

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2023



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INDEPENDENT SCHOOL DISTRICT NO. 2149
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INTRODUCTORY SECTION

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
BOARD OF EDUCATION AND ADMINISTRATION
JUNE 30, 2023**

<u>Officer</u>	<u>Title</u>	<u>Term Expires</u>
Chad Barsness	Chairperson	December 31, 2024
Ted Reichmann	Vice-Chairperson	December 31, 2026
Angie Reichmann	Clerk	December 31, 2024
Zach Lagred	Treasurer	December 31, 2026
Jeff Holtberg	Director	December 31, 2024
Amanda Ogdahl	Director	December 31, 2026
Justin Zavadil	Director	December 31, 2024

ADMINISTRATION

Chip Rankin	Superintendent of Schools
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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Education
Minnewaska Area Schools
Independent School District No. 2149
Glenwood, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund information of Independent School District No. 2149 (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 and each major fund of the District, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As described in Note 14 to the financial statements, net position was restated for liabilities and assets that were not properly stated in the prior year. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, 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 budgetary comparison schedule – General Fund, budgetary comparison schedule – Food Service Fund, budgetary comparison schedule – Community Service Fund, schedule of changes in the District's OPEB liability and related ratios, the schedule of the District's proportionate share of the net pension liability, the schedule of District contributions, and the notes to the required supplementary information, as listed on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 budgetary comparison schedule – debt service fund and the uniform financial accounting and reporting standards compliance table are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the budgetary comparison schedule – debt service fund and the uniform financial accounting and reporting standards compliance table 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 section but does not include the basic financial statements and our auditors' 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 15, 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Alexandria, Minnesota
November 15, 2023

REQUIRED SUPPLEMENTARY INFORMATION

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

This section of Minnewaska Area Schools – Independent School District No. 2149's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2023.

FINANCIAL HIGHLIGHTS

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

- Net position increased \$2,464,240, excluding prior period adjustments, due to increased state and federal aids.
- Overall revenues in the statement of activities were \$24,739,425 and expenses were \$22,275,185.
- The General Fund balance decreased \$687,214 due increases in salaries and benefits and capital outlay expenditures.
- The Food Service Fund balance decreased \$76,445 due to a decrease in federal reimbursements.
- The Community Service Fund balance increased by \$17,889 due to an increase in charges for services.
- The Debt Service Fund balance decreased by \$1,848.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

District-Wide Statements

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

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

District-Wide Statements (Continued)

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

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

In the district-wide financial statements the District's activities are shown in one category:

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

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The District has one type of funds:

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

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's *combined* net position was \$8,244,162 on June 30, 2023. There was a net increase of \$2,464,240, excluding prior period adjustments of (\$777,073), over the net position of \$6,556,995 at June 30, 2022 primarily due to an increase in state and federal aids.

**Table A-1
Net Position**

	Governmental Activities		Percentage
	2023	2022	Change
Current and Other Assets	\$ 10,941,682	\$ 11,247,397	(2.72)%
Capital and Noncurrent Assets	27,635,981	28,452,197	(2.87)
Total Assets	38,577,663	39,699,594	(2.83)
Deferred Outflows of Resources	5,462,896	4,915,800	11.13
Current Liabilities	3,778,054	2,107,495	79.27
Long-Term Liabilities	24,861,903	20,893,160	19.00
Total Liabilities	28,639,957	23,000,655	24.52
Deferred Inflows of Resources	7,156,440	15,057,744	(52.47)
Net Position:			
Net Investment in Capital Assets	17,324,075	16,649,543	4.05
Restricted	1,180,510	1,565,733	(24.60)
Unrestricted	(10,260,423)	(11,658,281)	(11.99)
Total Net Position	\$ 8,244,162	\$ 6,556,995	25.73

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position

A summary of the revenues and expenses is presented below and described in more detail following the table.

**Table A-2
Change in Net Position**

	Governmental Activities for the Fiscal Year Ended June 30,		Total Percent Change
	2023	2022	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 1,501,681	\$ 1,331,369	12.79 %
Operating Grants and Contributions	7,944,384	6,768,915	17.37
Capital Grants and Contributions	131,231	42,135	211.45
<u>General Revenues</u>			
Property Taxes	4,146,460	4,099,382	1.15
Unrestricted State Aid	10,594,965	12,083,126	(12.32)
Investment Earnings	63,579	-	N/A
Other	357,125	188,030	89.93
Total Revenues	24,739,425	24,512,957	0.92
Expenses			
Administration	813,012	718,370	13.17
District Support Services	634,995	541,151	17.34
Regular Instruction	7,748,783	6,249,949	23.98
Vocational Education Instruction	275,956	411,363	(32.92)
Special Education Instruction	5,825,024	5,649,126	3.11
Instructional Support Services	1,027,591	633,272	62.27
Pupil Support Services	1,724,227	1,523,692	13.16
Sites and Buildings	2,066,635	2,956,450	(30.10)
Fiscal and Other Fixed Cost Programs	121,367	353,194	(65.64)
Food Service	1,138,939	1,023,164	11.32
Community Service	727,015	616,907	17.85
Interest and Fiscal Charges on Long-Term Liabilities	171,641	-	N/A
Total Expenses	22,275,185	20,676,638	7.73
Change in Net Position	2,464,240	3,836,319	
Net Position - Beginning	6,556,995	2,720,676	
Prior Period Adjustment	(777,073)	-	
Beginning Net Position, as Restated	5,779,922	2,720,676	
Net Position - Ending	<u>\$ 8,244,162</u>	<u>\$ 6,556,995</u>	

The increase in expenses is due to an increase in salaries and benefits.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The cost of all *governmental* activities this year was \$22,275,185.

