

INDEPENDENT SCHOOL DISTRICT NO. 518

FINANCIAL STATEMENTS
AS OF JUNE 30, 2023

INDEPENDENT SCHOOL DISTRICT NO. 518

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INDEPENDENT SCHOOL DISTRICT NO. 518

SCHOOL DISTRICT OFFICIALS

JUNE 30, 2023

Mr. Joel Lorenz	December 31, 2024	Chairman
Mr. Adam Blume	December 31, 2026	Vice-Chairman
Mr. Stephen Schneider	December 31, 2024	Clerk
Ms. Lori Dudley	December 31, 2026	Treasurer
Ms. Erin Schutte	December 31, 2026	Director
Mr. Tom Prins	December 31, 2024	Director
Mr. Matt Widboom	December 31, 2023	Director
Mr. John Landgaard		Superintendent
Mr. David Skog		Director of Operations

DREALAN KVILHAUG HOEFKER & CO., P.A.



Member
Division for CPA Firms AICPA

CERTIFIED PUBLIC ACCOUNTANTS

WAYNE W. DREALAN, CPA - RETIRED
ELLEN K. HOEFKER, MBA, CPA
GREG H. KVILHAUG, CPA, CFP

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

VICKIE L. KUIPERS, EA
CINDY M. PENNING, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Independent School District No. 518
Worthington, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 518 (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2023, and the respective changes in financial position and the respective budgetary comparison for the general fund, food service fund, and the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 518 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress for postemployment benefits plan and the schedules of proportionate share of net pension liability and employer contributions on pages 4-18, 87-89 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 District's basic financial statements. The accompanying combining and individual nonmajor fund financial 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*, 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 Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Orelean Kvålhaug Hoefker & Co., P.A.

Worthington, Minnesota
November 20, 2023

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

FINANCIAL HIGHLIGHTS

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

- Overall actual expenses in the Statement of Activities were more than \$44 million and nearly \$20 million less than revenues.
- The District's General Fund unassigned fund balance (under the governmental fund presentation) decreased \$6,249,114 from the prior year as a result of the planned construction and remodeling projects and the increase in the assigned fund balance for future projects.
- During the year, the district completed and began using four building projects. The intermediate school serving grades three through five began operations in July 2022. Community Service programs moved into their new building in February 2023. The addition and remodeling of the District office was finished and occupied in April 2023. A custodial storage building was completed at the Crailsheim campus.
- Due to action by the Minnesota Department of Education the district's VIBE online education program was closed.
- After a legislative change, the Board of Education approved a ten-year extension to the current operating referendum.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

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

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.

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

In the government-wide financial statements, the District's activities are shown in one category titled "governmental activities":

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

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

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

For Minnesota schools, funds are established in accordance with Uniform Financial Accounting and Reporting Standards in accordance with statutory requirements and accounting principles generally accepted in the United States of America.

- Some funds are required by State law and bond covenants.
- The District establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show proper utilization of certain revenues (e.g., federal grants).

The District maintains two kinds of funds:

- Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information on separate statements that explain the relationship (or differences) between them.
- Fiduciary funds - The District is the trustee, or fiduciary, for the District 518 Foundation Trust fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was \$61,667,708 on June 30, 2023. (See Table A-1.)

Table A-1
 Independent School District No. 518
 Net Position-Governmental Activities
 As of June 30

	<u>2023</u>	<u>2022</u>	<u>Percentage Change</u>
Current and other assets	\$ 57,697,141	\$ 89,289,874	(35.38%)
Capital assets	<u>109,508,328</u>	<u>72,847,780</u>	50.32%
Total assets	<u>\$ 167,205,469</u>	<u>\$ 162,137,654</u>	3.13%
Deferred Outflows of Resources	<u>\$ 21,468,970</u>	<u>\$ 13,103,450</u>	63.84%
Long-term liabilities	\$ 95,859,719	\$ 96,354,870	(0.51%)
Other liabilities	<u>6,282,080</u>	<u>8,532,904</u>	(26.38%)
Total liabilities	<u>\$ 102,141,799</u>	<u>\$ 104,887,774</u>	(2.62%)
Deferred Inflows of Resources	<u>\$ 24,864,932</u>	<u>\$ 28,605,502</u>	(13.08%)
Net Position			
Net investment in capital assets	\$ 52,417,020	\$ 34,938,832	50.03%
Restricted	16,374,221	16,370,432	0.02%
Unrestricted	<u>(7,123,533)</u>	<u>(9,561,436)</u>	(25.50%)
Total net position	<u>\$ 61,667,708</u>	<u>\$ 41,747,828</u>	47.71%

The District's financial position increased during the year.

Changes in net position. The District's total revenues were \$64,692,093 for the year ended June 30, 2023. Property taxes and state formula aid accounted for 56.4% of total revenue for the year. (See Table A-2.) Another (2.4%) came from other general revenues combined with investment earnings and the remainder from program revenues.

The total cost of all programs and services was \$44,990,800. The District's expenses are predominantly related to educating and caring for students (75.1%).

Total revenues exceeded expenditures, increasing net position \$19,919,880 from last year.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Changes in net position (continued)

Table A-2 is similar to the fund financial statements except it is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. It also includes depreciation expense and excludes capital asset purchase costs, debt issuance proceeds and the repayment of debt principal.

Table A-2
Independent School District No. 518
Change in Net Position
For the Year Ended June 30

	2023	2022	Percentage Change
Revenues			
Program revenues			
Charges for services	\$ 1,692,390	\$ 831,741	103.48%
Operating grants and contributions	23,320,577	20,747,752	12.40%
Capital grants and contributions	1,725,470	1,622,657	6.34%
General revenues			
Property taxes	7,269,871	7,903,442	(8.02%)
State aid - formula grants	29,377,946	27,668,253	6.18%
Other	1,575,839	483,794	225.73%
Total revenues	<u>\$ 64,962,093</u>	<u>\$ 59,257,639</u>	9.63%
Expenses			
District and school administration	\$ 1,182,996	\$ 1,107,163	6.85%
District support services	1,441,894	1,138,549	26.64%
Regular instruction	15,807,042	14,296,226	10.57%
Exceptional instruction	7,164,199	7,436,310	(3.66%)
Vocational instruction	657,951	591,029	11.32%
Instructional support services	3,754,349	4,182,478	(10.24%)
Pupil support services	6,420,964	6,024,820	6.58%
Site, buildings and equipment	4,814,614	12,902,494	(62.68%)
Fiscal and other fixed cost programs	2,001,627	2,111,069	(5.18%)
Community education and services	1,745,164	2,252,250	(22.51%)
Total expenses	<u>\$ 44,990,800</u>	<u>\$ 52,042,388</u>	(13.55%)
Change in net position before special item	\$ 19,971,293	\$ 7,215,251	
Special items	<u>(51,413)</u>	<u>(132,875)</u>	(61.31%)
Change in net position	\$ 19,919,880	\$ 7,082,376	
Beginning net position	<u>41,747,828</u>	<u>34,665,452</u>	
Net position - June 30	<u>\$ 61,667,708</u>	<u>\$ 41,747,828</u>	

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Figure A-3 Sources of Independent School District 518's Revenues for Fiscal Year 2023

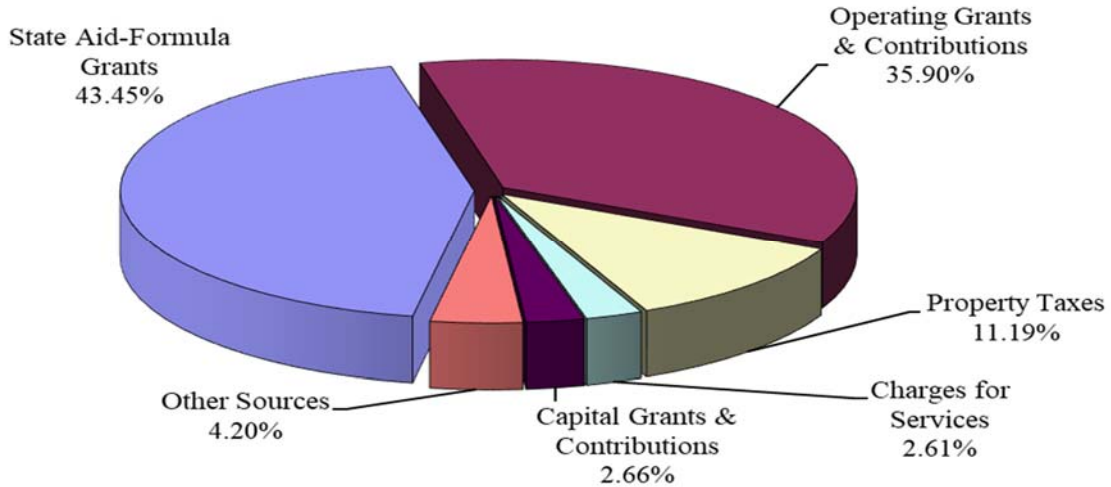
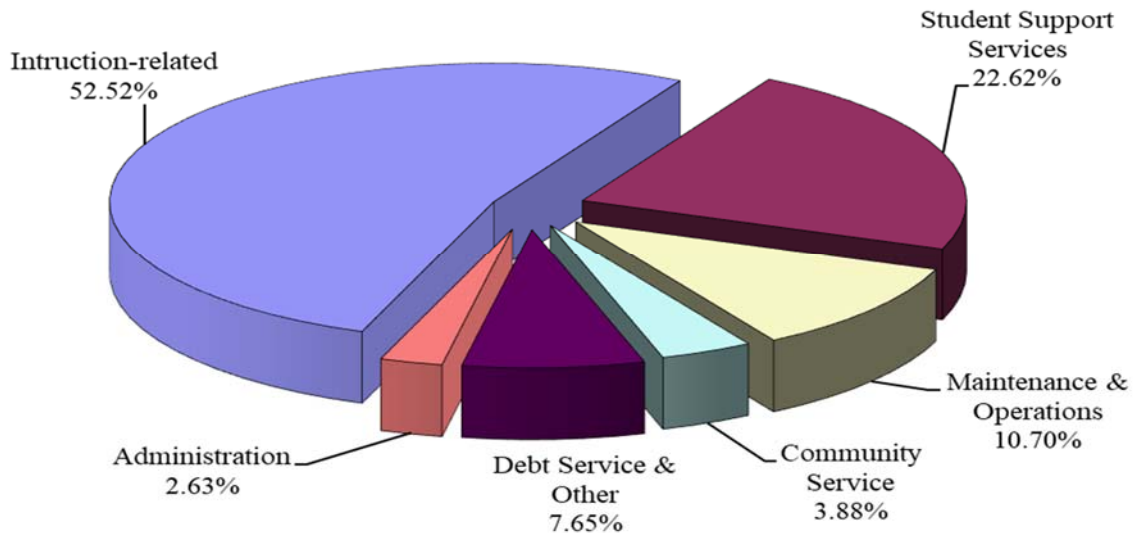


Figure A-4 Independent School District 518's Expenses for Fiscal Year 2023



- The cost of all governmental activities this year was 44,990,800.
- Some of the cost was paid by the users of the District's programs \$1,692,390.
- The federal and state governments subsidized certain programs with grants and contributions (\$23,320,577 operating, \$1,725,470 capital).
- Most of the District's costs (\$18,252,363), however, were paid for by District taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$7,269,871 in property taxes, the remainder, \$10,982,492 with state aid based on the statewide education aid formula, and with investment earnings and other general revenues.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Table A-3
 Independent School District No. 518
 Net Cost of Governmental Activities
 For the Year Ended June 30

	<u>2023</u>		<u>2022</u>
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Net Cost of Services</u>
District and school administration	\$ 1,182,996	\$ 1,169,456	\$ 1,080,202
District support services	1,441,894	1,166,908	1,113,315
Regular instruction	15,807,042	4,632,707	4,608,172
Exceptional instruction	7,164,199	968,985	2,475,180
Vocational instruction	657,951	618,147	552,264
Instructional support services	3,754,349	3,097,500	2,573,645
Pupil support services	6,420,964	2,170,510	3,191,224
Site, buildings and equipment	4,814,614	2,778,184	11,295,228
Fiscal and other fixed cost programs	2,001,627	1,708,862	1,807,033
Community education and services	1,745,164	(58,896)	143,975
Total	<u>\$ 44,990,800</u>	<u>\$ 18,252,363</u>	<u>\$ 28,840,238</u>

The total cost of district services was \$44,990,800 as compared to the prior year total cost of district services of \$54,201,849, a decrease of \$9,211,049.

When program specific revenues are considered, the net service cost was \$18,252,363, which represents a decrease of \$10,587,875 the prior year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$45,605,539, a decrease of \$8,560,523 from the June 30, 2022, combined fund balance of \$54,166,062, or a 15.8% decrease.

Revenues for the District's governmental funds were \$65,010,822, while total expenditures were \$73,608,896.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

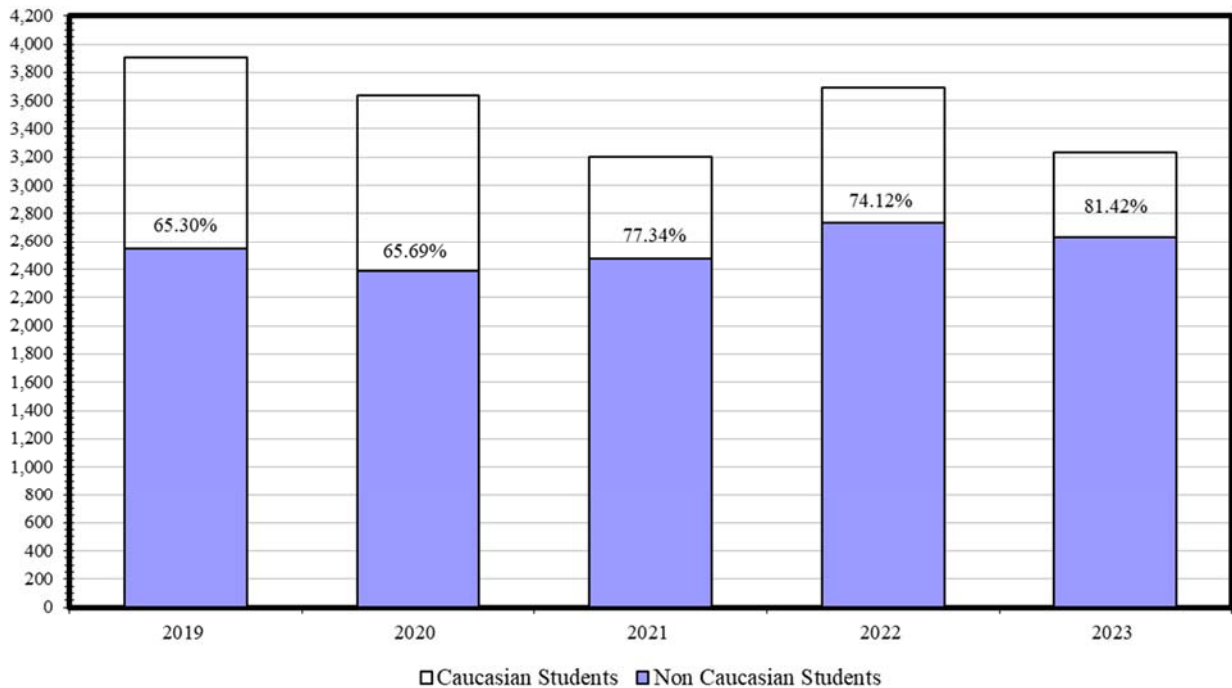
FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

General Fund

The General Fund includes the primary operations of the District in providing educational services to students from pre-kindergarten through grade 12, including pupil transportation activities and capital outlay projects.

The following graph shows the total number of students enrolled over the last five years.

Students (Average Daily Membership)



Over the past few years, the District has seen an increasing enrollment. Fiscal Year 2020 and 2021 decreases occurred with a restructuring of the District’s online education program and the COVID 19 Pandemic. In Fiscal Year 2022 the enrollment in seat based and online education programs rebounded. In fiscal year 2023 the enrollment decline resulted from the closure of the online program.

Based on the District’s birth to age 5 census counts and enrollment projections, we anticipate small seat based enrollment decreases the next few years due to graduating classes larger than kindergarten enrollments.

The chart above includes the on-line program students for the 2019 through 2022 years. Without those students being represented in the calculation the non-Caucasian student population increases to 81.42 percent for seat-based students.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

General Fund (continued)

The following schedule presents a summary of General Fund revenues (including operating, pupil transportation, and capital expenditure accounts).

	<u>Year Ended</u> <u>June 30, 2022</u>	<u>Year Ended</u> <u>June 30, 2023</u>	<u>Amount of</u> <u>Increase</u> <u>(Decrease)</u>	<u>Percent</u> <u>Increase</u> <u>(Decrease)</u>
Local sources				
Property taxes	\$ 3,641,191	\$ 4,134,288	\$ 493,097	13.54%
Interest earnings	93,157	1,221,085	1,127,928	1210.78%
Other	1,405,668	1,797,571	391,903	27.88%
State sources	44,470,063	43,728,889	(741,174)	(1.67%)
Federal sources	<u>4,123,430</u>	<u>4,859,872</u>	<u>736,442</u>	17.86%
Total revenues	\$ 53,733,509	\$ 55,741,705	\$ 2,008,196	3.74%
Other financing sources				
Land and equipment sales	21,467	33,525	12,058	56.17%
Lease of right-to-use assets	<u>168,080</u>	<u>4,026</u>	<u>(164,054)</u>	(97.60%)
Total	<u>\$ 53,923,056</u>	<u>\$ 55,779,256</u>	<u>\$ 1,856,200</u>	3.44%

Total General Fund revenue and other financing sources increased by \$1,856,200 or 3.44% from the previous year. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue including excess levy referendum and the property tax shift involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change on revenue.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

General Fund (continued)

The following schedule presents a summary of General Fund Expenditures (including operating, pupil transportation, and capital expenditure accounts).

