FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 2689
PIPESTONE AREA SCHOOLS
PIPESTONE, MINNESOTA 56164

FOR THE YEAR ENDING JUNE 30, 2023

Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants
P.O. Box 707
Pipestone, Minnesota 56164

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

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Pipestone, Minnesota

BOARD OF EDUCATION AND ADMINISTRATIVE PERSONNEL
JUNE 30, 2023

BOARD OF EDUCATION

Name	Office	Term Expires
Brad Carson	Chairman (1/1/23-present) Treasurer (1/1/19-12/31/22)	12/31/26
Randy Erdman	Vice Chairman (1/1/19-5/22/23 resigned 5/22/23)	12/31/24
Lance Oye	Vice Chairman (5/23/23-present) Director (1/1/19-5/22/23)	12/31/24
Katie Wiese	Clerk (1/1/19-present)	12/31/24
Chrissy DeBates	Treasurer (1/1/23-present) Director (1/1/21-12/31/22)	12/31/24
Daphne Likness	Director (1/1/23-present)	12/31/26
Mark Hiniker	Director (1/1/23-present)	12/31/26

ADMINISTRATIVE PERSONNEL

Kevin Enerson	Superintendent
Jacque Kennedy	Business Manager

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MEULEBROECK, TAUBERT & CO., PLLP
CERTIFIED PUBLIC ACCOUNTANTS

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Matthew A. Taubert, CPA
David W. Friedrichsen, CPA
Daryl J. Kanthak, CPA
Blake R. Klinsing, CPA
Amy L. Mollberg, CPA

INDEPENDENT AUDITOR'S REPORT

To The Board of Education
Independent School District No. 2689
Pipestone Area Schools
Pipestone, 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 Fiduciary fund of the Independent School District No. 2689, Pipestone Area Schools, Pipestone, 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 as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and Fiduciary fund of the Independent School District No. 2689, Pipestone Area Schools, Pipestone, Minnesota as of June 30, 2023, and the respective changes in financial position, and the respective budgetary comparison for General Fund and Major Special Revenue Funds (Food Service Fund and Community Service 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 *Governmental 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 Independent School District No. 2689, Pipestone Area Schools, Pipestone, Minnesota, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financials 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 Independent School District No. 2689, Pipestone Area Schools, Pipestone, Minnesota's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Independent School District No. 2689, Pipestone Area Schools, Pipestone, Minnesota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Independent School District 2689, Pipestone Area Schools, Pipestone, Minnesota'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.

The Financial statements include partial prior-year comparative information, which does not include all of the information required in a presentation in conformity with accounting principles generally accepted in the United States of America. The prior year partial comparative information has been derived from the District's financial statements for the year ended June 30, 2022, and in our report dated November 28, 2022, we expressed unqualified opinions on the respective financial statements of the governmental activities and each major fund. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2022, from which it was derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Required Supplementary Information other than MD&A 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 responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District No. 2689, Pipestone Area Schools, Pipestone, Minnesota's basic financial statements. The accompanying combining and individual fund statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Uniform Financial Accounting and Reporting Standards Compliance Table are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2023, on our consideration of the Independent School District No. 2689'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 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 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 Independent School District No. 2689's internal control over financial reporting and compliance.

Meulebroeck, Taubert & Co., PLLP

Meulebroeck, Taubert Co., PLLP
Certified Public Accountants
Pipestone, Minnesota

November 20, 2023

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2023

This section of the Independent School District No. 2689's annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the other components of the District's annual financial report.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 -- *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments* issued in June 1999. Certain comparative information between the current year and the prior year is presented in the MD&A.

Financial Highlights

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

- Net position increased by $2,220,798, or 16.2% over June 30, 2022 due primarily to the GASB 68 required adjustment for TRA and PERA obligations.
- Fund Balance decreased by $77,353, or 0.8% over June 30, 2022.
- Total governmental revenues increased by $230,470 or 1.2% in comparison to fiscal year 2022, while governmental expenditures decreased by $3,194,273 or 14.2% in comparison to fiscal year 2022 due in part to expenditures relating to the construction of the new building in prior year.

Overview of the Financial Statements

The financial section of the annual report consists of four parts -- Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include District-wide financial statements and fund financial statements and the notes to the financial statements.

Government-Wide Statements

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

The two government-wide statements report the District's net position and how it has changed. Net position -- the difference between the District's assets and liabilities -- is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. You also need to consider other nonfinancial factors, however, such as changes in the District's property tax base, pupil enrollment, and the condition of school facilities.

Fund Financial Statements
The fund financial statements include more detailed information about a District's individual funds.

The District maintains the following funds:

Governmental Funds - The District's services are included in this type of fund, which generally focuses 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 provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's activities. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

Fiduciary Funds – The district is the trustee, or fiduciary, for assets that belong to others. 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 student activity fund is reported as an agency fund. All of the district's fiduciary activities are reported in a separate Statement of Cash Receipts and Disbursements. We exclude these activities from the district-wide financial statements because the district cannot use these assets to finance its operations.

Financial Analysis of the District As A Whole

As noted, net position may serve over time as a useful indicator of a government's financial position. In the case of the Independent School District No. 2689, assets exceeded liabilities by $15,901,546 at the close of the most recent fiscal year. This was an increase of $2,220,798 or 16.2% from the previous year total of $13,680,748.

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

Table 1
Statement of Net Position
As of June 30, 2023

	2023	2022
Assets		
Current and other assets	14,569,720	14,524,995
Capital assets, net of depreciation	41,683,236	41,686,541
Total Assets	56,252,956	56,211,536
Deferred Outflows of Resources		
Related to OPEB	77,824	84,220
Related to Pensions	3,352,213	2,532,968
Total Deferred Outflows of Resources	3,430,037	2,617,188
Total Assets and Deferred Outflows of Resources	59,682,993	58,828,724
Liabilities		
Current and other liabilities	2,306,285	2,238,442
Long-term liabilities, including due within one year	36,294,310	32,729,266
Total Liabilities	38,600,595	34,967,708
Deferred Inflows of Resources		
Property Taxes Levied for Subsequent Year	3,458,934	3,399,834
Related to OPEB	42,012	52,273
Related to Pensions	1,679,906	6,728,161
Total Deferred Inflows of Resources	5,180,852	10,180,268
Net Position		
Net Investment in capital assets	15,305,505	14,191,958
Restricted	3,207,897	2,932,479
Unrestricted	(2,611,856)	(3,443,689)
Net Position	15,901,546	13,680,748
Total Liabilities, Deferred Inflows of Resources & Net Position	59,682,993	58,828,724

The District's financial position is the product of numerous factors. Therefore, it is important to view the net position as a starting point to evaluate future years' results, rather than to just focus on the current balance.

Table 2 presents a condensed version of the change in net position of the District.

Table 2
Change in Net Position
For the year ended June 30, 2023

Revenues	**2023**	**2022**
Program Revenues		
Charges for Services	548,678	305,053
Operating Grants and Contributions	3,726,211	4,000,091
General Revenues		
Property Taxes	2,735,749	2,968,212
Unrestricted Federal and State Aid	10,600,763	10,222,239
Federal Aid Restricted to Specific Purposes	1,149,820	1,147,514
Earnings on Investments	214,508	4,599
Bond Premium	139,852	139,852
Gain (Loss) on Sale of Property		436,050
Other	288,309	415,695
Total revenues	19,403,890	19,639,305
Expenses		
District and School Administration	929,568	940,162
District Support Services	386,048	367,847
Regular Instruction	6,410,256	3,648,641
Vocational Instruction	331,162	379,895
Exceptional Instruction	1,954,196	1,931,166
Instructional Support Services	778,905	707,269
Pupil Support Services	1,618,930	1,474,167
Site, Buildings, and Equipment	2,570,529	3,266,650
Fiscal and Other Fixed Cost Programs	132,559	108,677
Food Service	779,088	945,367
Community Service	355,001	427,329
Interest and Fiscal Charges on Long-term Liabilities	936,850	943,439
Total expenses	17,183,092	15,140,609
Change in net position	2,220,798	4,498,696
Beginning net position	13,680,748	9,182,052
Ending net position	15,901,546	13,680,748

The district's total revenue consisted of program revenues of $4,274,889, property taxes of $2,735,749, federal and state aid not restricted to specific purposes of $10,600,763, federal aid restricted to specific purposes of $1,149,820, unrestricted investment earnings of $214,508, bond premium of $139,852, and other revenues of $288,309.

The cost of all governmental activities this year was $17,183,092.

- The users of the district programs paid for $548,678 or 3.2% of the total costs.
- Operating grants and contributions consisting of federal and state aids restricted for specific purposes and donations totaled $3,726,211 or 21.7% of total costs.
- The state government subsidized certain programs with aid not restricted for specific purposes. This totaled $10,600,763 or 61.7% of total costs.

Figure A and Figure B show further analysis of these revenue sources and expenditure functions.

Figure A - Sources of Revenue for Fiscal Year 2023

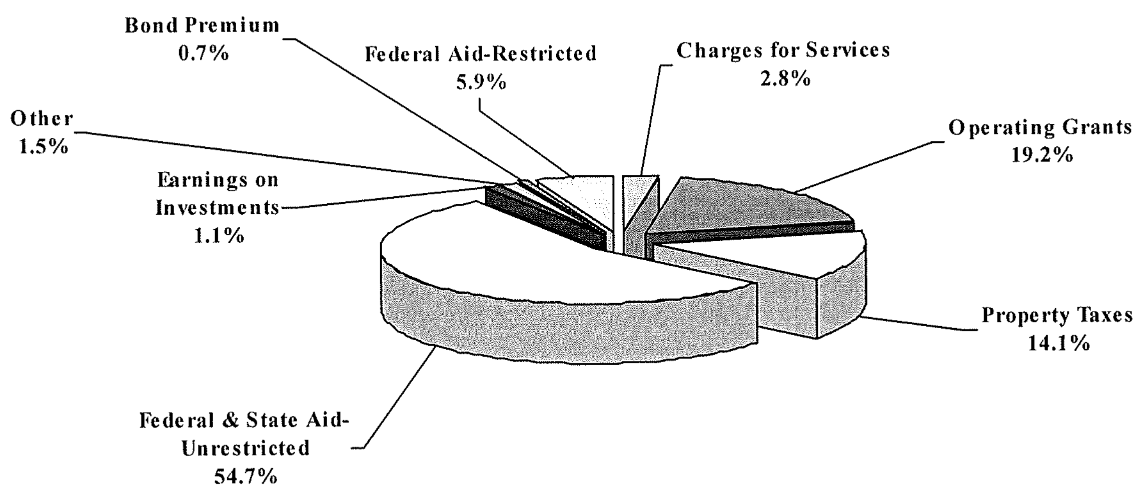
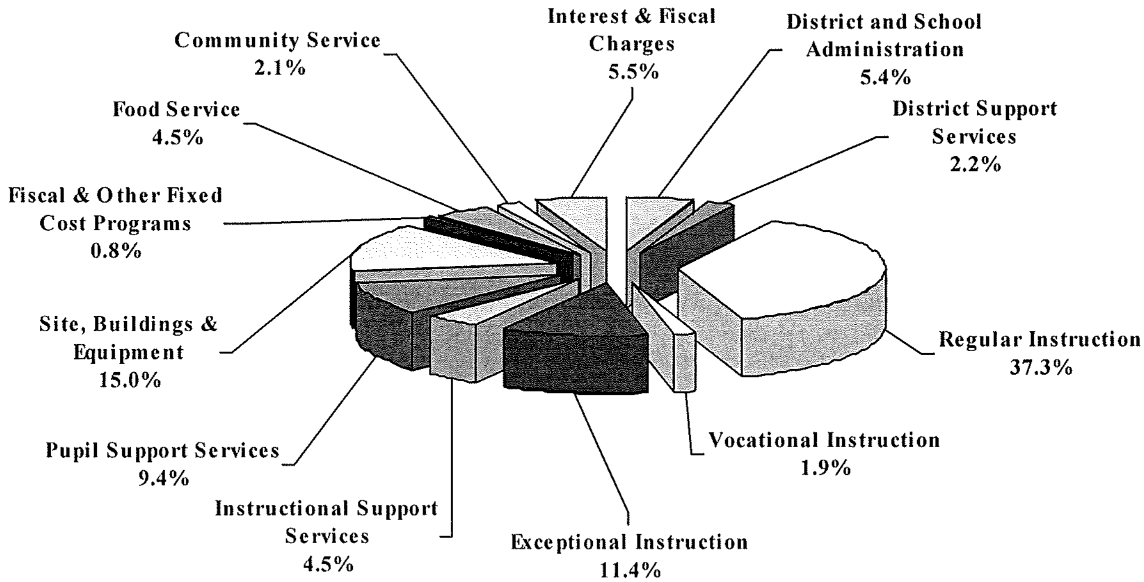


Figure B - Expenses for Fiscal Year 2023



Financial Analysis of the District's Funds (Fund Financial Statements)

Fund Balance

The financial performance of the district as a whole is reflected in its governmental funds as well. As the district completed the year, the governmental funds reported a combined fund balance of $9,149,254, which is a decrease of $77,353 over the prior year fund balance of $9,226,607. The General Fund had an increase of $11,932. The Food Service Fund had an increase of $125,093, which was due mainly to increased lunch sales. The Community Service Fund had an increase of $95,238, due to a transfer from General Fund. The Capital Projects Fund had a decrease of $312,890, due to the new building project expenditures. The Debt Service Fund had an increase of $3,274.