- Some of the cost was paid by the users of the District's programs (\$1,501,681).
- The federal and state governments subsidized certain programs with grants and contributions (\$8,075,615).
- Most of the District's costs, however, were paid for by District taxpayers and the taxpayers of our state.
- This portion of governmental activities was paid for with \$4,146,460 in property taxes, \$10,594,965 of state and federal aid and \$420,704 in investment earnings and other general revenues.

Figure A-1 Sources of District Revenues for Fiscal 2023

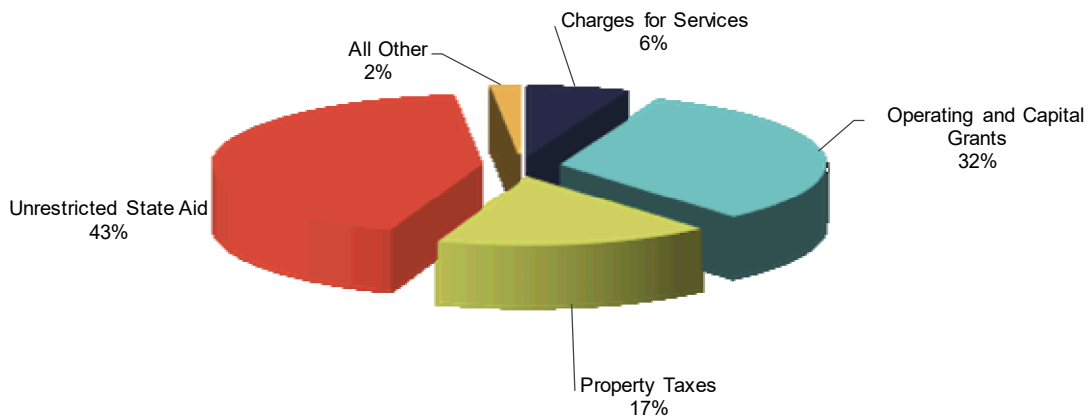
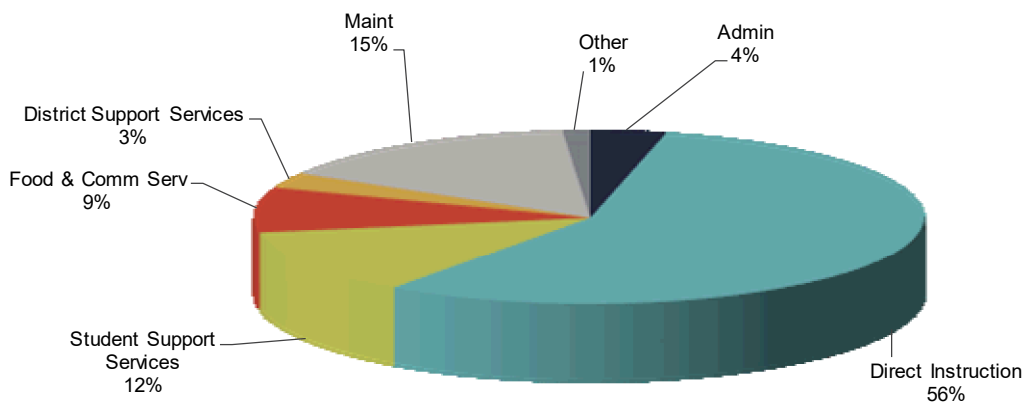


Figure A-2 District Expenses for Fiscal 2023



**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Typically the District does not include in an analysis of all governmental activities a breakout of expenses as depicted in Figure A-2. To do so distorts the latitude available to the District to allocate resources to instruction. All governmental funds includes not only funds received for the general operation of the district, which are used for classroom instruction, but also includes resources from the entrepreneurial-type funds of Food Service and Community Education, and from resources for fiscal service transactions. Funding for the general operation of the District is controlled by the state and the District does not have the latitude to allocate money received in Food Service or Community Education or for fiscal services to enhance classroom instruction resources. The District cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction. The above graph, by pooling all expenditures, implies that the District does have equal access to all funds to impact classroom instruction. In Minnesota, that is simply not an option. Therefore, a more accurate analysis of resources allocated to instruction should be limited to an analysis of resources received for the general operation of the District and that analysis would show that 56% of those resources are spent on instruction.

