992
139,231	16,203	1,867,495	1,790,556
		2,821,471	2,113,326
		1,434,423	1,489,588
139,231	16,203	6,191,766	5,449,462
$ 651,285	$ 118,683	$ 8,704,320	$ 7,840,264

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023
With Partial Comparative Data for the Year Ended June 30, 2022

	General	Food Service	Community Service
Revenues			
Local sources:			
Property tax levies	$ 862,090	$	$ 69,948
Other local and county sources	446,162		551,190
Investment income	212,507	10,588	15,037
State sources	6,059,491	25,137	49,694
Federal sources	1,479,288	328,063	187,063
Sales and other conversions of assets	29,585	183,583	
TOTAL REVENUES	9,089,123	547,371	872,932
Expenditures			
District and school administration	506,507		
District support services	370,254		
Regular instruction	3,905,403		
Vocational instruction	185,691		
Special education	1,326,636		
Community education and services			860,164
Instructional support services	156,680		
Pupil support services	802,235	519,687	
Site, buildings, and equipment	1,079,025		
Fiscal and other fixed cost programs	66,397		
TOTAL EXPENDITURES	8,398,828	519,687	860,164
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	690,295	27,684	12,768
Other Financing Sources (Uses)			
Proceeds from sale of property	4,144		
Transfer in		2,701	18,046
Transfer out	(20,747)		
TOTAL OTHER FINANCING SOURCES (USES)	(16,603)	2,701	18,046
NET CHANGE IN FUND BALANCES	673,692	30,385	30,814
FUND BALANCE - BEGINNING	4,634,670	312,127	354,644
FUND BALANCE - ENDING	$ 5,308,362	$ 342,512	$ 385,458

See Notes to Financial Statements

		Total Governmental Funds	
Debt Service	OPEB Debt Service	2023	2022
$ 294,554	$ 87,293	$ 1,313,885	$ 1,503,248
		997,352	936,721
10,526	1,926	250,584	11,672
268,597	7,736	6,410,655	6,193,041
		1,994,414	2,028,634
		213,168	62,397
573,677	96,955	11,180,058	10,735,713
		506,507	495,096
		370,254	352,435
		3,905,403	3,842,219
		185,691	134,563
		1,326,636	1,189,916
		860,164	834,208
		156,680	167,835
		1,321,922	1,212,035
		1,079,025	1,433,095
564,599	98,620	729,616	718,311
564,599	98,620	10,441,898	10,379,713
9,078	(1,665)	738,160	356,000
		4,144	20,350
		20,747	2,267
		(20,747)	(2,267)
		4,144	20,350
9,078	(1,665)	742,304	376,350
130,153	17,868	5,449,462	5,073,112
$ 139,231	$ 16,203	$ 6,191,766	$ 5,449,462

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
RECONCILIATION OF NET POSITION IN THE
DISTRICT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS
June 30, 2023

Amounts reported for governmental activities in the statement of net position are different because:

Total governmental fund balances (pages 17 and 18)		$ 6,191,766
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	$ 21,221,621	
Less: Accumulated depreciation	10,271,608	
		10,950,013
Other long-term assets not available to pay for current-period expenditure and, therefore, are deferred in the funds		
Delinquent property taxes		8,658
Internal service funds are used by management to charge the costs of OPEB to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position		(118,605)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	$ (4,010,000)	
Bond premium	(48,978)	
Bond discount	5,422	
Net pension liability	(5,139,251)	
Severance payable	(1,125)	
Accrued interest	(51,357)	
		(9,245,289)
Net position of governmental activities (page 14)		$ 7,786,543

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (pages 19 and 20)		$ 742,304
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	$ 439,943	
Depreciation expense	(800,207)	
		(360,264)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(11,147)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:		
Delinquent property taxes		4,224
The governmental funds report long-term debt proceeds as financing sources, while repayment of long-term debt principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligations bonds and related items is as follows.		
Principal retirement on long-term debt	$ 520,000	
Change in bond discount	(996)	
Change in bond premium	6,997	
Change in accrued interest	6,402	
		532,403
In the statement of activities, certain operating expenses - net pension liability and severance - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		
Severance payable	$ 1,125	
Net pension liability	972,080	
		973,205
Internal service funds are used by management to charge the costs of OPEB to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities		(6,023)
Change in net position of governmental activities (pages 15 and 16)		$ 1,874,702

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2023
With Partial Comparative Data for the Year Ended June 30, 2022

	Budgeted Amounts		2023	Over (Under)	2022
	Original	Final	Actual	Final Budget	Actual
Revenues					
Local sources:					
Property tax levies	$ 981,899	$ 871,753	$ 862,090	$ (9,663)	$ 1,025,906
Other local and county sources	271,277	385,314	446,162	60,848	411,079
Investment income	34,500	168,400	212,507	44,107	9,567
State sources	5,849,457	5,929,225	6,059,491	130,266	5,876,057
Federal sources	1,535,768	1,503,910	1,479,288	(24,622)	1,248,070
Sales and other conversions of assets	750	28,798	29,585	787	1,126
TOTAL REVENUES	8,673,651	8,887,400	9,089,123	201,723	8,571,805
Expenditures					
District and school administration	495,938	502,896	506,507	3,611	495,096
District support services	307,296	322,404	370,254	47,850	352,435
Regular instruction	4,083,679	4,028,596	3,905,403	(123,193)	3,842,219
Vocational instruction	135,644	185,349	185,691	342	134,563
Special education	1,336,568	1,257,877	1,326,636	68,759	1,189,916
Instructional support services	162,121	169,440	156,680	(12,760)	167,835
Pupil support services	856,183	877,562	802,235	(75,327)	661,540
Site, buildings, and equipment	1,270,611	1,177,074	1,079,025	(98,049)	1,433,095
Fiscal and other fixed cost programs	112,591	111,088	66,397	(44,691)	56,538
TOTAL EXPENDITURES	8,760,631	8,632,286	8,398,828	(233,458)	8,333,237
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(86,980)	255,114	690,295	435,181	238,568
Other Financing Sources					
Sale of capital assets			4,144	4,144	20,350
Operating transfers out		(17,500)	(20,747)	(3,247)	(2,268)
NET CHANGE IN FUND BALANCE	(86,980)	237,614	673,692	436,078	256,650
FUND BALANCE - BEGINNING	4,634,670	4,634,670	4,634,670		4,378,020
FUND BALANCE - ENDING	$ 4,547,690	$ 4,872,284	$ 5,308,362	$ 436,078	$ 4,634,670

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOOD SERVICE FUND
For the Year Ended June 30, 2023
With Partial Comparative Data for the Year Ended June 30, 2022

	Budgeted Amounts		2023	Over (Under)	2022
	Original	Final	Actual	Final Budget	Actual
Revenues					
Local sources:					
Investment income	$ 50	$ 5,000	$ 10,588	$ 5,588	$ 453
State sources	1,950	24,919	25,137	218	18,680
Federal sources	579,534	266,220	328,063	61,843	580,032
Sales and other conversions of assets	57,155	191,024	183,583	(7,441)	61,271
TOTAL REVENUES	638,689	487,163	547,371	60,208	660,436
Expenditures					
Pupil support services	573,808	514,714	519,687	4,973	550,495
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	64,881	(27,551)	27,684	55,235	109,941
Other Financing Sources					
Operating transfers in			2,701	2,701	2,268
NET CHANGE IN FUND BALANCE	64,881	(27,551)	30,385	57,936	112,209
FUND BALANCES - BEGINNING	312,127	312,127	312,127		199,918
FUND BALANCES - ENDING	$ 377,008	$ 284,576	$ 342,512	$ 57,936	$ 312,127

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
COMMUNITY SERVICE FUND
For the Year Ended June 30, 2023
With Partial Comparative Data for the Year Ended June 30, 2022