Revenues and Expenditures

Revenues of the district's governmental funds totaled $19,237,875 while total expenditures were $19,346,256. A summary of the revenues and expenditures reported on the governmental financial statements is as follows:

	Revenue	Expenditures	Other Financing Sources (Uses)	Fund Balance Increase (Decrease)
General Fund	16,132,037	16,007,386	(112,719)	11,932
Food Service Fund	957,022	831,929	-0-	125,093
Community Service Fund	306,492	355,001	143,747	95,238
Capital Projects Fund	2,200	315,090	-0-	(312,890)
Debt Service Fund	1,840,124	1,836,850	-0-	3,274
Total	19,237,875	19,346,256	31,028	(77,353)

General Fund Budgetary Analysis

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to as the original budget. During the year, the District might amend that budget for known changes in circumstances such as legislative funding. For fiscal year 2023, the District did revise the budget. The district's budget anticipated that expenditures would exceed revenues and other financing sources (uses) by $1,324,705. The actual results for the year showed revenues exceeding expenditures by $11,932.

- Actual general fund revenues were more than the budget by $1,212,686 primarily due to differences in state and other local and county aids.
- Actual general fund expenditures were less than budget by $236,670 primarily due to over budgeting expenditures for various items, including salaries, employee benefits, supplies, and travel.

Capital Assets

Table 3 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal year ending June 30, 2023. More detailed information about the district's capital assets is presented in Note 6.

Table 3
Capital Assets

	2023	2022	Increase (Decrease)
Land	209,572	209,572	
Land Improvements	3,208,062	3,062,978	145,084
Buildings and Improvements	45,477,555	45,227,225	250,330
Equipment	4,688,792	4,028,730	660,062
Pupil Transportation Vehicles	389,376	262,055	127,321
Less: Accumulated Depreciation	(12,290,121)	(11,104,019)	(1,186,102)
Total	41,683,236	41,686,541	(3,305)
Depreciation Expense	1,225,520	962,988	262,532

Capital asset activity for the current fiscal year includes a climbing wall, elementary baseball fields, batting cages, shot clock, intercom system, sound system, high school gym floors, field line striper, fencing at Paulsen field, playground equipment, graphics for elementary school, gym divider curtain, ag shop air handlers, two gas ovens, heated cabinet, wireless locks for elementary school, protective wall paneling, LED lighting retrofit, 2019 Chevy Equinox, 2023 Chevy Suburban, and 2023 14 passenger vehicle.

Long-Term Liabilities

In fiscal year 2023, long-term debt obligations were repaid in the amount of $900,000, lease payments were paid in the amount of $77,000, the net severance liability decreased by $6,507, the net OPEB liability increased by $4,489, and the net pension liability increased by $4,683,914. Pension benefits payable total $9,702,970 at June 30, 2023. More detailed information about the district's long-term liabilities is presented in Note 9.

Factors Bearing on the District's Future

With the exception of voter-approved excess operating referendum, the District is dependent on the State of Minnesota for the vast majority of its funding. Recent experience shows uncertainty in state and federal funding.

Contacting the District's Management

This financial report is designed to provide 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 Independent School District No. 2689 at 1401 7th St. SW, Pipestone, Minnesota 56164.

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

Exhibit A

STATEMENT OF NET POSITION
JUNE 30, 2023

	2023	2022
Assets		
Cash and Investments	9,560,743	9,468,051
Receivables:		
Property Taxes	2,223,781	2,076,649
Governmental Units	2,531,313	2,816,276
Other	144,511	18,425
Prepaid Expenses	109,372	145,594
Capital Assets:		
Non Depreciable	209,572	209,572
Depreciable - net of accumulated depreciation	41,473,664	41,476,969
Total Assets	56,252,956	56,211,536
Deferred Outflows of Resources		
Related to OPEB	77,824	84,220
Related to Pensions	3,352,213	2,532,968
Total Deferred Outflows of Resources	3,430,037	2,617,188
Total Assets and Deferred Outflows of Resources	59,682,993	58,828,724
Liabilities		
Salaries Payable	785,372	749,442
Accounts Payable	929,517	881,055
Accrued Interest	367,521	367,521
Due to Other Governmental Units	205,572	195,168
Unearned Revenue	18,303	45,256
Long Term Liabilities:		
Portion Due Within One Year	1,159,852	1,122,177
Portion Due in More Than One Year	24,909,507	26,070,541
Pension Benefit Payable	9,702,970	5,019,056
Net OPEB Liability	521,981	517,492
Total Liabilities	38,600,595	34,967,708
Deferred Inflows of Resources		
Property Taxes Levied for Subsequent Years	3,458,934	3,399,834
Related to OPEB	42,012	52,273
Related to Pensions	1,679,906	6,728,161
Total Deferred Inflows of Resources	5,180,852	10,180,268
Net Position		
Net Investment in Capital Assets	15,305,505	14,191,958
Restricted for:		
General Fund State Mandated Purposes	1,436,665	1,384,852
Food Service	788,392	663,299
Community Service	585,400	490,162
Debt Service	397,440	394,166
Unrestricted	(2,611,856)	(3,443,689)
Total Net Position	15,901,546	13,680,748
Total Liabilities, Deferred Inflows of Resources and Net Position	59,682,993	58,828,724

See accompanying notes to the financial statements.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	2023					2022
		Program Revenues			Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Governmental Activities
Governmental Activities						
District and School Administration	929,568				(929,568)	(940,162)
District Support Services	386,048				(386,048)	(367,847)
Regular Instruction	6,410,256	73,769	1,640,729		(4,695,758)	(2,132,944)
Vocational Instruction	331,162				(331,162)	(379,895)
Exceptional Instruction	1,954,196	71,714	1,344,174		(538,308)	(486,059)
Instructional Support Services	778,905				(778,905)	(707,269)
Pupil Support Services	1,618,930		25,113		(1,593,817)	(1,453,431)
Site, Buildings and Equipment	2,570,529				(2,570,529)	(3,266,650)
Fiscal and Other Fixed Cost Programs	132,559				(132,559)	(108,677)
Food Service	779,088	298,829	637,648		157,389	209,457
Community Service	355,001	104,366	78,547		(172,088)	(258,549)
Interest and Fiscal Charges on Long-term Liabilities	936,850				(936,850)	(943,439)
Total	17,183,092	548,678	3,726,211	-0-	(12,908,203)	(10,835,465)
General Revenues						
Property Taxes Levied for:						
General Purposes					1,659,713	1,808,966
Community Service					107,467	113,545
Debt Service					968,569	1,045,701
Federal and State Aid Not Restricted to Specific Purposes					10,600,763	10,222,239
Federal Aid Restricted to Specific Purposes					1,149,820	1,147,514
Earnings on Investments					214,508	4,599
Bond Premium					139,852	139,852
Gain (Loss) on Sale of Property						436,050
Miscellaneous					288,309	415,695
Total General Revenues					15,129,001	15,334,161
Change in Net Position					2,220,798	4,498,696
Net Position - Beginning					13,680,748	9,182,052
Net Position - Ending					15,901,546	13,680,748

See accompanying notes to the financial statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	2023						2022
	Major Funds					Total	Total
		Food	Community	Capital	Debt	Governmental	Governmental
Assets	General	Service	Service	Projects	Service	Funds	Funds
Cash and Investments	7,251,843	837,722	705,282		765,896	9,560,743	9,468,051
Current Property Taxes Receivable	741,560		50,915		1,356,403	2,148,878	2,049,016
Delinquent Property Taxes Receivable	40,938		3,001		30,964	74,903	27,633
Accounts Receivable	6,049	117,590	2,000			125,639	17,258
Interest Receivable	18,872					18,872	1,167
Due From Department of Education	1,942,569		7,728		85,179	2,035,476	1,832,553
Due From Federal Government Through the Department of Education	386,347	18,007				404,354	639,797
Due From Other Governmental Units	91,483					91,483	343,926
Prepaid Expenses	109,372					109,372	145,594
Total Assets	10,589,033	973,319	768,926	-0-	2,238,442	14,569,720	14,524,995
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities							
Salaries Payable	721,241		64,131			785,372	749,442
Accounts Payable	224,640	166,888	6,271			397,799	299,320
Due to Other Governmental Units	205,572					205,572	195,168
Payroll Deductions	531,718					531,718	581,735
Unearned Revenue		18,039	264			18,303	45,256
Total Liabilities	1,683,171	184,927	70,666	-0-	-0-	1,938,764	1,870,921
Deferred Inflows of Resources							
Unavailable Revenue-Delinquent Taxes	11,248		810		10,710	22,768	27,633
Property Taxes Levied for Subsequent Years	1,516,592		112,050		1,830,292	3,458,934	3,399,834
Total Deferred Inflows of Resources	1,527,840	-0-	112,860	-0-	1,841,002	3,481,702	3,427,467
Fund Balances							
Fund Balance-Nonspendable	109,372					109,372	145,594
Fund Balance-Restricted	1,436,664	788,392	585,400		397,440	3,207,896	3,245,368
Fund Balance-Committed	59,149					59,149	65,656
Fund Balance-Assigned	26,130					26,130	18,950
Fund Balance-Unassigned	5,746,707					5,746,707	5,751,039
Total Fund Balances	7,378,022	788,392	585,400	-0-	397,440	9,149,254	9,226,607
Total Liabilities, Deferred Inflows of Resources and Fund Balances	10,589,033	973,319	768,926	-0-	2,238,442	14,569,720	14,524,995

See accompanying notes to the financial statements.

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

Exhibit D

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2023

	2023		2022	
Total Governmental Fund Balances		9,149,254		9,226,607
Amounts reported in governmental activities in the statement of net position are different because:				
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds				
Cost of Capital Assets	53,973,357		52,790,560	
Less: Accumulated Depreciation	(12,290,121)	41,683,236	(11,104,019)	41,686,541
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue.		22,768		27,633
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(367,521)		(367,521)
Deferred outflows and invlows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.				
Deferred Outflows of Resources related to Pensions	3,352,213		2,532,968	
Deferred Outflows of Resources - OPEB	77,824		84,220	
Deferred Inflows of Resources related to Pensions	(1,679,906)		(6,728,161)	
Deferred Inflows of Resources - OPEB	(42,012)	1,708,119	(52,273)	(4,163,246)
Long-term liabilities that pertain to governmental funds are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at year-end are:				
Severance Payable	(59,149)		(65,656)	
Bonds Payable	(23,691,000)		(24,668,000)	
Bond Premium	(2,319,210)		(2,459,062)	
Pension Benefits Payable	(9,702,970)		(5,019,056)	
Net OPEB Liability	(521,981)	(36,294,310)	(517,492)	(32,729,266)
Net Position of Governmental Activities		15,901,546		13,680,748

See accompanying notes to the financial statements.

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

Exhibit E

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	2023						2022
	Major Funds					Total	Total
Revenues	General	Food Service	Community Service	Capital Projects	Debt Service	Governmental Funds	Governmental Funds
Local Property Tax Levies	1,664,578		107,467		968,569	2,740,614	2,958,354
Other Local and County Revenues	558,647	20,545	119,986	2,200	19,768	721,146	630,855
Revenue from State Sources	12,159,958	45,125	78,547		851,787	13,135,417	12,569,442
Revenue from Federal Sources	1,748,854	592,523				2,341,377	2,800,402
Sales and Other Conversion of Assets		298,829	492			299,321	48,352
Total Revenues	16,132,037	957,022	306,492	2,200	1,840,124	19,237,875	19,007,405
Expenditures							
Current:							
District and School Administration	929,568					929,568	940,162
District Support Services	386,048					386,048	367,847
Regular Instruction	7,619,393					7,619,393	7,316,211
Vocational Instruction	331,162					331,162	379,895
Exceptional Instruction	1,954,196					1,954,196	1,931,166
Community Education and Services			355,001			355,001	427,329
Instructional Support Services	778,905					778,905	707,269
Pupil Support Services	1,758,391	831,929				2,590,320	2,621,191
Site, Buildings and Equipment	2,117,164			315,090		2,432,254	5,906,182
Fiscal and Other Fixed Cost Programs	132,559					132,559	108,677
Debt Service:							
Principal					900,000	900,000	855,000
Interest and Fiscal Charges					936,850	936,850	979,600
Total Expenditures	16,007,386	831,929	355,001	315,090	1,836,850	19,346,256	22,540,529
Excess Revenues (Expenditures) Before Other Financing Sources (Uses)	124,651	125,093	(48,509)	(312,890)	3,274	(108,381)	(3,533,124)
Other Financing Sources (Uses)							
Insurance Recovery	31,028					31,028	46,140
Transfer In			143,747			143,747	
Transfer Out	(143,747)					(143,747)	
Sale of Property							436,050
Total Other Financing Sources (Uses)	(112,719)	-0-	143,747	-0-	-0-	31,028	482,190
Net Change in Fund Balance	11,932	125,093	95,238	(312,890)	3,274	(77,353)	(3,050,934)
Fund Balance-Beginning	7,366,090	663,299	490,162	312,890	394,166	9,226,607	12,277,541
Fund Balance-Ending	7,378,022	788,392	585,400	-0-	397,440	9,149,254	9,226,607

See accompanying notes to the financial statements.