	<u>Year Ended</u> <u>June 30, 2022</u>	<u>Year Ended</u> <u>June 30, 2023</u>	<u>Amount of</u> <u>Increase</u> <u>(Decrease)</u>	<u>Percent</u> <u>Increase</u> <u>(Decrease)</u>
Salaries	\$ 26,328,657	\$ 27,454,178	\$ 1,125,521	4.27%
Benefits	8,138,395	8,541,661	403,266	4.96%
Purchased Services	10,053,247	9,244,965	(808,282)	(8.04%)
Supplies, Materials and Equipment	4,327,828	5,895,156	1,567,328	36.22%
Other	8,259,485	8,249,617	(9,868)	(0.12%)
Total	<u>\$ 57,107,612</u>	<u>\$ 59,385,577</u>	<u>\$ 2,277,965</u>	3.99%

Total General Fund expenditures increased \$2,277,965 or 3.99% from the previous year. Additional ipads were purchased to replace older models along with custodial equipment for the new buildings.

In fiscal 2023, salaries increased 4.27% with the addition of staff to meet the needs of increased enrollment. Employee benefits increased by 4.96%. The District continues to investigate cost containment measures to minimize the effect rising insurance premiums have on the costs of the District's employee compensation packages.

In 2022-2023, General Fund expenditures exceeded revenues and other financing sources by \$3,646,321. After deducting statutory restrictions and assigned fund balances, the unassigned fund balance decreased from \$18,458,205 at June 30, 2022, to \$12,209,091 at June 30, 2023.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

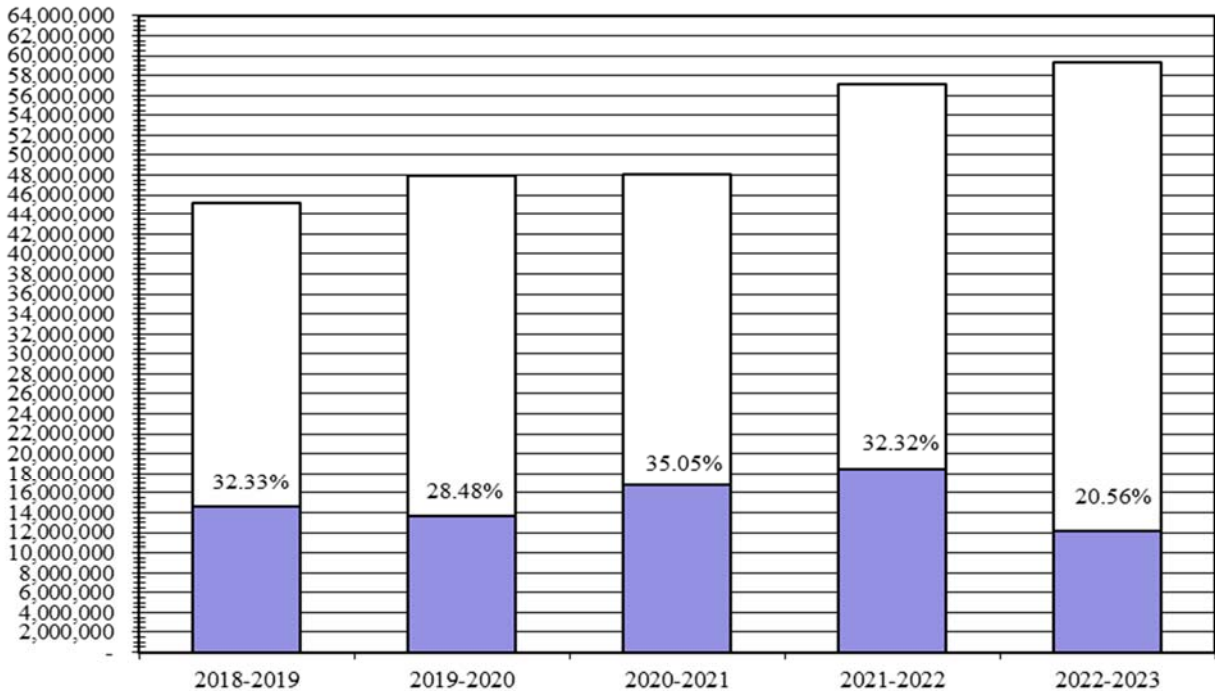
FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

General Fund (continued)

The following graph shows the General Fund unassigned fund balance as a percentage of expenditures.

**General Fund Unassigned Fund Balance as a
Percent of Expenditures**

The graph above is the single best measure of overall financial health. The unassigned fund balance of \$12,209,091 at June 30, 2023, represents 20.56% of annual expenditures or eleven weeks of operations. Given the current state funding legislation and other economic conditions, the District will continue to monitor its spending and fund balances closely.



	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>
Unassigned fund balance	\$ 13,385,123	\$ 14,597,990	\$ 13,633,119	\$ 16,856,634	\$ 18,458,205	\$ 12,209,091
% Increase (decrease)	22.37%	9.06%	(6.61%)	23.64%	9.50%	(33.86%)
Expenditures	\$ 39,042,172	\$ 45,149,112	\$ 47,872,541	\$ 48,097,733	\$ 57,107,612	\$ 59,385,577
% Increase (decrease)	4.85%	15.64%	6.03%	6.53%	19.29%	3.99%

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget. The budget amendments fall into two categories:

- Implementing budgets for specially funded projects, which include both federal and state grants, debt refunding, and budgeting for clearing, resale, and gifts.
- Increases in appropriations for significant unbudgeted costs.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Revenue	\$ 56,563,019	\$ 57,651,105	\$ 1,088,086	1.92%
Expenditure	\$ 67,768,000	\$ 62,625,000	\$ (5,143,000)	(7.59%)
Other financing sources (uses)	\$ 5,000	\$ 30,870	\$ 25,870	517.40%

While the District's final budget for the general fund anticipated that expenditures and other financing uses would exceed revenues and other financing sources by \$4,939,000, the actual results for the year show that expenditures exceeded revenues and other financing sources by \$3,606,321.

- Actual revenues were \$1,909,400 less than expected, a variance of 3.31%, due to federal grant expenditure reimbursements being less than expected.
- The actual expenditures were \$3,239,422 under budget or a 5.17% variance. Of this amount the federal expenditure variance of \$1,909,400 was nearly 60% of the total variance.

Other Governmental Funds

The Food Service Fund expenditures and other financing uses exceeded revenues and other financing sources by \$156,728 compared to a budgeted decrease of \$146,000. The Food Service fund balance decreased to \$1,064,812 or 35.34% of annual operating expenditures. Student lunch and breakfast prices have seen mandated increases in the past couple of years. Increased free and reduced lunch eligibility helps the Food Service fund to continue to operate on a sound financial basis.

The Community Service Fund revenues exceeded expenditures by \$203,586 leaving a year-end fund balance of \$1,284,871 or 69.98% of annual expenditures.

The Debt Service Fund expenditures and other financing uses exceeded revenues and other financing sources by \$405,387 compared to a budgeted decrease of \$316,000. The fund balance decreased to \$10,008,181 at June 30, 2023, and is available for meeting future debt service obligations.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of June 2023, the District had invested \$146,899,925 in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices (See Table A-4). (More detailed information about capital assets can be found in Note 5 to the financial statements.) Depreciation expense of capital assets for the year was \$4,497,775. When the depreciation expense of the leased right-to-use assets is included, the total depreciation expense for the year is \$4,561,154.

Construction of the Intermediate School, Community Education building, Custodial storage building, an addition to the District Office, additional technology equipment, and custodial equipment were among the capital asset additions for the year. Disposals included equipment and vehicles no longer usable for District purposes.

Table A-4
 Independent School District No. 518
 Capital Assets

	2023	2022	Increase (Decrease)
Land	\$ 3,504,003	\$ 3,504,003	\$ -
Land improvements	15,288,970	12,903,455	2,385,515
Buildings	107,763,142	57,418,605	50,344,537
Equipment	19,642,007	15,566,797	4,075,210
Vehicles	701,803	493,060	208,743
Construction in progress	-	15,172,217	(15,172,217)
Less accumulated depreciation	(37,477,564)	(31,400,357)	(6,077,207)
Total	\$ 109,422,361	\$ 73,657,780	\$ 35,764,581
Depreciation expense	\$ 4,561,154	\$ 3,213,157	\$ 1,347,997

Construction - Next Five Years

In coordination with the City of Worthington, Nobles County, Minnesota West Community and Technical College, and other partners; the District is assessing community needs for athletic facilities and grounds.

Routine maintenance such as replacement of roofs, parking lots and building repairs will be funded through the General Fund using Long-term facility maintenance revenue when appropriate.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Long-Term Liabilities

At year-end, the District had \$57,275,000 in general obligation bonds and certificates of participation payable outstanding.

- The District retired \$2,780,000 of outstanding bonds and other long-term debt during 2022-2023.

The District's general obligation bonds carry a rating of AA1.

Limitations on Debt

The state limits the amount of general obligation debt the District can issue to 15% of the market value of all taxable property within the District's corporate limits. Our outstanding debt of \$57,275,000 is significantly below this limit which is currently \$369,310,559.

FACTORS BEARING ON THE DISTRICT'S FUTURE

To meet these financial challenges, the District will continue to utilize the Site Based Budgeting process. This process has been successful in the past and will improve our allocation of resources according to District priorities. The District will strive to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

The District continues to strive to meet Adequate Yearly Progress (AYP) as required by statute. Between 2022 and 2023, District 518 made gains in meeting AYP in some buildings and student groups while failing to meet AYP in areas such as Special Education, Free and Reduced and Limited English Proficiency in certain buildings. Areas considered to not be meeting AYP will be targeted for additional assistance in an effort to bring all groups and subgroups into compliance.

The District's Community Service fund, early childhood program was awarded a Pathways II continuation grant in the amount of \$139,117 and a School Readiness Plus grant in the amount of \$264,250 for fiscal year 2024.

The District online education (VIBE) program was restarted after being reapproved by the Minnesota Department of Education for the 2023-2024 school year.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Administration Building:

Independent School District No. 518
1117 Marine Avenue
Worthington, Minnesota 56187-1610
(507) 372-2172

INDEPENDENT SCHOOL DISTRICT NO. 518

STATEMENTS OF NET POSITION

JUNE 30, 2023

	<u>Governmental Activities</u>
ASSETS:	
Cash and investments	\$ 35,279,118
Cash and investments held by trustee	9,060,165
Receivables-	
Current property taxes	3,138,786
Delinquent property taxes	33,748
Other school districts and governmental units	608,791
Department of Education	3,972,072
Federal government	1,718,630
Accounts and interest receivable	410,136
Lease Receivable	15,962
Inventory	216,130
Prepaid items	743,305
Restricted assets - temporarily restricted-	
Cash and investments for debt service	2,253,227
Cash and investments for construction	183,692
Capital assets (net of accumulated depreciation)-	
Land	3,504,003
Land improvements	12,117,894
Buildings	83,582,904
Equipment	10,021,527
Vehicles	282,000
Right to use assets (net of accumulated amortization)	<u>63,379</u>
Total assets	<u>\$ 167,205,469</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Related to OPEB	\$ 191,169
Related to Pensions	<u>21,277,801</u>
Total deferred outflows of resources	<u>\$ 21,468,970</u>
Total assets and deferred outflows of resources	<u><u>\$ 188,674,439</u></u>

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 518
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2023

	<u>Governmental Activities</u>
LIABILITIES:	
Accounts payable	\$ 489,180
Salaries payable	1,620,771
Accrued payroll taxes and other payroll deductions	2,489,022
Construction contract payable	627,785
Accrued interest payable	775,013
Due to other school districts and governmental units	246,372
Unearned revenue	33,937
Long-term liabilities-	
Due within one year	3,171,988
Due within one year lease liability	67,872
Due in more than one year	92,619,859
	<hr/>
Total liabilities	\$ 102,141,799
	<hr/>
DEFERRED INFLOWS OF RESOURCES:	
Property taxes levied for subsequent year's expenditures	\$ 6,471,446
Long-term lease receivable	15,962
Related to OPEB	273,325
Related to pensions	18,104,199
	<hr/>
Total deferred inflows of resources	\$ 24,864,932
	<hr/>
NET POSITION:	
Net investment in capital assets	\$ 52,417,020
Restricted for-	
Debt service	10,008,181
Food service	1,064,812
Community service	1,284,871
Medical Assistance	437,513
Capital projects	723,998
Area learning center	320,223
Long Term Facility Maintenance	1,257,836
Other purposes	1,276,787
Unrestricted	(7,123,533)
	<hr/>
Total net position	\$ 61,667,708
	<hr/>
Total liabilities, deferred inflows of resources, and net position	\$ 188,674,439
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 518

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<u>Governmental Activities</u>			
Instruction-			
Regular instruction	\$ 15,807,042	\$ 786,706	\$ 10,387,629
Exceptional instruction	7,164,199	204,775	5,990,439
Vocational instruction	657,951	1,108	38,696
Total instruction	<u>\$ 23,629,192</u>	<u>\$ 992,589</u>	<u>\$ 16,416,764</u>
Support services-			
Instructional support services	\$ 3,754,349	\$ 63,911	\$ 592,938
Pupil support services	6,420,964	297,000	3,953,454
District and school administration	1,182,996	465	13,075
District support services	1,441,894	240,987	33,999
Site, buildings and equipment	3,527,124	8,325	608,900
Community education and services	1,745,164	89,113	1,701,447
Fiscal and other fixed cost programs	2,001,627	-	-
Depreciation and amortization expense - unallocated	1,287,490	-	-
Total support services	<u>\$ 21,361,608</u>	<u>\$ 699,801</u>	<u>\$ 6,903,813</u>
Total governmental activities	<u>\$ 44,990,800</u>	<u>\$ 1,692,390</u>	<u>\$ 23,320,577</u>

The accompanying notes are an integral part of these financial statements.

<u>Capital Grants and Contributions</u>	<u>Net (Expense) Total Governmental Activities</u>
\$ -	\$ (4,632,707)
-	(968,985)
-	(618,147)
<u>\$ -</u>	<u>\$ (6,219,839)</u>
\$ -	\$ (3,097,500)
-	(2,170,510)
-	(1,169,456)
-	(1,166,908)
1,419,205	(1,490,694)
13,500	58,896
292,765	(1,708,862)
-	(1,287,490)
<u>\$ 1,725,470</u>	<u>\$ (12,032,524)</u>
<u><u>\$ 1,725,470</u></u>	<u><u>\$ (18,252,363)</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 518
STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

General Revenue

Taxes-	
Property taxes, levied for general purposes	\$ 2,215,953
Property taxes, levied for debt service	2,891,733
Property taxes, levied for specific purpose-	
Integration collaborative	327,183
Vocational programs	185,785
Capital projects	1,209,440
Community Service	190,562
Safe Schools	143,177
Other local taxes	106,038
Property tax replacement aid	127,244
State aid not restricted to specific purpose-	
General Education aid	28,223,013
Other state aids	1,027,689
Interest and investment earnings	1,369,698
Other local revenue	<u>206,141</u>
Subtotal, general revenues	<u>\$ 38,223,656</u>
Excess of revenues over expenses before special items	<u>\$ 19,971,293</u>
<u>Special Items</u>	
Sale or disposal of surplus property and equipment	<u>\$ (51,413)</u>
Subtotal, special items	<u>\$ (51,413)</u>
Total general revenues and special items	<u>\$ 38,172,243</u>
Change in net position	<u>\$ 19,919,880</u>
NET POSITION, Beginning of year	<u>\$ 41,747,828</u>
NET POSITION, End of year	<u><u>\$ 61,667,708</u></u>

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 518

BALANCE SHEETS

GOVERNMENTAL FUNDS

JUNE 30, 2023

	<u>General</u>	<u>Food Service</u>
ASSETS:		
Cash and investments	\$ 33,133,939	\$ 879,171
Cash and investments held by trustee	-	-
Receivables-		
Current property taxes	1,795,258	-
Delinquent property taxes	23,261	-
Accounts and interest receivable	386,993	9,488
Lease receivable	15,962	-
Due from Other school districts and governmental units	494,794	-
Due from Department of Education-		
General education aid	3,089,843	-
Special education aid	555,427	-
Other education aid	130,805	-
Market value credit aid	1,517	-
Disparity aid	2,256	-
Due from Federal government-		
Federal title programs	1,642,869	-
School lunch program	-	68,886
Inventory	68,837	147,293
Prepaid items	714,972	-
	<u>\$ 42,056,733</u>	<u>\$ 1,104,838</u>
LIABILITIES:		
Salaries payable	\$ 1,620,771	\$ -
Accrued payroll taxes and other payroll deductions	2,489,022	-
Accounts payable	433,683	6,089
Construction contract payable	627,785	-
Due to other school districts and governmental units	199,230	-
Unearned revenue	-	33,937
	<u>\$ 5,370,491</u>	<u>\$ 40,026</u>
DEFERRED INFLOWS OF RESOURCES:		
Property taxes levied for subsequent year's expenditures	\$ 3,583,036	\$ -
Unavailable revenue - delinquent taxes	23,261	-
Long-term lease receivable	15,962	-
	<u>\$ 3,622,259</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Community Service	Capital Projects- Building Construction	Debt Service	Total Governmental Funds
\$ 1,266,008	\$ 183,692	\$ 2,253,227	\$ 37,716,037
-	-	9,060,165	9,060,165
86,613	-	1,256,915	3,138,786
668	-	9,819	33,748
13,655	-	-	410,136
-	-	-	15,962
113,997	-	-	608,791
-	-	-	3,089,843
-	-	-	555,427
51,755	-	131,996	314,556
157	-	4,833	6,507
234	-	3,249	5,739
6,875	-	-	1,649,744
-	-	-	68,886
-	-	-	216,130
28,333	-	-	743,305
<u>\$ 1,568,295</u>	<u>\$ 183,692</u>	<u>\$ 12,720,204</u>	<u>\$ 57,633,762</u>
\$ -	\$ -	\$ -	\$ 1,620,771
-	-	-	2,489,022
49,408	-	-	489,180
-	-	-	627,785
47,142	-	-	246,372
-	-	-	33,937
<u>\$ 96,550</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,507,067</u>
\$ 186,206	\$ -	\$ 2,702,204	\$ 6,471,446
668	-	9,819	33,748
-	-	-	15,962
<u>\$ 186,874</u>	<u>\$ -</u>	<u>\$ 2,712,023</u>	<u>\$ 6,521,156</u>

INDEPENDENT SCHOOL DISTRICT NO. 518

BALANCE SHEETS (CONTINUED)

GOVERNMENTAL FUNDS

JUNE 30, 2023

	<u>General</u>	<u>Food Service</u>
FUND BALANCES:		
Nonspendable for-		
Nonspendable amounts	\$ 780,944	\$ 147,293
Restricted for-		
Operating capital	\$ 723,998	\$ -
Medical assistance	437,513	-
Long term facility maintenance	1,257,836	-
Gifted and talented	47,004	-
Learning center	320,223	-
Staff development	44,220	-
Student activities	205,538	-
Basic skills	980,025	-
Food service	-	917,519
Community education	-	-
Adult basic education	-	-
School readiness	-	-
Early childhood family education	-	-
Refunding	-	-
Debt service	-	-
Restricted for other purposes	-	-
Total restricted fund balances	<u>\$ 4,016,357</u>	<u>\$ 917,519</u>
Committed for-		
Separation	\$ 10,000	\$ -
Total committed fund balances	<u>\$ 10,000</u>	<u>\$ -</u>
Assigned for-		
Projects	\$ 16,000,000	\$ -
Cable 3	47,591	-
Total assigned fund balances	<u>\$ 16,047,591</u>	<u>\$ -</u>
Unassigned	\$ 12,209,091	\$ -
Total fund balances	<u>\$ 33,063,983</u>	<u>\$ 1,064,812</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 42,056,733</u>	<u>\$ 1,104,838</u>

The accompanying notes are an integral part of these financial statements.