**Table A-3
Cost and Net Cost of Services**

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2023	2022	Change	2023	2022	Change
Administration	\$ 813,012	\$ 718,370	13.17 %	\$ 813,012	\$ 718,370	13.17 %
District Support Services	634,995	541,151	17.34	630,019	541,151	16.42
Regular Instruction	7,748,783	5,636,792	37.47	5,799,601	5,709,833	1.57
Vocational Education Instruction	275,956	411,363	(32.92)	275,956	406,704	(32.15)
Special Education Instruction	5,825,024	5,649,126	3.11	(64,712)	(99,291)	(34.83)
Instructional Support Services	1,027,591	633,272	62.27	958,631	617,868	55.15
Pupil Support Services	1,724,227	1,523,692	13.16	1,705,029	1,266,564	34.62
Sites and Buildings	2,066,635	2,956,450	(30.10)	2,043,073	2,956,450	(30.89)
Fiscal and Other Fixed						
Cost Programs	121,367	353,194	(65.64)	121,367	353,194	(65.64)
Food Service	1,138,939	1,023,164	11.32	82,615	-	N/A
Community Service	727,015	616,907	17.85	161,657	63,376	155.08
Interest and Fiscal Charges on						
Long-Term Liabilities	171,641	-	N/A	171,641	-	N/A
Total	<u>\$ 22,275,185</u>	<u>\$ 20,063,481</u>	11.02	<u>\$ 12,697,889</u>	<u>\$ 12,534,219</u>	1.31

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of \$4,365,943. This is a decrease of \$747,618 or approximately 14.6% of last year's ending fund balance of \$5,113,561.

Revenues for the District's governmental funds were \$24,987,541 while total expenditures were \$25,754,301.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

GENERAL FUND

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

Approximately 90% of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model providing approximately 56% of personnel expenditures. Other state formulas then determine what portion of the revenue will be provided by property taxes and what portion will come from state aid.

Enrollment is a critical factor in determining revenue with approximately 76% of General Fund revenue being determined by enrollment. The following chart shows the average daily membership (ADM) over the last five years, with a slight increase from the prior year to the current year.

**Table A-4
Five-Year Enrollment Trend
Average Daily Membership (ADM)**

Grade	2019	2020	2021	2022	2023
Early Childhood	22	20	17	18	24
Kdgt.	94	88	83	82	94
1-3	279	290	265	273	261
4-6	316	302	297	290	297
7-12	537	576	597	626	621
Total K-12 ADM	1,248	1,276	1,259	1,289	1,297
ADM Change	(12)	28	(17)	30	8
Percent Change	-1.50%	2.2%	-1.3%	2.4%	0.6%

The following schedule presents a summary of General Fund revenues.

**Table A-5
General Fund Revenues**

	Year Ended		Change	
	June 30, 2023	June 30, 2022	Increase (Decrease)	Percent
Local Sources:				
Property Taxes	\$ 2,855,241	\$ 2,815,947	\$ 39,294	1.4 %
Earnings on Investments	43,747	10,284	33,463	325.4
Other	876,508	930,110	(53,602)	(5.8)
State Sources	16,383,004	15,971,310	411,694	2.6
Federal Sources	1,483,018	1,302,324	180,694	13.9
Total General Fund Revenue	<u>\$ 21,641,518</u>	<u>\$ 21,029,975</u>	<u>\$ 611,543</u>	2.9

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

GENERAL FUND (CONTINUED)

Total General Fund revenues increased by \$611,543 or 2.9% over the previous year. Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of an equalized mix of property tax and state aid revenue. Other state-authorized revenue including operating levy referendum and the property tax shift also involve an equalized mix of property tax and state aid revenue.

The following schedule presents a summary of General Fund expenditures.

**Table A-6
General Fund Expenditures**

	Year Ended		Change	
	June 30, 2023	June 30, 2022	Increase (Decrease)	Percent
Salaries	\$ 12,528,117	\$ 11,793,556	\$ 734,561	6.2 %
Employee Benefits	3,407,298	3,308,339	98,959	3.0
Purchased Services	3,546,303	3,399,916	146,387	4.3
Supplies and Materials	1,008,556	1,130,045	(121,489)	(10.8)
Capital Expenditures	1,440,539	1,597,792	(157,253)	(9.8)
Other Expenditures	417,061	108,537	308,524	284.3
Total Expenditures	<u>\$ 22,347,874</u>	<u>\$ 21,338,185</u>	<u>\$ 1,009,689</u>	4.7

Total General Fund expenditures increased \$1,009,689 or 4.7% from the previous year. The increase is due to an increase in salaries and benefits costs due to the cost of living adjustments.

General Fund Budgetary Highlights

Actual results differed from budget as follows:

- The District's final budget for the General Fund anticipated that expenditures would exceed revenues by \$696,257, actual expenditures exceeded actual revenues by \$706,356.
- Overall, actual revenues were \$217,377 more than budgeted, representing approximately a 1.0% variation from budgeted revenues.
- The actual expenditures for the current year were \$225,950 more than budgeted, representing a 1.0% variation from budgeted expenditures.
- The General Fund's unassigned fund balance decreased \$471,675 from the prior year.

DEBT SERVICE FUNDS

The Debt Service Fund expenditures were less than revenues by \$1,848. The remaining fund balance of \$309,345 at June 30, 2023 is restricted for future debt service obligations.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

OTHER MAJOR FUNDS

The Food Service Fund had fund balance of \$426,681, a decrease of \$76,445, which was due to a decrease in revenues due to the change in funding.