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

	2023		2022	
Net Change in Governmental Fund Balances		(77,353)		(3,050,934)
Amounts reported for the governmental activities in the statement of activities are different because:				
Governmental funds report capital outlays as expenditures, however, in statement of activities, assets with an initial, individual cost of more than $10,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period				
Capital Outlay	1,222,215		4,187,942	
Disposals			(462,757)	
Depreciation Expense	(1,225,520)	(3,305)	(962,988)	2,762,197
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 assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. 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. The net effect of these differences is as follows:				
Amortization of Bond Premium	139,852		139,852	
Lease Payments	77,000		75,000	
Repayment of Bond Principal	900,000		855,000	
Interest Expense - General Obligation Bonds			36,161	
Severance Payments	5,325	1,122,177	5,325	1,111,338
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for current period's expenditures, and therefore deferred in the funds.		(4,865)		9,858
In the statement of activities, severance benefits 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	1,182		2,094	
OPEB	3,865		(15,869)	
Pension Benefits	5,867,500	5,872,547	280,342	266,567
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.				
Change in Pension Benefits	(4,683,914)		3,386,982	
Change in Net OPEB liability	(4,489)	(4,688,403)	12,688	3,399,670
Change in Net Position of Governmental Activities		2,220,798		4,498,696

See accompanying notes to the financial statements.

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

Exhibit G

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance with Final
	Original	Final	Amounts	Budget
Revenues				
Local Property Tax Levies	1,586,752	1,586,752	1,664,578	77,826
Other Local and County Revenues	217,020	217,020	558,647	341,627
Revenue from State Sources	11,246,983	11,246,983	12,159,958	912,975
Revenue from Federal Sources	1,605,215	1,867,296	1,748,854	(118,442)
Sales and Other Conversion of Assets	1,300	1,300		(1,300)
Total Revenues	14,657,270	14,919,351	16,132,037	1,212,686
Expenditures				
District and School Administration	1,056,038	982,133	929,568	(52,565)
District Support Services	382,684	382,684	386,048	3,364
Regular Instruction	7,195,775	7,548,886	7,619,393	70,507
Vocational Instruction	374,903	374,902	331,162	(43,740)
Exceptional Instruction	2,216,200	2,214,624	1,954,196	(260,428)
Instructional Support Services	798,659	822,142	778,905	(43,237)
Pupil Support Services	1,709,686	1,681,850	1,758,391	76,541
Site, Building and Equipment	1,826,973	2,104,276	2,117,164	12,888
Fiscal and Other Fixed Cost Programs	118,293	132,559	132,559	
Total Expenditures	15,679,211	16,244,056	16,007,386	(236,670)
Excess Revenues (Expenditures)	(1,021,941)	(1,324,705)	124,651	1,449,356
Other Financing Sources (Uses)				
Insurance Recovery			31,028	31,028
Transfer Out			(143,747)	(143,747)
Total Other Financing Sources (Uses)	-0-	-0-	(112,719)	(112,719)
Excess Revenues and Other Financing Sources Over Expenditures and Other Uses	(1,021,941)	(1,324,705)	11,932	1,336,637
Fund Balance-Beginning			7,366,090	
Fund Balance-Ending			7,378,022	

See accompanying notes to the financial statements.

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

Exhibit H

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance with Final
	Original	Final	Amounts	Budget
Revenues				
Other Local and County Revenues	5,630	5,630	20,545	14,915
Revenue from State Sources	61,934	61,934	45,125	(16,809)
Revenue from Federal Sources	512,466	512,466	592,523	80,057
Sales and Other Conversion of Assets	343,433	343,433	298,829	(44,604)
Total Revenues	923,463	923,463	957,022	33,559
Expenditures				
Pupil Support Services	882,708	1,032,708	831,929	(200,779)
Total Expenditures	882,708	1,032,708	831,929	(200,779)
Net Change in Fund Balance	40,755	(109,245)	125,093	234,338
Fund Balance-Beginning			663,299	
Fund Balance-Ending			788,392	

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR COMMUNITY SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance with Final
	Original	Final	Amounts	Budget
Revenues				
Local Property Tax Levies	106,079	106,079	107,467	1,388
Other Local and County Revenues	263,531	263,531	119,986	(143,545)
Revenue from State Sources	78,353	78,353	78,547	194
Sales and Other Conversion of Assets			492	492
Total Revenues	447,963	447,963	306,492	(141,471)
Expenditures				
Community Education and Services	406,621	436,578	355,001	(81,577)
Total Expenditures	406,621	436,578	355,001	(81,577)
Excess Revenues (Expenditures)	41,342	11,385	(48,509)	(59,894)
Other Financing Sources (Uses)				
Transfer In		143,747	143,747	
Total Other Financing Sources (Uses)	-0-	143,747	143,747	-0-
Net Change in Fund Balance	41,342	155,132	95,238	(59,894)
Fund Balance-Beginning			490,162	
Fund Balance-Ending			585,400	

See accompanying notes to the financial statements.

STATEMENT OF FIDUCIARY ASSETS
AGENCY FUND
JUNE 30, 2023

Assets	**2023**	**2022**
Cash and Investments	345	345
Liabilities and Net Position		
Liabilities		
Unearned Revenue	345	345
Net Position	-0-	-0-
Total Liabilities and Net Position	345	345

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 1 Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of Independent School District No. 2689 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.

B. Financial Reporting Entity

Independent School District 2689, Pipestone, was formed and operates pursuant to applicable Minnesota laws and statutes. The District operates under an elected seven member Board of Education form of government. The Board has control over all activities related to the public school education in the District.

As required by generally accepted accounting principles, these financial statements present the District and its component units, entities for which the government is considered to be financially accountable.

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

C. Basic Financial Statements 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 funds. The Fiduciary Funds are only reported in the Statements of Fiduciary 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 charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 1 Summary of Significant Accounting Policies - continued

C. Basic Financial Statements Presentation - continued

contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Separate fund financial statements are provided for governmental 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: expendable trust, and agency. 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.

Proprietary funds are used to report business-type activities carried on by a school district. No activities of the District were determined to be of this nature, so no proprietary funds are present in the financial statements.

D. Basis of Accounting and Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenues in the 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 as revenue as soon as all eligibility requirements imposed by the provider have been met.
Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measureable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered to be

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 1 **Summary of Significant Accounting Policies - continued**

D. Basis of Accounting and Measurement Focus - continued

available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within 60 days of fiscal year-end. Federal revenue is recorded in the year in which the related expenditure is made. State revenue is recognized in the year to which it applies according to Minnesota Statutes and U.S. generally accepted accounting principles. Other miscellaneous revenues (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measureable and available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

All major revenues are susceptible to accrual. Property tax revenues for all funds, which are payable by property owners on a calendar-year basis, are recognized as revenues in the fiscal years for which they apply according to Minnesota Statutes. Federal revenues are recorded in the year in which the related expenditure is made. If the amounts of Minnesota or federal revenues cannot be reasonably estimated or realization is not assured, they are not recorded as revenue in the current year.

The District reports unavailable revenue on its balance sheet. Unavailable revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unavailable revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurring qualified expenditures. In subsequent periods, when both revenue recognition criteria are met or when the District has a legal claim to the resources, the liability for unavailable revenue is removed and revenue is recognized.

Description of Funds

The existence of the various District funds has been established by the State of Minnesota, Department of Education. Each fund is accounted for as an independent entity. A description of the funds included in this report is as follows:

Governmental Funds

General Fund

The General Fund includes all financial transactions relating to the administration, instruction, maintenance, transportation, and capital expenditures of the District, which are not accounted for in other funds.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 1 Summary of Significant Accounting Policies - continued

D. Basis of Accounting and Measurement Focus - continued

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted for expenditures for specified purposes. These funds include the Food Service and Community Service funds.

The Food Service fund is used to account for food service revenues and expenditures.

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

Capital Projects Fund

The Capital Projects Fund is used to record all operations of the District's new building project.

Debt Service Fund

Debt Service Funds account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

Agency Fund

The Agency Fund is used to account for donations specifically used to apply to food service accounts and community education fees. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations.

E. Budgets and Budgetary Accounting

The budgeted amounts included in the statement of revenues and expenditures were accounted for and presented on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with generally accepted accounting principles. The budgets are prepared by the school personnel and approved by the school board. Encumbrances are not considered in the budget process or in the regular district accounting.

Once a budget is approved, school personnel can amend it with approval by the school board. Amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Individual amendments were not material in relation to the original appropriations. All budget appropriations lapse at year-end.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 1 Summary of Significant Accounting Policies – continued

F. Cash and Temporary Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.

The school District uses the average cash balance method of allocating investment income to the various funds.

G. 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.

H. Inventories

Inventories consist of expendable supplies held for consumption and are stated at moving, weighted average cost. Inventory of the General Fund is recorded as expenditure when items are issued from central stores. Accordingly inventory items on hand at the school are not included in inventory.

I. 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 expenditure at the time of consumption.

J. Property Tax Recognition

The levy certification is made in December of each year. The tax levy is collectible as of January 2nd of the following year and the taxes are due to the county treasurer in May and October of each year. The taxes levied during the fall of the year are recognized in the subsequent fiscal year for the school district.

Current taxes receivable includes the amount of Homestead Market Value Credit Aid, Disparity Reduction Aid, and School Building Bond Ag Credit to be received after July 1, 2023, and will be recognized as revenue during the fiscal year ending June 30, 2024. The delinquent taxes receivable are reserved as 100% uncollectible except for the amount received during the first sixty days of the subsequent fiscal year.

Note 1 Summary of Significant Accounting Policies - continued

K. 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 at their estimated fair market value at the date of donation. The District defines capital assets as those with an initial, individual cost of $10,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

L. 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. Bond issuance costs, if material, are also reported as deferred charges and amortized over the term of the related debt.

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

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The District has two types, Related to pensions and Related to OPEB Obligations, which arise only under a modified accrual basis of accounting that qualifies for reporting in this category.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 1 Summary of Significant Accounting Policies - continued

M. Deferred Outflows/Inflows of Resources - continued

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types, Property Taxes Levied for Subsequent Years, Related to Pensions, and Related to OPEB, which arise only under a modified accrual basis of accounting, that qualify for reporting in this category. Accordingly, the items, unavailable revenue, are reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

N. Fund Equity

Fund balance is divided into five classifications based primarily on the extent to which the district is bound to observe constraints imposed upon the use of the resources in the governmental funds. The following are the five fund balance categories used by the district:

Non-Spendable Fund Balance
Fund balance amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance
Fund balance amounts that can be spent only for specific purposes imposed by laws or regulations, external resource providers, constitutional provisions or enabling legislation.

Committed Fund Balance
Fund balance amounts that can be used only for the specific purpose determined by a formal action of the government's highest level of decision making authority.

The District's highest level of decision making authority is the district school board. In order to establish, modify or rescind a committed fund balance amount, the school board would need to approve the action at a school board meeting.

Assigned Fund Balance
Fund balance amounts that are intended to be used by the government for a specific purpose, but do not meet the criteria to be classified as restricted or committed.

The District school board has delegated the authority to assign fund balance amounts to the business manager and/or superintendent. Assigned amounts or changes to assigned amounts are presented to the school board for review.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 1 Summary of Significant Accounting Policies - continued

N. Fund Equity - continued

Unassigned Fund Balance

Fund balance amounts that are available for any purpose. These amounts represent the remaining fund balance in the General Fund that has not been classified as non-spendable, restricted, committed or assigned. Also for funds other than the general fund, unassigned fund balance is used to report a deficit fund balance.

The school district will strive to maintain a fund balance of between 25% and 34% of total operating expenditures to fund balance. The fund balance shall be defined as the sum of the restricted, committed, assigned and unassigned fund balances in the General Fund, Food Service Fund and the Community Service Fund. Total operating expenditures will include the expenditures in the funds noted above.

If resources from more than one fund balance classification could be spent, the school district established the following order for resource use: non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance. Journal entries at the end of the fiscal year may be used to accomplish this.

O. Net Position

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

P. 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.

Note 1 Summary of Significant Accounting Policies - continued

Q. Certain Comparative Data and Reclassifications

Certain comparative total data for the prior year have been presented in the District-wide and fund financial statements in order to provide an understanding of the changes in the financial position and operations. Such comparative total data does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

R. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

S. Subsequent Events

Subsequent events have been evaluated through December 8, 2023, which is the date the financial statements were available to be issued.

Note 2 Cash and Investments

A. Deposits

Minnesota Stat. 118A.02 and 118A.04 authorize the District to designate a depository for public funds and to invest in certificates of deposit. Minnesota Stat. 118A.03 requires that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 2 Cash and Investments - continued

A. Deposits - continued

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2023, none of the District's bank balance of $2,666,119 (includes student activity fund account) was exposed to custodial credit risk because it was insured and properly collateralized with securities held by the pledging financial institution's trust department or agent in the district's name.