	Budgeted Amounts		2023	Over (Under)	2022
	Original	Final	Actual	Final Budget	Actual
Revenues					
Local sources:					
Property tax levies	$ 76,334	$ 70,195	$ 69,948	$ (247)	$ 72,432
Other local and county sources	556,927	530,085	551,190	21,105	525,642
Investment income			15,037	15,037	1,007
Federal sources	205,578	158,070	187,063	28,993	200,532
State sources	40,941	47,943	49,694	1,751	49,910
TOTAL REVENUES	879,780	806,293	872,932	66,639	849,523
Expenditures					
Community education and services	873,119	865,562	860,164	(5,398)	834,208
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	6,661	(59,269)	12,768	72,037	15,315
Other Financing Sources					
Operating transfers in		17,500	18,046	546	
NET CHANGE IN FUND BALANCES	6,661	(41,769)	30,814	72,583	15,315
FUND BALANCES - BEGINNING	354,644	354,644	354,644		339,329
FUND BALANCES - ENDING	$ 361,305	$ 312,875	$ 385,458	$ 72,583	$ 354,644

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2023 and 2022

	Governmental Activities - Internal Service	
	Postemployment Benefits Fund	
	2023	2022
Assets		
Cash and investments	$ 319,848	$ 321,793
TOTAL ASSETS	319,848	321,793
Deferred Outflows of Resources		
Deferred outflows from OPEB activity	76,801	93,830
Liabilities		
Accounts payable	3,715	8,580
Postemployment benefits payable	446,351	479,351
TOTAL LIABILITIES	450,066	487,931
Deferred Inflows of Resources		
Deferred inflows from OPEB activity	65,188	40,274
Net Position		
Unrestricted	$ (118,605)	$ (112,582)

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Years Ended June 30, 2023 and 2022

	Governmental Activities - Internal Service	
	Postemployment Benefits Fund	
	2023	**2022**
REVENUES		
Departmental charges	$ 7,995	$ 10,125
EXPENSES		
Post-retirement benefit expense	26,493	25,074
TOTAL EXPENSES	26,493	25,074
Operating Loss	(18,498)	(14,949)
Non-Operating Revenues		
Investment income	12,475	861
Change in Net Position	(6,023)	(14,088)
Net Position - Beginning	(112,582)	(98,494)
Net Position - Ending	$ (118,605)	$ (112,582)

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Years Ended June 30, 2023 and 2022

	Governmental Activities - Internal Service	
	Postemployment Benefits Fund	
	2023	2022
Cash Flows From Operating Activities		
Cash (payments) receipts for benefits	$ (14,420)	$ (7,732)
Cash Flows From Investing Activities		
Investment income	12,475	861
Decrease in Cash and Cash Equivalents	(1,945)	(6,871)
Cash and Cash Equivalents - Beginning	321,793	328,664
Cash and Cash Equivalents - Ending	$ 319,848	$ 321,793

Reconciliation of Operating Loss to Net Cash Used In Operating Activities

	2023	2022
Operating loss	$ (18,498)	$ (14,949)
Adjustments to reconcile Operating loss to Net Cash Used In Operating Activities:		
Deferred outflows from OPEB activity	17,029	(38,079)
Deferred inflows from OPEB activity	24,914	(8,056)
Accounts payable	(4,865)	726
Postemployment benefits payable	(33,000)	52,626
Net Cash Used In Operating Activities	$ (14,420)	$ (7,732)

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2023

	Private Purpose Trust Scholarship Trust Fund
Assets	
Cash and cash equivalents	$ 24,441
TOTAL ASSETS	$ 24,441
Net Position, Unrestricted	$ 24,441
TOTAL NET POSITION	$ 24,441

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2023

	Private Purpose Trust Scholarship Trust Fund
Additions	
Other local and county sources	$ 29,707
Deductions	
Fiscal and other fixed cost programs	23,475
CHANGE IN NET POSITION	6,232
NET POSITION - BEGINNING	18,209
NET POSITION - ENDING	$ 24,441

See Notes to Financial Statements

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INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

1. Summary of Significant Accounting Policies

The financial statements of Independent School District #2198 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments.

Financial Reporting Entity

Independent School District #2198 (the District) is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

Accounting principles generally accepted in the United States of America (GAAP) require that the District's financial statements include all funds, account groups, departments, agencies, boards, commissions, and other organizations which are not legally separated from the District. In addition, the District's financial statements are to include all component units - entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities, or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization.

Based on the aforementioned criteria, the District has no component units.

Basic Financial Statement Presentation

The District-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary fund. Fiduciary funds are reported only in the Statements of Fiduciary Net Position and Changes in Fiduciary Fund Net Position at the fund financial statement level.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function.

1. Summary of Significant Accounting Policies (Continued)

Basic Financial Statement Presentation (Continued)

Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material inter-fund activity has been removed from the District-wide financial statements.

Separate Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type. Proprietary funds are presented in the proprietary fund financial statements by type. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the District-wide statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The District-wide financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory “tax shift” described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State aids are recorded as revenue in the fiscal year for which the aids are designated by statute.

Governmental fund types are accounted for using the modified accrual basis of accounting. Under this method revenues are recognized when susceptible to accrual, i.e. both measurable and available to finance expenditures of the fiscal period. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual are property taxes, state aids, fees, and interest. For this purpose, the District considers all revenue to be available if it is collected within 60 days after the end of the current period.

Expenditures are generally recognized using the modified accrual basis of accounting when a related fund liability is incurred. Exceptions to this rule include (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued, and (2) principal and interest on general long-term debt which is recognized when due.

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

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

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Unearned revenue is recorded when assets are recognized before revenue recognition criteria have been satisfied. Grants received before eligibility requirements other than time requirements are met and recorded as unearned revenue. Grants received before time requirements are met are recorded as a deferred inflow of resources.

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 District's proprietary funds are departmental charges. Operating expenses for proprietary funds are post-retirement benefit payments and expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District's policy to use the restricted resources first, then unrestricted resources as they are needed.

Description of Funds

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, net position/fund balance, revenues, and expenditures. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

GASB standards set forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures of the individual funds in the governmental fund category) for the determination of major funds. The District electively added as major funds, those which had specific community focus. The major funds of the District are presented as follows:

The *general fund* is the District's primary operating fund. It accounts for all financial resources and transactions except those required to be accounted for in other funds.

The *food service fund* accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches, or snacks in connection with school activities.

The *community service fund* accounts for the resources designated for programs other than those for elementary and secondary students.

The *debt service fund* accounts for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

The *OPEB debt service fund* accounts for the accumulation of resources for, and the payment of, the OPEB (other postemployment benefits) bond principal, interest, and related costs.

The District reports the following proprietary fund:

The *postemployment benefits fund* is an internal service fund which accounts for the cost of postemployment benefits of the District. Postemployment benefit costs are charged to other funds of the District based on an established rate. Internal service funds account for the financing of services, provided by one fund to other funds of the District on a cost reimbursement basis.

1. Summary of Significant Accounting Policies (Continued)

Description of Funds (Continued)

The District reports the following fiduciary fund:

The *scholarship trust fund* is a private purpose trust fund for assets held in a trustee capacity. Contributions to the District are maintained in various scholarship funds in which the annual scholarships are awarded to students based on requirements established by the contributor.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) 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.

Budgets and Budgetary Accounting

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, Building Construction, and Debt Service Funds. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to budgeted amounts must be approved by the School Board.

Total fund expenditures in excess of the budget require approval of the School Board. Spending control for most funds is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

Cash and Investments

Except where otherwise required, the District maintains all deposits in bank accounts in the name of the District. These deposits are invested on a short-term basis with interest income allocated to each fund based upon their relative account balance. The balances shown in each fund represents an equity interest in the commingled pool of cash and temporary cash investments, which is under the management of the District. Investments consist primarily of nonparticipating certificates of deposit recorded at cost, which approximates market.

The District has designated cash and cash equivalents as demand deposits and all investments with an original maturity of three months or less.

Accounts Receivable

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

1. Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with United State generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Deferred Outflows of Resources

In addition to assets, the financial statements will sometimes report a separate section of deferred outflows of resources. This separate 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 types of items which occur related to revenue recognition. The deferred outflows of resources are pension and OPEB related.

Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate financial statement element, deferred inflows of resources. This separate financial statement element, deferred inflows of resources, 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 three items which occur related to revenue recognition. The first occurs because property tax receivables are recorded in the current year, but the revenue will be recorded in the subsequent year. The second type of deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's year-end) under the modified accrual basis of accounting. The third type is pension and OPEB related.

Unearned Revenue

Unearned revenues are those in which resources are received by the district before it has a legal claim to them. The District has reported unearned revenues for grants awarded but not yet used.

Inventories

Inventories are recorded using the consumption method of accounting and consist of food and commodities on hand at June 30, 2023. The food is recorded at the lower of cost or market. The food inventories are valued using the latest invoice cost, which approximates FIFO inventory method. Surplus commodities are stated at standardized commodities cost as determined by the Department of Agriculture.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

Property Taxes

Property tax levies are established by the School Board in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1. Taxes are due on May 15 and October 15. The county generally remits taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid through various state tax credits which are included in revenue from state sources in the financial statements.

1. Summary of Significant Accounting Policies (Continued)

Property Taxes (Continued)

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as deferred inflows of resources (property taxes levied for subsequent year). The majority of District revenue in the General and Special Revenue Funds is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift", which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes $71,344 of the property tax levy collectible in 2023 as revenue to the District in fiscal year 2022-2023. The remaining portion of the taxes collectible in 2023 is recorded as deferred inflows of resources.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred inflows of resources because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2023, are included in the Property Taxes Levied for Subsequent Year account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

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 estimated acquisition value at the date of donation. The District maintains a capitalization threshold level of $5,000. 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 financial statement but are not reported in the Fund financial statements. 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. Deprecation is provided using the straight-line method applied over the following estimated useful lives of the assets.

	Useful Life in Years
Buildings	20 - 50
Furniture and fixtures	5 - 20

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 building/site improvements are considered to be part of the cost of buildings or other improvable property.

Compensated Absences

The District has employee and union contracts with several different employee groups. Employee benefits under the contracts are different, but generally include provisions for sick leave, vacation leave, and termination benefits.

Unpaid vacation and sick leave has not been accrued in any funds, as these benefits do not vest to employees. They are recorded as an expense in the period paid. See Note 11 on severance pay.

1. Summary of Significant Accounting Policies (Continued)

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the 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 during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses or revenues/income initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses or revenues/income in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Comparative Data

Comparative data for the prior year has been presented in certain of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data has not been presented since the inclusion would not provide meaningful comparisons. Certain amounts in the June 30, 2022 totals column have been reclassified to conform to the current year presentation.

Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 presentation.

Concentration of Credit Risk

Financial instruments which expose the District to a concentration of credit risk consist primarily of cash and investments. Credit risk associated with cash and investments are discussed in Note 3.

Net Position

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

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.

1. Summary of Significant Accounting Policies (Continued)

Pensions (Continued)

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 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 (DTRFA) in 2015. Additional information can be found in Note 9.

Other Postemployment Benefits

Under the terms of certain collectively bargained employment contracts, including the teachers' and administrators' contracts, the District makes no contributions toward the health insurance premiums of retired employees. However, the District has an implicit rate or subsidy for OPEB. This amount was actuarially determined in accordance with GASB Statement No. 75.

Leases

For leases with a term exceeding 12 months, the District recognizes a lease liability and a right to use lease asset in the government-wide financial statements.

The right to use lease asset is calculated at the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus certain initial direct costs incurred, minus any lease incentives received. Subsequently, the right to use lease asset is amortized on a straight-line basis over its useful life. The District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. Remeasurement of the right to use lease asset and lease liability occurs when certain changes occur that are likely to have a significant impact on the lease liability.

Right to use lease assets are reported with capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Implementation of New Accounting Principles

During the year, the District implemented *GASB Statement No. 96, Subscription-Based Information Technology Arrangements.* This Statement provides guidance on accounting and financial reporting for subscription-based information technology. Under this Statement, government organizations are required to recognize a subscription liability and a right-to-use capitalized asset. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. This Statement establishes uniform accounting and financial reporting requirements for Subscription Based Information Technology Arrangements; improves the comparability of government financial statements; and enhances the relevance, understandability, reliability, and consistency of information regarding these arrangements. The Statement has been implemented.

2. Stewardship and Accountability

Excess of expenditures over appropriations at the individual fund level during 2023 is as follows.

	Budget	Expenditures	Excess
Food Service Fund	$ 514,714	$ 519,687	$ 4,973

Excess expenditures were the result of planned processes.

2. Stewardship and Accountability (Continued)

Operating transfers as of June 30, 2023, at the individual fund level are summarized below:

Funds	Transfers In	Transfers Out
General Fund	$	$ 20,747
Food Service Fund	2,701	
Community Service Fund	18,046	
Totals	$ 20,747	$ 20,747

The District recorded a transfer from the General Fund to the Food Service Fund and Community Service Fund for operating purposes.

3. Deposits and Investments

Summary of Cash and Investments

As of June 30, 2023, the District's cash and investments consisted of the following items, all of which are held in an internal investment pool:

Deposits	$ 568,967
MSDLAF+ Max Class	5,502,429
MSDLAF+ Liquid Class	873,690
Total cash and investments	6,945,086
Less: Fiduciary fund cash and cash equivalents	(24,441)
Total Cash and Investments Per Statement of Net Position	$ 6,920,645

Minnesota School District Liquid Asset Fund (MSDLAF) Plus Liquid Class, and MSDLAF Plus Max Class are external investment pools not registered with the Securities and Exchange Commission regulated by Minnesota Statues. The District's investments in these investment pools are measured at the net asset value per share provided by the pool, which is based on amortized cost method that approximates fair value. For the MSDLAF Plus Liquid Class and MSDLAF Plus Max Class investment pools, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice required.

	Credit Risk		Fair Value Measurements	Interest Risk - Maturity Duration in Years				
Investment Type	Rating	Agency	Using	No Maturity Date	Less Than 1	1 to 5	6 to 10	Total
MSDLAF+ Liquid Class	AAAa	S&P	N/A	$ 873,690	$	$	$	$ 873,690
MSDLAF+ Max Class	AAAa	S&P	N/A	5,502,429				5,502,429
Total Investments				$ 6,376,119	$	$	$	$ 6,376,119

N/A - Not applicable

3. Deposits and Investments (Continued)

Investments Authorized by Minnesota Statues

The District is authorized by Minnesota Statues to invest idle funds as follows:

a) Direct obligations or obligations guaranteed by the United States or its agencies.

b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and receiving the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less.

c) General obligations rated “A” or better; revenue obligations rated “AA” or better.

d) General obligations of the Minnesota Housing Finance Agency rated “A” or better.

e) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.

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

g) Repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

h) Guaranteed Investments Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's deposit policy for custodial credit risk follows Minnesota Statutes for deposits. The District’s deposits are entirely covered by federal depository insurance or by collateral held by the District’s custodial banks in the District’s name.

Minnesota Statues require that all District deposits be insured, secured by surety bonds, or be collateralized. Except for notes secured by first mortgages of future maturity, the market value of collateral pledged by the custodial bank must equal 110% of the deposits not covered by insurance or surety bonds. Authorized collateral includes certain state of local government obligations and legal investments. Minnesota Statues also require that securities pledged as collateral be held in safekeeping by the Treasurer, or in a financial institution other than the institution furnishing the collateral.

Credit Risk

The District has no investment policy that would limit its investment choices.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.

Interest Rate Risk

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.

3. Deposits and Investments (Continued)

Fair Value Measurement

Fair value measurements are determined utilizing the framework established by the Governmental Accounting Standards Board. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access
- Level 2: Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets
  - Quoted prices for identical assets or liabilities in inactive markets
  - Inputs other than quoted prices that are observable for the asset or liability
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specific (contractual) term, Level 2 input must be observable for substantially the full term of the asset or liability

- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District had no investments within the fair value hierarchy at June 30, 2023.