The Community Service Fund had fund balance of \$319,530, an increase of \$17,889, which was due to revenues exceeding expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Through 2023, the District has invested \$55,379,705 in a broad range of capital assets, including: various construction on roofing, doors, lighting, copiers, and servers. (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation/amortization expense for the year was \$1,547,816.

**Table A-7
The District's Capital Assets**

	2023	2022	Percentage Change
Land	\$ 347,137	\$ 347,137	- %
Construction In Progress	107,562	-	N/A
Land Improvements	6,781,584	6,729,458	0.8
Buildings and Improvements	44,189,809	44,149,536	0.1
Equipment	3,761,806	3,470,434	8.4
Right-to-Use Assets	35,273	26,181	34.7
Subscription Based Information Technology	128,842	-	N/A
Less: Accumulated Depreciation/Amortization	(27,716,032)	(26,244,367)	5.6
Total	<u>\$ 27,635,981</u>	<u>\$ 28,478,379</u>	(3.0)

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Liabilities

At year-end, the District had \$9,660,000 in general obligation bonds outstanding – a decrease of 11.3% from last year – as shown in Note 6 to the financial statements.

**Table A-8
The District's Long-Term Liabilities**

	2023	2022	Percentage Change
General Obligation Bonds	\$ 9,660,000	\$ 10,885,000	(11.25)%
Net Bond Premium and Discount	194,679	274,621	(29.11)
Finance Purchase Agreements	384,113	643,033	(40.27)
Lease Liability	36,898	-	N/A
Vacation Payable	2,326	30,103	(92.27)
Compensated Absences	75,607	77,550	(2.51)
Total	<u>\$ 10,353,623</u>	<u>\$ 11,910,307</u>	(13.07)
Long-Term Liabilities:			
Due Within One Year	\$ 1,340,478	\$ 1,436,378	
Due in More Than One Year	9,013,145	10,473,929	
Total	<u>\$ 10,353,623</u>	<u>\$ 11,910,307</u>	

FACTORS BEARING ON THE DISTRICT'S FUTURE

Historically, the District has had stable and consistent enrollment trends. In the annual operating budget, the majority of the District's revenue comes from the state of Minnesota, giving the District \$6,863 per student for general education aid. The District supplements as needed from its local taxpayers. Both revenue bases have been consistent and appropriate for growing and maintaining a healthy fund balance.

The District budgets appropriately to its revenue projections and can rely on its fund balance to handle unplanned expenses, fast increases in expenditures, or temporary hold backs/reductions in aid. The District has capacity, if needed, to pursue referendum options to make long-term improvements in the District and the District's operating budget. The District is committed to being fiscally responsible in its planning to provide the students and community with the educational opportunities they need to unlock their potential.

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 Business Office, Independent School District #2149, 25122 State Highway 28, Glenwood, MN 56334.

BASIC FINANCIAL STATEMENTS

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
STATEMENT OF NET POSITION
JUNE 30, 2023**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 5,183,796
Receivables:	
Property Taxes	2,289,017
Other Governments	2,852,487
Lease	148,550
Other	437,861
Prepaid Items	18,921
Inventory	11,050
Capital Assets:	
Land and Construction in Progress	454,699
Other Capital Assets, Net of Depreciation/Amortization	27,181,282
Total Assets	<u>38,577,663</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related	5,261,382
Other Postemployment Benefits Related	201,514
Total Deferred Outflows of Resources	<u>5,462,896</u>
LIABILITIES	
Salaries and Payroll Deductions Payable	1,806,839
Accounts and Contracts Payable	279,783
Accrued Interest	98,604
Due to Other Governmental Units	106,405
Unearned Revenue	19,646
Long-Term Liabilities:	
Portion Due Within One Year	1,340,478
Portion Due in More Than One Year	9,013,145
Other Postemployment Benefit Liability Due Within One Year	126,299
Other Postemployment Benefit Liability	1,484,239
Net Pension Liability	14,364,519
Total Liabilities	<u>28,639,957</u>
DEFERRED INFLOWS OF RESOURCES	
Pension Related	2,536,718
Other Postemployment Benefits Related	288,405
Property Taxes Levied for Subsequent Year	4,187,129
Leases	144,188
Total Deferred Inflows of Resources	<u>7,156,440</u>
NET POSITION	
Net Investment in Capital Assets	17,324,075
Restricted for:	
Operating Capital Purposes	41,821
State-Mandates Restrictions	264,169
Food Service	426,681
Community Service	320,643
Debt Service	221,255
Unrestricted	(10,354,482)
Total Net Position	<u><u>\$ 8,244,162</u></u>

See accompanying Notes to Financial Statements.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