B. Investments

Minnesota Stat. 118A.04 and 118A.05 generally authorize the following types of investments as available to the District:

(1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minnesota Stat. 118A.04, subd. 6;

(2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

(3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

(4) bankers' acceptances of United States banks;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 2 Cash and Investments - continued

B. Investments - continued

The District's investments are potentially subject to various risks including the following:

Custodial Credit Risk
The risk that in the event of a failure of the counter party to an investment transaction, a district will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Credit Risk
The risk that an issuer or other counter party to an investment will not fulfill its obligations to the holder of the investment.

Concentration of Credit Risk
The risk of loss that may be caused by the District's investment in a single issuer.

Interest Rate Risk
The risk that changes in the market interest rates will adversely affect the fair value of an investment.

The District has no internal policies that limit deposits on investment choices or address these potential risks beyond the statutory limitations described above.

	Credit Risk		Concentration Risk	Interest Rate Risk	
	Credit Rating	Rating Agency	Over 5% of Portfolio	Maturity Date	Carrying Value
Investment Pools:					
MN Trust					
Investment Shares Portfolio	AAA	S & P	65.48%	N/A	4,656,822
Term Series	AAA	S & P	7.31%	N/A	519,680
CD	AAA	S & P	27.21%	1/31/24-2/13/25	1,935,152
Total Investments					7,111,654
Checking & Money Market Accounts (not including Agency Funds)					2,445,679
Petty Cash					3,410
Total Cash and Investments					9,560,743

The MN Trust Investment Shares Portfolio is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool shares.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 3 Due From Department of Education

Amounts due from the Department of Education are aids and reimbursements receivable for the fiscal years as follows:

	June 30	
General Fund	**2023**	**2022**
General Education Aid	1,550,767	1,450,739
Other State Aids	22,211	24,233
Special Education	369,591	272,821
Total General Fund	1,942,569	1,747,793
Special Revenue Funds		
Community Service Fund		
Other State Credits	7,728	5,994
Debt Service Fund		
Other State Credits	85,179	78,766
Total All Funds	2,035,476	1,832,553

Note 4 Due From Federal Government Through the Department of Education

Amounts due from the federal government through the Department of Education are as follows:

	June 30	
General Fund	**2023**	**2022**
Title I	125,719	162,691
Title II	14,353	24,318
Title III	160	8,113
Title IV	20	11,856
ESSER II		239,001
ESSER III	246,095	134,385
ESSER Summer		39,998
Total General Fund	386,347	620,362
Special Revenue Funds		
Food Service Fund		
Summer Food Program	18,007	19,435
Total Special Revenue Funds	18,007	19,435
Total All funds	404,354	639,797

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 5 Due From Other Governmental Units

Amounts due from Other Governmental Units are as follows:

	June 30	
General Fund	**2023**	**2022**
ACT		305
CEM	2,267	
City of Pipestone	13,425	13,350
E Rate	18,046	
Emergency Connectivity Fund		206,130
ISD 581 – Edgerton	22,013	21,076
P-EBT Coordinator		628
Pipestone County	5,132	
Rock County	1,587	
State of MN	1,370	
SW Health & Human Services	13,400	13,400
SW/WC Service Coop	5,858	11
Third Party	8,385	19,424
Total General Fund	91,483	274,324
Special Revenue Funds		
Food Service Fund		
Blue Mound Learning Center		5,000
Community Service Fund		
State of MN-COVID Library Grant		4,602
City of Pipestone		60,000
Total Community Service Fund	-0-	64,602
Total Special Revenue Funds	-0-	69,602
Total All Funds	91,483	343,926

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 6 Capital Assets

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

	Balance 7/01/22	Additions	Retirements	Balance 6/30/23
Capital assets not depreciated				
Land	209,572			209,572
Total capital assets not deprec.	209,572	-0-	-0-	209,572
Capital assets depreciated				
Land Improvements	3,062,978	145,084		3,208,062
Buildings	45,227,225	250,330		45,477,555
Equipment	4,028,730	660,062		4,688,792
Pupil Transportation Vehicles	262,055	166,739	39,418	389,376
Total Capital assets depreciated	52,580,988	1,222,215	39,418	53,763,785
Less accumulated depreciation for				
Land Improvements	1,450,084	108,461		1,558,545
Buildings	7,369,308	918,302		8,287,610
Equipment	2,115,806	171,479		2,287,285
Pupil Transportation Vehicles	168,821	27,278	39,418	156,681
Total accum depreciation	11,104,019	1,225,520	39,418	12,290,121
Total capital assets depreciated-net	41,476,969	(3,305)	-0-	41,473,664
Net Capital Assets	41,686,541	(3,305)	-0-	41,683,236

Depreciation expense of $1,225,520 for the year ended June 30, 2023 was charged to the following governmental functions:

Regular Instruction	4,436
Pupil Support Services	27,278
Sites, Buildings, and Equipment	1,179,411
Food Service	14,395
Total	1,225,520

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 7 Due to Other Governmental Units

Amounts due to Other Governmental Units are as follows:

	June 30	
General Fund	**2023**	**2022**
Intermediate District 287	731	
ISD 991 - SW/WC Service Coop	189,731	181,627
MN Dept of Labor and Industry	50	80
Pipestone County Medical Center	2,559	1,713
Pipestone County Sheriff's Office	12,501	11,748
Total General Fund	205,572	195,168

Note 8 Unearned Revenue

Unearned revenues are as follows:

	June 30	
Special Revenue Funds	**2023**	**2022**
Food Service Fund		
Lunch Sales	18,039	45,256
Community Service Fund		
Community Ed Classes	264	
Total Special Revenue Funds	18,303	45,256
Total All Funds	18,303	45,256

Note 9 Long-Term Liabilities

A. Severance Payable

Contract employees who are at least 55 years of age and who have completed 15 years of teaching with at least ten years of service with Independent School District 2689 are eligible to receive an early retirement incentive payment. The maximum payment amount is limited to 100 days of pay calculated at the daily rate of pay during the last year of service, excluding pay for additional assignments. Payments will be paid in the following manner: one-third the amount due to the employee will be paid in July following retirement, one-third of the amount due to the employee will be paid the following January, and the remaining one-third will be paid in January one year later. The Board approves a maximum of five teachers in any given fiscal year.

The District estimates its vested severance pay obligations to be $59,149 and $65,656 at June 30, 2023 and 2022, respectively and the amount is designated in the fund balance of the General fund at those dates.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 9 Long-Term Liabilities – continued

B. General Obligation School Building Bond, Series 2019A

On August 22, 2019 the District issued general obligation bonds of $25,415,000 with an interest rate ranging from 5.0% to 3.0%. Proceeds will be used for the construction of a new elementary school to be built on the site of the existing middle-high school location. Terms of the bond call for annual principal payments and semi-annual interest payments on February 1 and August 1 from February 1, 2020 to February 1, 2040.

The following is a summary of the bond transactions of the District for the year ending June 30, 2023:

Bonds Payable at July 1	24,165,000
Net Bonds Issued (Redeemed)	(900,000)
Bonds Payable at June 30	23,265,000

The annual requirements to amortize the bonds outstanding as of June 30, 2023 including interest payments, are listed below:

Year Ended June 30	Principal	Interest	Total
2024	940,000	891,850	1,831,850
2025	990,000	844,850	1,834,850
2026	1,040,000	795,350	1,835,350
2027	1,090,000	743,350	1,833,350
2028	1,145,000	688,850	1,833,850
2029-2033	6,635,000	2,539,150	9,174,150
2034-2038	7,915,000	1,253,100	9,168,100
2039-2040	3,510,000	158,700	3,668,700
Total	23,265,000	7,915,200	31,180,200

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 9 Long-Term Liabilities – continued

C. Lease-Purchase Agreement

On July 25, 2017 the District entered into a Lease-Purchase Agreement for the construction of tennis courts on the District property as follows:

$790,000 Lease-Purchase Agreement, due in semi-annual payments of $91,814 to $93,867 from February 2, 2018 to August 1, 2027, interest rate of 3.15%.	$426,000

The annual requirements to amortize the Lease-Purchase Agreement outstanding as of June 30, 2023, including interest payments, are listed below.

Year Ended June 30	Principal	Interest	Total
2024	80,000	12,159	92,159
2025	82,000	9,608	91,608
2026	85,000	6,977	91,977
2027	88,000	4,253	92,253
2028	91,000	1,433	92,433
Total	426,000	34,430	460,430

D. Changes in Long-Term Liabilities

	Balance 7/01/22	Additions	Retirements	Balance 6/30/23	Due Within One Year
GO School Bldg Bonds Series 2019A	24,165,000		900,000	23,265,000	940,000
Lease-Purchase Agreement	503,000		77,000	426,000	80,000
Bond Premium	2,459,062		139,852	2,319,210	139,852
Severance	65,656		6,507	59,149	
Total	27,192,718	-0-	1,123,359	26,069,359	1,159,852

Note 10 Fund Balances

Non-Spendable Fund Balance

The District has the following non-spendable fund balances as of June 30, 2023:

General Fund	
Prepaid Items	109,372
Total Funds	109,372

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 10 Fund Balances - continued

Restricted Fund Balance

The District has various restricted fund balances that are based on state requirements to track certain program funding, to provide funding for long-term debt requirements, or for other requirements. The District has the following restricted fund balances as of June 30, 2023:

General Fund	
Student Activities	144,869
Staff Development	328,726
Operating Capital	364,512
Learning and Development	126,163
Gifted and Talented	257,636
Basic Skills	213,421
Safe Schools	23,844
Long Term Facility Maintenance	(70,969)
Medical Assistance	48,462
Total General Fund	1,436,664
Special Revenue Funds	
Food Service Fund	
Restricted	788,392
Community Service Fund	
Community Education	190,338
Early Childhood and Family Education	288,424
Learning Readiness	106,638
Total Community Service Fund	585,400
Total Special Revenue funds	1,373,792
Debt Service Fund	
Restricted	397,440
Total All Funds	3,207,896

Committed Fund Balance

The District has the following committed fund balances as of June 30, 2023:

General Fund	
Severance	59,149

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 10 Fund Balances - continued

Assigned Fund Balance

The District has the following assigned fund balances as of June 30, 2023:

General Fund	
Athletic Help Fund	18,894
Help Fund	1,609
Elem Help	2,993
Arrow Way	2,634
Total General Fund	26,130

Unassigned Fund Balance

The District has the following unassigned fund balances as of June 30, 2023:

General Fund	5,746,707

Stabilization Amounts

Amounts formally set aside by the governmental unit for use in emergency situations such as revenue shortages or budgetary imbalances.

The District has no stabilization amounts as of June 30, 2023.

Note 11 Defined Benefit Pension Plans

A. Public Employees Retirement Association (PERA)

1. Plan Description

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

General Employees Retirement Plan (GERF)

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

2. Benefits Provided

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

Note 11 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA)-continued

2. 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 fired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

3. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2022 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2023, were $123,677. The District's contributions were equal to the required contributions as set by state statute.

4. Pension Costs

At June 30, 2023, the District reported a liability of $1,639,447 for its proportionate share of the GERF'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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 11 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA)-continued

4. Pension Costs - continued

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 $48,048.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0207 percent at the end of the measurement period and 0.0212 percent for the beginning of the period.

District's proportionate share of the net pension liability	1,639,447
State of Minnesota's proportionate share of the net pension liability associated with the District	48,048
Total	1,687,495

For the year ended June 30, 2023, the District recognized pension expense of $55,638 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized $7,180 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual $16 million contribution.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$13,694	$18,027
Changes in actuarial assumptions	$379,728	$7,216
Difference between projected and actual investment earnings	$18,419	
Changes in proportion		$57,515
Contributions paid to PERA subsequent to the measurement date	$123,677	
Total	$535,518	$82,758

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 11 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA)-continued

4. Pension Costs - continued

$123,677 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 ended June 30:	Pension Expense Amount
2023	$115,520
2024	$127,927
2025	($62,627)
2026	$148,263

5. Long-Term Expected Return of 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 Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	100%	

6. Actuarial Methods and Assumptions

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 11 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA) - continued

6. Actuarial Methods and Assumptions - continued

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

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

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tales 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:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

7. Discount Rate

The discount rate used to measure the total pension liability in 2022 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that 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 were 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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 11 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA) - continued

8. Pension Liability Sensitivity

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

Sensitivity Analysis (In Thousands)		
Net Pension Liability (Asset) at Different Discount Rates		
	General Employees Fund	
1% Lower	5.50%	2,589,592
Current Discount Rate	6.50%	1,639,447
1% Higher	7.50%	860,181

9. Pension Plan Fiduciary Net Position

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

B. Teachers Retirement Association

1. Plan Description

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

2. Benefits Provided

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota Statute and vest after three years of service credit. The defined retirement

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 11 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association - continued

2. Benefits Provided - continued

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 as described.

Tier 1 Benefits

Tier 1	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

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 11 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association - continued

2. Benefits Provided - continued

for Coordinated members and 2.7 for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, for favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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

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

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

3. Contribution Rate

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 11 Defined Benefit Pension Plans - continued
B. Teachers Retirement Association - continued
3. Contribution Rate – continued

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

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

4. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Valuation Date	July 1, 2022
Measurement Date	June 30, 2022
Experience Studies	June 28, 2019 (demographic and economic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected Salary Increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 20, 2028
Cost of living adjustment	1.00% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 11 Defined Benefit Pension Plans - continued
A. Teachers Retirement Association - continued
4. Actuarial Assumptions – continued

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 mortality table, without adjustment.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses 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 (Geometric Mean)**
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Private Markets	25.0%	5.90%
Fixed Income	25.0%	0.75%
Total	**100%**	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2023 is six years. The *Difference between Expected and Actual Experience*, *Changes of Assumptions*, and *Changes in Proportion* use the amortization period of 6 years in the schedule presented. The amortization period for

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 11 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association - continued

4. Actuarial Assumptions – continued

Net difference between projected and actual investment earnings on pension plan investments is five years as required by GASB 68.