Community Service	Capital Projects- Building Construction	Debt Service	Total Governmental Funds
\$ 28,333	\$ -	\$ -	\$ 956,570
\$ -	\$ -	\$ -	\$ 723,998
-	-	-	437,513
-	-	-	1,257,836
-	-	-	47,004
-	-	-	320,223
-	-	-	44,220
-	-	-	205,538
-	-	-	980,025
-	-	-	917,519
110,486	-	-	110,486
731,669	-	-	731,669
126,647	-	-	126,647
278,199	-	-	278,199
-	-	8,472,877	8,472,877
-	-	1,535,304	1,535,304
9,537	183,692	-	193,229
<u>\$ 1,256,538</u>	<u>\$ 183,692</u>	<u>\$ 10,008,181</u>	<u>\$ 16,382,287</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,000,000</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>47,591</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,047,591</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,209,091</u>
<u>\$ 1,284,871</u>	<u>\$ 183,692</u>	<u>\$ 10,008,181</u>	<u>\$ 45,605,539</u>
<u><u>\$ 1,568,295</u></u>	<u><u>\$ 183,692</u></u>	<u><u>\$ 12,720,204</u></u>	<u><u>\$ 57,633,762</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 518

RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS

TO THE STATEMENT OF NET POSITION

JUNE 30, 2023

Total fund balances - governmental funds	\$	45,605,539
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental funds are not financial resources and therefore are not reported as assets in the funds		
Land		3,504,003
Land improvements, net of accumulated depreciation		12,117,894
Buildings, net of accumulated depreciation		83,582,904
Equipment and vehicles, net of accumulated depreciation		10,303,527
Right to use assets used in governmental funds are not financial resources and therefore are not reported as assets in the funds		
Right of use assets, net of accumulated amortization		63,379
Deferred outflows and inflows 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		21,277,801
Deferred Inflows of Resources Related to Pensions		(18,104,199)
Deferred Outflows of Resources Related to OPEB		191,169
Deferred Inflows of Resources Related to OPEB		(273,325)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Bonds principal payable		(59,640,060)
Pension Benefits Payable		(34,713,956)
Net OPEB Liability		(1,315,099)
Right of use assets liability		(67,871)
Accrued compensated absences payable		(122,732)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		
		33,748
Governmental funds do not report a liability for accrued interest until due and payable.		
		(775,014)
Total net position - governmental activities	\$	<u>61,667,708</u>

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 518

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2023

	<u>General</u>	<u>Food Service</u>
REVENUES:		
Local property tax levies	\$ 4,134,288	\$ -
Other local and county revenues	2,530,722	27,448
Revenues from state sources	43,728,889	116,189
Revenues from federal sources	4,859,872	2,380,923
Sales and other conversion of assets	76,629	331,472
Interdistrict revenues	411,305	-
Total revenues	<u>\$ 55,741,705</u>	<u>\$ 2,856,032</u>
EXPENDITURES:		
Current expenditures-		
District and school administration	\$ 1,369,509	\$ -
District support services	1,572,336	-
Regular instruction	23,661,128	-
Vocational instruction	751,544	-
Exceptional instruction	8,152,453	-
Community education and services	242,047	-
Instructional support services	3,540,382	-
Pupil support services	4,490,268	3,012,760
Site and building services	3,705,989	-
Fiscal and other fixed cost programs	256,005	-
Capital outlay	11,643,916	-
Debt service-		
Principal	-	-
Interest and other financing costs	-	-
Total expenditures	<u>\$ 59,385,577</u>	<u>\$ 3,012,760</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,643,872)</u>	<u>\$ (156,728)</u>
OTHER FINANCING SOURCES (USES):		
Sale of capital assets	\$ 33,525	\$ -
Insurance claim payments	4,026	-
Total other financing sources (uses)	<u>\$ 37,551</u>	<u>\$ -</u>
Net change in fund balances	\$ (3,606,321)	\$ (156,728)
FUND BALANCE, Beginning of year	<u>36,670,304</u>	<u>1,221,540</u>
FUND BALANCE, End of year	<u>\$ 33,063,983</u>	<u>\$ 1,064,812</u>

The accompanying notes are an integral part of these financial statements.

Community Service	Capital Projects- Building Construction	Debt Service	Total Governmental Funds
\$ 190,562	\$ -	\$ 2,891,739	\$ 7,216,589
361,361	29,654	50,853	3,000,038
1,426,620	-	1,401,276	46,672,974
61,020	-	-	7,301,815
-	-	-	408,101
-	-	-	411,305
<u>\$ 2,039,563</u>	<u>\$ 29,654</u>	<u>\$ 4,343,868</u>	<u>\$ 65,010,822</u>
\$ -	\$ -	\$ -	\$ 1,369,509
-	-	-	1,572,336
-	-	-	23,661,128
-	-	-	751,544
-	-	-	8,152,453
1,820,940	-	-	2,062,987
-	-	-	3,540,382
15,037	-	-	7,518,065
-	-	-	3,705,989
-	-	-	256,005
-	4,625,327	-	16,269,243
-	-	2,780,000	2,780,000
-	-	1,969,255	1,969,255
<u>\$ 1,835,977</u>	<u>\$ 4,625,327</u>	<u>\$ 4,749,255</u>	<u>\$ 73,608,896</u>
<u>\$ 203,586</u>	<u>\$ (4,595,673)</u>	<u>\$ (405,387)</u>	<u>\$ (8,598,074)</u>
\$ -	\$ -	\$ -	\$ 33,525
-	-	-	4,026
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,551</u>
\$ 203,586	\$ (4,595,673)	\$ (405,387)	\$ (8,560,523)
1,081,285	4,779,365	10,413,568	54,166,062
<u>\$ 1,284,871</u>	<u>\$ 183,692</u>	<u>\$ 10,008,181</u>	<u>\$ 45,605,539</u>

INDEPENDENT SCHOOL DISTRICT NO. 518
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Total net changes in fund balances - governmental funds \$ (8,560,523)

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

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense.

Capital outlays	15,970,896
Depreciation expense	(4,561,154)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces the long term liabilities in the statement of net assets.

2,780,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure when it is due, and thus requires the use of current financial resources.

In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

35,671

INDEPENDENT SCHOOL DISTRICT NO. 518
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

In the Statement of Activities, certain operating expenses - pension, other post-employment benefits and compensated absences-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).

Pensions	\$ 14,379,974
Compensated absences	(19,675)
Other post employment benefits	(155,583)

In the statement of activities, only the loss on disposal of capital assets is reported. However, in the governmental funds, proceeds from the disposal increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the disposed assets. (84,938)

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. (52,750)

Governmental funds report debt premiums and discounts as an other financing source or use at the time of issuance. Premiums and discounts are reported net of debt in the Government-wide financial statements. 187,962

Change in net position - governmental activities \$ 19,919,880

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 518

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

GENERAL AND SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 2023

	General Fund			
	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUE:				
Local property tax levies	\$ 4,093,933	\$ 4,114,895	\$ 4,134,288	\$ 19,393
Other local and county revenues	797,037	2,092,517	2,530,722	438,205
Revenues from state sources	46,339,664	43,602,550	43,728,889	126,339
Revenues from federal sources	4,832,235	7,339,398	4,859,872	(2,479,526)
Sales and other conversion of assets	90,150	96,745	76,629	(20,116)
Interdistrict revenues	410,000	405,000	411,305	6,305
Total revenues	<u>\$ 56,563,019</u>	<u>\$ 57,651,105</u>	<u>\$ 55,741,705</u>	<u>\$ (1,909,400)</u>
EXPENDITURES:				
Current expenditures-				
District and school administration	\$ 1,362,058	\$ 1,373,627	\$ 1,369,509	\$ 4,118
District support services	1,859,657	1,900,215	1,572,336	327,879
Regular instruction	23,409,969	23,867,705	23,661,128	206,577
Vocational instruction	719,263	721,015	751,544	(30,529)
Exceptional instruction	7,282,222	8,120,848	8,152,453	(31,605)
Community education and services	272,902	272,902	242,047	30,855
Instructional support services	3,471,337	3,503,273	3,540,382	(37,109)
Pupil support services	4,531,649	4,789,686	4,490,268	299,418
Site and building services	4,260,193	4,325,809	3,705,989	619,820
Fiscal and other fixed cost programs	200,000	240,000	256,005	(16,005)
Capital outlay	20,398,750	13,509,920	11,643,916	1,866,004
Total expenditures	<u>\$ 67,768,000</u>	<u>\$ 62,625,000</u>	<u>\$ 59,385,577</u>	<u>\$ 3,239,423</u>
Excess (deficit) of revenues over (under) expenditures	<u>\$ (11,204,981)</u>	<u>\$ (4,973,895)</u>	<u>\$ (3,643,872)</u>	<u>\$ 1,330,023</u>
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	\$ 5,000	\$ 30,870	\$ 33,525	\$ 2,655
Insurance Claim Payments	-	-	4,026	4,026
Total other financing sources (uses)	<u>\$ 5,000</u>	<u>\$ 30,870</u>	<u>\$ 37,551</u>	<u>\$ 6,681</u>
Net change in fund balances	<u>\$ (11,199,981)</u>	<u>\$ (4,943,025)</u>	<u>\$ (3,606,321)</u>	<u>\$ 1,336,704</u>
FUND BALANCE, Beginning of year	<u>36,670,304</u>	<u>36,670,304</u>	<u>36,670,304</u>	<u>-</u>
FUND BALANCE, End of year	<u>\$ 25,470,323</u>	<u>\$ 31,727,279</u>	<u>\$ 33,063,983</u>	<u>\$ 1,336,704</u>

The accompanying notes are an integral part of these financial statements.

Food Service Fund				Community Service Fund			
Budgeted Amounts		Actual	Variance with Final Budget	Budgeted Amounts		Actual	Variance with Final Budget
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ 186,442	\$ 186,442	\$ 190,562	\$ 4,120
25,700	25,700	27,448	1,748	367,958	394,100	361,361	(32,739)
151,600	151,600	116,189	(35,411)	1,352,885	1,345,743	1,426,620	80,877
2,587,800	2,587,800	2,380,923	(206,877)	43,715	53,715	61,020	7,305
388,900	388,900	331,472	(57,428)	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 3,154,000</u>	<u>\$ 3,154,000</u>	<u>\$ 2,856,032</u>	<u>\$ (297,968)</u>	<u>\$ 1,951,000</u>	<u>\$ 1,980,000</u>	<u>\$ 2,039,563</u>	<u>\$ 59,563</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,913,177	2,148,164	1,820,940	327,224
-	-	-	-	-	-	-	-
3,245,000	3,300,000	3,012,760	287,240	35,823	16,836	15,037	1,799
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 3,245,000</u>	<u>\$ 3,300,000</u>	<u>\$ 3,012,760</u>	<u>\$ 287,240</u>	<u>\$ 1,949,000</u>	<u>\$ 2,165,000</u>	<u>\$ 1,835,977</u>	<u>\$ 329,023</u>
<u>\$ (91,000)</u>	<u>\$ (146,000)</u>	<u>\$ (156,728)</u>	<u>\$ (10,728)</u>	<u>\$ 2,000</u>	<u>\$ (185,000)</u>	<u>\$ 203,586</u>	<u>\$ 388,586</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ (91,000)</u>	<u>\$ (146,000)</u>	<u>\$ (156,728)</u>	<u>\$ (10,728)</u>	<u>\$ 2,000</u>	<u>\$ (185,000)</u>	<u>\$ 203,586</u>	<u>\$ 388,586</u>
<u>1,221,540</u>	<u>1,221,540</u>	<u>1,221,540</u>	<u>-</u>	<u>1,081,285</u>	<u>1,081,285</u>	<u>1,081,285</u>	<u>-</u>
<u>\$ 1,130,540</u>	<u>\$ 1,075,540</u>	<u>\$ 1,064,812</u>	<u>\$ (10,728)</u>	<u>\$ 1,083,285</u>	<u>\$ 896,285</u>	<u>\$ 1,284,871</u>	<u>\$ 388,586</u>

INDEPENDENT SCHOOL DISTRICT NO. 518
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023

ASSETS

	<u>Private Purpose Trust Funds</u>
ASSETS:	
Cash and investments	\$ (58,711)
Receivables-	
Accounts receivable	<u>14,500</u>
Total assets	<u>\$ (44,211)</u>

LIABILITIES AND NET POSITION

LIABILITIES:	
Accounts payable	\$ <u>-</u>
Total liabilities	\$ <u>-</u>
NET POSITION:	
Held in trust	<u>\$ (44,211)</u>

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 518
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Private Purpose Trust Funds</u>
ADDITIONS:	
Other local and county revenues-	
Other local revenues	\$ <u>162,051</u>
Total additions	\$ <u>162,051</u>
DEDUCTIONS:	
Pupil support services	\$ <u>210,016</u>
Total deductions	\$ <u>210,016</u>
Change in net position	\$ (47,965)
NET POSITION, Beginning of year	<u>3,754</u>
NET POSITION, End of year	<u><u>\$ (44,211)</u></u>

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 518

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Basis of Presentation-

Independent School District No. 518 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a seven-member school board elected by voters of the District to serve four year terms. The financial statements of the District 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 No. 518 is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the district.

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

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. There are no other entities for which the District is financially accountable.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. The School Board does have a fiduciary responsibility in establishing broad policies and ensuring that appropriate financial records are maintained for student activities.

c. Basic Financial Statement Presentation-

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

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c. Basic Financial Statement Presentation (continued)-

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

The District applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net position are 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 Government-wide financial statements.

Separate fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type: pension (or other benefit) trust, investment trust, private-purpose 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.

d. Measurement Focus and Basis of Accounting-

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

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

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d. Measurement Focus and Basis of Accounting (continued)-

1. **Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within one year. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month period of availability is generally used for other fund revenue.
2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

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

Private Purpose Trust Funds are reported using the economic resources measurement focus. All fiduciary funds use the accrual basis of accounting as described earlier in these notes.

Description of Funds-

The existence of the various District funds has been established by the State of Minnesota, Department of Education. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. A description of the funds included in this report are as follows:

Major Governmental Funds-

General Fund - The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations, student activities and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities equipment purchases, health and safety projects, and disabled accessibility projects.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d. Measurement Focus and Basis of Accounting (continued)-

Description of Funds (continued)-

Major Governmental Funds (continued)-

Food Service Special Revenue Fund – The Food Service Fund is used to account for food service revenues and expenditures. Revenues recorded in this fund include meal sales to pupils along with state and federal reimbursements for meals.

Community Service Special Revenue Fund – The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, or other similar services. Revenues recorded in this fund include property taxes restricted for Community Service purposes and tuition and fees charged for Community Education.

Capital Projects – Building Construction Fund – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities. The Fund was established for building construction activity authorized by specific bond issues.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of general long-term obligation bond principal, interest, and related costs. The regular debt service account is used for all general obligation bond debt service, except for refunding bond issues, for which a separate refunding bond trust account has been established.

Fiduciary Fund Types-

Private Purpose Trust Fund – The Foundation Private Purpose Trust Fund is used to account for resources held in trust to be used by various other third parties.

e. 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 represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has two items that qualify for reporting in this category. Deferred outflows related to pension activity reported in the government-wide statement of net position. A deferred outflow relating to pension activity results from the difference between actual and expected economic experience, changes in actuarial assumptions and employer contributions subsequent to the measurement date. Deferred outflows of resources related to OPEB is recorded for various estimate differences that will be amortized and recognized over future years.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

e. Deferred Outflows/Inflows of Resources (continued)-

In addition to liabilities, the Statement of Financial position and fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element 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. Unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. Property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide statement of net position and the governmental funds balance sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in both the government-wide financial statements and governmental fund financial statements in the year for which they are levied. Deferred inflows related to pension and OPEB activity as a result of the net difference between projected and actual earnings on plan investments and changes in proportionate share.

f. Budgeting-

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

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to the budgeted amounts must be approved by the School Board. Individual amendments were not material in relation to the original appropriations.