4. Due From Other Governmental Units

Amounts due from other governmental units at June 30, 2023 are as follows:

Fund	Minnesota Department of Education	Federal Government Through MDE	Other School Districts	Total
General	$ 588,033	$ 437,049	$ 50,803	$ 1,075,885
Community Service	4,795	7,626		12,421
Food Service		13,248		13,248
Debt Service	26,902			26,902
OPEB Debt Service	774			774
	$ 620,504	$ 457,923	$ 50,803	$ 1,129,230

5. Capital Assets

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

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	$ 44,373	$	$	$ 44,373
Construction in progress	554,123		554,123	
Total capital assets, not being depreciated	598,496		554,123	44,373
Capital assets, being depreciated:				
Buildings	14,243,918	701,905		14,945,823
Site improvements	4,237,561	157,700		4,395,261
Equipment	1,716,903	134,461	15,200	1,836,164
Total capital assets, being depreciated	20,198,382	994,066	15,200	21,177,248
Less accumulated depreciation for:				
Buildings	7,523,030	445,543		7,968,573
Site improvements	1,019,103	206,755		1,225,858
Equipment	933,321	147,909	4,053	1,077,177
Total accumulated depreciation	9,475,454	800,207	4,053	10,271,608
Total capital assets, being depreciated, net	10,722,928	193,859	11,147	10,905,640
Governmental activities capital assets, net	$ 11,321,424	$ 193,859	$ 565,270	$ 10,950,013

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
Regular instruction	$ 300,032
Special education	6,174
Instructional support	800
Pupil support services	50,913
Site, buildings and equipment	442,288
Total depreciation expense - governmental activities	$ 800,207

6. Long-Term Liabilities

The long-term debt obligations outstanding and related maturities and interest rates are summarized in the following schedules. General Obligation Bonds are serviced by the Debt Service Fund. They are backed by the full faith and credit of the District.

A summary of interest rates, maturities and June 30, 2023 balances is as follows:

	Original Amount of Debt	Range of Interest Rates	Final Maturity	Balance June 30, 2023
General Obligation Bonds:				
Alternative Facilities Bonds 2010A	$ 1,890,000	2.00 - 4.00%	2025	$ 305,000
Alternative Facilities Bonds 2012A	965,000	0.50 - 2.10%	2028	345,000
Alternative Facilities Bonds 2014A	4,420,000	3.00 - 3.50%	2030	2,820,000
OPEB Refunding Bonds 2017A	850,000	2.85%	2029	540,000
Bond discount				(5,422)
Bond premium				48,978
Severance payable				1,125
Total				$ 4,054,681

The following is a summary of the changes in long-term debt obligations for the year ended June 30, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable:					
General Obligation Bonds:					
Alternative Facilities Bond 2010A	$ 450,000	$	$ 145,000	$ 305,000	$ 150,000
Alternative Facilities Bond 2012A	410,000		65,000	345,000	65,000
Alternative & Capital Facilities Bond 2014A	3,050,000		230,000	2,820,000	235,000
OPEB Refunding Bonds 2017A	620,000		80,000	540,000	85,000
Bond Discount	(6,418)		(996)	(5,422)	
Bond Premium	55,975		6,997	48,978	
Other Liabilities:					
Severance Payable	2,250		1,125	1,125	
Governmental Activities Long-term Liabilities	$ 4,581,807	$	$ 527,126	$ 4,054,681	$ 535,000

6. Long-Term Liabilities (Continued)

The annual requirements to amortize all long-term debt outstanding as of June 30, 2023, over the life of the debt, are summarized below:

	General Obligation Bonds		
Years	Principal	Interest	Total
Governmental Activities			
2024	$ 535,000	$ 122,047	$ 657,047
2025	555,000	106,218	661,218
2026	570,000	88,846	658,846
2027	585,000	72,649	657,649
2028	600,000	55,866	655,866
2029 - 2030	1,165,000	56,287	1,221,287
Totals	$ 4,010,000	$ 501,913	$ 4,511,913

Payments on the general obligation bonds payable that pertain to the School District's governmental activities are made by the debt service funds. The severance payable liability attributable to the governmental activities will be liquidated by other School District governmental funds.

7. Net Position/Fund Balance

In accordance with Government Account Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained to due constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The School Board designates that the Board Chair, Superintendent, and Business Manager shall agree to assign general fund balance for specific purpose. The School Board will be informed when funds are assigned, purpose of the assignment, and amount.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in the other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of the unrestricted fund balance when expenditures are made.

7. Net Position/Fund Balance (Continued)

The District has a formal minimum fund balance policy for the General Fund Unassigned Fund Balance to be at least eight percent of the prior fiscal year's general fund expenditures and a maximum of twenty-five percent of the prior fiscal year's general fund expenditures.

Restriction of fund balance indicates that a portion of the fund balance is legally segregated for a specific future use. The following is a summary of the reserved fund balances for the governmental funds:

Restricted for Gifted and Talented - Represents available resources within the General Fund to provide for gifted and talented programs.

Restricted for Community Education - Represents available resources within the Community Service Fund for enrichment programs for any age level that are not part of the K-12 education program which are not taken for credit or required for graduation.

Restricted for Early Childhood/Family Education - Represents available resources within the Community Service Fund whose focus is to improve parenting skills of new and expectant parents, and/or to provide learning experiences for parents and children.

Restricted for School Readiness - Represents the resources available to provide for services for school readiness programs.

Restricted for Operating Capital - Represents available resources in the General Fund to be used to purchase equipment and facilities.

Restricted for Staff Development - Represents available resources in the General Fund reserved for staff development.

Restricted for Basic Skills - Represents available resources within the General Fund to provide for basic skills programs.

Restricted for Basic Skills Extended Time - Represents available resources within the General Fund to provide for basic skills extended time programs.

Restricted for Safe Schools - Crime Levy - Represents the resources available to provide for Safe School programs.

Restricted for Long-Term Facilities Maintenance - Represents available resources to be used for LTFM projects in accordance with the 10 Year Plan.

Restricted for Medical Assistance - Represents available resources to be used for medical assistance expenditures.

Restricted for Alternative Learning Program - Represents available resources to be used for additional learning programs.

7. Net Position/Fund Balance (Continued)

The following is a summary of fund balances as of June 30, 2023 with comparative totals as of June 30, 2022:

	General	Food Service	Community Service	Debt Service	OPEB Debt Service	2023 Totals	2022 Totals
Nonspendable							
Inventory	$	$ 9,722	$	$	$	$ 9,722	$ 10,487
Prepaid items	58,655					58,655	45,505
Total nonspendable	58,655	9,722				68,377	55,992
Restricted							
Gifted and talented	23,827					23,827	26,716
Community education			139,299			139,299	101,771
Early childhood and family education			57,247			57,247	68,082
Scholarships	10,026					10,026	8,979
School readiness			102,948			102,948	87,449
Operating capital	580,028					580,028	634,258
Staff development	115,591					115,591	73,530
Safe school							12,969
Basic skills	111,329					111,329	56,796
Basic skills extended time	3,297					3,297	3,297
LTFM							41,286
Student activities	131,419					131,419	111,354
Medical assistance	18,296					18,296	15,143
Alternative learning program							1,923
Food service		332,790				332,790	301,640
Community service			85,964			85,964	97,342
Debt service				139,231		139,231	130,153
OPEB debt service					16,203	16,203	17,868
Total restricted	993,813	332,790	385,458	139,231	16,203	1,867,495	1,790,556
Assigned							
Student laptop repairs	81,227					81,227	75,542
Milk break assistance	25,315					25,315	22,887
Roof repair	500,000					500,000	500,000
Site improvements	1,700,000					1,700,000	1,000,000
Technology	500,000					500,000	500,000
Athletic fine arts	14,929					14,929	14,897
Total assigned	2,821,471					2,821,471	2,113,326
Unassigned	1,434,423					1,434,423	1,489,588
Total Fund Balance	$ 5,308,362	$ 342,512	$ 385,458	$ 139,231	$ 16,203	$ 6,191,766	$ 5,449,462