Changes in actuarial assumptions since the 2021 valuation:

- None

5. 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).

6. Net Pension Liability

On June 30, 2023, the District reported a liability of $8,063,523 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.1082% at the end of the measurement period and 0.0940% for the beginning of the year.

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

District's proportionate share of net pension liability	$8,063,523
State's proportionate share of the net pension Liability associated with the District	$598,160

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 11 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association - continued

6. Net Pension Liability - continued

For the year ended June 30, 2023, the District recognized pension expense of ($1,149,795). It also recognized $82,249 as an increase to pension expense for the support provided by direct aid.

On June 30, 2022, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$99,248	$55,938
Net difference between projected and actual earnings on plan inv.	$918,915	
Change in assumptions	$1,004,886	$1,397,997
Changes in proportion	$269,296	$143,213
Contributions paid to TRA subsequent to measurement date	$524,350	
Total	$2,816,695	$1,597,148

$524,350 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 inflows of resources related to TRA will be recognized in the pension expense as follows:

2023	$(1,006,077)
2024	$360,181
2025	$269,345
2026	$1,017,194
2027	$54,554

Note 11 Defined Benefit Pension Plans – continued

B. Teachers Retirement Association - continued

7. Pension Liability Sensitivity

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

Sensitivity of Net Pension Liability (NPL) to changes in the discount rate		
1 percent decrease (6.00%)	Current (7.00%)	1 percent increase (8.00%)
$12,711,705	$8,063,523	$4,253,463

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

8. Pension Plan Fiduciary Net Position

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

Note 12 Other Postemployment Benefits

The District has implemented Governmental Accounting Standards Board (GASB), Statement No. 75, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.

General Information about the OPEB Plan

Plan Description

The District provides a single-employer defined benefit healthcare plan to eligible retirees and their spouses.

Benefits Provided

The plan offers medical insurance benefits. Benefits are provided through a third-party insurer. Retirees and their spouses contribute to the healthcare plan at the same cost as District employees.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 12 Other Postemployment Benefits – continued

Employees covered by benefit terms

At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	7
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	160
	167

Contributions

The contribution requirements of the plan members and the District are established and may be amended by the Board of Education. For the year ended June 30, 2021, the District's average contribution rate was 7.0 percent of covered-employee payroll.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021.

Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.
- The inflation rate was changed from 2.50% to 2.00%.
- The discount rate was changed from 3.10% to 2.10%.
- These changes increased the liability $32,968.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 12 Other Postemployment Benefits – continued

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability (a)-(b)**
Balances at 7/1/2022	517,492	-0-	517,492
Changes for the year:			
Service cost	49,136		49,136
Interest cost	11,315		11,315
Assumption Changes			
Differences between Expected and Actual Experience			
Benefit Payment	(55,962)	-0-	(55,962)
Net changes	4,489		4,489
Balances at 6/30/2023	521,981	-0-	521,981

Sensitivity of the net OPEB liability to changes in discount rate
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 1-percentage-point lower (1.1 percent) or 1-percentage-point higher (3.1 percent) than the current discount rate:

	1% Decrease (1.1%)	Discount Rate (2.1%)	1% Increase (3.1%)
Net OPEB liability	$549,104	$521,981	$495,322

Sensitivity of the net OPEB liability to changes in healthcare cost trend rates
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 healthcare cost trend rates that are 1-percentage-point lower (5.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (7.5 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (5.25% decreasing To 4.0%)	Healthcare Cost Trend Rates (6.25% decreasing to 5.0%)	1% Increase (7.25% decreasing to 6.0%)
Net OPEB Liability	$469,741	$521,981	$584,261

Note 12 Other Postemployment Benefits – continued

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

For the year ended June 30, 2023, the District recognized OPEB expense of $54,900. At June 30, 2023, the District reported deferred outflow of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Gains		$39,492
Assumption Changes	$23,548	$2,520
Contributions paid to plan subsequent to measurement date	$54,276	
	$77,824	$42,012

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

June 30, 2024	($5,551)
June 30, 2025	($5,548)
June 30, 2026	($2,455)
June 30, 2027	($2,455)
June 30, 2028	($2,455)

Note 13 Vacation and Sick Leave

Under the terms of contracts, certain employees accrue vacation at varying rates, which can be carried over to future years. The majority of vacation leave is lost if not taken each year, therefore a liability for accrued vacation is not recorded in the financial statements. Vacation pay is charged to operations when taken by the employees of the district.

Substantially all District employees are entitled to sick leave at various rates. Upon termination or retirement, employees are not entitled to receive compensation for their accrued sick leave. Since the employees' accumulating rights to receive compensation for future absences are contingent upon the absences being caused by future illnesses and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 14 Risk Management

The District is exposed to various risk of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and dental; and natural disasters. Risks of loss associated with workers' compensation claims are insured through participation in the Minnesota School Boards Association Insurance Trust. All other risks of loss are insured by the purchase of commercial insurance. There were no significant reductions in insurance coverage from the previous year. There were no settlements in excess of insurance for any of the past three fiscal years.

The Minnesota School Boards Association Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for member school districts. The district pays an annual premium based on its annual payroll and an experience modification factor for workers' compensation coverage.

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REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD & A

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
DEFINED BENEFIT PENSION PLANS
JUNE 30, 2023

Actuarial Valuation Date	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (if Applicable) (b)	Total (a+b)	District's Covered-Employee Payroll (c)	District's Proportionate Share 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
PERA							
June 30, 2014	0.0354%	1,662,915		1,662,915	1,860,279	89.4%	78.7%
June 30, 2015	0.0318%	1,648,041		1,648,041	1,887,731	87.3%	78.2%
June 30, 2016	0.0297%	2,411,493	31,508	2,443,001	1,923,321	127.0%	68.9%
June 30, 2017	0.0243%	1,551,296	19,509	1,570,805	1,487,907	105.6%	75.9%
June 30, 2018	0.0237%	1,314,779	43,167	1,357,946	1,616,067	84.0%	79.5%
June 30, 2019	0.0228%	1,260,561	39,165	1,299,726	1,594,533	81.5%	80.2%
June 30, 2020	0.0224%	1,342,982	41,250	1,384,232	1,528,840	90.5%	79.0%
June 30, 2021	0.0212%	905,335	27,714	933,049	1,552,867	60.1%	87.0%
June 20, 2022	0.0207%	1,639,447	48,048	1,687,495	1,649,027	102.3%	76.7%
TRA							
June 30, 2014	0.0112%	5,156,271		5,156,271	5,107,987	100.9%	81.5%
June 30, 2015	0.0103%	6,346,825		6,346,825	5,238,958	121.1%	76.8%
June 30, 2016	0.0996%	23,756,976	2,384,641	26,141,617	5,182,320	504.4%	44.9%
June 30, 2017	0.0981%	19,582,540	1,893,280	21,475,820	5,281,646	406.6%	51.6%
June 30, 2018	0.0990%	6,218,127	584,205	6,802,332	5,469,213	124.4%	78.1%
June 30, 2019	0.0976%	6,221,044	550,350	6,771,394	5,542,101	112.3%	78.1%
June 30, 2020	0.0956%	7,063,056	591,839	7,654,895	5,556,326	127.1%	75.5%
June 30, 2021	0.0940%	4,113,721	346,851	4,460,572	5,622,140	73.2%	86.6%
June 30, 2022	0.1082%	8,063,523	598,160	8,661,683	6,221,487	129.6%	76.2%

See Note 11, Defined Benefit Pension Plans, for more information

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

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
DEFINED BENEFIT PENSION PLANS
JUNE 30, 2023

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a - b)	Covered-Employee Payroll (d)	Contributions as a Percentage of Covered-Employee Payroll (b/d)
Pensions					
PERA					
June 30, 2014	134,731	134,731	-0-	1,860,279	7.2%
June 30, 2015	138,002	138,094	(92)	1,887,731	7.3%
June 30, 2016	138,146	138,146	-0-	1,887,731	7.3%
June 30, 2017	111,593	111,593	-0-	1,487,907	7.5%
June 30, 2018	121,205	121,205	-0-	1,616,067	7.5%
June 30, 2019	119,590	119,590	-0-	1,594,533	7.5%
June 30, 2020	114,663	114,663	-0-	1,528,840	7.5%
June 30, 2021	116,465	116,465	-0-	1,552,867	7.5%
June 30, 2022	123,677	123,677	-0-	1,649,027	7.5%
TRA					
June 30, 2014	357,559	357,559	-0-	5,107,987	7.0%
June 30, 2015	390,392	389,399	993	5,238,958	7.4%
June 30, 2016	388,674	388,674	-0-	5,182,320	7.5%
June 30, 2017	396,123	396,123	-0-	5,281,646	7.5%
June 30, 2018	410,191	410,191	-0-	5,469,213	7.5%
June 30, 2019	427,296	427,296	-0-	5,542,101	7.7%
June 30, 2020	440,061	440,061	-0-	5,556,326	7.9%
June 30, 2021	457,080	457,080	-0-	5,622,140	8.1%
June 30, 2022	518,872	518,872	-0-	6,221,487	8.3%

See Note 11, Defined Benefit Pension Plans, for more information

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

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2023

Total OPEB liability	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Service Cost	49,136	47,705	36,159	35,106	36,384	35,324
Interest Cost	11,315	16,989	16,650	18,430	17,881	16,992
Assumption Changes		32,968		(7,560)		
Differences between Expected and Actual Experience		(50,153)		(11,013)		
Benefit Payments	(55,962)	(60,197)	(46,797)	(35,200)	(38,460)	(16,183)
Net change in total OPEB liability	4,489	(12,688)	6,012	(237)	15,805	36,133
Total OPEB liability - beginning	517,492	530,180	524,168	524,405	508,600	472,467
Total OPEB liability - ending	521,981	517,492	530,180	524,168	524,405	508,600
Covered-employee payroll	7,118,944	6,911,596	6,764,797	6,567,764	6,614,006	6,421,365
District's Net OPEB liability as a percentage of covered-employee payroll	7.33%	7.49%	7.84%	7.98%	7.93%	7.92%

See Note 12, Other Postemployment Benefits, for more information.

Multi-year trend information is not available at this time.
The District will report the above RSI information prospectively as the information becomes available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
JUNE 30, 2023

General Employees Fund

2022 Changes
Changes in Actuarial Assumptions
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

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

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

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

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
JUNE 30, 2023

General Employees Fund - continued

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

2019 Changes
Changes in Actuarial Assumptions
- The morality projection scale was changed from MP-2017 to MP-2018.

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

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

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
JUNE 30, 2023

General Employees Fund - continued

2017 Changes
Changes in Actuarial Assumptions
- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

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

2016 Changes:
Changes in Actuarial Assumptions
- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions
- There have been no changes since the prior valuation.

2015 Changes:
Changes in Actuarial Assumptions
- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
JUNE 30, 2023

TRA Retirement Funds

2022 Changes
Changes in Actuarial Assumptions
- None

2021 Changes
Changes in Actuarial Assumptions
- For GASB valuation:
  - The investment return assumption was changed from 7.5% to 7.0%.

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

2019 Changes
Changes in Actuarial Assumptions
- None

2018 Changes
Changes in Actuarial Assumptions
- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.

TRA Retirement Funds – continued

- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes

Changes in Actuarial Assumptions

- The discount rate was increased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5 percent, but remain at 2.0 percent for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4 percent to 0.0 percent, the vested inactive load increased from 4.0 percent to 7.0% and the non-vested inactive load increased from 4.0 percent to 9.0 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for ten years followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66 to 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price of inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
JUNE 30, 2023

TRA Retirement Funds – continued

- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

2015 Changes
Changes of Benefit Terms

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

Changes in Actuarial Assumptions

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

Post Employment Health Care Plan

2023 Changes
Assumption changes

- None

2022 Changes
Assumption changes

- The health care trend rates, mortality tables, salary increase rates for non-teachers, and withdrawal rates were updated.
- The rate of inflation was changed from 2.50% to 2.00%.
- The discount rate was changed from 3.10% to 2.10%.

2021 Changes
Assumption changes

- None

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
JUNE 30, 2023

Post Employment Health Care Plan – continued

2020 Changes
Assumption changes

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Techers) with MP-2018 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate changed from 3.40% to 3.10%.

2019 Changes
Assumption changes

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2000 Combined Healthy Mortality Tables projected to 2014 with Scale BB to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.
- The discount rate was changed from 4.00% to 3.40%.
- The withdrawal table for all employees and retirement table for only employees eligible to retire with Rule of 90 also were updated.

Method Changes

- The actuarial cost method was changed from projected unit credit to entry age as prescribed by GASB 75.