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

Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

At the end of each fiscal year, if the General Fund has a net unassigned deficit balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota school districts which includes certain restrictions specified in Minnesota statutes, exceeding 2.5% of expenditures, a condition referred to as “statutory operating debt” exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with a “special operating plan” approved by the Commissioner of Education.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

g. Cash and Investments-

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Earnings from the investments of the Private Purpose Trust Funds are allocated directly to those funds/accounts.

Investments are stated at their fair value as determined by quoted market prices, except for money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less which are recorded at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Money market investments are short-term, highly liquid debt instruments including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations. Investments in external investment pools operated in a manner consistent with the SEC's Rule 2a7 of the Investment Act of 1940 are valued at the pool's share price.

h. Accounts Receivable-

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. The only receivables not expected to be collected within one year are delinquent property taxes receivable.

i. Inventories-

Inventories are recorded using the purchase method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method, and surplus commodities are stated at standardized costs, as determined by the U.S. Department of Agriculture.

j. Prepaid Items-

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

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

k. Property Taxes-

Property tax levies are established by the School Board in December each year and are certified to the County by December 28, for collection the following calendar year. Those taxes become a lien against properties on January 1. In Minnesota, counties act as collection agents for all property taxes and are responsible for spreading all levies over taxable property. Such taxes become a lien on January 1. Taxes are generally due on May 15 and October 15 and counties generally remit taxes to the Districts at periodic intervals as they are collected. A portion of property taxes levied is paid through the state credits which are included in revenue from state sources in the financial statements.

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

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

l. Capital Assets-

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$2,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the Government-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 generally 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 land improvements and buildings, and 5 to 20 years for equipment.

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

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.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

m. Long-Term Obligations-

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

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

n. Vacation Pay-

Under the terms of contracts, certain employees accrue vacation at varying rates, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation upon termination. Vacation pay is accrued when incurred in the district-wide and all fiduciary fund financial statements. Vacation pay is accrued in governmental fund financial statements only when it has matured due to employee termination or similar circumstances.

o. Sick Pay-

Substantially all District employees are entitled to sick leave at various rates.

p. Other Postemployment Health Care Benefits-

In addition to retirement benefits, the District provides post-retirement medical insurance benefits to teachers, administrators, principals, food service workers, custodians and clerical employees, in accordance with their respective master employment agreements. The eligibility for, amount of, duration of, and District's contribution to the cost of the benefits provided varies by contract and date of retirement.

q. Restricted Assets-

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture. Restricted assets are reported only in the government-wide financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

r. Fund Balance-

In the fund financial statements, governmental funds report fund balances in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable – resources that are not in spendable form or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have purpose constraints placed upon them by laws, regulations, creditors, grantors, or other external parties and are considered available only for the purpose for which they were received.

Committed – resources that are constrained for specific purposes that are internally imposed by the District at its highest level of decision making authority, the Board of Education. With an affirmative vote of its members, the Board of Education may create, modify, or rescind funds for which resources are committed to the established purpose of that fund.

Assigned – resources that are intended to be used for specific purposes as approved through the District’s formal purchasing procedure by the Treasurer. Through the District’s purchasing policy, the Board of Education has given the Treasurer the authority to constrain monies for the intended purpose.

Unassigned – residual fund balance within the general fund that is in spendable form and is not restricted, committed, or assigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District’s policy to use restricted first, then unrestricted fund balance.

When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the District’s policy to use committed first, then assigned, and finally unassigned amounts.

The school district will strive to maintain a minimum unassigned general fund balance of 10% percent of the annual budget at the end of the fiscal year.

s. Risk Management-

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers’ compensation for which it carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District’s insurance coverage in fiscal year 2023.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

t. Net Position-

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

u. Use of Estimates-

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

v. Functional Allocation of Expenses-

The costs of various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

a. Excess of Expenditures Over Budget-

	<u>Budget</u>	<u>Expenditures</u>	<u>Amount</u>
Capital Projects Fund	\$ 4,470,000	\$ 4,625,327	\$ (155,327)

No remedial action is deemed necessary for the Capital projects fund as there is sufficient fund balance.

	<u>Budget</u>	<u>Expenditures</u>	<u>Amount</u>
Trust Fund	\$ 195,000	\$ 210,016	\$ (15,016)

No remedial action is deemed necessary for Trust Fund as future revenues will eliminate this deficit.

b. Revenues Under Budget-

	<u>Budget</u>	<u>Revenues</u>	<u>Amount</u>
General Fund	\$ 57,654,105	\$ 55,741,705	\$ (1,909,400)

No remedial action is deemed necessary as the shortage was due to lower than anticipated federal program expenditures and reimbursements.

	<u>Budget</u>	<u>Revenues</u>	<u>Amount</u>
Food Service Fund	\$ 3,154,000	\$ 2,856,032	\$ (297,968)

No remedial action is deemed necessary as there is sufficient fund balance.

	<u>Budget</u>	<u>Revenues</u>	<u>Amount</u>
Debt Service Fund	\$ 4,439,000	\$ 4,343,868	\$ (95,132)

No remedial action is deemed necessary as the shortage was due to a market value reduction in the refunding escrow account.

3. DEPOSITS AND INVESTMENTS:

a. Deposits-

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

Minnesota Statutes require that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. DEPOSITS AND INVESTMENTS (Continued):

a. Deposits (continued)-

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

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2023, none of the District’s bank balance of \$8,506,231 was exposed to custodial credit risk. No amounts were uninsured or under collateralized.

b. Investments-

The District may also invest idle funds as authorized by Minnesota Statutes, as follows: direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States’ banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States’ corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

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 counterparty to an investment transaction (typically a broker) the government would not be able to recover the value of the investment or collateral securities.
- **Credit risk** – The risk that an issuer or other counterparty to an investment will not fulfill its obligations.

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

- **Concentration risk** – Investing 5 percent or more of the District’s portfolio in the securities of a single issuer.
- **Interest rate risk** – The risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk).

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. DEPOSITS AND INVESTMENTS (Continued):

b. Investments (continued)-

The following table presents the District's investment balances at June 30, 2023 and information relating to potential investment risks:

The Minnesota School District Liquid Asset Fund 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.

	<u>Credit Risk</u>		<u>Concentration</u>	<u>Interest</u>	<u>Carrying</u>
	<u>Credit</u>	<u>Rating</u>	<u>Risk</u>	<u>Rate Risk</u>	
	<u>Rating</u>	<u>Agency</u>	<u>Over 5%</u>	<u>Maturity</u>	<u>Value</u>
			<u>of Portfolio</u>	<u>Date</u>	
Governmental Agencies	N/A	N/A	53.6%	N/A	\$ 9,238,873
Investment pools/mutual funds					
Minnesota School District					
Liquid Asset Fund Plus	AAAm	S & P	2.9%	N/A	503,664
Minnesota School District					
Liquid Asset Fund Plus					
MAX Series	AAAm	S & P	43.5%	N/A	<u>7,501,258</u>
Total investments					\$ 17,243,795
Nonparticipating certificates of deposits and MSDLAF term investments					29,501,758
Deposits					<u>(28,062)</u>
Total cash and investments					\$ <u>46,717,491</u>

N/A - Not applicable

Cash and investments are included on the basic financial statements as follows:

Cash and temporary investments-statements of net position	\$ 35,279,118
Cash and investments for debt service-restricted-statements of net position	2,253,227
Cash and investments held by trustee-statements of net position	9,060,165
Cash and investments for construction-restricted-statements of net position	183,692
Cash and temporary investments-statement of fiduciary net position	<u>(58,711)</u>
	\$ <u>46,717,491</u>

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. DEPOSITS AND INVESTMENTS (Continued):

c. Fair Value Measurements-

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The District follows an accounting standard which defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with the standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded of the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in the active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset.

Assets of the District measured at fair value on a recurring basis:

<u>Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Municipal Bonds	\$ -	\$ 9,238,873	\$ -	\$ 9,238,873
Mutual Funds	8,004,922	-	-	8,004,922
Equities	<u>29,473,696</u>	-	-	<u>29,473,696</u>
Total	<u>\$ 37,478,618</u>	<u>\$ 9,238,873</u>	<u>\$ -</u>	<u>\$ 46,717,491</u>

4. LEASE RECEIVABLE:

The District has a lease receivable for a lease of farm ground that expires February 29, 2024. The amount of that receivable at its present value of the lease payments expected to be received during the lease term. Under the lease agreement the payments are variable depending on the number of farmable acres. Those payments are valued at \$15,962 as of June 30, 2023.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. CAPITAL ASSETS:

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

Governmental Activities:	Beginning			Ending
	Balance	Increases	Decreases	Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital assets, not depreciated:				
Land	\$ 3,504,003	\$ -	\$ -	\$ 3,504,003
Construction in progress	<u>42,041,464</u>	<u>-</u>	<u>(42,041,464)</u>	<u>-</u>
Total capital assets, not depreciated	<u>\$ 45,545,467</u>	<u>\$ -</u>	<u>\$ (42,041,464)</u>	<u>\$ 3,504,003</u>
Capital Assets, depreciated:				
Land improvements	\$ 12,252,603	\$ 3,036,367	\$ -	\$ 15,288,970
Buildings	57,538,341	8,183,337	-	65,721,678
Equipment and vehicles	<u>16,583,825</u>	<u>4,751,192</u>	<u>(991,207)</u>	<u>20,343,810</u>
Total capital assets, depreciated	<u>\$ 86,374,769</u>	<u>\$ 15,970,896</u>	<u>\$ (991,207)</u>	<u>\$ 101,354,458</u>
Less accumulated depreciation for:				
Land improvements	\$ (2,499,569)	\$ (671,507)	\$ -	\$ (3,171,076)
Buildings	(22,024,942)	(2,155,296)	-	(24,180,238)
Equipment and vehicles	<u>(9,275,580)</u>	<u>(1,670,972)</u>	<u>906,269</u>	<u>(10,040,283)</u>
Total accumulated depreciation	<u>\$ (33,800,091)</u>	<u>\$ (4,497,775)</u>	<u>\$ 906,269</u>	<u>\$ (37,391,597)</u>
Net capital assets, depreciated	<u>52,574,678</u>	<u>11,473,121</u>	<u>(84,938)</u>	<u>63,962,861</u>
Total capital assets, net	<u>\$ 98,120,145</u>	<u>\$ 11,473,121</u>	<u>\$ (42,126,402)</u>	<u>\$ 67,466,864</u>

Depreciation expense of \$4,561,154, including \$63,379 related to right-to-use assets, for the year ended June 30, 2023, was charged to the following governmental functions:

Governmental Activities:

Administration	\$ 13,149
District support services	25,929
Regular instruction	1,464,424
Vocational instruction	15,879
Exceptional instruction	19,305
Community Service	24,040
Instructional support services	113,413
Pupil support services	73,512
Food service	24,648
Site, buildings and equipment	1,435,986
Unallocated	<u>1,350,869</u>
	<u>\$ 4,561,154</u>

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. RIGHT TO USE LEASED ASSETS:

Right to use asset activity for the year ended June 30, 2023, was as follows:

Governmental Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Leased right-to-use assets	\$ 149,346	\$ -	\$ -	\$ 149,346
Accumulated amortization	22,588	63,379	-	85,967
	\$ 126,758	\$ (63,379)	\$ -	\$ 63,379

7. LONG-TERM LIABILITIES:

a. General Obligation School Building Bonds and Certificates of Participation-

The District currently has the following General Obligation School Building Bonds and Certificates of Participation outstanding:

Issue	Issue Date	Interest Rates	Final Maturity	Principal Outstanding
General Obligation Refunding School Building Bonds	11/14/2013	3.00%	2/1/2024	\$ 1,335,000
General Obligation Refunding Alternative Facilities Bonds	6/2/2016	2.00%-2.25%	2/1/2030	3,090,000
General Obligation School Building Bonds	12/20/2019	2.00%-4.00%	2/1/2040	10,000,000
General Obligation Refunding School Building Bonds	12/20/2019	1.97%-3.45%	2/1/2041	9,210,000
General Obligation School Building Bonds	1/31/2020	1.75%-5.00%	2/1/2040	24,545,000
Certificates of Participation	8/30/2017	3.00%-4.00%	2/1/2045	9,095,000
Total general obligation bonds				\$ 57,275,000

Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies are dedicated for the retirement of these bonds. The annual future debt service levies authorized are equal to 105% of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

The General Obligation School Building Bonds and Certificates of Participation require semiannual payments of principal and/or interest from the date the bonds were issued.

In August 2017, the District issued \$10,340,000 of Certificates of Participation, Series 2017A. The proceeds of this issue and interest earned thereon will be used to construct a new building housing the Area Learning Center and provide a permanent facility for Gymnastics participation. These Certificates of Participation are under an advance refunding that converts them to a voter approved school building issue with the semiannual payments being made from the escrow funds to their call date of February 1, 2026.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. LONG-TERM LIABILITIES (Continued):

a. General Obligation School Building Bonds and Certificates of Participation-

In November 2019, the voters of the District approved the issuance of three bond issues. The first was to refund the 2017A Certificates of Participation in the amount of \$10,065,000. The second was to construct a new two grade intermediate school in the amount of \$26,005,000. The third was to expand the new intermediate school to three grades in the amount of \$10,000,000.

b. Bond Premiums-

Bond premiums are amortized using the straight line method over the life of the bonds.

<u>Issue</u>	<u>Issue Date</u>	<u>Bond Premium</u>	<u>Final Maturity</u>	<u>2023 Amortization</u>
General Obligation Refunding School Building Bonds	11/1/2013	\$ 424,863	2/1/2024	\$ 41,116
General Obligation Refunding Alternative Facilities Bonds	6/2/2016	133,309	2/1/2030	9,754
General Obligation School Building Bonds	12/20/2019	181,644	2/1/2040	9,044
General Obligation School Building Bonds	1/31/2020	<u>2,560,939</u>	2/1/2040	<u>128,047</u>
Total current year amortization		<u>\$ 3,300,755</u>		<u>\$ 187,961</u>

c. Minimum Debt Payments-

Minimum annual principal and interest payments to maturity for general obligation school building bonds, capital leases and special assessments payable are as follows:

Year Ending June 30 ,	<u>General Obligation School Building Bonds</u>		<u>Certificates of Participation</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 2,600,000	\$ 1,530,649	\$ 275,000	\$ 350,050
2025	2,665,000	1,466,421	280,000	341,800
2026	2,770,000	1,359,840	290,000	330,600
2027	2,880,000	1,248,181	305,000	319,000
2028	2,985,000	1,151,262	320,000	306,800
2029-2033	13,085,000	4,327,127	1,780,000	1,342,750
2034-2038	12,840,000	2,412,986	2,110,000	1,006,800
2039-2043	8,355,000	528,173	2,005,000	550,200
2044-2045	<u>-</u>	<u>-</u>	<u>1,730,000</u>	<u>71,000</u>
	<u>\$ 48,180,000</u>	<u>\$ 14,024,639</u>	<u>\$ 9,095,000</u>	<u>\$ 4,619,000</u>

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. LONG-TERM LIABILITIES (Continued):

d. Special Assessments Payable-

Special Assessments payable represents the outstanding liability relating to various improvements made to district property financed through municipalities. The annual assessment levies consisting of principal and interest at various rates will be paid for by the General Fund. As of June 30, 2023, there were no assessments payable.

e. Changes in Long-Term Liabilities-

	June 30, 2022	Additions	Retirements	June 30, 2023	Due Within One Year
General obligation school building bonds	\$ 50,695,000	\$ -	\$ 2,515,000	\$ 48,180,000	\$ 2,600,000
Bond premium	2,553,021	-	187,961	2,365,060	174,256
Certificates of Participation	9,360,000	-	265,000	9,095,000	275,000
Compensated Absences	103,057	122,732	103,057	122,732	122,732
	<u>\$ 62,711,078</u>	<u>\$ 122,732</u>	<u>\$ 3,071,018</u>	<u>\$ 59,762,792</u>	<u>\$ 3,171,988</u>

8. LEASES:

a. Short-term Leases-

The District leases the Memorial Auditorium facility for District programs through June 30, 2023. Rental expense for the year ended June 30, 2023, for this short term lease was 34,027.

b. Long-term Leases-

The District entered an agreement to lease copiers commencing July 1, 2022. Under the terms of the leases, the District pays a monthly equipment lease fee. In addition, the District also pays a maintenance cost fee that is based on an estimate of the number of copies produced. Periodically, a reconciliation of the actual copy count versus estimates is done and any overage is billed separately. The maintenance cost is treated as an ordinary operating cost.

The lease for the Worthington Hockey Arena ice sheet was renewed in 2018 with a remaining term of six years through June 30, 2024, at a cost of \$25,000 per year.

At June 30, 2023, the District recognizes a right-to-use asset value (net of accumulated amortization) of \$63,379 and an associated lease liability of \$65,526. During the 2023 fiscal year, the District recorded \$63,379 in amortization expense for the right-to-use assets. This amortization expense is unallocated on the Statement of Activities. The District used a rate of 5.25% for these assets, based on the District's equipment borrowing rate from a local bank.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. LEASES (Continued):

b. Long-term Leases (Continued)-

	June 30, 2022			June 30, 2023	
Right-to-use assets	Balance	Additions	Deletions	Balance	
Copiers	\$ 81,581	\$ -	\$ -	\$ 81,581	
Building Lease	67,764	-	-	67,764	
	\$ 149,345	\$ -	\$ -	\$ 149,345	
	June 30, 2022			June 30, 2023	
Accumulated amortization	Balance	Additions	Deletions	Balance	
Copiers	\$ -	\$ 40,791	\$ -	\$ 40,791	
Building Lease	22,587	22,588	-	45,175	
	\$ 22,587	\$ 63,379	\$ -	\$ 85,966	
Net right-to-use assets				\$ 63,379	

Leased asset payment schedule

	Principal	Interest	Total
For the year ending June 30, 2024	\$ 65,525	\$ 2,346	\$ 67,871
	\$ 65,525	\$ 2,346	\$ 67,871

9. INTERFUND BALANCES AND OPERATING TRANSFERS:

The District had no interfund balances at June 30, 2023.