7. Net Position/Fund Balance (Continued)

The Uniform Financial Accounting and Reporting Standards (UFARS) fund balance reporting standards are slightly different than the reporting standards under GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. Below is a reconciliation between the fund balances following GASB standards and UFARS reporting standards:

	GASB Balance	Reconciling Balance	UFARS Balance June 30, 2023	UFARS Balance June 30, 2022
Nonspendable				
Inventory	$ 9,722	$	$ 9,722	$ 10,487
Prepaid items	58,655		58,655	45,505
Total nonspendable	68,377		68,377	55,992
Restricted				
Gifted and talented	23,827		23,827	26,716
Community education	139,299		139,299	101,771
Early childhood and family education	57,247		57,247	68,082
Scholarships	10,026		10,026	8,979
School readiness	102,948		102,948	87,449
Operating capital	580,028		580,028	634,258
Staff development	115,591		115,591	73,530
Basic skills	111,329		111,329	56,796
Basic skills extended time	3,297		3,297	3,297
LTFM		(27,826)	(27,826)	41,286
Student activities	131,419		131,419	111,354
Safe school		(4,583)	(4,583)	12,969
Medical assistance	18,296		18,296	15,143
Alternative learning program				1,923
Food service	332,790		332,790	301,640
Community service	85,964		85,964	97,342
Debt service	139,231		139,231	130,153
OPEB debt service	16,203		16,203	17,868
Total restricted	1,867,495	(32,409)	1,835,086	1,790,556
Assigned				
Student laptop repairs	81,227		81,227	75,542
Milk break assistance	25,315		25,315	22,887
Roof repair	500,000		500,000	500,000
Site improvements	1,700,000		1,700,000	1,000,000
Technology	500,000		500,000	500,000
Athletic fine arts	14,929		14,929	14,897
Total assigned	2,821,471		2,821,471	2,113,326
Unassigned	1,434,423	32,409	1,466,832	1,489,588
Total Fund Balance	$ 6,191,766	$	$ 6,191,766	$ 5,449,462

8. Commitments and Contingencies

The District participates in a number of federal and state agency assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District does not anticipate any audit adjustments or disallowed program expenditures that would be material in relation to the general-purpose financial statements taken as a whole.

9. Defined Benefit Pension Plans – Statewide

Plan Description

1. General Employees Retirement Fund

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

All full-time and certain part-time employees of the District other than teachers are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Teachers Retirement Association (TRA)

The 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 school, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul 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 the State of Minnesota.

Benefits Provided

1. General Employees Plan Benefits

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.

9. Defined Benefit Pension Plans – Statewide (Continued)

Benefits Provided (Continued)

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

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

2. TRA Benefits

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

With these provisions:

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

b) 3 percent per year early retirement reduction factors for all years under normal retirement age.

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

or

9. Defined Benefit Pension Plans – Statewide (Continued)

<u>Benefits Provided (Continued)</u>

Tier II Benefits

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

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

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

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

<u>Contributions</u>

1. General Employees Fund Contributions

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2023 were $118,728. The District's contributions were equal to the required contributions as set by the state statute.

2. TRA Contributions

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

	Ended June 30, 2023		Ended June 30, 2022	
	Employee	Employer	Employee	Employer
Basic	11.0%	12.55%	11.0%	12.34%
Coordinated	7.5%	8.55%	7.5%	8.34%

The District's contributions to the TRA fund for the year ended June 30, 2023 were $281,720. The District’s contributions were equal to the required contributions as set by the state statute.

9. Defined Benefit Pension Plans – Statewide (Continued)

Contributions (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.

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

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

Pension Costs

1. General Employees Fund Pension Costs

At June 30, 2023, the District reported a liability of $1,671,127 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 $49,176.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the District's proportion was 0.0211 percent at the end of the measurement period and 0.0210 percent of the beginning of the period.

District's proportionate share of net pension liability	$	1,671,127
State's proportionate share of the net pension liability associated with the district	$	49,176

9. Defined Benefit Pension Plans – Statewide (Continued)

Pension Costs (Continued)

For the year ended June 30, 2023, the District recognized pension expense of ($109,628) for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $2,216 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ 13,958	$ 17,692
Changes in actuarial assumptions	376,322	6,443
Difference between projected and actual investment earnings	28,781	
Changes in proportion	33,180	8,293
Contributions paid to PERA subsequent to the measurement date	120,024	
Total	$ 572,265	$ 32,428

The $120,024 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 deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Pension Expense Amount
2024	$ 152,727
2025	167,139
2026	(51,180)
2027	151,127

2. TRA Pension Costs

On June 30, 2023, the District reported a liability of $4,372,079 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.0546 percent at the end of the measurement period and 0.0536 percent for the beginning of the year.

9. Defined Benefit Pension Plans – Statewide (Continued)

Pension Costs (Continued)

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

District's proportionate share of net pension liability	$	4,372,079
State's proportionate share of the net pension liability associated with the district	$	323,957

For the year ended June 30, 2023, the District recognized pension expense of $1,081,718. It also recognized $44,545 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ 63,951	$ 37,537
Changes in actuarial assumptions	687,602	864,430
Difference between projected and actual investment earnings	152,072	
Changes in proportion	127,147	59,234
Contributions paid to TRA subsequent to the measurement date	294,547	
Total	$ 1,325,319	$ 961,201

The $294,547 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 and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Pension Expense Amount
2024	$ (715,393)
2025	154,237
2026	57,068
2027	563,285
2028	10,374

9. Defined Benefit Pension Plans – Statewide (Continued)

Aggregate Pension Costs

Pension expense recognized by the District for the year ended June 30, 2023 is as follows:

General Employees Retirement Fund	$116,986
TRA	(1,037,173)
Total	($920,187)

Long-Term Expected Return on Investment

1. General Employees Fund 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	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	33.50%	5.10%
International Stocks	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	25.00%	5.90%
Total	100%	

2. TRA Long-Term Expected Return on Investment

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	33.50%	5.10%
International Stocks	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	25.00%	5.90%
Total	100%	

9. Defined Benefit Pension Plans – Statewide (Continued)

Actuarial Methods and Assumptions

1. General Employees Fund Actuarial Methods and Assumptions

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

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

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

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

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

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

Changes in Actuarial Assumptions:

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

Change in Plan Provisions:

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

9. Defined Benefit Pension Plans – Statewide (Continued)

2. TRA Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Valuation Date	July 1, 2022
Measurement Date	June 30, 2022
Experience Study	June 28, 2019 (demographic assumptions)
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 Increases	2.85 to 8.85% before July 1, 2028 and 3.25 to 9.25% after June 30, 2028
Cost of Living Adjustment	1% for January 2019 through January 2023, then increasing by 0.10% 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 projection uses the MP-2015 scale.
Post-Disability:	RP-2014 disabled retiree morality table, without adjustment.

The TRA actuary has determined the average of the expected remaining service lives of all members for the fiscal year 2023 is six years. The *Difference between Expected and Actual Experience, Changes of Assumptions, and Changes in Proportion* uses 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.

The following changes in TRA actuarial assumptions since the 2021 valuation:

- None.

9. Defined Benefit Pension Plans – Statewide (Continued)

Discount Rate

1. General Employees Fund Discount Rate

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

2. TRA Discount Rate

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

Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
General Employees Retirement Fund Discount Rate	5.50%	6.50%	7.50%
District's proportionate share of the General Employees Retirement Fund net pension liability	$ 2,639,633	$ 1,671,127	$ 876,803
TRA Discount Rate	6.00%	7.00%	8.00%
District's proportionate share of the TRA net pension liability	$ 6,892,344	$ 4,372,079	$ 2,306,247

Pension Plan Fiduciary Net Position

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

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

10. Other Postemployment Benefit Plan

The District engaged an actuary to determine the District's liability for postemployment healthcare benefits other than pensions for the year ended June 30, 2023.

Plan Description

The District provides health insurance benefits for certain retired employees under a single-employer plan. The District provides benefits for retirees as required by state statute to active employees when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and if they do not participate in any other health benefits program providing similar coverage.