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

Schedule 1

GENERAL FUND
BALANCE SHEET
JUNE 30, 2023

Assets	**2023**	**2022**
Cash	2,567,993	4,757,567
Investments	4,683,850	2,215,645
Current Property Taxes Receivable	741,560	725,354
Delinquent Property Taxes Receivable	40,938	12,435
Accounts Receivable	6,049	8,876
Interest Receivable	18,872	1,167
Due From Department of Education	1,942,569	1,747,793
Due From Federal Government Through the Department of Education	386,347	620,362
Due From Other Governmental Units	91,483	274,324
Prepaid Expenses	109,372	145,594
Total Assets	10,589,033	10,509,117
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities		
Salaries Payable	721,241	695,459
Accounts Payable	224,640	187,540
Due to Other Governmental Units	205,572	195,168
Accrued Payroll Liabilities	531,718	581,735
Total Liabilities	1,683,171	1,659,902
Deferred Inflows of Resources		
Unavailable Revenue-Delinquent Taxes	11,248	12,435
Property Taxes Levied for Subsequent Years	1,516,592	1,470,690
Total Deferred Inflows of Resources	1,527,840	1,483,125
Fund Balances		
Fund Balance-Nonspendable	109,372	145,594
Fund Balance-Restricted	1,436,664	1,384,851
Fund Balance-Committed	59,149	65,656
Fund Balance-Assigned	26,130	18,950
Fund Balance-Unassigned	5,746,707	5,751,039
Total Fund Balances	7,378,022	7,366,090
Total Liabilities, Deferred Inflows of Resources and Fund Balances	10,589,033	10,509,117

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2023

	Year Ended June 30			
	2023			2022
Revenues	Budget	Actual	Variance with Final Budget	Actual
Local Property Tax Levy				
County Apportionment	25,000	31,234	6,234	32,019
Local Tax Levy	1,546,752	1,552,712	5,960	1,690,695
Miscellaneous Tax Revenue	15,000	80,632	65,632	76,394
Total Local Property Tax Levy	1,586,752	1,664,578	77,826	1,799,108
Other Local and County Revenues				
Admissions	43,200	41,596	(1,604)	45,485
Fees	19,225	3,110	(16,115)	17,907
Gifts and Bequests	20,750	15,432	(5,318)	21,919
Interest Income	5,530	159,880	154,350	10,515
Medical Assistance Revenue	41,120	71,714	30,594	59,005
Other Miscellaneous Income	59,691	237,852	178,161	181,976
Rent of Facilities	6,200	7,050	850	5,635
Tuition from Other Minnesota School Districts	21,304	22,013	709	21,076
Total Other Local and County Revenues	217,020	558,647	341,627	363,518
Revenue From State Sources				
Disparity	17,000	14,808	(2,192)	17,481
Education Homestead Credit	15,000	10,082	(4,918)	8,167
Endowment Fund Apportionment	45,512	53,764	8,252	45,111
General Education Aid	9,929,637	10,538,868	609,231	10,008,033
Other State Aids	227,398	209,712	(17,686)	238,787
Special Education	1,012,436	1,332,724	320,288	1,364,836
Total Revenue From State Sources	11,246,983	12,159,958	912,975	11,682,415
Revenue From Federal Sources				
Title Programs	376,707	356,516	(20,191)	352,437
American Rescue Plan				91,258
COVID Testing	84,717	62,874	(21,843)	62,039
CARES				628
ESSER	1,169,232	1,086,946	(82,286)	983,758
Federal Aid Programs	236,640	242,518	5,878	230,697
Total Revenue From Federal Sources	1,867,296	1,748,854	(118,442)	1,720,817
Sales and Other Conversion of Assets				
Sales of Material	1,300		(1,300)	1,463
Total Sales and Other Conversion of Assets	1,300		(1,300)	1,463
Total Revenues	14,919,351	16,132,037	1,212,686	15,567,321

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2023

	Year Ended June 30			
	2023			2022
Expenditures	Budget	Actual	Variance with Final Budget	Actual
District and School Administration				
Administration				
Dues and Membership	7,314	9,926	2,612	6,930
Equipment	8,500	8,500		8,500
Fixed Charges and Employee Benefits	223,822	206,376	(17,446)	226,718
Other	37,811	1,924	(35,887)	
Professional Services	51,600	37,254	(14,346)	65,799
Salaries	613,179	622,238	9,059	591,520
Supplies	34,907	35,784	877	35,390
Travel and Transportation	3,500	6,083	2,583	3,805
Utilities	1,500	1,483	(17)	1,500
Total Administration	982,133	929,568	(52,565)	940,162
District Support Services				
Dues and Membership	454	919	465	119
Equipment	1,870	4,283	2,413	3,475
Fixed Charges and Employee Benefits	62,622	63,821	1,199	61,100
Other	20,046	9,317	(10,729)	9,132
Professional Services	58,444	54,680	(3,764)	58,075
Rentals and Leases	60,000	61,040	1,040	62,362
Salaries	173,648	184,611	10,963	167,579
Supplies	5,600	7,377	1,777	6,005
Total District Support Services	382,684	386,048	3,364	367,847
Regular Instruction				
District Wide				
Equipment	38,460	38,460		2,975
Fixed Charges and Employee Benefits	65,933	96,749	30,816	113,197
Instructional Supplies	38,033	21,662	(16,371)	4,454
Professional Services	29,217	18,912	(10,305)	30,823
Repair and Maintenance				(1,023)
Salaries	341,701	327,878	(13,823)	333,772
Supplies	308	144,577	144,269	108,590
Travel and Transportation	4,010	3,202	(808)	3,381
Total District Wide	517,662	651,440	133,778	596,169
Elementary School				
Dues and Membership		50	50	
Fixed Charges and Employee Benefits	558,801	576,868	18,067	501,093
Instructional Supplies	200,519	223,409	22,890	216,725
Professional Services	11,100	3,000	(8,100)	8,366
Salaries	2,077,407	2,121,178	43,771	2,052,308
Supplies	45,241	33,986	(11,255)	14,303
Travel and Transportation	12,570	19,014	6,444	22,160
Total Elementary School	2,905,638	2,977,505	71,867	2,814,955

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2023

	Year Ended June 30			
	2023			2022
Expenditures - continued	**Budget**	**Actual**	**Variance with Final Budget**	**Actual**
Regular Instruction - continued				
Middle School				
Fixed Charges and Employee Benefits	256,078	218,223	(37,855)	257,541
Instructional Supplies	118,899	117,349	(1,550)	73,262
Salaries	844,255	649,747	(194,508)	870,122
Supplies	14,487	4,587	(9,900)	1,858
Travel and Transportation	5,000	5,733	733	
Total Middle School	1,238,719	995,639	(243,080)	1,202,783
Secondary School				
Dues and Memberships	9,020	6,290	(2,730)	6,431
Equipment	110,357	105,037	(5,320)	150,439
Fixed Charges and Employee Benefits	407,763	429,324	21,561	337,568
Instructional Supplies	172,354	118,444	(53,910)	100,876
Professional Services	70,130	53,877	(16,253)	184,068
Reimbursements to Other Agencies/Districts	320,209	326,620	6,411	108,923
Reimbursements to Other MN Districts		1,256	1,256	11,642
Rentals and Leases	12,885	13,085	200	11,467
Repair and Maintenance	14,945	14,481	(464)	11,012
Salaries	1,566,675	1,667,576	100,901	1,580,720
Supplies	52,354	100,941	48,587	75,980
Travel and Transportation	150,175	157,878	7,703	123,178
Total Secondary School	2,886,867	2,994,809	107,942	2,702,304
Total Regular Instruction	7,548,886	7,619,393	70,507	7,316,211
Vocational Instruction				
Dues and Memberships		40	40	40
Fixed Charges and Employee Benefits	61,740	55,696	(6,044)	57,916
Instructional Supplies	32,332	29,546	(2,786)	53,657
Rentals and Leases	7,400	7,200	(200)	7,200
Salaries	261,827	230,215	(31,612)	251,650
Supplies	403	399	(4)	599
Travel and Transportation	11,200	8,066	(3,134)	8,833
Total Vocational Instruction	374,902	331,162	(43,740)	379,895

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2023

	Year Ended June 30			
	2023			2022
Expenditures - continued	**Budget**	**Actual**	**Variance with Final Budget**	**Actual**
Exceptional Instruction				
Equipment				9,742
Fixed Charges and Employee Benefits	264,284	239,670	(24,614)	227,137
Instructional Supplies	19,555	10,498	(9,057)	17,893
Professional Services	117,343	213,490	96,147	105,867
Reimbursements to Other Agencies/Districts	57,167	54,048	(3,119)	51,663
Reimbursements to Other MN Districts	395,568	307,309	(88,259)	410,153
Salaries	1,284,099	1,112,520	(171,579)	1,079,204
Supplies	4,056	4,318	262	3,720
Travel and Transportation	72,552	12,343	(60,209)	25,787
Total Exceptional Instruction	2,214,624	1,954,196	(260,428)	1,931,166
Instructional Support Services				
Dues	1,750	1,811	61	5,859
Equipment	38,958	50,965	12,007	73,680
Fixed Charges and Employee Benefits	73,119	68,170	(4,949)	66,159
Instructional Supplies	45,376	30,828	(14,548)	38,155
Professional Services	122,604	123,541	937	114,050
Repair and Maintenance	5,650	18,762	13,112	44,614
Salaries	298,091	296,596	(1,495)	298,321
Supplies	58,744	64,055	5,311	34,666
Travel and Transportation	177,350	123,677	(53,673)	31,265
Utilities	500	500		500
Total Instructional Support	822,142	778,905	(43,237)	707,269
Pupil Support Services				
Fixed Charges and Employee Benefits	96,933	89,738	(7,195)	84,862
Insurance	4,640	1,657	(2,983)	4,094
Instructional Supplies	276	27	(249)	462
Other				252
Professional Services	68,900	52,823	(16,077)	60,012
Reimbursements to Other MN Districts	44,240	34,673	(9,567)	35,744
Repair and Maintenance		310	310	
Salaries	344,102	302,489	(41,613)	306,810
Supplies	19,046	31,629	12,583	28,606
Travel and Transportation	1,103,713	1,245,045	141,332	996,982
Total Pupil Support Services	1,681,850	1,758,391	76,541	1,517,824

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2023

	Year Ended June 30			
	2023			2022
Expenditures - continued	**Budget**	**Actual**	**Variance with Final Budget**	**Actual**
Site, Building and Equipment				
Building Improvements	396,190	482,535	86,345	200,509
Dues and Memberships	350	582	232	317
Equipment	284,450	283,841	(609)	97,157
Fixed Charges and Employee Benefits	190,955	147,168	(43,787)	151,309
Fuel	85,000	78,403	(6,597)	69,730
Lease Interest	14,632	16,491	1,859	17,026
Lease Principle	77,000	91,740	14,740	75,000
Professional Services	16,082	14,645	(1,437)	66,346
Reimbursements to Other MN Districts	16,984	45	(16,939)	36,968
Repair and Maintenance	144,520	189,971	45,451	187,917
Salaries	431,959	368,219	(63,740)	343,972
Site and Ground Acquisition	50,000	49,942	(58)	356,290
Supplies	72,500	83,861	11,361	123,678
Travel and Transportation		355	355	569
Utilities	323,654	309,366	(14,288)	309,384
Total Site, Building and Equipment	2,104,276	2,117,164	12,888	2,036,172
Fixed Cost Programs				
Property Insurance	132,559	132,559		108,677
Total Fixed Cost Programs	132,559	132,559	-0-	108,677
Total Expenditures	16,244,056	16,007,386	(236,670)	15,305,223
Excess Revenues (Expenditures)	(1,324,705)	124,651	1,449,356	262,098
Other Financing Sources (Uses)				
Insurance Recovery		31,028	31,028	46,140
Transfer Out		(143,747)	(143,747)	
Sale of Property				436,050
Total Other Financing Sources (Uses)	-0-	(112,719)	(112,719)	482,190
Excess Revenues and Other Financing Sources Over Expenditures and Other Uses	(1,324,705)	11,932	1,336,637	744,288
Fund Balance-July 1		7,366,090		6,621,802
Fund Balance-June 30		7,378,022		7,366,090

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

Schedule 3

ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2023

			Total (Memo Only)	
Assets	**Food Service**	**Community Service**	**2023**	**2022**
Cash and Investments	837,722	705,282	1,543,004	1,318,734
Current Property Taxes Receivable		50,915	50,915	50,942
Delinquent Property Taxes Receivable		3,001	3,001	876
Accounts Receivable	117,590	2,000	119,590	8,382
Due from Department of Education		7,728	7,728	5,994
Due from Federal Government Through the Department of Education	18,007		18,007	19,435
Due from other Governmental Units				69,602
Total Assets	973,319	768,926	1,742,245	1,473,965
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Salaries Payable		64,131	64,131	53,983
Accounts Payable	166,888	6,271	173,159	109,060
Unearned Revenue	18,039	264	18,303	45,256
Total Liabilities	184,927	70,666	255,593	208,299
Deferred Inflows of Resources				
Unavailable Revenue-Delinquent Taxes		810	810	876
Property Taxes Levied for Subsequent Years Expenditures		112,050	112,050	111,329
Total Deferred Inflows of Resources	-0-	112,860	112,860	112,205
Fund Balances				
Fund Balance-Restricted	788,392	585,400	1,373,792	1,153,461
Total Fund Balances	788,392	585,400	1,373,792	1,153,461
Total Liabilities, Deferred Inflows of Resources and Fund Balances	973,319	768,926	1,742,245	1,473,965