The District had no interfund transfers for the year ended June 30, 2023.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. RESTRICTED FUND BALANCES:

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. A description of deficit balance restrictions is included herein since the District has specific statutory authority to levy taxes for such deficits.

Restricted, Committed, and Assigned fund balances at June 30, 2023, are as follows:

Restricted for Staff Development-

Represents available resources to be used for future staff development activities. The fund balance as of June 30, 2023, is \$44,220.

Restricted for Area Learning Center-

Represents available resources to be used for students attending the area learning center. The fund balance as of June 30, 2023, is \$320,223.

Restricted for Operating Capital-

The District levies taxes and receives state aid to be used for the purchase of equipment, books and vehicles and to purchase, rent, improve and repair school facilities as allowed by state statute. The cumulative excess of such revenues over equipment and facilities expenditures is reported as a restriction of fund balance in the General Fund. The fund balance as of June 30, 2023, is \$723,998.

Restricted for Gifted and Talented-

Represents available resources from state aid to be used for gifted and talented programming in accordance with funding made available for that purpose. The fund balance as of June 30, 2023, is \$47,004.

Restricted for Long-Term Facility Maintenance-

Represents available resources from the levy or aid to be used for future long-term facility maintenance projects. The fund balance as of June 30, 2023, is \$1,257,836.

Restricted for Student Activities-

Represents available resources from local revenues to be used for student led activity groups. The fund balance as of June 30, 2023, is \$205,538.

Restricted for Medical Assistance-

Represents available resources from medical assistance funding to be used for programming in accordance with that funding. The fund balance as of June 30, 2023, is \$437,513.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. RESTRICTED FUND BALANCES (Continued):

Restricted for Basic Skills Programs-

Represents available resources to be used in providing services to students lacking basic skills. The fund balance as of June 30, 2023, is \$980,025.

Restricted for Food Service-

Represents available resources to be used in providing food services to students. The fund balance as of June 30, 2023, is \$917,519.

Restricted for Community Education-

Represents accumulated resources available to provide general community education programming. The fund balance as of June 30, 2023, is \$110,486.

Restricted for Adult Basic Education-

Represents accumulated resources available to provide adult basic education services. The fund balance as of June 30, 2023, is \$731,669.

Restricted for School Readiness-

Represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose. The fund balance as of June 30, 2023, is \$126,647.

Restricted for Early Childhood Family Education-

Represents accumulated resources available to provide early childhood family education programming in accordance with funding made available for that purpose. The fund balance as of June 30, 2023, is \$278,199.

Restricted for Other Programs-

Represents that amount that can be spent only for specific purposes stipulated by constitutional, external resource providers, or through enabling legislation. The fund balance as of June 30, 2023, is \$193,299.

Restricted for Debt Service-

Represents available resources from the debt service levy available only for payment of outstanding debt and related expenses. The fund balance as of June 30, 2023, is \$1,535,304.

Restricted for Bond Refunding-

Represents available resources to be used for bond refunding. The fund balance as of June 30, 2023, is \$8,472,877.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. RESTRICTED FUND BALANCES (Continued):

Committed for Separation-

Represents amounts committed for severance, but not restricted. The fund balance as of June 30, 2023, is \$10,000.

Assigned for Cable 3-

Represents amounts committed for the Cable 3 TV Studio operations, but not restricted. The fund balance as of June 30, 2023, is \$47,591.

Assigned for Projects-

Represents amounts assigned for projects, but are not restricted or committed. The fund balance as of June 30, 2023, is \$16,000,000.

11. EARLY RETIREMENT INCENTIVE:

a. Teachers-

Full-time teachers who have not less than 30 years of full time teaching service or who are at least fifty-five years of age and have 15 total years of full time teaching service are eligible for severance pay pursuant to the provisions of the master contract upon submission of a written resignation accepted by the Board.

Each full-time teacher will be paid up to a maximum of 100 days of any unused and accrued sick leave earned by that teacher while an employee of the District. The daily rate of pay is the basic daily rate at the time of retirement, as provided in the basic salary schedule (including career increment) for the basic school year, and does not include any additional compensation for extracurricular activities, extended employment or other extra compensation.

Payment will be contributed to a post-retirement health care savings plan sponsored by the District with half of the amount paid prior to September 1 of the year of separation and the remaining half will be paid prior to September 1 of the year following separation.

As of June 30, 2023, the last eligible teacher retired. No participants or liability remains.

Severance pay is recorded as an expenditure when eligible employees retire. There was one retirement with an expenditure of \$13,646 in the year ended June 30, 2023.

Superintendent-

The superintendent is eligible for severance pay after the board receives a resignation. The amount of severance will be equal to the dollar amount per day of the existing contract times the number of accumulated sick leave days. The severance pay will be paid to the superintendent according to timelines set by the Board.

As of June 30, 2023, there is a potential commitment of \$10,000 in severance pay if the superintendent would resign pursuant to the provisions in the contract.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN:

a. Plan Description-

The District provides a single-employer defined benefit healthcare plan which allows retirees and their spouses to participate in that plan through contractual arrangement. The plan offers medical coverage that is administered through the Minnesota Public Employees Insurance Plan. (PEIP) It is the District's policy to periodically review those medical coverages and obtain requests for proposals in order to provide the most favorable benefits and premiums for the District employees and retirees. No assets are accumulated in a trust.

Post-Employment Medical Plan – All eligible retirees of the District have the option to continue their medical coverage into retirement. Retirees pay the full district premium rate for the coverage and dependent coverage if elected. When the retiree is eligible for coverage under Medicare, the District plan allows continued participation as a healthcare plan secondary to that Medicare coverage.

There are 581 active participants and 12 retired participants. The plan does not issue a publicly available financial report.

b. Contributions-

Retirees and their spouses contribute to the health care plan at the same rate as active District employees. This results in the retirees receiving an implicit rate subsidy. The required contributions are based on projected pay-as-you-go financing requirements. For the year ended June 30, 2023 the District contributed \$63,087 to the plan.

c. Actuarial Methods and Assumptions-

The total OPEB liability was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Salary increases	3.00%
Inflation	3.00%
Healthcare cost trend increases	7.50% As of July 1, 2022, decreasing to an ultimate rate of 4.50% over 7 years.
Mortality Assumptions	General Employees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021 Teachers: SOA Pub-2010 Teachers Headcount Weighted Mortality Table fully generational using Scale MP-2021 Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN (Continued):

d. Total OPEB Liability-

As of June 30, 2023, the actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$1,315,099.

	<u>Total OPEB Liability</u>
Balance at July 1, 2021	\$ <u>1,283,881</u>
Changes for the year	
Service cost	\$ 89,742
Interest cost	54,904
Changes of assumptions	(3,884)
Employer contributions	(63,087)
Differences between expected and actual experience	<u>(46,457)</u>
Net changes	<u>\$ 31,218</u>
Balance at July 1, 2022	<u>\$ <u>1,315,099</u></u>

e. OPEB Liability Sensitivity-

The following presents the District's total OPEB liability calculated using the discount rate of 4.13% as well as the liability measured using 1% higher and 1% lower than the current discount rate.

<u>Net OPEB Liability (Asset)</u>		
1% decrease (3.13%)	Current (4.13%)	1% increase (5.13%)
\$ 1,415,200	\$ 1,315,099	\$ 1,221,375

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN (Continued):

e. OPEB Liability Sensitivity (continued)–

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

<u>Net OPEB Liability (Asset)</u>		
1% decrease	Current	1% increase
<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
decreasing to	decreasing to	decreasing to
<u>(3.50%)</u>	<u>(4.50%)</u>	<u>(5.50%)</u>
\$ 1,166,039	\$ 1,315,099	\$ 1,492,768

f. OPEB expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB-

For the year ended June 30, 2022, the District recognized OPEB expense of \$131,112. At June 30, 2023, the district reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ (269,829)
Changes in actuarial assumptions	<u>191,169</u>	<u>(3,496)</u>
	<u>\$ 191,169</u>	<u>\$ (273,325)</u>

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

Year Ended June 30:	
2024	\$ (13,534)
2025	(13,534)
2026	(13,534)
2027	(13,534)
2028	(13,534)
Thereafter	(18,176)

13. DEFINED BENEFIT PENSION PLANS:

Substantially all employees of the District are required by state law to belong to cost sharing, multiple employer, defined benefit pension plans administered by Teachers Retirement Association (TRA) and Public Employees Retirement Association (PERA), all of which are established and administered in accordance with Minnesota Statutes. TRA’s and PERA’s defined benefit pension plans are tax qualified plans under section 401(a) of the Internal Revenue Code.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. DEFINED BENEFIT PENSION PLANS (Continued):

a. Summary of Significant Accounting Policies-

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

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

b. Plan Descriptions-

1. Teachers Retirement Association (TRA)-

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 administered by a Board of Trustees. The Board consist of four active members, one retired member, and three statutory officials.

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

2. Public Employees Retirement Association (PERA)-

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

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.

c. Benefits Provided-

TRA and PERA provide retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. DEFINED BENEFIT PENSION PLANS Continued):

c. Benefits Provided (continued)-

TRA: Post-retirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is currently 1.0%. This rate will increase by 0.1% each year starting July 1, 2024, through July 1, 2028, when the rate increase be capped at 1.5%.

PERA: 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.

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

1. TRA benefits-

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

Two methods are used to compute benefits for TRA’s Coordinated and Basic Plan members. Members first employed **before July 1, 1989**, receive the greater of the Tier I or Tier II benefits as described. Members first employed **after June 30, 1989** receive only the Tier II calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

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

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. DEFINED BENEFIT PENSION PLANS (Continued):

c. Benefits Provided (continued)-

1. TRA benefits (continued)-

With these provisions-

- a. Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- b. 3.0 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 provision (age plus allowable service equals 90 or more).

or

Tier II	Step Rate Formula	Percentage
Basic	Service years prior to July 1, 2006	2.7 percent per year
	All years after July 1, 2006	2.7 percent per year
Coordinated	Service years prior to July 1, 2006	1.7 percent per year
	All years after July 1, 2006	1.9 percent per year

Actuarially equivalent early retirement reduction factors with augmentation are used for early retirement before the normal age of 65. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to the individuals who reach age 62 and have 30 or more years of service credit.

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.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. DEFINED BENEFIT PENSION PLANS (Continued):

c. Benefits Provided (continued)-

2. PERA benefits-

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

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. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

d. Contributions-

1. TRA contributions-

Minnesota Statutes Chapter 354 sets the rates for the employee and employer contributions. Rates for each fiscal year were:

	<u>Ending June 30, 2022</u>		<u>Ending June 30, 2023</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
Basic	11.00%	12.34%	11.00%	12.55%
Coordinated	7.50%	8.34%	7.50%	8.55%

The District contributions for the plan’s year ended June 30, 2023, were \$1,683,904, equal to the required contributions as set by State Statute.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. DEFINED BENEFIT PENSION PLANS (Continued):

d. Contributions (continued)-

2. PERA contributions-

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023. In fiscal year 2023, the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the PERA for the plan's fiscal year ended June 30, 2023, were \$607,394. The District's contributions were equal to the required contributions for each year as set by state statute.

e. Pension Costs-

1. TRA pension costs-

At June 30, 2023, the District reported a liability of \$26,152,400 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to the total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.3508% at the end of the measurement period and 0.3197% 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 the total portion of the net pension liability that was associated with the district were as follows:

District's proportionate share of the net pension liability	\$ 26,152,400
State's proportionate share of the net pension liability associated with the district	1,939,320

There was a change in actuarial assumptions that affected the measurement of the total pension liability since the prior measurement date. The long-term rate of return was changed to 7.0% to 7.5%. In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

For the year ended June 30, 2023, the District recognized pension expense of \$3,847,605. It also recognized \$266,662 as pension expense for the support provided by direct aid.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. DEFINED BENEFIT PENSION PLANS (Continued):

e. Pension Costs (continued)-

1. TRA pension costs (continued)-

At June 30, 2023, the District reported its proportionate share of TRA'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	\$ 92,196	\$ -
Difference between projected and actual investment earnings	9,562,273	-
Changes in actuarial assumptions	-	-
Changes in proportion and differences between contributions made and the District's proportionate share of contributions	251,637	-
Prior year Contributions	(1,575,484)	-
Current Year Amortization of prior year amount	(2,365,947)	(10,782,306)
Contributions paid to TRA subsequent to the measurement date	1,687,320	-
Change in Deferred Outflows and Inflows for the year ended June 30, 2023	\$ 7,651,995	\$ (10,782,306)
Balance at June 30, 2022	8,036,329	25,937,638
Balance at June 30, 2023	\$ 15,688,324	\$ 15,155,332

The \$1,575,484 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2024	(\$4,257,000)
2025	\$ 839,475
2026	\$ 400,356
2027	\$3,481,392
2028	\$ 68,769

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. DEFINED BENEFIT PENSION PLANS (Continued):

e. Pension Costs (continued)-

2. PERA pension costs-

At June 30, 2023, the District reported a liability of \$8,561,556 for its proportionate share of the PERA's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million in 2009. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$251,069. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2023, the District's proportion share was 0.1081 percent which was an increase of 0.0039 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$607,394 for its proportionate share of PERA's pension expense. In addition, the District recognized an additional \$37,515 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the PERA General Employees Fund.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. DEFINED BENEFIT PENSION PLANS (Continued):

e. Pension Costs (continued)-

2. PERA pension costs (continued)-

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 71,512	\$ -
Changes in actuarial assumptions	58,535	-
Difference between projected and actual investment earnings	3,097,060	-
Changes in proportion and differences between contributions made and the District's proportionate share of contributions	124,911	-
Prior year Contributions	(568,366)	-
Current Year Amortization of prior year amount	(1,244,632)	(1,669,535)
Contributions paid to PERA subsequent to the measurement date	607,889	-
Change in Deferred Outflows and Inflows for the year ended June 30, 2023	\$ 2,146,909	\$ (1,669,535)
Balance at June 30, 2022	3,442,568	4,618,402
Balance at June 30, 2023	\$ 5,589,477	\$ 2,948,867

The \$568,366 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
2024	\$533,237
2025	\$453,039
2026	\$848,842
2027	\$805,492

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. DEFINED BENEFIT PENSION PLANS (Continued):

f. Actuarial Assumptions-

The total pension liability in the June 30, 2022, actuarial valuation was determined using the entry age normal actuarial cost method and using the following actuarial assumptions.

<u>Assumptions</u>	<u>General Employees Fund</u>	<u>TRA</u>
Inflation	2.25% per year	2.50%
Active Member Payroll Growth	3.00% per year	2.85%
Investment Rate of Return	6.50%	7.00%

Actuarial Salary increases were based on a service –related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 (TRA) Pub-2010 General Employees Mortality tables (PERA) for males and females, as appropriate, with slight adjustment for PERA’s experience.

Actuarial assumptions used in the June 30, 2022, valuation were based on the results of actuarial experience studies. The most recent four year experience study in the PERA was completed in 2019.

The following are changes in actuarial assumptions for TRA. Postretirement benefit cost of living adjustments are now assumed to be 1.0% for January, 2023, then increasing by 0.1% each year up to a maximum of 1.5% annually on January 1, 2028. Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt. The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated. Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt. Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% 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 2 years, (8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. DEFINED BENEFIT PENSION PLANS (Continued):

f. Actuarial Assumptions (continued)-

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

The long-term expected rate of return on pension plan investments is 6.5% for PERA and 7.0% for TRA. The State Board of Investment, which manages the investments of PERA and TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-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 arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	33.5%	5.10%
International Stocks	16.5%	5.30%
Bonds	25%	0.75%
Alternative Assets	25%	5.90%
Total	<u>100%</u>	

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. DEFINED BENEFIT PENSION PLANS (Continued):

g. Discount Rate-

The discount rate used to measure the total pension liability was 7.00% for TRA and 6.50% for PERA. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

h. 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:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
TRA Discount Rate	6.00%	7.00%	8.00%
District's proportionate share of the TRA net pension liability	\$ 41,227,835	\$ 26,152,400	\$ 13,795,244
PERA Discount Rate	5.50%	6.50%	7.50%
District's proportionate share of the PERA's net pension liability	\$ 13,523,426	\$ 8,561,556	\$ 4,492,057

i. Pension Plan Fiduciary Net Position-

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org. Alternatively, a copy of the report may be obtained by writing or calling TRA:

Teachers Retirement Association
60 Empire Drive, Suite 400
St. Paul, MN 55103-4000
(651) 296-2409 or (800) 657-3669

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. The report may be obtained on the internet at www.mnpera.org.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

14. DEFINED CONTRIBUTION PENSION PLAN:

School board members of the District are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by (PERA). The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official’s employer. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of one percent (0.25 percent) of the assets in each member’s account annually.