Benefits Provided

These retirees will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the District's health benefits program. Retirees are required to pay 100% of the total premium cost. Since the premium is a blended rate determined on the entire active retiree population, the retirees are receiving an implicit rate subsidy. As of June 30, 2023 there were 39 active participants and 2 retired participants in the District's group health plan.

Funding Policy

The required contribution is based on projected pay-as-you-go method under which contributions to the plan are generally made at the same time and in the same amount as retiree benefits and expenses become due.

Total OPEB Liability

The District's total OPEB liability was measured as of July 1, 2022, and the total OPEB liability was determined by an actuarial valuation as of July 1, 2021. The components of the total OPEB liability of the District at year-end were as follows:

Total OPEB liability	$ 446,341
Liability discount rate	3.80%

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

10. Other Postemployment Benefit Plan (Continued)

Actuarial Methods and Assumptions (Continued)

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:

Plan Type	Single Employer
Discount rate	3.69%
return	N/A
Inflation rate	2.25%
Mortality	
Teachers	From the July 1, 2021 Teachers Retirement Association of Minnesota (TRA) actuarial valuation, RP-2014 mortality tables with projected morality improvements based on scale MP-2015, and other adjustments.
Non-Teachers	From the July 1, 2021 PERA of Minnesota General Employees Retirement Plan actuarial valuation, Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2020, and other adjustments.
Health care cost trend rate	6.7% for FY2022, gradually decreasing over several decades to an ultimate rate of 3.7% in FY2075 and later years.

The following changes in economic assumptions since the last valuation have been made:

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

There were no changes in plan provisions or demographic and other assumptions since the previous valuation.

Changes in Total OPEB Liability

	Total OPEB Liability
Beginning Balance 6/30/2022	$ 479,351
Changes for the year:	
Service cost	16,543
Interest	10,177
Assumption changes	(37,092)
Benefit payments	(22,638)
Net Changes	(33,010)
Balance End of Year 6/30/2023	$ 446,341

10. Other Postemployment Benefit Plan (Continued)

Total OPEB Liability Sensitivity to Discount and Health-Care Trend Rate Changes

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

	Net OPEB Liability
1% decrease in Discount Rate (1.10%)	$ 471,581
Current Discount Rate (2.10%)	446,341
1% increase in Discount Rate (3.10%)	421,624

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

	Net OPEB Liability
1% decrease in Trend Rates	$ 412,442
Current Trend Rates	446,341
1% increase in Trend Rates	486,026

OPEB Related Deferred Outflows/Inflows of Resources

As of the year ended June 30, 2023, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 38,519	$
Change in actuarial assumption		31,186
Contributions paid to OPEB subsequent	18,058	
to the measurement date	20,224	34,002
Total	$ 76,801	$ 65,188

The $76,801 reported as deferred outflows of resources related to OPEB resulting from District contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	OPEB Expense Amount
2024	$ (3,343)
2025	(3,343)
2026	(3,343)
2027	(3,337)
2028	4,710
Thereafter	2,211

11. Severance Pay and Early Retirement Incentive Pay

In accordance to the current contracts, any teacher with 15 years teaching experience in the Harmony, Preston-Fountain, and Fillmore Central Districts and who are at least 55 years of age shall be eligible for the severance plan. Eligible teachers shall receive payment for accumulated and unused sick leave at the rate of $125 per day, not to exceed 100 days. Teachers hired on or before September 2, 1997 may continue to be covered under the Article XVII Severance Plan. The District shall however, subtract any amount it has paid to the 403B matching contribution plan from the amount the teacher would be eligible for under the Severance Plan in Section 1 of Article XVII. The severance shall be paid in two equal installments, half on July 20th in the year of retirement and half on July 20th of the following year.

An estimate of the potential obligation to be paid in future years is $1,125. This amount is included in the financial statements as part of long-term liabilities.

12. Flexible Benefit Plan

The District has a flexible benefit plan which is classified as a “cafeteria plan” under Section 125 of the Internal Revenue Code. All employees of the District are eligible to participate in the plan. Employees can elect to contribute pre-tax dollars withheld from payroll checks to the plan for health care and dependent care benefits.

Before the beginning of the plan year, which is from January 1 to December 31, each participant designates a total amount of pre-tax dollars to be contributed to the plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants’ annual contributions to the medical reimbursement portion of the plan, whether or not such contributions have been made.

Payments of insurance premiums (health, life, and disability) are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the appropriate fund.

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

13. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries insurance for employee health, liability, property, and automotive insurance. Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years. There was no reduction in insurance coverage during 2023.

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2023

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA

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

	Total OPEB Liability				
	2023	2022	2021	2020	2019
Service cost	$ 16,543	$ 21,737	$ 20,902	$ 17,977	$ 19,065
Interest	10,177	10,227	13,033	16,822	17,577
Assumption changes	(37,092)	16,055	12,381	(64,442)	
Difference between Expected and Actual Experience		49,525			
Benefit payments	(22,638)	(44,918)	(37,914)	(57,163)	(58,340)
Net changes in total OPEB liability	(33,010)	52,626	8,402	(86,806)	(21,698)
Total OPEB liability - beginning of year	479,351	426,725	418,323	505,129	526,827
Total OPEB liability - end of year	$ 446,341	$ 479,351	$ 426,725	$ 418,323	$ 505,129
Covered-Employee Payroll	$ 3,316,634	$ 3,220,033	$ 3,080,975	$ 2,991,238	$ 2,867,875
Total OPEB Liability as a Percentage of Covered-Employee Payroll	13%	15%	14%	14%	18%

See Note 10, Other Postemployment Benefit Plan, for more information.

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA

Schedule of District's Contributions
General Employees Retirement Funds
Last Ten Years (presented prospectively)

Fiscal Year Ended June 30	Pension Plan	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	PERA	$ 61,026	$ 61,026	$	$ 813,680	7.50%
2016	PERA	73,633	73,633		981,773	7.50%
2017	PERA	81,932	81,932		1,092,427	7.50%
2018	PERA	92,822	92,822		1,237,627	7.50%
2019	PERA	103,288	103,288		1,377,173	7.50%
2020	PERA	109,364	109,364		1,458,187	7.50%
2021	PERA	106,952	106,952		1,426,027	7.50%
2022	PERA	113,592	113,592		1,514,560	7.50%
2023	PERA	118,728	118,728		1,583,040	7.50%
2024						

Schedule of District's Contributions
TRA Retirement Funds
Last Ten Years (presented prospectively)

Fiscal Year Ended June 30	Pension Plan	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	TRA	$ 172,344	$ 172,344	$	$ 2,297,920	7.50%
2016	TRA	189,286	189,286		2,523,813	7.50%
2017	TRA	196,289	196,289		2,617,187	7.50%
2018	TRA	206,969	206,969		2,759,587	7.50%
2019	TRA	211,380	211,380		2,818,400	7.50%
2020	TRA	232,942	232,942		3,021,297	7.71%
2021	TRA	251,270	251,270		3,172,601	7.92%
2022	TRA	260,724	260,724		3,206,937	8.13%
2023	TRA	281,720	281,720		3,377,938	8.34%
2024						

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA

Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability
PERA General Employees Retirement Fund
Last Ten Years (presented prospectively)

Fiscal Year Ended June 30	District's Proportionate (Percentage) of the Net Pension Liability (Asset)	District's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the District (b)	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated With the District (a+b)	District's Covered Payroll (c)	District's Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0175%	$ 822,062	$	$ 822,062	$ 813,680	101%	78.70%
2015	0.0170%	881,028		881,028	981,773	90%	78.20%
2016	0.0176%	1,429,033	18,632	1,447,665	1,092,427	133%	68.90%
2017	0.0192%	1,225,715	15,421	1,241,136	1,237,627	100%	75.90%
2018	0.0205%	1,137,256	37,353	1,174,609	1,377,173	85%	79.53%
2019	0.0206%	1,138,928	35,332	1,174,260	1,458,187	81%	80.23%
2020	0.0200%	1,199,091	36,946	1,236,037	1,426,027	87%	79.06%
2021	0.0210%	896,794	27,461	924,255	1,514,560	61%	87.00%
2022	0.0211%	1,671,127	49,176	1,720,303	1,583,040	109%	76.70%
2023							

Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability
TRA
Last Ten Years (presented prospectively)

Fiscal Year Ended June 30	District's Proportionate (Percentage) of the Net Pension Liability (Asset)	District's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the District (b)	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated With the District (a+b)	District's Covered Payroll (c)	District's Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0539%	$ 2,483,673	$ 174,748	$ 2,658,421	$ 2,297,920	116%	81.50%
2015	0.0497%	3,074,437	377,135	3,451,572	2,523,813	137%	76.80%
2016	0.0503%	11,997,750	1,203,199	13,200,949	2,617,187	504%	44.90%
2017	0.0513%	10,240,411	990,629	11,231,040	2,759,587	407%	51.57%
2018	0.0510%	3,204,076	301,002	3,505,078	2,818,400	124%	78.07%
2019	0.0532%	3,390,979	300,050	3,691,029	3,021,297	122%	78.07%
2020	0.0546%	4,033,921	338,193	4,372,114	3,172,601	138%	75.48%
2021	0.0536%	2,345,696	197,763	2,543,459	3,206,937	79%	86.63%
2022	0.0546%	4,372,079	323,957	4,696,036	3,377,938	139%	76.17%
2023							

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA

SUPPLEMENTARY INFORMATION

JUNE 30, 2023

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
COMPARATIVE BALANCE SHEET
GENERAL FUND
June 30, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	$ 5,454,823	$ 4,652,761
Current property taxes receivable	439,965	415,992
Delinquent property taxes receivable	5,093	2,616
Accounts receivable	10,616	55,116
Due from other school districts	50,803	15,801
Due from Minnesota Department of Education	588,033	468,773
Due from Federal through Minnesota Department of Education	437,049	506,855
Prepaid items	58,655	45,505
TOTAL ASSETS	$ 7,045,037	$ 6,163,419
Liabilities		
Accounts payable	$ 43,795	$ 47,234
Salaries and accrued liabilities payable	655,769	654,791
Due to other school districts	82,582	16,365
Due to other governments		111
Unearned revenue	2,444	2,444
TOTAL LIABILITIES	784,590	720,945
Deferred Inflows of Resources		
Unavailable revenue:		
Property taxes levied for subsequent year	946,992	805,188
Delinquent property taxes	5,093	2,616
TOTAL DEFERRED INFLOWS OF RESOURCES	952,085	807,804
Fund Balances		
Nonspendable	58,655	45,505
Restricted	993,813	986,251
Assigned	2,821,471	2,113,326
Unassigned	1,434,423	1,489,588
TOTAL FUND BALANCES	5,308,362	4,634,670
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 7,045,037	$ 6,163,419

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended June 30, 2023
With Partial Comparative Data for the Year Ended June 30, 2022

	Budgeted Amounts		2023	Over (Under)	2022
	Original	Final	Actual	Final Budget	Actual
Revenues					
Local sources:					
Property tax levies	$ 501,739	$ 290,003	$ 294,554	$ 4,551	$ 312,177
Investment income	250	250	10,526	10,276	546
State sources	29,892	269,030	268,597	(433)	240,712
TOTAL REVENUES	531,881	559,283	573,677	14,394	553,435
Expenditures					
Fiscal and Other Fixed Cost Programs	564,950	564,950	564,599	(351)	561,190
NET CHANGE IN FUND BALANCES	(33,069)	(5,667)	9,078	14,745	(7,755)
FUND BALANCE - BEGINNING	130,153	130,153	130,153		137,908
FUND BALANCE - ENDING	$ 97,084	$ 124,486	$ 139,231	$ 14,745	$ 130,153

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
SUPPLEMENTAL COST SCHEDULES
For the Years Ended June 30, 2023 and 2022
(Unaudited)

Fiscal Year Ended June 30, 2023	2022 - 2023 Expenditures	Cost Per Adjusted Average Daily Membership (All Funds)
District and school administration	$ 506,507	$ 864
District support services	370,254	632
Regular instruction	3,905,403	6,663
Vocational instruction	185,691	317
Special education	1,326,636	2,263
Community education and services	860,164	1,467
Instructional support services	156,680	267
Pupil support services	1,321,922	2,255
Site, buildings, and equipment	1,079,025	1,841
Fiscal and other fixed cost programs	729,616	1,245
TOTALS	$ 10,441,898	$ 17,814

2022 - 2023 Adjusted Average Daily Membership - 586.17

Fiscal Year Ended June 30, 2022	2021 - 2022 Expenditures	Cost Per Adjusted Average Daily Membership (All Funds)
District and school administration	$ 495,096	$ 851
District support services	352,435	606
Regular instruction	3,842,219	6,605
Vocational instruction	134,563	231
Special education	1,189,916	2,046
Community education and services	834,208	1,434
Instructional support services	167,835	289
Pupil support services	1,212,035	2,084
Site, buildings, and equipment	1,433,095	2,464
Fiscal and other fixed cost programs	718,311	1,235
TOTALS	$ 10,379,713	$ 17,843

2021 - 2022 Adjusted Average Daily Membership - 581.71

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA

TAX LEVY HISTORY

	22 Pay 23 Fiscal 24	21 Pay 22 Fiscal 23	20 Pay 21 Fiscal 22	19 Pay 20 Fiscal 21	18 Pay 19 Fiscal 20	17 Pay 18 Fiscal 19
Tax Levy*						
General	$ 1,018,337	$ 966,330	$ 1,022,012	$ 826,558	$ 943,431	$ 884,843
Community Service	76,887	76,174	78,180	78,310	77,601	79,246
Debt Redemption (Net)	611,370	600,340	619,165	548,311	647,354	661,369
TOTAL TAX LEVY	$ 1,706,594	$ 1,642,844	$ 1,719,357	$ 1,453,179	$ 1,668,386	$ 1,625,458

* The tax levy includes property tax apportionment from Fillmore County and state aid credits from the State of Minnesota.

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INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA

OTHER REQUIRED REPORTS

JUNE 30, 2023

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

To the Board of Education
Independent School District #2198
Preston, 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, and the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts* promulgated by the Legal Compliance Task Force pursuant to Minnesota Statutes Section 6.65, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the District, as of and for the year ended June 30, 2023, and the related notes to financial statements, which collectively comprises the District’s basic financial statements, and have issued our report thereon dated October 18, 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 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 the attention of those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as Finding 2011-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

Minnesota Legal Compliance

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

District's Response to Finding

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

Smith, Schafer and Associates, Ltd.

Rochester, Minnesota
October 18, 2023

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

To the Board of Education
Independent School District #2198
Preston, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Compliance for Each Major Federal Program

We have audited the District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (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 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 major federal programs. 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 major 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 and 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 substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal programs.

Auditor's Responsibilities for the Audit of Compliance (Continued)

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

- Exercise professional judgement 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.
- 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 purposes 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

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

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.

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 results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #2198, Preston, Minnesota, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 18, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Purpose of this Report

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.

Smith, Schafer and Associates, Ltd.