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2023

	Food Service	Community Service	Total (Memo Only) 2023	Total (Memo Only) 2022
Revenues				
Local Property Tax Levy		107,467	107,467	113,545
Other Local and County Revenues	20,545	119,986	140,531	275,208
Revenue from State Sources	45,125	78,547	123,672	99,368
Revenue from Federal Sources	592,523		592,523	1,079,585
Other	298,829	492	299,321	46,889
Total Revenues	957,022	306,492	1,263,514	1,614,595
Expenditures				
Community Education and Services		355,001	355,001	427,329
Pupil Support Services	831,929		831,929	1,103,367
Total Expenditures	831,929	355,001	1,186,930	1,530,696
Excess Revenues (Expenditures)	125,093	(48,509)	76,584	83,899
Other Financing Sources (Uses)				
Transfer In		143,747	143,747	
Total Other Financing Sources (Uses)	-0-	143,747	143,747	-0-
Excess Revenues and Other Financing Sources Over Expenditures and Other Uses	125,093	95,238	220,331	83,899
Fund Balance-July 1	663,299	490,162	1,153,461	1,069,562
Fund Balance-June 30	788,392	585,400	1,373,792	1,153,461

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

Schedule 5

FOOD SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2023

	Year Ended June 30			
	2023			2022
Revenues	**Budget**	**Actual**	**Variance with Final Budget**	**Actual**
Other Local and County Revenues				
Gifts		750	750	
Interest Income	630	19,795	19,165	1,068
Miscellaneous	5,000		(5,000)	5,021
Total Other Local and County Revenues	5,630	20,545	14,915	6,089
Revenue From State Sources				
Breakfast Reimbursement	38,891	20,533	(18,358)	
Lunch Reimbursement	23,043	24,592	1,549	18,568
Summer Food Service Program				20,841
Total Revenue From State Sources	61,934	45,125	(16,809)	39,409
Revenue From Federal Sources				
Breakfast Reimbursement	104,472	129,932	25,460	287,237
Commodities	60,000	66,870	6,870	64,175
ESSER				865
Lunch Reimbursement	233,493	371,800	138,307	643,079
Summer Food Service Program	114,501	23,921	(90,580)	74,398
Total Revenue From Federal Sources	512,466	592,523	80,057	1,069,754
Sales and Other Conversion of Assets				
Lunch and Breakfast Sales	343,433	298,829	(44,604)	45,661
Total Revenues	923,463	957,022	33,559	1,160,913
Expenditures				
Pupil Support Services				
Commodities	60,000	66,870	6,870	64,175
Equipment	150,000	83,693	(66,307)	288,388
Milk		8,123	8,123	15,029
Other		4,999	4,999	7,699
Professional Services	778,208	632,282	(145,926)	686,908
Repairs and Maintenance	12,000	17,742	5,742	11,979
Supplies	32,300	17,978	(14,322)	28,980
Travel and Transportation	200	242	42	209
Total Expenditures	1,032,708	831,929	(200,779)	1,103,367
Excess Revenues (Expenditures)	(109,245)	125,093	234,338	57,546
Fund Balance-July 1		663,299		605,753
Fund Balance-June 30		788,392		663,299

COMMUNITY SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2023

	Year Ended June 30			
	2023			2022
Revenues	Budget	Actual	Variance with Final Budget	Actual
Local Property Tax Levy				
Local Tax Levy	106,079	107,467	1,388	113,545
Total Local Property Tax Levy	106,079	107,467	1,388	113,545
Other Local and County Revenues				
Fees	33,596	28,550	(5,046)	34,373
Gifts and Bequests		2,000	2,000	
Interest Income	350	12,865	12,515	887
Other Miscellaneous Income	156,890	1,247	(155,643)	160,639
Tuition from Patrons	72,695	75,324	2,629	73,220
Total Other Local and County Revenues	263,531	119,986	(143,545)	269,119
Revenue From State Sources				
Disparity	2,500	2,404	(96)	2,338
Market Value Credits	2,750	1,637	(1,113)	1,092
Other State Aids	73,103	74,506	1,403	56,529
Total Revenue From State Sources	78,353	78,547	194	59,959
Revenue From Federal Sources				
ESSER				5,229
American Rescue Plan				4,602
Total Revenue From Federal Sources	-0-	-0-	-0-	9,831
Sales and Other Conversion of Assets				
Sales of Materials		492	492	1,228
Total Sales and Other Conversion of Assets	-0-	492	492	1,228
Total Revenues	447,963	306,492	(141,471)	453,682
Expenditures				
Community Education and Services				
Dues and Memberships	800	1,207	407	676
Equipment	1,500	26,817	25,317	427
Fixed Charges	74,572	62,041	(12,531)	73,281
Instructional Supplies	38,060	15,792	(22,268)	50,849
Other Non-Education Agencies	17,000	20,956	3,956	17,000
Professional Services	13,220	(2,043)	(15,263)	3,402
Rentals and Leases	4,658	2,741	(1,917)	4,521
Repair and Maintenance	750		(750)	
Salaries	272,535	207,619	(64,916)	262,309
Supplies	9,983	16,603	6,620	10,623
Travel and Transportation	3,500	3,268	(232)	3,231
Utilities				1,010
Total Expenditures	436,578	355,001	(81,577)	427,329
Excess Revenues (Expenditures)	11,385	(48,509)	(59,894)	26,353
Other Financing Sources (Uses)				
Transfer In	143,747	143,747		
Total Other Financing Sources (Uses)	143,747	143,747	-0-	-0-
Excess Revenues and Other Financing Sources Over Expenditures and Other Uses	155,132	95,238	(59,894)	26,353
Fund Balance-July 1		490,162		463,809
Fund Balance-June 30		585,400		490,162

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

Schedule 7

CAPITAL PROJECTS FUND
BALANCE SHEET
JUNE 30, 2023

	2023	2022
Assets		
Cash		315,610
Total Assets	-0-	315,610
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities		
Accounts Payable		2,720
Total Liabilities	-0-	2,720
Fund Balances		
Fund Balance-Restricted		312,890
Total Fund Balances	-0-	312,890
Total Liabilities, Deferred Inflows of Resources and Fund Balances	-0-	315,610

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2023

	Year Ended June 30			
	2023			2022
	Budget	Actual	Variance with Final Budget	Actual
Revenues				
Other Local and County Revenues				
Interest Income		2,200	2,200	(9,253)
Total Other Local and County Revenues	-0-	2,200	2,200	(9,253)
Expenditures				
Site, Building and Equipment				
Building		116,446	116,446	1,963,811
Equipment		198,644	198,644	995,264
Professional Services				910,935
Total Expenditures	-0-	315,090	315,090	3,870,010
Excess Revenues (Expenditures)	-0-	(312,890)	(312,890)	(3,879,263)
Fund Balance-July 1		312,890		4,192,153
Fund Balance-June 30		-0-		312,890

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

Schedule 9

DEBT SERVICE FUND
BALANCE SHEET
JUNE 30, 2023

Assets	**2023**	**2022**
Cash	765,896	860,495
Current Property Taxes Receivable	1,356,403	1,272,720
Delinquent Property Taxes Receivable	30,964	14,322
Due from Department of Education	85,179	78,766
Total Assets	2,238,442	2,226,303
Liabilities, Deferred Inflows of Resources and Fund Balances		
Deferred Inflows of Resources		
Unavailable Revenue-Delinquent Taxes	10,710	14,322
Property Taxes Levied for Subsequent Years	1,830,292	1,817,815
Total Liabilities	1,841,002	1,832,137
Fund Balances		
Fund Balance-Restricted	397,440	394,166
Total Fund Balances	397,440	394,166
Total Liabilities, Deferred Inflows of Resources and Fund Balances	2,238,442	2,226,303

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

Schedule 10

DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2023

	Year Ended June 30			
	2023			2022
Revenues	**Budget**	**Actual**	**Variance with Final Budget**	**Actual**
Local Property Tax Levy				
Local Tax Levy	990,749	968,569	(22,180)	1,045,701
Total Local Property Tax Levy	990,749	968,569	(22,180)	1,045,701
Other Local and County Revenues				
Interest Income	490	19,768	19,278	1,382
Total Other Local and County Revenues	490	19,768	19,278	1,382
Revenue From State Sources				
Disparity Reduction	36,000	39,225	3,225	36,617
Market Value Credits	32,000	26,706	(5,294)	17,106
School Building Bond Ag Credit	759,066	785,856	26,790	733,936
Total Revenue From State Sources	827,066	851,787	24,721	787,659
Total Revenue	1,818,305	1,840,124	21,819	1,834,742
Expenditures				
Fiscal and Other Fixed Cost Programs				
Interest and Fiscal Charges	936,850	936,850		979,600
Principal	900,000	900,000		855,000
Total Expenditures	1,836,850	1,836,850	-0-	1,834,600
Excess Revenues (Expenditures)	(18,545)	3,274	21,819	142
Fund Balance-July 1		394,166		394,024
Fund Balance-June 30		397,440		394,166

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

Schedule 11

UNIFORM FINANCIAL ACCOUNTING & REPORTING STANDARDS COMPLIANCE TABLE FOR THE YEAR ENDED JUNE 30, 2023

	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenues	16,132,037	16,132,037	0
Total Expenditures	16,007,386	16,007,386	0
Nonspendable:			
460 Non Spendable Fund Balance	109,372	109,372	0
Restricted/Reserve:			
401 Student Activities	144,869	144,869	0
403 Staff Development	328,726	328,725	1
424 Operating Capital	364,512	364,512	0
428 Learning & Development	126,163	126,163	0
438 Gifted & Talented	257,636	257,636	0
441 Basic Skills Programs	213,421	213,421	0
449 Safe Schools Levy	23,844	23,844	0
467 Long Term Facility Maintenance	(70,969)	(70,969)	0
472 Medical Assistance	48,462	48,462	0
Committed:			
418 Committed for Separation	59,149	59,149	0
Assigned:			
462 Assigned Fund Balance	26,130	26,130	0
Unassigned:			
422 Unassigned Fund Balance	5,746,707	5,746,708	-1
02 FOOD SERVICE			
Total Revenues	957,022	957,022	0
Total Expenditures	831,929	831,929	0
Restricted:			
464 Restricted Fund Balance	788,392	788,392	0
04 COMMUNITY SERVICE			
Total Revenues	306,492	306,492	0
Total Expenditures	355,001	355,002	-1
Restricted/Reserve:			
431 Community Education	190,338	190,338	0
432 Early Childhood and Family Education	288,424	288,424	0
444 Learning Readiness	106,638	106,638	0
06 BUILDING CONSTRUCTION			
Total Revenues	2,200	2,200	0
Total Expenditures	315,090	315,090	0
07 DEBT SERVICE			
Total Revenues	1,840,124	1,840,124	0
Total Expenditures	1,836,850	1,836,850	0
Restricted:			
464 Restricted Fund Balance	397,440	397,440	0

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

Schedule 12

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Pass Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures	Expenditures to Subrecipients	Federal Funding Source
Through Minnesota Department of Education				
Child Nutrition Cluster:				
School Breakfast Program	10.553	129,932	None	USDOA
National School Lunch Program	10.555	427,796	None	USDOA
Summer Food Service Program for Children	10.559	23,921	None	USDOA
Total Child Nutrition Cluster		581,649		
Supply Chain Assistance	10.558	10,874	None	USDOA
American Rescue Plan-Summer Academic	21.027	39,234	None	USDOED
COVID Testing	93.323	26,315	None	USDOED
Title I	84.010	290,345	None	USDOED
Title II	84.367	29,697	None	USDOED
Title III	84.365	16,190	None	USDOED
Title IV	84.424	20,285	None	USDOED
Education Stabilization Cluster:				
COVID-ESSER-II	84.425UC	65,000	None	USDOED
COVID-ESSER-III	84.425UC	1,021,946	None	USDOED
Total Education Stabilization Cluster		1,086,946		
Through SW/WC Coop				
Special Education Cluster:				
Special Education	84.027	8,882	None	USDOED
Handicapped Early Education	84.173	4,835	None	USDOED
Perkins	84.048	2,485	None	USDOED
Total Special Education Cluster		16,202		
Through US Federal Communications Commission				
COVID-19 Emergency Connectivity Fund	32.009	223,640	None	USDOFCC
Total Federal Expenditures		2,341,377		

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2 – PASS-THROUGH GRANT NUMBERS

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

NOTE 3 – INDIRECT COST RATE

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

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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 No. 2689
Pipestone Area Schools
Pipestone, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Independent School District No. 2689, Pipestone Area Schools, Pipestone, Minnesota, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Independent School District No. 2689's basic financial statements and have issued our report thereon dated November 20, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Independent School District No. 2689'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 Independent School District No. 2689's internal control. Accordingly, we do not express an opinion on the effectiveness of the Independent School District No. 2689's internal control over.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001 and 2023-002, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Independent School District No. 2689's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that the Independent School District No. 2689 failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School District's.* 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 Independent School District No. 2689's noncompliance with the above referenced provisions.