Total contributions made by the District during fiscal year 2023 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rates
\$1,144	\$1,144	5.0%	5.0%	5.0%

15. JOINT VENTURES:

a. Nobles County Integration Collaborative (NCIC)-

Independent School District No. 518-Worthington, Independent School District No. 511-Adrian, Independent School District No. 514-Ellsworth, Independent School District No. 505-Fulda, Independent School District No. 330 Heron Lake-Okabena and Independent School District No. 2907-Round Lake-Brewster, entered into a joint powers agreement for the purpose of implementing the Nobles County Multi-District Integration Plan which was drafted by the Nobles County Multi-District Integration Council and submitted to the State of Minnesota in January, 2001. The member districts shall transfer to the Board the initial and subsequent integration and achievement funds as established at the conception of the agreement. Grants received from private foundations, corporate donations, regional, state and federal grants relating to the implementation of the plan will be used in addition to the member districts’ transfers to finance the program. Any surplus is returned to member districts at the end of the fiscal year; therefore, no material surplus or deficit exists or is anticipated. Independent School District No. 518-Worthington was named the fiscal agent for the Collaborative.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

16. RELATED PARTY TRANSACTIONS:

During the normal course of business, the District purchases goods and services from employees of the District and sells goods and services to employees of the District. The amounts of such transactions are not material to the financial statements.

A Lease of farmland to a partnership with a board member as a partner for fiscal years 2022 through 2024 was awarded through an open request for proposals process.

17. COMMITMENTS AND CONTINGENCIES:

a. Grants and Aids-

The District receives significant financial assistance from numerous federal, state and local government agencies in the form of grants and aid. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

b. Legal Claims-

The District has the usual and customary types of miscellaneous legal claims pending at year end, mostly of a minor nature and usually covered by insurance carried for that purpose.

18. TAX ABATEMENTS:

The District has entered into tax abatement agreements which meet the criteria for disclosure under Governmental Accounting Standards Board Statement No. 77 Tax Abatement Disclosures. The District's authority to enter into these agreements comes from Minnesota Statute 469.1813 Subd.2.b.2 that limits the abatement amount to the amount of tax increase resulting from valuation increases. The District entered into these agreements for the purpose of economic development.

Under each agreement, the District and developer agree on an amount of the development cost to be reimbursed to the developer by the District through tax revenues levied as a result of the additional taxable value of the property generated by the development (tax abatement). A "pay-as-you-go" note is established for this amount, on which the District makes payments for a fixed period of time from the tax revenues generated.

One agreement coordinated by the City of Worthington was awarded by the City of Worthington on May 24, 2010, for a property located at 511 10th Street in compliance with the guidelines. The abatement of all combined governmental units is \$80,000 or 15 years, whichever occurs first. As of June 30, 2023, the District had rebated \$11,612 of which \$924 was paid during the fiscal year then ended.

The District has entered into a tax abatement agreement titled the Nobles Home Initiative (NHI), with the City of Worthington and Nobles County under Minnesota State Statute 469.1813 Subdivision 8. This program is intended to encourage the construction of new owner occupied and rental residential housing units. Eligible projects may receive up to 100% tax abatement of the District's share of increased real estate taxes resulting from the newly constructed housing unit, for a period of five years. During the fiscal year ended June 30, 2023, taxes were abated for thirty-seven eligible properties within the District's corporate limits in the amount of \$17,483.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

19. GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED:

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. Based on information received from Minnesota Department of Education, implementation was delayed until the year ended June 30, 2024.

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2023

	2023		Variance with Final Budget
	Final Budget	Actual	
REVENUES:			
Local property tax levies-			
Current levy	\$ 4,114,895	\$ 4,134,288	\$ 19,393
Total local property tax levies	\$ 4,114,895	\$ 4,134,288	\$ 19,393
Other local and county revenues-			
County apportionment	\$ 29,635	\$ 37,228	\$ 7,593
Tuition and fees from patrons	188,015	193,588	5,573
Interest income	1,083,000	1,221,085	138,085
Other local revenue	791,867	1,078,821	286,954
Total other local and county revenues	\$ 2,092,517	\$ 2,530,722	\$ 438,205
Revenues from state sources-			
Endowment fund apportionment	\$ 177,240	\$ 177,248	\$ 8
Department of Education aids-			
General education aid	36,825,605	36,475,013	(350,592)
Special education	5,100,000	5,375,902	275,902
Vocational and other education	1,268,730	1,364,541	95,811
Other appropriations by the state for replacement of local taxes-			
Market value aid	15,165	15,167	2
Disparity reduction aid and other	27,210	27,225	15
State special funding for pensions	188,600	293,793	105,193
Total revenues from state sources	\$ 43,602,550	\$ 43,728,889	\$ 126,339
Revenues from federal sources-			
Federal aids through Minnesota			
Department of Education	\$ 5,808,838	\$ 3,409,688	\$ (2,399,150)
Federal aids through SWWC cooperative	1,530,560	1,450,184	(80,376)
Total revenues from federal sources	\$ 7,339,398	\$ 4,859,872	\$ (2,479,526)
Sales and other conversion of assets-			
Sales of materials and supplies	\$ 96,745	\$ 76,629	\$ (20,116)
Tuition revenue from other school districts	\$ 405,000	\$ 411,305	\$ 6,305
Total revenues	\$ 57,651,105	\$ 55,741,705	\$ (1,909,400)

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL (CONTINUED)

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2023

	2023		
	Final Budget	Actual	Variance with Final Budget
EXPENDITURES:			
District and school administration-			
School board expenses-			
Per diem	\$ 36,100	\$ 36,680	\$ (580)
Employee benefits	7,885	11,496	(3,611)
Travel	5,500	4,839	661
Other	31,600	30,065	1,535
General administration-			
Superintendent salary	191,650	191,648	2
Administrative support salaries	48,200	47,384	816
Employee benefits	77,165	77,242	(77)
Travel and other	7,200	6,975	225
Building administration-			
Salaries	629,961	628,852	1,109
Employee benefits	240,696	240,157	539
Travel	1,050	157	893
Purchased services	46,451	20,815	25,636
Supplies and materials	26,700	49,514	(22,814)
Other	23,469	23,685	(216)
Total district and school administration	<u>\$ 1,373,627</u>	<u>\$ 1,369,509</u>	<u>\$ 4,118</u>
District support services-			
District business services-			
Director of finance and personnel salary	\$ 102,400	\$ 102,400	\$ -
Administrative support salaries	166,200	187,132	(20,932)
Employee benefits	438,957	96,387	342,570
Travel	9,100	1,279	7,821
Purchased services	91,000	72,777	18,223
Supplies and materials	7,500	8,146	(646)
Other	11,300	81,920	(70,620)

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL (CONTINUED)

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2023

	2023		
	Final Budget	Actual	Variance with Final Budget
EXPENDITURES (Continued):			
District support services (continued)-			
Other support services-			
Salaries	\$ 656,090	\$ 584,803	\$ 71,287
Employee benefits	209,092	200,704	8,388
Travel	2,900	3,156	(256)
Contracted services-			
Printing and publishing	23,380	14,244	9,136
Legal	13,500	12,388	1,112
Data processing	142,596	159,491	(16,895)
Other	15,100	36,143	(21,043)
Supplies and materials	11,100	11,366	(266)
Total district support services	<u>\$ 1,900,215</u>	<u>\$ 1,572,336</u>	<u>\$ 327,879</u>
Regular instruction-			
Salaries-			
Secondary teachers	\$ 6,599,259	\$ 6,552,880	\$ 46,379
Elementary teachers	5,272,624	5,268,592	4,032
Kindergarten teachers	838,284	833,176	5,108
Education aides	1,496,300	1,448,851	47,449
Other	516,739	447,944	68,795
Employee benefits	4,502,373	4,468,823	33,550
Contracted Substitutes	505,500	549,687	(44,187)
Contracted Education	1,000	29,368	(28,368)
Travel	17,935	7,623	10,312
Tuition to other schools	36,707	39,447	(2,740)
Pupil transportation	233,360	136,123	97,237
Purchased services	709,255	728,927	(19,672)
General supplies and materials	185,403	198,515	(13,112)
Instructional software	212,271	247,633	(35,362)
Instructional supplies and materials	275,361	218,148	57,213
Textbooks	12,920	13,321	(401)
Other	1,117,645	1,138,586	(20,941)
Capital outlay	296,216	440,741	(144,525)

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL (CONTINUED)

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2023

	2023		
	Final Budget	Actual	Variance with Final Budget
EXPENDITURES (Continued):			
Regular instruction (continued)-			
Student activities			
Salaries	\$ 607,672	\$ 586,298	\$ 21,374
Employee benefits	116,967	113,939	3,028
Purchased services	100,745	97,463	3,282
Travel	97,645	93,854	3,791
Utilities	9,870	16,384	(6,514)
Pupil transportation	215,280	206,747	8,533
General supplies and materials	165,469	206,840	(41,371)
Equipment purchased	6,786	-	6,786
Other	14,335	11,959	2,376
Capital outlay	70,132	71,491	(1,359)
Total regular instruction	<u>\$ 24,234,053</u>	<u>\$ 24,173,360</u>	<u>\$ 60,693</u>
Vocational instruction-			
Salaries	\$ 509,819	\$ 513,043	\$ (3,224)
Employee benefits	162,306	163,045	(739)
Travel	900	1,470	(570)
Purchased services	550	13,685	(13,135)
Pupil transportation	10,800	11,768	(968)
General supplies and materials	1,940	2,325	(385)
Instructional supplies and materials	31,000	39,499	(8,499)
Other	3,700	6,709	(3,009)
Total vocational instruction	<u>\$ 721,015</u>	<u>\$ 751,544</u>	<u>\$ (30,529)</u>
Exceptional instruction-			
Salaries-			
Teachers	\$ 2,976,286	\$ 2,938,169	\$ 38,117
Psychologists	81,568	82,408	(840)
Aides	2,171,377	2,015,755	155,622
Office	232,604	206,058	26,546
Employee benefits	1,689,121	1,709,817	(20,696)
Travel	48,605	44,490	4,115
Professional services	142,230	159,842	(17,612)

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL (CONTINUED)

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2023

	2023		
	Final Budget	Actual	Variance with Final Budget
EXPENDITURES (Continued):			
Exceptional instruction (continued)-			
Tuition to other schools	\$ 545,300	\$ 484,357	\$ 60,943
Other purchased services	14,375	12,689	1,686
General supplies and materials	61,430	166,620	(105,190)
Instructional supplies and materials	83,538	253,903	(170,365)
Other	74,414	78,345	(3,931)
Total exceptional instruction	<u>\$ 8,120,848</u>	<u>\$ 8,152,453</u>	<u>\$ (31,605)</u>
Community education and services-			
Salaries	\$ 155,000	\$ 132,670	\$ 22,330
Employee benefits	57,702	37,269	20,433
Pupil transportation	50,000	55,545	(5,545)
General supplies and materials	3,800	3,382	418
Instructional supplies and materials	400	2,776	(2,376)
Other	6,000	10,405	(4,405)
Total community education and services	<u>\$ 272,902</u>	<u>\$ 242,047</u>	<u>\$ 30,855</u>
Instructional support services-			
Salaries-			
Assistant principal	\$ 436,409	\$ 454,225	\$ (17,816)
Media	296,330	268,774	27,556
Technology	420,500	376,292	44,208
Curriculum development	153,380	152,861	519
Staff development	269,522	225,558	43,964
Secretarial and other	598,530	594,976	3,554
Employee benefits	678,152	659,976	18,176
Travel	41,600	62,614	(21,014)
Professional services	15,340	6,103	9,237
Other purchased services	284,750	395,823	(111,073)
General supplies and materials	187,567	245,324	(57,757)
Instructional supplies and materials	30,715	20,623	10,092
Other	90,478	77,233	13,245
Capital outlay	385,551	477,905	(92,354)
Total instructional support services	<u>\$ 3,888,824</u>	<u>\$ 4,018,287</u>	<u>\$ (129,463)</u>

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL (CONTINUED)

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2023

	2023		
	Final Budget	Actual	Variance with Final Budget
EXPENDITURES (Continued):			
Pupil support services-			
Guidance and counseling-			
Salaries	\$ 787,500	\$ 780,958	\$ 6,542
Employee benefits	173,598	174,140	(542)
Supplies and materials	4,230	193	4,037
Health services-			
Salaries	16,565	16,400	165
Employee benefits	4,729	4,686	43
Travel	250	200	50
Purchased services	136,290	202,615	(66,325)
General supplies and materials	150	-	150
Capital outlay	-	11,979	(11,979)
Social and Psychological services-			
Salaries	167,309	167,731	(422)
Employee benefits	51,299	52,492	(1,193)
Purchased services	52,200	70,965	(18,765)
General supplies and materials	750	-	750
Violence prevention-			
Purchased services	80,000	105,404	(25,404)
Supplies and materials	45,200	39,582	5,618
Transportation-			
Salaries	299,600	303,893	(4,293)
Employee benefits	102,402	62,658	39,744
Supplies and materials	1,500	991	509
Contracted services and public carriers	1,777,348	1,417,047	360,301
Other	69,150	60,328	8,822
Nobles County Integration Collaborative	994,766	994,766	-
Other support services-			
Supplies and materials	6,350	6,492	(142)
Other	18,500	16,748	1,752
Total pupil support services	\$ 4,789,686	\$ 4,490,268	\$ 299,418

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL (CONTINUED)

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2023

	2023		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
EXPENDITURES (Continued):			
Site, buildings and equipment-			
Plant operations and maintenance-			
Salaries	\$ 1,366,775	\$ 1,360,262	\$ 6,513
Employee benefits	426,454	416,335	10,119
Repairs and maintenance service	279,150	290,180	(11,030)
Fuel for buildings	411,600	400,769	10,831
Utilities, except for fuel for buildings	1,517,320	894,841	622,479
Custodial supplies and materials	293,400	322,154	(28,754)
Other	31,110	21,448	9,662
Capital outlay-			
Operating capital	82,561	178,040	(95,479)
Long-term facility maintenance	3,563,740	1,830,194	1,733,546
Projects using committed or unrestricted funds	9,111,720	8,645,545	466,175
Total site, buildings and equipment	<u>\$ 17,083,830</u>	<u>\$ 14,359,768</u>	<u>\$ 2,724,062</u>
Fiscal and other fixed cost programs-			
Fixed charges-			
Insurance and judgments	<u>\$ 240,000</u>	<u>\$ 256,005</u>	<u>\$ (16,005)</u>
Total fiscal and other fixed cost programs	<u>\$ 240,000</u>	<u>\$ 256,005</u>	<u>\$ (16,005)</u>
Total expenditures	<u>\$ 62,625,000</u>	<u>\$ 59,385,577</u>	<u>\$ 3,239,423</u>
Excess (deficit) of revenues over expenditures	<u>\$ (4,973,895)</u>	<u>\$ (3,643,872)</u>	<u>\$ 1,330,023</u>

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL (CONTINUED)

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2023

	<u>2023</u>		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
OTHER FINANCING SOURCES (USES):			
Other financing sources			
Sale of capital assets	\$ 30,870	\$ 33,525	\$ 2,655
Insurance claim payments	4,025	4,026	1
Total other financing sources	<u>\$ 34,895</u>	<u>\$ 37,551</u>	<u>\$ 2,656</u>
Total other financing sources (uses)	<u>\$ 34,895</u>	<u>\$ 37,551</u>	<u>\$ 2,656</u>
Net change in fund balances	<u>\$ (4,939,000)</u>	<u>\$ (3,606,321)</u>	<u>\$ 1,332,679</u>
 FUND BALANCE, Beginning of year		<u>36,670,304</u>	
FUND BALANCE, End of year		<u>\$ 33,063,983</u>	

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOOD SERVICE SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2023

	2023		
	Final Budget	Actual	Variance with Final Budget
REVENUES:			
Local sales and other revenues-			
Meals sold	\$ 388,900	\$ 331,472	\$ (57,428)
Other local revenues	25,700	27,448	1,748
Total local sales and other revenues	<u>\$ 414,600</u>	<u>\$ 358,920</u>	<u>\$ (55,680)</u>
State sources-			
State lunch and breakfast program aid	\$ 151,600	\$ 116,189	\$ (35,411)
Total state sources	<u>\$ 151,600</u>	<u>\$ 116,189</u>	<u>\$ (35,411)</u>
Federal sources-			
Regular lunch and breakfast	\$ 1,004,190	\$ 929,285	\$ (74,905)
Free and reduced	1,250,310	1,129,500	(120,810)
Summer food program	135,000	90,637	(44,363)
Commodity rebates	3,300	3,177	(123)
Commodities used	195,000	228,324	33,324
Total federal sources	<u>\$ 2,587,800</u>	<u>\$ 2,380,923</u>	<u>\$ (206,877)</u>
Total revenues	<u>\$ 3,154,000</u>	<u>\$ 2,856,032</u>	<u>\$ (297,968)</u>
EXPENDITURES:			
Pupil support services-			
Salaries	\$ 1,177,315	\$ 1,121,159	\$ 56,156
Employee benefits	445,972	430,420	15,552
Repairs and maintenance	12,400	16,540	(4,140)
Other purchased services	64,745	72,079	(7,334)
General supplies and materials	107,895	95,463	12,432
Food	1,388,750	1,192,931	195,819
Equipment purchased	91,323	71,543	19,780
Other	11,600	12,625	(1,025)
Total pupil support services	<u>\$ 3,300,000</u>	<u>\$ 3,012,760</u>	<u>\$ 287,240</u>
Total expenditures	<u>\$ 3,300,000</u>	<u>\$ 3,012,760</u>	<u>\$ 287,240</u>
Net change in fund balances	<u>\$ (146,000)</u>	<u>\$ (156,728)</u>	<u>\$ (10,728)</u>
FUND BALANCE, Beginning of year		<u>1,221,540</u>	
FUND BALANCE, End of year		<u>\$ 1,064,812</u>	