					Net (Expense) Revenue and Changes in Net Position
Functions	Expenses	Program Revenues			Total Governmental Activities
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES					
Administration	\$ 813,012	\$ -	\$ -	\$ -	\$ (813,012)
District Support Services	634,995	-	-	4,976	(630,019)
Regular Instruction	7,748,783	386,406	1,494,434	68,342	(5,799,601)
Vocational Education Instruction	275,956	-	-	-	(275,956)
Special Education Instruction	5,825,024	184,589	5,704,165	982	64,712
Instructional Support Services	1,027,591	-	12,029	56,931	(958,631)
Pupil Support Services	1,724,227	-	19,198	-	(1,705,029)
Sites and Buildings	2,066,635	23,562	-	-	(2,043,073)
Fiscal and Other Fixed Cost Programs	121,367	-	-	-	(121,367)
Food Service	1,138,939	429,910	626,414	-	(82,615)
Community Service	727,015	477,214	88,144	-	(161,657)
Interest and Fiscal Charges on Long-Term Liabilities	171,641	-	-	-	(171,641)
Total School District	<u>\$ 22,275,185</u>	<u>\$ 1,501,681</u>	<u>\$ 7,944,384</u>	<u>\$ 131,231</u>	(12,697,889)
GENERAL REVENUES					
Property Taxes Levied for:					
General Purposes					2,861,271
Community Service					143,258
Debt Service					1,141,931
State Aid Not Restricted to Specific Purposes					10,594,965
Earnings on Investments					63,579
Miscellaneous					<u>357,125</u>
Total General Revenues					<u>15,162,129</u>
CHANGE IN NET POSITION					2,464,240
Net Position - Beginning of Year					6,556,995
Prior Period Adjustment					<u>(777,073)</u>
Net Position - Beginning of Year, as Restated					<u>5,779,922</u>
NET POSITION - END OF YEAR					<u>\$ 8,244,162</u>

See accompanying Notes to Financial Statements.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2023**

	Major Funds				Total
	General	Food Service	Community Service	Debt Service	Governmental Funds
ASSETS					
Cash and Investments	\$ 3,382,566	\$ 427,876	\$ 472,395	\$ 900,959	\$ 5,183,796
Receivables:					
Current Property Taxes	1,288,382	-	81,007	887,879	2,257,268
Delinquent Property Taxes	20,122	-	1,113	10,514	31,749
Due from Minnesota Department of Education	2,048,949	-	8,244	40,845	2,098,038
Due from Federal through Minnesota					
Department of Education	744,680	9,769	-	-	754,449
Other Receivables	436,007	1,854	-	-	437,861
Leases	148,550	-	-	-	148,550
Prepaid Items	18,921	-	-	-	18,921
Inventory	-	11,050	-	-	11,050
Total Assets	<u>\$ 8,088,177</u>	<u>\$ 450,549</u>	<u>\$ 562,759</u>	<u>\$ 1,840,197</u>	<u>\$ 10,941,682</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Salaries and Payroll Deductions Payable	\$ 1,758,580	\$ -	\$ 47,814	\$ -	\$ 1,806,394
Accounts Payable	215,027	4,222	24,318	-	243,567
Contracts Payable	36,216	-	-	-	36,216
Due to Other Governmental Units	106,425	-	425	-	106,850
Unearned Revenue	-	19,646	-	-	19,646
Total Liabilities	<u>2,116,248</u>	<u>23,868</u>	<u>72,557</u>	<u>-</u>	<u>2,212,673</u>
DEFERRED INFLOWS OF RESOURCES					
Property Taxes Levied for Subsequent Year	2,497,232	-	169,559	1,520,338	4,187,129
Unavailable Revenue - Delinquent Taxes	20,122	-	1,113	10,514	31,749
Leases	144,188	-	-	-	144,188
Total Deferred Inflows of Resources	<u>2,661,542</u>	<u>-</u>	<u>170,672</u>	<u>1,530,852</u>	<u>4,363,066</u>
FUND BALANCE					
Nonspendable:					
Prepaid Items	18,921	-	-	-	18,921
Inventory	-	11,050	-	-	11,050
Restricted:					
Community Education	-	-	181,364	-	181,364
Operating Capital	41,821	-	-	-	41,821
Safe Schools - Crime	36,186	-	-	-	36,186
Early Childhood and Family Educations Programs	-	-	10,965	-	10,965
School Readiness	-	-	97,548	-	97,548
Gifted and Talented	363	-	-	-	363
Student Activities	105,243	-	-	-	105,243
Staff Development	31,284	-	-	-	31,284
Capital Projects Levy	15,486	-	-	-	15,486
Unfunded Severance	75,607	-	-	-	75,607
Other Restricted	-	415,631	29,653	309,345	754,629
Assigned					
Other Assigned	38,490	-	-	-	38,490
Unassigned	2,946,986	-	-	-	2,946,986
Total Fund Balances	<u>3,310,387</u>	<u>426,681</u>	<u>319,530</u>	<u>309,345</u>	<u>4,365,943</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 8,088,177</u>	<u>\$ 450,549</u>	<u>\$ 562,759</u>	<u>\$ 1,840,197</u>	<u>\$ 10,941,682</u>

See accompanying Notes to Financial Statements.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Total Fund Balance for Governmental Funds	\$	4,365,943
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land		347,137
Construction in Progress		107,562
Land Improvements, Net of Accumulated Depreciation		4,038,388
Buildings and Improvements, Net of Accumulated Depreciation		21,579,622
Equipment, Net of Accumulated Depreciation		1,399,157
Right-to-Use Asset, Net of Accumulated Amortization		35,273
Subscription Asset, Net of Accumulated Amortization		128,842

The District's OPEB liability and related deferred inflows and outflows are recorded only on the statement of net position.

Balances at year-end are:

OPEB Liability		(1,610,538)
Deferred Inflows of Resources - OPEB Related		(288,405)
Deferred Outflows of Resources - OPEB Related		201,514

Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the funds.