Independent School District No. 2689's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Independent School District No. 2689's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

Meulebroeck, Taubert & Co., PLLP

Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants
Pipestone, Minnesota

November 20, 2023

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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 No. 2689
Pipestone Area Schools
Pipestone, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Independent School District No. 2869, Pipestone Area Schools, Pipestone, Minnesota'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 Independent School District No. 2869's major federal programs for the year ended June 30, 2023. Independent School District No. 2689's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

We are required to communicate with those charged with governance regarding, among other matters, and 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.

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

Report on Internal Control Over Compliance

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

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. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Meulebroeck, Taubert & Co., PLLP

Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants
Pipestone, Minnesota

November 20, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN ACCORDANCE WITH THE UNIFORM GUIDANCE FOR THE YEAR ENDED JUNE 30, 2023

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes, Audit Finding 2023-001
• Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted:	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	No
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No

Identification of Major Programs

CFDA No:	84.425UC
Name of Federal Program or Cluster:	Education Stabilization Cluster
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low risk auditee?	No

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE
FOR THE YEAR ENDED JUNE 30, 2023**

SECTION II – FINANCIAL STATEMENT FINDINGS

2023-001 Internal Accounting Controls

Criteria: Internal control should include an adequate segregation of duties in the accounting functions.

Condition: Due to a limited number of office personnel, proper segregation of duties in the accounting functions is not always possible.

Cause: This condition is not unusual where staffing size can result in an improper segregation of duties. Management has determined that given the size and resource limitations the desirable level of segregation of duties necessary may not be feasible.

Effect: Without an adequate segregation of duties these are opportunities for errors or fraudulent activities to occur and remain undetected.

Recommendation: We recommend that the District's management be aware of the lack of segregation of the accounting functions and implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff and encourage additional controls as they become available due to changes in staff, etc.

Corrective Action Plan (CAP)

Evaluation of disagreement with audit findings:
There is no disagreement with the audit findings.

Actions planned in response to the finding:
Because it is economically infeasible to hire additional staff to adequately provide for the proper segregation of duties, the district will utilize staff and board members to segregate duties to the extent possible.

Official responsible for Ensuring CAP:
The District's Superintendent in conjunction with the Business Manager is the official responsible for ensuring corrective action.

Planned completion date for CAP:
December 31, 2023

Plan to monitor completion of CAP:
The Superintendent and Board of Education will monitor the internal control system to ensure it is functioning as the internal control policy states.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN ACCORDANCE WITH THE UNIFORM GUIDANCE FOR THE YEAR ENDED JUNE 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS – CONTINUED

2023-002 GAAP Financial Statements

Personnel that lack the necessary expertise are responsible for financial statements required to be prepared in accordance with generally accepted accounting principles.

Criteria: Personnel in the District should prepare the financial statements in accordance with generally accepted accounting principles.

Condition: It was determined that the personnel lacked the necessary expertise to prepare the financial statements in accordance with generally accepted accounting principles.

Cause: Personnel in the District do not have the experience or expertise to prepare the financial statements in accordance with generally accepted accounting principles.

Effect: As the District personnel were unable to prepare the financial statements in accordance with generally accepted accounting principles, the District had the audit firm assist with the preparation of the financial statements in accordance with generally accepted accounting principles.

Corrective Action Plan (CAP):

Evaluation of disagreement with audit findings:
There is no disagreement with the audit findings.

Actions planned in response to the finding:
The District has studied the situation and found that it is economically infeasible to hire or provide adequate training required to adequately prepare financial statements in accordance with generally accepted accounting principles. The cost benefit of providing the necessary training to acquire and maintain this expertise prohibits it. Although the district will continue to have the auditor prepare the financial statements, the district implemented an internal control policy that documents the annual review of the financial statements, disclosures and schedules.

Official Responsible for Ensuring CAP:
The District's Superintendent in conjunction with the Business Manager is the official responsible for ensuring corrective action.

Planned Completion Date for CAP:
December 31, 2023

Plan to Monitor Completion of CAP:
The Superintendent and Board of Education will monitor the internal control policy is being followed in relation to the annual review of the financial statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE
FOR THE YEAR ENDED JUNE 30, 2023

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

2022-001 Internal Accounting Controls

Criteria: Internal control should include an adequate segregation of duties in the accounting functions.

Condition: Due to a limited number of office personnel, proper segregation of duties in the accounting functions is not always possible.

Cause: This condition is not unusual where staffing size can result in an improper segregation of duties. Management has determined that given the size and resource limitations the desirable level of segregation of duties necessary may not be feasible.

Effect: Without an adequate segregation of duties these are opportunities for errors or fraudulent activities to occur and remain undetected.

Recommendation: We recommend that the District's management be aware of the lack of segregation of the accounting functions and implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff and encourage additional controls as they become available due to changes in staff, etc.

Corrective Action Plan (CAP)

Evaluation of disagreement with audit findings:
There is no disagreement with the audit findings.

Actions planned in response to the finding:
Because it is economically infeasible to hire additional staff to adequately provide for the proper segregation of duties, the district will utilize staff and board members to segregate duties to the extent possible.

Official responsible for Ensuring CAP:
The District's Superintendent in conjunction with the Business Manager is the official responsible for ensuring corrective action.

Planned completion date for CAP:
December 31, 2023

Plan to monitor completion of CAP:
The Superintendent and Board of Education will monitor the internal control system to ensure it is functioning as the internal control policy states.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN ACCORDANCE WITH THE UNIFORM GUIDANCE FOR THE YEAR ENDED JUNE 30, 2023

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS - CONTINUED

2022-002 GAAP Financial Statements

Personnel that lack the necessary expertise are responsible for financial statements required to be prepared in accordance with generally accepted accounting principles.

Criteria: Personnel in the District should prepare the financial statements in accordance with generally accepted accounting principles.

Condition: It was determined that the personnel lacked the necessary expertise to prepare the financial statements in accordance with generally accepted accounting principles.

Cause: Personnel in the District do not have the experience or expertise to prepare the financial statements in accordance with generally accepted accounting principles.

Effect: As the District personnel were unable to prepare the financial statements in accordance with generally accepted accounting principles, the District had the audit firm assist with the preparation of the financial statements in accordance with generally accepted accounting principles.

Corrective Action Plan (CAP):

Evaluation of disagreement with audit findings:
There is no disagreement with the audit findings.

Actions planned in response to the finding:
The District has studied the situation and found that it is economically infeasible to hire or provide adequate training required to adequately prepare financial statements in accordance with generally accepted accounting principles. The cost benefit of providing the necessary training to acquire and maintain this expertise prohibits it.

Official Responsible for Ensuring CAP:
The District's Superintendent in conjunction with the Business Manager is the official responsible for ensuring corrective action.

Planned Completion Date for CAP:
December 31, 2023

Plan to Monitor Completion of CAP:
The Superintendent and Board of Education will monitor the internal control policy is being followed in relation to the annual review of the financial statement.

Financial Statement Findings

2023-001 Internal Accounting Controls

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Finding

   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding

   Because it is economically infeasible to hire additional staff to adequately provide for the proper segregation of duties, the district will utilize staff and board members to segregate duties to the extent possible.

3. Official Responsible for Ensuring CAP

   The District's Superintendent in conjunction with the Business Manager are the officials responsible for ensuring corrective action.

4. Planned Completion Date for CAP

   December 31, 2023

5. Plan to Monitor Completion of CAP

   The Superintendent and Board of Education will monitor the internal control system to ensure it is functioning as the internal control policy states.

2023-002 GAAP Financial Statements

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Finding

   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding

   The District has studied the situation and found that it is economically infeasible to hire or provide adequate training required to adequately prepare financial statements in accordance with generally accepted accounting principles. The cost benefit of providing the necessary training to acquire and maintain this expertise prohibits it. Although the district will continue to have the auditor prepare the financial statements, the district implemented an internal control policy that documents the annual review of the financial statements, disclosures and schedules.

3. Official Responsible for Ensuring CAP

   The District's Superintendent in conjunction with the Business Manager are the officials responsible for ensuring corrective action.

4. Planned Completion Date for CAP

   December 31, 2023

5. Plan to Monitor Completion of CAP

   The Superintendent and Board of Education will monitor the internal control policy is being followed in relation to the annual review of the financial statements.

Sincerely,

Dr. Klint W. Willert
Superintendent of Schools

MEULEBROECK, TAUBERT & CO., PLLP
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Amy L. Mollberg, CPA

MANAGEMENT LETTER

To the Board of Education and Management
Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota 56164

In planning and performing our audit of the financial statements of the Independent School District No. 2689, Pipestone Area Schools, Pipestone, Minnesota, for the year ended June 30, 2023, we considered its compliance with applicable laws and regulations for the purpose of expressing our opinion on the financial statements. In addition, during the process of planning and performing our audit of the financial statements other areas of comment came to our attention, which will be discussed below:

Recommended Adjusting Journal Entries

Attached to this letter is a copy of the recommended year-end adjusting journal entries. Please review these entries. These are the adjustments required to be made in order for your accounting system to be in agreement with the year-end audit. If the adjustments meet with your approval, please instruct your bookkeeper to enter them into SMART Finance for the year ended June 30, 2023.

We feel that these comments and observations deserve the attention of the School Board. We would be willing to discuss any of these comments with you at any time. We appreciate the opportunity to provide auditing services to Independent School District No. 2689.

Sincerely,

Meulebroeck, Taubert & Co., PLLP

Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants
Pipestone, Minnesota

November 20, 2023

ISD #2689 - PIPESTONE AREA SCHOOLS
Adjusting Journal Entries
July 1, 2022 - June 30, 2023

Date	Reference	Account	Description	Debit	Credit
Adjusting Journal Entries					
06/30/23	1		CLIENT PREPARED ENTRIES (20588-20590)		
		98-141-000-000-000-000	LAND IMPROVEMENTS	145,083.41	
		98-142-000-000-000-000	Building	250,329.98	
		98-143-000-000-000-000	Equipment	660,062.62	
		98-144-000-000-000-000	ELIG.PUPIL VEHICLES	127,320.28	
		98-430-000-000-000-000	Investment in General Fixed Assets		1,182,796.29
		01-005-810-183-000-330	Utilities Paulsen Field	353.70	
		01-005-850-000-302-520	Build Acq/Construct		353.70
		01-005-292-000-000-401	General Supplies	2,767.50	
		01-005-292-000-000-530	Equipment Purchased		2,767.50
06/30/23	2		TO RECLASSIFY		
		02-005-000-000-701-472	Free/Reduced Lunch	722.64	
		02-005-000-000-701-471	School Lunch-Fed		722.64
06/30/23	3		TO ADJUST SEVERANCE PAYABLE		
		01-418-000-000-000-000	Designation for Separation/Ret	6,507.10	
		01-422-000-000-000-000	Unappropriated		6,507.10
		99-160-000-000-000-000	Available For Severance		6,507.10
		99-260-000-000-000-000	Separation & Severance Payable	6,507.10	
06/30/23	4		TO ADJUST NON-SPENDABLE FUND BAL		
		01-460-000-000-000-000	Nonspendable Fund Balance	36,221.66	
		01-422-000-000-000-000	Unappropriated		36,221.66
06/30/23	7		TO BALANCE FUND 07 TO FUND 99		
		99-150-000-000-000-000	Amt For Retirement of Bonds	3,273.74	
		99-151-000-000-000-000	Amt Provided from Property Tax		3,273.74
06/30/23	8		CLIENT PREPARED ENTRIES (20597-20598)		
		01-207-211-011-155-406	Instructional Software License		11.50
		01-300-211-011-155-406	Instructional Software License		12.50
		01-300-211-172-000-406	Instructional Software License	24.00	
		01-103-216-000-401-401	General Supplies		493.73
		01-103-216-635-401-401	General Supplies	493.73	
06/30/23	10		CLIENT PREPARED ENTRY		
		04-005-582-000-337-140	Salary-Inst(License)	34,364.71	
		04-005-582-000-344-140	Salary-Inst(License)		34,364.71
			Totals for Adjusting Journal Entries	1,274,032.17	1,274,032.17

Report Totals 1,274,032.17 1,274,032.17

Journal Entry count = 7

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Amy L. Mollberg, CPA

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE CONCLUSION OF THE AUDIT

November 20, 2023

To the Board of Education and Management
Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota 56164

We have audited the financial statements of the governmental activities and each major fund of the Independent School District No. 2689 for the year ended June 30, 2023. Professional Standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 25, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Independent School District No. 2689 are described in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

> Management's estimate of the General Ed Aid and Special Ed Aid receivables are based on the MN Department of Education's reports as of the date of the financial statements and estimates calculated by the business manager. These reports are often adjusted by the state after that date. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, some of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. The material misstatements detected as a result of audit procedures were corrected by management and dealt primarily with setting up the fiscal year end receivables and payables.

Disagreements with Management

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 20, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis (MD&A), the Schedule of District's Proportionate Share of Net Pension Liability-Defined Benefit Plans, Schedule of District's Contributions-Defined Benefit Pension Plans, and Schedule of Changes in the District's Net OPEB Liability and Related Ratios, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund financial statements and schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory section, which accompany the financial statements but are not RSI. We did not audit or perform other audit procedures on this other information and we do not express an opinion or provide any assurance on it.

<u>Restriction on Use</u>

This information is intended solely for the use of the Board of Education and management of the Independent School District No. 2689 and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants
Pipestone, Minnesota