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

COMMUNITY SERVICES SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2023

	2023		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:			
Local property tax levies-			
Current levy	\$ <u>186,442</u>	\$ <u>190,562</u>	\$ <u>4,120</u>
Total local property tax levies	\$ <u>186,442</u>	\$ <u>190,562</u>	\$ <u>4,120</u>
Other local and county revenues-			
Tuition and fees from patrons	\$ 192,260	\$ 207,800	\$ 15,540
Other local revenues	<u>201,840</u>	<u>153,561</u>	<u>(48,279)</u>
Total other local and county revenues	\$ <u>394,100</u>	\$ <u>361,361</u>	\$ <u>(32,739)</u>
Revenues from state sources-			
State aids from Department of Education-			
Vocational and other education	\$ 1,340,708	\$ 1,412,206	\$ 71,498
Other appropriations by the state for			
replacement of local taxes-			
Disparity and other	4,035	4,030	(5)
State special funding for pensions	<u>1,000</u>	<u>10,384</u>	<u>9,384</u>
Total revenues from state sources	\$ <u>1,345,743</u>	\$ <u>1,426,620</u>	\$ <u>80,877</u>
Revenues from federal sources-			
Federal aids through Minnesota			
Department of Education	\$ <u>53,715</u>	\$ <u>61,020</u>	\$ <u>7,305</u>
Total revenues from federal sources	\$ <u>53,715</u>	\$ <u>61,020</u>	\$ <u>7,305</u>
Total revenues	\$ <u>1,980,000</u>	\$ <u>2,039,563</u>	\$ <u>59,563</u>

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL (CONTINUED)

COMMUNITY SERVICES SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2023

	2023		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
EXPENDITURES:			
Community education and services-			
Civic activities and general	\$ 250,992	\$ 253,482	\$ (2,490)
Early Childhood Family Education	315,857	208,568	107,289
Pathways Early Learning	139,116	100,373	38,743
School readiness	304,665	311,957	(7,292)
Preschool screening	11,751	31,069	(19,318)
Parent involvement	50,900	35,944	14,956
Youth programs	36,642	31,280	5,362
Adult education programs	1,017,454	833,036	184,418
Non-public school assistance-			
Textbooks and standardized tests	<u>20,787</u>	<u>15,231</u>	<u>5,556</u>
Total community education and services	<u>\$ 2,148,164</u>	<u>\$ 1,820,940</u>	<u>\$ 327,224</u>
Pupil support services-			
Non-public school health services-	\$ 15,036	\$ 12,951	\$ 2,085
Non-public counseling and career guidance	<u>1,800</u>	<u>2,086</u>	<u>(286)</u>
Total pupil support services	<u>\$ 16,836</u>	<u>\$ 15,037</u>	<u>\$ 1,799</u>
Total expenditures	<u>\$ 2,165,000</u>	<u>\$ 1,835,977</u>	<u>\$ 329,023</u>
Net change in fund balances	<u>\$ (185,000)</u>	<u>\$ 203,586</u>	<u>\$ 388,586</u>
FUND BALANCE, Beginning of year		<u>1,081,285</u>	
FUND BALANCE, End of year		<u>\$ 1,284,871</u>	

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

CAPITAL PROJECTS FUND

FOR THE YEAR ENDED JUNE 30, 2023

	2023		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:			
Other local and county revenues-			
Interest income	\$ <u>20,000</u>	\$ <u>29,654</u>	\$ <u>9,654</u>
Total revenues	\$ <u>20,000</u>	\$ <u>29,654</u>	\$ <u>9,654</u>
EXPENDITURES:			
Site, buildings and equipment-			
Buildings	\$ <u>4,470,000</u>	\$ <u>4,625,327</u>	\$ <u>(155,327)</u>
Total site, buildings and equipment	\$ <u>4,470,000</u>	\$ <u>4,625,327</u>	\$ <u>(155,327)</u>
Total expenditures	\$ <u>4,470,000</u>	\$ <u>4,625,327</u>	\$ <u>(155,327)</u>
Excess (deficit) of revenues over expenditures	\$ <u>(4,450,000)</u>	\$ <u>(4,595,673)</u>	\$ <u>(145,673)</u>
Net change in fund balances	\$ <u><u>(4,450,000)</u></u>	\$ <u><u>(4,595,673)</u></u>	\$ <u><u>(145,673)</u></u>
FUND BALANCE, Beginning of year		<u>4,779,365</u>	
FUND BALANCE, End of year		\$ <u><u>183,692</u></u>	

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

DEBT SERVICE FUND

FOR THE YEAR ENDED JUNE 30, 2023

	2023		
	Final Budget	Actual	Variance with Final Budget
REVENUES:			
Local property tax levies	\$ 2,874,200	\$ 2,891,739	\$ 17,539
Other local and county revenues-			
Interest income	\$ 164,020	\$ 50,853	\$ (113,167)
Revenues from state sources-			
Department of Education aids-			
Long term facility maintenance aid	\$ 292,271	\$ 292,765	\$ 494
Other appropriations by the state for replacement of local taxes-			
School Building Bond Ag Credit	1,027,688	1,027,689	1
Homestead and agricultural credit aid	32,490	32,491	1
Disparity and other	48,331	48,331	-
Total revenues from state sources	\$ 1,400,780	\$ 1,401,276	\$ 496
Total revenues	\$ 4,439,000	\$ 4,343,868	\$ (95,132)
EXPENDITURES:			
Debt redemption-			
Principal payment on bonds	\$ 2,780,000	\$ 2,780,000	\$ -
Interest expense	1,967,261	1,967,260	1
Other expense	7,739	1,995	5,744
Total debt redemption	\$ 4,755,000	\$ 4,749,255	\$ 5,745
Total expenditures	\$ 4,755,000	\$ 4,749,255	\$ 5,745
Excess (deficit) of revenues over expenditures	\$ (316,000)	\$ (405,387)	\$ (89,387)
Net change in fund balances	\$ (316,000)	\$ (405,387)	\$ (89,387)
FUND BALANCE, Beginning of year		10,413,568	
FUND BALANCE, End of year		\$ 10,008,181	

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF FIDUCIARY NET POSITION

TRUST FUND

JUNE 30, 2023

	<u>Private Purpose</u> <u>Trust Fund</u> <u>2023</u>
ASSETS:	
Cash and investments	\$ (58,711)
Receivables-	
Accounts receivable	<u>14,500</u>
Total assets	<u>\$ (44,211)</u>
 LIABILITIES:	
Accounts payable	\$ <u>-</u>
Total liabilities	\$ -
 NET POSITION:	
Held in trust	<u>(44,211)</u>
Total liabilities and net position	<u>\$ (44,211)</u>

INDEPENDENT SCHOOL DISTRICT NO. 518
SCHEDULES OF CHANGES IN FIDUCIARY NET POSITION
BUDGET AND ACTUAL
TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2023

	<u>2023</u>		
	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
ADDITIONS:			
Other local and county revenues-			
Interest income	\$ 400	\$ -	\$ (400)
Other local revenues	<u>119,600</u>	<u>162,051</u>	<u>42,451</u>
Total other local and county revenues	<u>\$ 120,000</u>	<u>\$ 162,051</u>	<u>\$ 42,051</u>
Total revenues	<u>\$ 120,000</u>	<u>\$ 162,051</u>	<u>\$ 42,051</u>
DEDUCTIONS:			
Other pupil support	<u>\$ 195,000</u>	<u>\$ 210,016</u>	<u>\$ (15,016)</u>
Total expenditures	<u>\$ 195,000</u>	<u>\$ 210,016</u>	<u>\$ (15,016)</u>
Change in net position	<u>\$ (75,000)</u>	<u>\$ (47,965)</u>	<u>\$ 27,035</u>
NET POSITION, Beginning of year		<u>3,754</u>	
NET POSITION, End of year		<u>\$ (44,211)</u>	

INDEPENDENT SCHOOL DISTRICT NO. 518
SCHEDULES OF CHANGES IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Balance</u>				<u>Balance</u>
	<u>June 30, 2022</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>June 30, 2023</u>
CAPITAL ASSETS:					
Land	\$ 3,504,003	\$ -	\$ -	\$ -	\$ 3,504,003
Land improvements	12,252,603	3,036,367	-	-	15,288,970
Buildings	57,538,341	8,183,337	42,041,464	-	107,763,142
Equipment	16,090,765	4,542,449	-	(991,207)	19,642,007
Vehicles	493,060	208,743	-	-	701,803
Construction in progress	42,041,464	-	(42,041,464)	-	-
Total capital assets	<u>\$ 131,920,236</u>	<u>\$ 15,970,896</u>	<u>\$ -</u>	<u>\$ (991,207)</u>	<u>\$ 146,899,925</u>
 CAPITAL ASSETS BY SOURCE:					
General and special revenue funds	\$ 78,083,321	\$ 15,090,896	\$ -	\$ (991,207)	\$ 92,183,010
General obligation bonds	53,022,661	-	-	-	53,022,661
Capital leases	-	-	-	-	-
Federal grants	814,254	880,000	-	-	1,694,254
Total capital assets by source	<u>\$ 131,920,236</u>	<u>\$ 15,970,896</u>	<u>\$ -</u>	<u>\$ (991,207)</u>	<u>\$ 146,899,925</u>
 CAPITAL ASSETS BY FUNCTION AND ACTIVITY:					
Administration	\$ 377,053	\$ 10,357	\$ -	\$ (4,120)	\$ 383,290
Instruction	18,017,616	2,387,853	-	(918,272)	19,487,197
Instructional support services	1,276,645	-	-	(43,014)	1,233,631
Pupil support services	546,677	225,479	-	(999)	771,157
Food service	701,301	554,825	-	-	1,256,126
Community education and services	190,099	113,383	-	(20,380)	283,102
Site, buildings and equipment	110,810,845	12,678,999	-	(4,422)	123,485,422
Total capital assets by function and activity	<u>\$ 131,920,236</u>	<u>\$ 15,970,896</u>	<u>\$ -</u>	<u>\$ (991,207)</u>	<u>\$ 146,899,925</u>

INDEPENDENT SCHOOL DISTRICT NO. 518
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR
OTHER POST- EMPLOYMENT BENEFITS PLAN

JUNE 30, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 AND 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/2014	\$ -	\$ 750,522	\$ (750,522)	0.0%	\$ 14,882,409	5.0%
06/30/2015	\$ -	\$ 818,958	\$ (818,958)	0.0%	\$ 16,785,140	4.9%
06/30/2016	\$ -	\$ 818,958	\$ (818,958)	0.0%	\$ 17,815,124	4.6%
06/30/2017	\$ -	\$ 1,039,901	\$ (1,039,901)	0.0%	\$ 20,189,269	5.2%
06/30/2018	\$ -	\$ 956,941	\$ (956,941)	0.0%	\$ 21,196,900	4.5%
06/30/2019	\$ -	\$ 986,795	\$ (986,795)	0.0%	\$ 23,627,036	4.2%
06/30/2020	\$ -	\$ 1,133,084	\$ (1,133,084)	0.0%	\$ 23,371,394	4.8%
06/30/2021	\$ -	\$ 1,071,342	\$ (1,071,342)	0.0%	\$ 27,260,883	3.9%
06/30/2022	\$ -	\$ 1,283,881	\$ (1,283,881)	0.0%	\$ 26,713,127	4.8%
06/30/2023	\$ -	\$ 1,315,099	\$ (1,315,099)	0.0%	\$ 27,924,218	4.7%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2014	\$ -	0.00%
2015	-	0.00%
2016	-	0.00%
2017	-	0.00%
2018	-	0.00%
2019	-	0.00%
2020	-	0.00%
2021	-	0.00%
2022	-	0.00%
2023	-	0.00%

INDEPENDENT SCHOOL DISTRICT NO. 518

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Actuarial Valuation Date	June 30, Plan	Employer's	Employer's	Employer's Covered- Employee Payroll (b)	Employer's	Plan
		Proportion (Percentage) of the Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)		Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll (a/b)	Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	TRA	0.3033%	\$ 13,975,846	\$ 14,002,116	99.81%	81.50%
	PERA	0.0998%	4,688,104	5,266,617	89.02%	78.70%
2015	TRA	0.2885%	\$ 17,846,578	\$ 15,031,466	118.73%	76.80%
	PERA	0.0949%	4,918,211	5,716,654	86.03%	78.20%
2016	TRA	0.2983%	\$ 71,151,667	\$ 15,874,765	448.21%	44.88%
	PERA	0.0954%	7,746,007	6,082,483	127.35%	68.90%
2017	TRA	0.3077%	\$ 61,422,502	\$ 16,563,453	370.83%	51.57%
	PERA	0.0992%	6,332,863	6,920,561	91.51%	75.90%
2018	TRA	0.3132%	\$ 19,671,892	\$ 17,306,040	113.67%	78.07%
	PERA	0.0990%	5,492,114	6,639,046	82.72%	79.53%
2019	TRA	0.3141%	\$ 20,020,800	\$ 17,832,322	112.27%	78.21%
	PERA	0.0968%	5,351,855	7,516,133	71.20%	80.20%
2020	TRA	0.3169%	\$ 23,412,997	\$ 18,413,914	127.15%	75.48%
	PERA	0.1050%	6,295,230	7,564,053	83.23%	79.10%
2021	TRA	0.3197%	\$ 13,991,028	\$ 19,133,838	73.12%	86.63%
	PERA	0.1042%	4,449,807	7,518,750	59.18%	87.00%
2022	TRA	0.3508%	\$ 26,152,400	\$ 20,190,695	129.53%	76.17%
	PERA	0.1081%	8,561,556	8,105,187	105.63%	76.70%

INDEPENDENT SCHOOL DISTRICT NO. 518
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending June 30,	Plan	Contributions in Relation to the			Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (b/d)
		Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)		
2015	TRA	\$ 1,112,088	\$ 1,112,088	\$ -	\$ 15,031,466	7.40%
	PERA	415,104	415,104	-	5,716,654	7.26%
2016	TRA	\$ 1,176,217	\$ 1,176,217	\$ -	\$ 15,874,765	7.41%
	PERA	447,914	447,914	-	6,082,483	7.36%
2017	TRA	\$ 1,251,475	\$ 1,251,475	\$ -	\$ 16,686,333	7.50%
	PERA	479,931	479,931	-	6,540,992	7.34%
2018	TRA	\$ 1,310,538	\$ 1,310,538	\$ -	\$ 17,473,840	7.50%
	PERA	503,541	503,541	-	6,920,561	7.28%
2019	TRA	\$ 1,308,540	\$ 1,308,540	\$ -	\$ 17,306,040	7.56%
	PERA	512,016	512,016	-	6,920,561	7.40%
2020	TRA	\$ 1,380,385	\$ 1,380,385	\$ -	\$ 17,832,322	7.74%
	PERA	563,710	563,710	-	7,516,133	7.50%
2021	TRA	\$ 1,484,522	\$ 1,484,522	\$ -	\$ 18,413,914	8.06%
	PERA	567,304	567,304	-	7,564,053	7.50%
2022	TRA	\$ 1,575,484	\$ 1,575,484	\$ -	\$ 19,133,838	8.23%
	PERA	568,366	568,366	-	7,518,750	7.56%
2023	TRA	\$ 1,687,320	\$ 1,687,320	\$ -	\$ 20,190,695	8.36%
	PERA	607,889	607,889	-	8,105,187	7.50%

INDEPENDENT SCHOOL DISTRICT NO. 518
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY
FOR PENSION PLANS NOT ADMINISTERED THROUGH A TRUST

	<u>2023</u>
TOTAL OPEB LIABILITY	
Service Cost	\$ 89,742
Interest	54,904
Differences between expected and actual experience	(46,457)
Changes in assumption or other inputs	(3,884)
Benefit payments	<u>(63,087)</u>
Net change in total OPEB liability	\$ 31,218
Total OPEB Liability-beginning	<u>1,283,881</u>
Total OPEB Liability-ending	<u><u>\$ 1,315,099</u></u>
Covered-employee payroll	\$ 27,924,218
Total OPEB liability as a percentage of covered-employee payroll	4.7%

DREALAN KVILHAUG HOEFKER & CO., P.A.



Member
Division for CPA Firms AICPA

CERTIFIED PUBLIC ACCOUNTANTS

WAYNE W. DREALAN, CPA - RETIRED
ELLEN K. HOEFKER, MBA, CPA
GREG H. KVILHAUG, CPA, CFP

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

VICKIE L. KUIPERS, EA
CINDY M. PENNING, CPA

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. 518
Worthington, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 518 (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 20, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Dreelan Kvilheug Hoefker & Co., P.A.

Worthington, Minnesota
November 20, 2023

DREALAN KVILHAUG HOEFKER & CO., P.A.



Member
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CERTIFIED PUBLIC ACCOUNTANTS

WAYNE W. DREALAN, CPA, RETIRED
ELLEN K. HOEFKER, MBA, CPA
GREG H. KVILHAUG, CPA, CFP

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VICKIE L. KUIPERS, EA
CINDY M. PENNING, CPA

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. 518
Worthington, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Independent School District No. 518's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Independent School District No. 518 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or

combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Dorelan Krulhaug Hojker & Co., P.A.