31,749

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

(98,604)

The District's net pension liability and related deferred inflows and outflows are recorded only on the statement of net position.

Balances at year-end are:

Net Pension Liability		(14,364,519)
Deferred Inflows of Resources - Pension Related		(2,536,718)
Deferred Outflows of Resources - Pension Related		5,261,382

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position.

Balances at year-end are:

Bonds Payable		(9,660,000)
Unamortized Discounts (Premiums)		(194,679)
Obligations Under Lease Liability		(36,898)
Finance Purchase Agreement		(384,113)
Compensated Absences		(75,607)
Severance Payable		(2,326)

Total Net Position of Governmental Activities

\$ 8,244,162

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023**

	Major Funds				Total Governmental Funds
	General	Food Service	Community Service	Debt Service	
REVENUES					
Local Sources:					
Property Taxes	\$ 2,855,241	\$ -	\$ 143,258	\$ 1,141,931	\$ 4,140,430
Earnings on Investments	43,747	6,170	5,332	8,330	63,579
Other	876,508	429,910	551,396	-	1,857,814
State Sources	16,383,004	65,958	94,766	338,516	16,882,244
Federal Sources	1,483,018	560,456	-	-	2,043,474
Total Revenues	21,641,518	1,062,494	794,752	1,488,777	24,987,541
EXPENDITURES					
Current:					
Administration	994,725	-	-	-	994,725
District Support Services	595,762	-	-	-	595,762
Regular Instruction	8,077,945	-	-	-	8,077,945
Vocational Education Instruction	367,048	-	-	-	367,048
Special Education Instruction	6,494,013	-	-	-	6,494,013
Instructional Support Services	483,823	-	-	-	483,823
Pupil Support Services	1,735,815	-	-	-	1,735,815
Sites and Buildings	1,770,356	-	-	-	1,770,356
Fiscal and Other Fixed Cost Programs	121,367	-	-	-	121,367
Food Service	-	1,074,724	-	-	1,074,724
Community Service	-	-	776,863	-	776,863
Capital Outlay	1,440,539	64,215	-	-	1,504,754
Debt Service:					
Principal	239,932	-	-	1,225,000	1,464,932
Interest and Fiscal Charges	26,549	-	-	264,675	291,224
Paying Agent Fees and Other	-	-	-	950	950
Total Expenditures	22,347,874	1,138,939	776,863	1,490,625	25,754,301
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(706,356)	(76,445)	17,889	(1,848)	(766,760)
OTHER FINANCING SOURCES					
Lease Liability Proceeds	17,343	-	-	-	17,343
Insurance Proceeds	1,799	-	-	-	1,799
Total Other Financing Sources (Uses)	19,142	-	-	-	19,142
NET CHANGE IN FUND BALANCES	(687,214)	(76,445)	17,889	(1,848)	(747,618)
Fund Balances - Beginning of Year	3,997,601	503,126	301,641	311,193	5,113,561
Fund Balance - Beginning of Year, as Restated	3,997,601	503,126	301,641	311,193	5,113,561
FUND BALANCES - END OF YEAR	<u>\$ 3,310,387</u>	<u>\$ 426,681</u>	<u>\$ 319,530</u>	<u>\$ 309,345</u>	<u>\$ 4,365,943</u>

See accompanying Notes to Financial Statements.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

	<u>2023</u>
Net Change in Fund Balance-Total Governmental Funds	\$ (747,618)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation/amortization expense.	
Capital Outlays	745,097
Depreciation/Amortization Expense	(1,547,816)
Gain (Loss) on Disposal of Capital Assets	(14,065)
Some capital asset additions are financed through finance purchase agreements. In governmental funds, a finance purchase arrangement is considered a source of financing, but in the statement of net position, the finance obligation is reported as a liability. Repayment of finance purchase principal is an expenditure in the governmental funds, but repayment reduces the finance obligation in the statement of net position.	
Principal Payments - Finance Purchase Agreement	232,223
Pension expenditures on the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in net pension liability and the related deferred inflows and outflows of resources.	
	2,447,341
Payment of OPEB benefits are recognized as expenditures on the fund level while the change in the net prepaid OPEB obligation is recognized in the statement of net position.	
	32,331
In the statement of activities, compensated absences and severance payable are measured on the accrual basis. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	
	1,367
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items as follows:	
Repayment of Bond Principal	1,225,000
Change in Accrued Interest Expense - General Obligation Bonds	14,042
Amortization of Bond Premium and Discount	79,942
Repayment of Lease Liability	7,709
Lease Liability Proceeds	(17,343)
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 reported as deferred inflows of resources in the funds.	
	<u>6,030</u>
Change in Net Position of Governmental Activities	<u><u>\$ 2,464,240</u></u>

See accompanying Notes to Financial Statements.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 2149 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. 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

The District is an instrumentality of the state of Minnesota established to function as an education institution. The elected School Board (the 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.

U.S. GAAP require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separate 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. These financial statements include all funds of the District. There are no other entities for which the District is financially accountable.