Rochester, Minnesota
October 18, 2023

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Federal ALN	Federal Expenditures	
U.S Department of Agriculture			
Pass-through from Minnesota Department of Education:			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	$ 36,386	
Cash Assistance			
School Breakfast Program (SBP)	10.553	49,762	
Summer Food Service Program (SFSP)	10.555	210,901	
Summer Food Service Program for Children	10.559	31,014	
Subtotal - U.S. Department of Agriculture		328,063	
U.S. Department of Treasury			
American Relief Funds	21.019C	35,837	
Pass-through from Minnesota Department of Education:			
Coronavirus State & Local Fiscal Recovery Funds	21.027	166,841	
Subtotal - U.S. Department of Treasury		202,678	
U.S. Department of Education			
Pass-through from Minnesota Department of Education:			
Title I Grants to Local Educational Agencies	84.010	217,094	
Special Education - Grants to States	84.027	173,913	
Special Education - Preschool Grants (IDEA, Part B)	84.173	13,403	
Special Education - Grants for Infants and Families	84.181	1,124	
Title V, Part A - Small Rural Ed Achievement Program	84.358	4,567	
Supporting Effective Instruction State Grants	84.367	33,885	
Student Support and Academic Enrichment Program	84.424	17,275	
Elementary and Secondary School Emergency Relief Fund	84.425U	735,365	***
Elementary and Secondary School Emergency Relief Fund	84.425D	263,526	***
Subtotal - U.S. Department of Education		1,460,152	
Total Expenditures of Federal Awards		$ 1,990,893	

*** Major Fund

NOTES TO SCHEUDLE OF EXPENDITURES OF FEDERAL AWARDS

1. General

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Independent School District #2198, Preston, Minnesota under programs of the federal government for the year ended June 30, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principals, 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 in assets, or cash flows of the District.

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

2. Summary of Significant Accounting Principles

Expenditures reported on the Schedule are reported on the 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.

3. Food Distribution

Nonmonetary assistance is reported in the schedule with the National School Lunch Program at the fair market value of the commodities received and disbursed which totaled $36,386.

4. Indirect Cost Rate

Independent School District #2198 has not charged indirect costs to any of the federal programs. Therefore, the election of the 10 percent de minimis indirect cost rate is not applicable as allowed under the Uniform Guidance.

5. Subrecipients

Independent School District #2198 did not have subrecipients for the fiscal year ended June 30, 2023.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2022

FINDINGS – FINANCIAL STATEMENT AUDIT

PRIOR YEAR REFERENCE NUMBER: 2011-01

Condition: The District does have a control in place for the review of the drafted financial statements. However, the District does not have the expertise to ensure all disclosures required by generally accepted accounting principles are included in the annual financial statements. The potential exists that a material disclosure could be omitted from the financial statements and not be prevented or detected by the District's internal controls.

CURRENT STATUS:
Reoccurred in the current year.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings.

FINDINGS RELATED TO MINNESOTA LEGAL COMPLIANCE

Our audit did not disclose any matters required to be reported for Minnesota Legal Compliance in the prior year.

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2023

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. Type of auditor's report issued: Unmodified

2. Internal control over financial reporting:

- Material weakness(es) identified?		Yes	X	No
- Significant deficiency(ies) identified?	X	Yes		None reported

3. Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

1. Internal control over major federal programs:

- Material weakness(es) identified?		Yes	X	No
- Significant deficiency(ies) identified?		Yes	X	None reported

2. Type of auditor's report issued on compliance for major federal programs: Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___ Yes X No

Programs Tested as a Major Program

Assistance Listing Number(s)	**Name of Federal Program or Cluster**
- 84.425	Education Stabilization Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $ 750,000

Auditee qualified as low-risk auditee? X Yes ___ No

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2023

FINDING – 2011-01 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPALS (GAAP)

Condition: The District does have a control in place for the review of the drafted financial statements. However, the District does not have the expertise to ensure all disclosures required by generally accepted accounting principles are included in the annual financial statements. The potential exists that a material disclosure could be omitted from the financial statements and not be prevented or detected by the District's internal controls.

Criteria: The District should have controls in place to prevent or detect the omission of a material disclosure in the annual financial statements.

Questioned Costs: None.

Context: The District has informed us they will continue to rely upon the audit firm to prepare the financial statements and related footnote disclosures and will review and approve these prior to the issuance of the financial statements.

Effect: No effect on the financial statements.

Cause: The District does not have the expertise to draft the notes to the financial statements; however, they have reviewed and approved the annual financial statements as prepared by the audit firm.

Recommendation: We recommend the District continue to evaluate their internal staff and expertise to determine if further controls over the annual financial reporting are beneficial.

Views of Responsible Officials and Planned Corrective Action: Management agrees with the recommendation. See corresponding Corrective Action Plan.

Current Status: The finding recurred in 2023.

FILLMORE CENTRAL SCHOOL DISTRICT #2198
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Preston, MN 55965
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www.fillmorecentral.k12.mn.us

CORRECTIVE ACTION PLAN (CAP):

The Independent School District #2198 respectfully submits the following corrective action plan for the year ended June 30, 2023: Audit period: July 1, 2022 - June 30, 2023.

The finding from the schedule of findings and response is discussed below. The finding is numbered consistently with the numbers assigned in the schedule.

RESPONSE: FINDING 2011-001

Explanation of Disagreement with Audit Finding:
There is no disagreement with the audit finding.

Actions Planned in Response to Finding:
The Superintendent and Business Manager review the drafted financial statements and notes. The District does not have the expertise to ensure all disclosures required by GAAP are included in the financial statements. Accordingly, the District will rely upon the auditors for completeness of the disclosures. However, the business manager will review the notes for accuracy and compare the balances to UFARS and other District reports prior to issuance of the statements.

Official Responsible for Ensuring CAP:
Darla Ebner, Bookkeeper, is the official responsible for ensuring the planned responses.

Planned Completion Date for CAP:
Not applicable as the District is willing to accept this risk at this time and will continue to evaluate the recommendation.

Plan to Monitor Completion of CAP:
Heath Olstad, Superintendent, will ensure the review by the Bookkeeper has been completed. He will do this through discussion with the Bookkeeper and reviewing the draft of the financial statements.

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INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA

COMPLIANCE TABLE

JUNE 30, 2023

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Fiscal Compliance Report - 6/30/2023

District: FILLMORE CENTRAL (2198-1)

01 GENERAL FUND

	Audit	UFARS	Audit - UFARS
Total Revenue	$9,089,123	$9,089,118	$5
Total Expenditures	$8,398,828	$8,398,823	$5
Non Spendable:			
4.60 Non Spendable Fund Balance	$58,655	$58,655	$0
Restricted / Reserved:			
4.01 Student Activities	$131,419	$131,419	$0
4.02 Scholarships	$10,026	$10,027	($1)
4.03 Staff Development	$115,591	$115,591	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Funded by COP/FP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	$580,028	$580,028	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$23,827	$23,827	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$111,329	$111,329	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe Schools Levy	($4,583)	($4,583)	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$3,297	$3,297	$0
4.67 LTFM	($27,826)	($27,826)	$0
4.72 Medical Assistance	$18,296	$18,296	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$0	$0	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$2,821,471	$2,821,471	$0
Unassigned:			
4.22 Unassigned Fund Balance	$1,466,832	$1,466,832	$0

02 FOOD SERVICES

	Audit	UFARS	Audit - UFARS
Total Revenue	$547,371	$547,369	$2
Total Expenditures	$519,687	$519,686	$1
Non Spendable:			
4.60 Non Spendable Fund Balance	$9,722	$9,722	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$332,790	$332,791	($1)
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$872,932	$872,933	($1)
Total Expenditures	$860,164	$860,164	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$139,299	$139,300	($1)
4.32 E.C.F.E	$57,247	$57,247	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$102,948	$102,948	$0
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$85,964	$85,964	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

06 BUILDING CONSTRUCTION

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Funded by COP/FP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

07 DEBT SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$573,677	$573,676	$1
Total Expenditures	$564,599	$564,598	$1
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$139,231	$139,232	($1)
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

08 TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

18 CUSTODIAL

	Audit	UFARS	Audit - UFARS
Total Revenue	$29,707	$29,707	$0
Total Expenditures	$23,475	$23,475	$0
Restricted / Reserved:			
4.01 Student Activities	$10,000	$10,000	$0
4.02 Scholarships	$14,441	$14,441	$0
4.48 Achievement and Integration	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0

20 INTERNAL SERVICE

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

25 OPEB REVOCABLE TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	$20,470	$20,470	$0
Total Expenditures	$26,493	$26,494	($1)
4.22 Unassigned Fund Balance (Net Assets)	($118,605)	($118,605)	$0

45 OPEB IRREVOCABLE TRUST

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

47 OPEB DEBT SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$96,955	$96,955	$0
Total Expenditures	$98,620	$98,620	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$16,203	$16,203	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0