Worthington, Minnesota
November 20, 2023

INDEPENDENT SCHOOL DISTRICT NO. 518
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program</u> <u>or Cluster Title</u>	<u>Assistance</u> <u>Listing</u> <u>Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture:		
Pass-through program from Minnesota Department of Education-		
Child Nutrition Cluster:		
School Breakfast	10.553*	\$ 377,892
School Lunch	10.555*	1,484,843
After School Snack	10.555*	9,927
Commodities Distribution (Note B)	10.555*	228,324
Supply Chain Assistance Funding	10.555*	81,799
Special Milk Program	10.556*	1,199
Summer Food Service program	10.559*	90,637
Fresh Fruits and Vegetables	10.582*	<u>\$ 103,125</u>
Total Child Nutrition Cluster		<u>\$ 2,377,746</u>
Commodity Cash Rebate Program	10.S6209	<u>3,177</u>
Total U.S. Department of Agriculture		<u>\$ 2,380,923</u>
U.S. Department of the Treasury		
Pass-through programs from Minnesota Department of Education-		
Coronavirus State and Local Fiscal Recovery Funds		
ARP Summer Academic Enrichment and Mental Health	21.027	\$ 7,585
ARP Pandemic Enrollment Loss	21.027	<u>\$ 498,364</u>
ARP Summer Preschool Program	21.027	<u>\$ 6,875</u>
Total U.S. Department of the Treasury		<u>\$ 512,824</u>
U.S. Department of Education:		
Pass-through programs from Minnesota Department of Education-		
Adult Basic Education	84.002	<u>\$ 39,920</u>
English Language Acquisition	84.365	<u>\$ 290,846</u>
Teacher and Principal Training and Recruiting Includes	84.367	<u>\$ 94,231</u>
Education Stabilization Fund		
Elementary and Secondary School Emergency Relief Fund	84.425D*	\$ 103,686
ESSER Expanded Summer Learning	84.425D*	32,375
ESSER III Fund 90% Formula	84.425U*	1,302,667
ESSER III Fund 90% Learning Loss	84.425U*	291,779
ESSER III Fund Learning Recovery Lost Instructional Time	84.425U*	184,268
ARP Homeless II	84.425W*	319
Total Education Stabilization Fund Cluster		<u>\$ 1,915,094</u>
Special Education Cluster:		
Special Education	84.027	\$ 307,554
Special Education Coordinated Early Intervening Services	84.027	97,181
Special Education ARP	84.027X	156,696
Special Education Preschool Grants	84.173	<u>5,618</u>
Total Special Education Cluster		<u>\$ 567,049</u>
Title I:		
Title I Grants to LEA's	84.010	<u>\$ 512,403</u>
Total Title I		<u>\$ 512,403</u>
Total U.S. Department of Education		<u>\$ 3,419,543</u>
U.S. Department of Health and Human Services		
CARES Act funding received through MDE COVID testing	93.323	<u>\$ 91,166</u>
Total expenditures of Federal Awards		<u>\$ 6,404,456</u>

* Denotes major program

The notes to the schedule of expenditures of federal awards are an integral part of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 518
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A-BASIS OF PRESENTATION:

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Independent School District No. 518 under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Independent School District No. 518, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Independent School District No. 518.

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Independent School District No. 518 has elected to not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C-OTHER UNIFORM GUIDANCE INFORMATION:

For the year ended June 30, 2023, Independent School District No. 518 had no expenditures in the form of no sub-recipients, no federally provided insurance in effect, and no loans or loan guarantees outstanding.

NOTE D-COMMODITY DISTRIBUTION:

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

NOTE E-PROGRAM NUMBERS

The individual grant identification numbers assigned by the pass-through agencies are unknown.

INDEPENDENT SCHOOL DISTRICT NO. 518
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

A. SUMMARY OF AUDIT RESULTS:

1. The auditor’s report expresses an unmodified opinion on the financial statements of Independent School District No. 518.
2. Significant deficiencies relating to the audit of the financial statements are reported in the Schedule of Findings and Questioned Costs.
3. There were no instances of noncompliance material to the financial statements of Independent School District No. 518, which would be required to be reported in accordance with *Government Auditing Standards*, that were disclosed during the audit.
4. Significant deficiencies relating to the audit of the major federal awards programs are reported in the Schedule of Findings and Questioned Costs.
5. The auditor’s report on compliance for the major federal award programs for Independent School District No. 518 expresses an unmodified opinion on all major federal programs.
6. Audit findings relative to the major federal award programs for Independent School District No. 518 are reported in Part C of this Schedule.
7. The programs tested as major programs include:

School Breakfast	10.553*
School Lunch	10.555*
After School Snack	10.555*
Commodities Distribution (Note B)	10.555*
Supply Chain Assistance Funding	10.555*
Special Milk Program	10.556*
Summer Food Service program	10.559*
Fresh Fruits and Vegetables	10.582*
Elementary and Secondary School Emergency Relief Fund	84.425D*
ESSER Expanded Summer Learning	84.425D*
ESSER Expanded Summer Le ESSER III Fund 90% Formula	84.425U*
ESSER III Fund 90% Learning Loss	84.425U*
ESSER III Fund Learning Recovery Lost Instructional Time	84.425U*
ARP Homeless II	84.425W*

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Independent School District No. 518 was determined to be a low-risk auditee.

B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS:

None

C. FINDINGS AND QUESTIONED COSTS – Relating to Federal Awards:

Current Year: None

Prior Year: None

DREALAN KVILHAUG HOEFKER & CO., P.A.



Member
Division for CPA Firms AICPA

CERTIFIED PUBLIC ACCOUNTANTS

WAYNE W. DREALAN, CPA · RETIRED
ELLEN K. HOEFKER, MBA, CPA
GREG H. KVILHAUG, CPA, CFP

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MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

VICKIE L. KUIPERS, EA
CINDY M. PENNING, CPA

INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE WITH MINNESOTA STATE LAWS AND REGULATIONS

To the Board of Education
Independent School District No. 518
Worthington, 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 Independent School District No. 518, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 17, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 518 failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions insofar as they relate to accounting matters.

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

Drealan Kvilhaug Hoefker & Co., P.A.

Worthington, Minnesota
November 20, 2023

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INDEPENDENT SCHOOL DISTRICT NO. 518

LEGAL COMPLIANCE

SCHEDULE OF FINDINGS AND RESPONSES ON COMPLIANCE WITH MINNESOTA STATUTES
FOR THE YEAR ENDED JUNE 30, 2023

CURRENT AUDIT

FINDINGS:

None

INDEPENDENT SCHOOL DISTRICT NO. 518

SUPPLEMENTARY INFORMATION

AS OF JUNE 30, 2023

INDEPENDENT SCHOOL DISTRICT NO. 518

UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE

		June 30, 2023								
		AUDIT	UFARS	Difference			AUDIT	UFARS	Difference	
<u>01 GENERAL FUND</u>										
Total Revenue	\$	55,741,705	\$	55,741,705	\$	-				
Total Expenditures		59,385,577		59,385,578	(1)					
Nonspendable:										
460 Nonspendable Fund Balance		780,944		780,944	-					
Restricted/Reserve:										
401 Student Activities		205,538		205,538	-					
402 Scholarships		-		-	-					
403 Staff Development		44,220		44,220	-					
407 Capital Projects Levy		-		-	-					
408 Cooperative Revenue		-		-	-					
413 Project Funded by Cop		-		-	-					
414 Operating Debt		-		-	-					
416 Levy Reduction		-		-	-					
417 Taconite Building Maint		-		-	-					
424 Operating Capital		723,998		723,998	-					
426 \$25 Taconite		-		-	-					
427 Disabled Accessibility		-		-	-					
428 Learning & Development		-		-	-					
434 Area Learning Center		320,223		320,223	-					
435 Contracted Alt. Programs		-		-	-					
436 State Approved Alt. Program		-		-	-					
438 Gifted & Talented		47,004		47,004	-					
440 Teacher Development & Eval		-		-	-					
441 Basic Skills Programs		980,025		980,025	-					
448 Achievement & Integration		-		-	-					
449 Safe Schools Levy		-		-	-					
451 QZAB Payments		-		-	-					
452 OPEB Liab not in Trust		-		-	-					
453 Unfnded Sev & Retirement		-		-	-					
459 Basic Skills Ext Time		-		-	-					
467 LTFM		1,257,836		1,257,836	-					
472 Medical Assistance		437,513		437,513	-					
473 PPP loans		-		-	-					
474 EIDL Loans		-		-	-					
Restricted:										
464 Restricted Fund Balance		-		-	-					
475 Title VII - Impact Aid		-		-	-					
476 PILT		-		-	-					
Committed:										
418 Committed For Separation		10,000		10,000	-					
461 Committed Fund Balance		-		-	-					
Assigned:										
462 Assigned Fund Balance		16,047,591		16,047,591	-					
Unassigned:										
422 Unassigned Fund Balance		12,209,091		12,209,091	-					
<u>02 FOOD SERVICE</u>										
Total Revenue		2,856,032		2,856,032	-					
Total Expenditures		3,012,760		3,012,760	-					
Nonspendable:										
460 Nonspendable Fund Balance		147,293		147,293	-					
Restricted/Reserved:										
452 OPEB Liab not in Trust		-		-	-					
474 EIDL Loans		-		-	-					
Reserve:										
464 Restricted Fund Balance		917,519		917,519	-					
Unassigned:										
463 Unassigned Fund Balance		-		-	-					
<u>04 COMMUNITY SERVICE</u>										
Total Revenue		2,039,563		2,039,563	-					
Total Expenditures		1,835,977		1,835,977	-					
Nonspendable:										
460 Nonspendable Fund Balance		28,333		28,333	-					
Restricted/Reserve:										
426 \$25 Taconite		-		-	-					
431 Community Education		110,486		110,486	-					
432 E.C.F.E.		278,199		278,199	-					
440 Teacher Development & Eval		-		-	-					
444 School Readiness		126,647		126,647	-					
447 Adult Basic Education		731,669		731,669	-					
452 OPEB Liab not in Trust		-		-	-					
473 PPP loans		-		-	-					
474 EIDL Loans		-		-	-					
<u>04 COMMUNITY SERVICE (Continued)</u>										
Restricted:										
464 Restricted Fund Balance	\$					9,537	\$	9,537	\$	-
Unassigned:										
463 Unassigned Fund Balance		-		-	-		-	-	-	
<u>06 BUILDING CONSTRUCTION</u>										
Total Revenue					-	29,654		29,654		-
Total Expenditures					-	4,625,327		4,625,327		-
Nonspendable:										
460 Nonspendable Fund Balance		-		-	-		-	-		-
Restricted/Reserve:										
407 Capital Projects Levy		-		-	-		-	-		-
413 Projects Funded by Cop		-		-	-		-	-		-
467 LTFM		-		-	-		-	-		-
Restricted:										
464 Restricted Fund Balance		-		-	-	183,692		183,692		-
Unassigned:										
463 Unassigned Fund Balance		-		-	-		-	-		-
<u>07 DEBT SERVICE</u>										
Total Revenue					-	4,343,868		4,343,868		-
Total Expenditures					-	4,749,255		4,749,255		-
Nonspendable:										
460 Nonspendable Fund Balance		-		-	-		-	-		-
Restricted/Reserve:										
425 Bond Refundings					-	8,472,877		8,472,877		-
433 Max Effort Loan		-		-	-		-	-		-
451 QZAB Payments		-		-	-		-	-		-
467 LTFM		-		-	-		-	-		-
Restricted:										
464 Restricted Fund Balance		-		-	-	1,535,304		1,535,304		-
Unassigned:										
463 Unassigned Fund Balance		-		-	-		-	-		-
<u>08 TRUST</u>										
Total Revenue					-	162,051		162,051		-
Total Expenditures					-	210,016		210,016		-
401 Student Activities										
402 Scholarships										
422 Net Assets										
					-	(44,211)		(44,211)		-
<u>18 CUSTODIAL FUND</u>										
Total Revenue					-					-
Total Expenditures					-					-
401 Student Activities										
402 Scholarships										
448 Achievement &										
464 Restricted Fund Balance										
					-					-
<u>20 INTERNAL SERVICE</u>										
Total Revenue					-					-
Total Expenditures					-					-
422 Net Assets										
					-					-
<u>25 OPEB REVOCABLE TRUST FUND</u>										
Total Revenue					-					-
Total Expenditures					-					-
422 Net Assets										
					-					-
<u>45 OPEB IRREVOCABLE TRUST FUND</u>										
Total Revenue					-					-
Total Expenditures					-					-
422 Net Assets										
					-					-
<u>47 OPEB DEBT SERVICE FUND</u>										
Total Revenue					-					-
Total Expenditures					-					-
Nonspendable:										
460 Nonspendable Fund Balance		-		-	-		-	-		-
Restricted:										
425 Bond Refundings		-		-	-		-	-		-
464 Restricted Fund Balance		-		-	-		-	-		-
Unassigned:										
463 Unassigned Fund Balance		-		-	-		-	-		-

INDEPENDENT SCHOOL DISTRICT NO. 518

UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE

June 30, 2023

	AUDIT	UFARS	Difference		AUDIT	UFARS	Difference
<u>01 GENERAL FUND</u>							
Total Revenue	\$ 55,741,705	\$ 55,741,705	\$ -	<u>04 COMMUNITY SERVICE (Continued)</u>			
Total Expenditures	59,385,577	59,385,578	(1)	Restricted:			
Nonspendable:				464 Restricted Fund Balance	\$ 9,537	\$ 9,537	\$ -
460 Nonspendable Fund Balance	780,944	780,944	-	Unassigned:			
Restricted/Reserve:				463 Unassigned Fund Balance	-	-	-
401 Student Activities	205,538	205,538	-	<u>06 BUILDING CONSTRUCTION</u>			
402 Scholarships	-	-	-	Total Revenue	29,654	29,654	-
403 Staff Development	44,220	44,220	-	Total Expenditures	4,625,327	4,625,327	-
407 Capital Projects Levy	-	-	-	Nonspendable:			
408 Cooperative Revenue	-	-	-	460 Nonspendable Fund Balance	-	-	-
413 Project Funded by Cop	-	-	-	Restricted/Reserve:			
414 Operating Debt	-	-	-	407 Capital Projects Levy	-	-	-
416 Levy Reduction	-	-	-	413 Projects Funded by Cop	-	-	-
417 Taconite Building Maint	-	-	-	467 LTFM	-	-	-
424 Operating Capital	723,998	723,998	-	Restricted:			
426 \$25 Taconite	-	-	-	464 Restricted Fund Balance	183,692	183,692	-
427 Disabled Accessibility	-	-	-	Unassigned:			
428 Learning & Development	-	-	-	463 Unassigned Fund Balance	-	-	-
434 Area Learning Center	320,223	320,223	-	<u>07 DEBT SERVICE</u>			
435 Contracted Alt. Programs	-	-	-	Total Revenue	4,343,868	4,343,868	-
436 State Approved Alt. Program	-	-	-	Total Expenditures	4,749,255	4,749,255	-
438 Gifted & Talented	47,004	47,004	-	Nonspendable:			
440 Teacher Development & Eval	-	-	-	460 Nonspendable Fund Balance	-	-	-
441 Basic Skills Programs	980,025	980,025	-	Restricted/Reserve:			
448 Achievement & Integration	-	-	-	425 Bond Refundings	8,472,877	8,472,877	-
449 Safe Schools Levy	-	-	-	433 Max Effort Loan	-	-	-
451 QZAB Payments	-	-	-	451 QZAB Payments	-	-	-
452 OPEB Liab not in Trust	-	-	-	467 LTFM	-	-	-
453 Unfnded Sev & Retiremt Levy	-	-	-	Restricted:			
459 Basic Skills Ext Time	-	-	-	464 Restricted Fund Balance	1,535,304	1,535,304	-
467 LTFM	1,257,836	1,257,836	-	Unassigned:			
472 Medical Assistance	437,513	437,513	-	463 Unassigned Fund Balance	-	-	-
473 PPP loans	-	-	-	<u>08 TRUST</u>			
474 EIDL Loans	-	-	-	Total Revenue	162,051	162,051	-
Restricted:				Total Expenditures	210,016	210,016	-
464 Restricted Fund Balance	-	-	-	401 Student Activities	-	-	-
475 Title VII - Impact Aid	-	-	-	402 Scholarships	-	-	-
476 PILT	-	-	-	422 Net Assets	(44,211)	(44,211)	-
Committed:				<u>18 CUSTODIAL FUND</u>			
418 Committed For Separation	10,000	10,000	-	Total Revenue	-	-	-
461 Committed Fund Balance	-	-	-	Total Expenditures	-	-	-
Assigned:				401 Student Activities	-	-	-
462 Assigned Fund Balance	16,047,591	16,047,591	-	402 Scholarships	-	-	-
Unassigned:				422 Net Assets	(44,211)	(44,211)	-
422 Unassigned Fund Balance	12,209,091	12,209,091	-	<u>20 INTERNAL SERVICE</u>			
<u>02 FOOD SERVICE</u>				Total Revenue	-	-	-
Total Revenue	2,856,032	2,856,032	-	Total Expenditures	-	-	-
Total Expenditures	3,012,760	3,012,760	-	401 Student Activities	-	-	-
Nonspendable:				402 Scholarships	-	-	-
460 Nonspendable Fund Balance	147,293	147,293	-	448 Achievement & Integration	-	-	-
Restricted/Reserved:				464 Restricted Fund Balance	-	-	-
452 OPEB Liab not in Trust	-	-	-	<u>25 OPEB REVOCABLE TRUST FUND</u>			
474 EIDL Loans	-	-	-	Total Revenue	-	-	-
Reserve:				Total Expenditures	-	-	-
464 Restricted Fund Balance	917,519	917,519	-	422 Net Assets	-	-	-
Unassigned:				<u>45 OPEB IRREVOCABLE TRUST FUND</u>			
463 Unassigned Fund Balance	-	-	-	Total Revenue	-	-	-
<u>04 COMMUNITY SERVICE</u>				Total Expenditures	-	-	-
Total Revenue	2,039,563	2,039,563	-	422 Net Assets	-	-	-
Total Expenditures	1,835,977	1,835,977	-	<u>47 OPEB DEBT SERVICE FUND</u>			
Nonspendable:				Total Revenue	-	-	-
460 Nonspendable Fund Balance	28,333	28,333	-	Total Expenditures	-	-	-
Restricted/Reserve:				460 Nonspendable Fund Balance	-	-	-
426 \$25 Taconite	-	-	-	Restricted:			
431 Community Education	110,486	110,486	-	425 Bond Refundings	-	-	-
432 E.C.F.E.	278,199	278,199	-	464 Restricted Fund Balance	-	-	-
440 Teacher Development & Eval	-	-	-	Unassigned:			
444 School Readiness	126,647	126,647	-	463 Unassigned Fund Balance	-	-	-
447 Adult Basic Education	731,669	731,669	-				
452 OPEB Liab not in Trust	-	-	-				
473 PPP loans	-	-	-				
474 EIDL Loans	-	-	-				