C. Basic Financial Statement Presentation

The district-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting government as a whole.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and 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 is available. Depreciation/amortization expense that can be specifically identified by function are included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material interfund activity has been removed from the district-wide financial statements.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation (Continued)

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amount advance recognized in accordance with a statutory "tax shift" described later in these notes. Grant 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:

1. Revenue Recognition – Revenue is recognized when it becomes measurable and available. "Measurable" 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 the accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenue 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 availability period 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.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

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 each fund included in this report is 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 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.

Food Service Special Revenue Fund – The Food Service Fund is used to account for food service revenues and expenditures. Revenues for the Food Service Fund are generated from user fees, federal reimbursements and state aids.

Community Service Special Revenue Fund – The Community Service Fund is used to account for service provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs or other similar services. Revenues for the Community Service Fund are generated primarily from user fees, local property taxes and state credits.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for and payment of general long-term obligation bond principal, interest, and related costs.

E. 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 Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper by November 30 or within one week of the acceptance of the final audit by the Board each year. Reported budgeted amounts represent the amended budget as adopted by the 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 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 Board action. Revisions to budgeted amounts must be approved by the Board.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting (Continued)

Total fund expenditures in excess of the budget require approval of the 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.

F. Cash and Cash Equivalents

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.

G. Accounts Receivable

Represents amounts receivable from individuals, other governments, and firms. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivable not expected to be collected within one year are current property taxes receivable.

H. Property Taxes

Property tax levies are established by the Board in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes 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 District at periodic intervals as they are collected. A portion of property taxes levied is paid through various state tax credits which are included in revenue from state sources in the financial statements.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as a deferred inflow of resources (property taxes levied for subsequent year). The majority of District revenue in the General Fund (and to a lesser extent in the District's Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift."

In accordance with state law, the current tax shift consists of an amount equal to 31% of the operating referendum levy (frozen at \$105,652) advance recognized as revenue each year with no corresponding state aid adjustment. Certain other portions of the District's 2022 Pay 2023 levy, normally revenue for the 2023-24 fiscal year, are also advance recognized as June 30, 2023, as required by state statute to match revenue with the same fiscal year as the related expenditures.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Property Taxes (Continued)

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

I. Capital Assets

Capital assets are capitalized as historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The District capitalizes all computer hardware assets and maintains a threshold level of \$5,000 for capitalizing all other 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 district-wide financial statements but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

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

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

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

SBITA assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets. Useful lives vary from 3 to 6 years for SBITA assets.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period. The District will not recognize the related outflow until a future event occurs.

K. Leases

The District determines if an arrangement is a lease at inception. Leases are included in lease assets and lease liabilities in the statements of net position.

Right-to-use assets represent the District's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Right-to-use assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Right-to-use assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities represent the District's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

The lease term may include options to extend or terminate the lease when it is reasonably certain that the District will exercise that option.

The District has recognized payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statements of net position.

The District accounts for contracts containing both lease and nonlease components as separate contracts when possible. In cases where the contract does not provide separate price information for lease and nonlease components, and it is impractical to estimate the price of such components, the District treats the components as a single lease unit.

The District determines if an arrangement is a lease at inception. Leases are included in lease receivables and deferred inflows of resources in the statements of net position and fund financial statements.

Lease receivables represent the District's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at the commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Leases (Continued)

Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term.

L. Subscription-Based Information Technology Arrangements (SBITAs)

The District determines if an arrangement is a SBITA at inception. SBITAs are included in right-to-use assets and subscription payable in the statement of net position.

SBITA subscriptions payable represent the District's obligation to make SBITA payments arising from the arrangement. SBITA subscriptions are recognized at the commencement date based on the present value of expected SBITA payments over the SBITA term, less any SBITA vendor incentives. Interest expense is recognized ratably over the contract term.

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 amortized over the life of the bonds using the straight line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

N. Accrued Employee Benefits

Vacation Pay

Certain employees are allowed to accrue vacation days at varying amounts each year and accumulate within limits. In the event of termination, the employees are eligible for reimbursement of any unused accumulated leave. Vacation pay is charged to operations when taken by the employee of the District. Outstanding vacation pay is recorded as a liability in the district-wide financial statements.

Compensated Absences Payable

The District provides a payment for unused sick leave to certain eligible employees. All of the benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contributions or funding requirements. There are no new participants to the plan and the plan will phase out after time. This liability is recorded on the district-wide financial statements.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Other Postemployment Benefits Liability

Under the terms of certain collectively bargained employment contracts, including the teachers' contract, the District is required to pay the health insurance premiums for retired employees until they reach the age of 65. For employees meeting certain length of service experience requirements, the amount to be paid is equal to the same insurance premium benefit as a full-time employee. See Note 10 for further information.

P. Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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

R. Unearned Revenue

Unearned revenues are those in which resources are received by the District before it has legal claim to them.

S. Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaids, inventories, long term receivables, and corpus on any permanent fund. Nonspendable portions of fund balance are related to prepaid items. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education.

The Board of Education passed a resolution authorizing the Superintendent and Board of Education to assign fund balances and its intended uses. Unassigned fund balances are considered the remaining amounts. 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.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Fund Balance (Continued)

It is also the District's policy to strive to maintain a minimum unassigned general fund balance of three months of operating expenditures.

T. Net Position

Net position represents the difference between assets, deferred outflows of resources and liabilities and deferred inflows of resources in the district-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balance of any debt used to build or acquire the capital assets. Net position is reported as restricted in the district-wide financial statement when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, it is the District's policy to use restricted first, then unrestricted net position.

U. Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reporting amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

V. Adoption of New Accounting Standards

In May 2020, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

The District adopted the requirements of the guidance effective July 1, 2022, and has applied the provisions of this standard to the beginning of the period of adoption.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following funds:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	\$ 22,121,924	\$ 22,347,874	\$ 225,950
Food Service Fund	1,105,776	1,138,939	33,163
Community Service Fund	736,664	776,863	40,199

These overages were considered by District management to be the result of necessary expenditures critical to operations.

NOTE 3 CASH AND CASH EQUIVALENTS

A. Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned in full. The District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Investments." In accordance with Minnesota Statutes the District maintains deposits at financial institutions which are authorized by the School District's Board.

Minnesota Statutes require that all 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 corporate surety bonds.

The District's deposits in banks at June 30, 2023 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments

The District may 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 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency and all of the investments have a final maturity of 13 months or less.
- General obligations rated "A" or better, revenue obligations rated "AA" or better.
- General obligations of the Minnesota Housing Finance Agency rate "A" or better.
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies and maturing in 270 days or less.
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories.

The District has no investments meeting the descriptions above.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 CAPITAL ASSETS

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

	* Beginning Balance As Restated	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 347,137	\$ -	\$ -	\$ 347,137
Construction in Progress	-	107,562	-	107,562
Total Capital Assets, Not Being Depreciated	347,137	107,562	-	454,699
Capital Assets, Being Depreciated				
Land Improvements	6,729,458	52,126	-	6,781,584
Buildings and Improvements	44,149,536	40,273	-	44,189,809
Equipment	* 3,425,435	383,865	(47,494)	3,761,806
Total Capital Assets, Being Depreciated	54,304,429	476,264	(47,494)	54,733,199
Accumulated Depreciation for				
Land Improvements	(2,457,776)	(285,420)	-	(2,743,196)
Buildings and Improvements	(21,585,666)	(1,024,521)	-	(22,610,187)
Equipment	* (2,177,644)	(218,434)	33,429	(2,362,649)
Total Accumulated Depreciation	(26,221,086)	(1,528,375)	33,429	(27,716,032)
Total Capital Assets, Being Depreciated, Net	28,083,343	(1,052,111)	(14,065)	27,017,167
Right-to-Use Assets				
Equipment	51,775	-	-	51,775
Less Accumulated Amortization				
Equipment	(8,251)	(8,251)	-	(16,502)
Total Right-to-use Assets, Net	43,524	(8,251)	-	35,273
Subscription Based Information Technology				
Subscription Asset	-	140,032	-	140,032
Less Accumulated Amortization				
Subscription Asset	-	(11,190)	-	(11,190)
Total Subscription Based Information Technology, Net	-	128,842	-	128,842
Governmental Activities Capital Assets, Net	\$ 28,474,004	\$ (823,958)	\$ (14,065)	\$ 27,635,981

*The beginning balance of capital assets was restated to record the right-to-use assets.

Depreciation/amortization expense was charged to functions of the District as follows:

Governmental Activities	
District Support Services	\$ 723
Regular Instruction	1,368,317
Vocational Education Instruction	1,246
Instructional Support Services	17,113
Pupil Support Services	52,151
Sites and Buildings	107,828
Community Service	438
Total Depreciation/Amortization Expense, Governmental Activities	<u>\$ 1,547,816</u>

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 LONG-TERM LEASE RECEIVABLES

The District, acting as a lessor, leases space to a company for their antenna placement under long-term, non-cancelable lease agreements. The lease is set to expire in fiscal year 2043. During the year ended June 30, 2023, the District recognized \$5,113 and \$5,086 in lease revenue and interest revenue, respectively, pursuant to this contract.

Total future minimum lease payments to be received under the lease agreement are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 5,289	\$ 4,911
2025	5,471	4,729
2026	5,659	4,541
2027	5,853	4,347
2028	6,054	4,146
2029 - 2033	33,532	17,468
2034 - 2038	39,697	11,303
2039 - 2043	46,995	4,005
Total	<u>\$ 148,550</u>	<u>\$ 55,450</u>

Changes in lease receivable for the year is as follows:

	<u>June 30, 2022 as Restated</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2023</u>
Antenna Lease	<u>\$ 153,663</u>	<u>\$ -</u>	<u>\$ (5,113)</u>	<u>\$ 148,550</u>

The beginning balance of lease receivable was restated to record the lease receivable.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

The District has issued general obligation school building bonds to finance the construction of capital facilities or refinance previous bond issues. Assets of the Debt Service Fund, together with scheduled future tax levies, are dedicated for the retirement of these bonds. These levies are subject to reduction if fund balance amounts exceed limitation imposed by Minnesota law.

Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding	
				Due Within One Year	Total
2/11/2015	2.00 - 3.00	\$ 8,470,000	2/1/2035	\$ 540,000	\$ 5,955,000
4/28/2016	2.00	7,020,000	2/1/2028	710,000	3,705,000
Total General Obligation Bonds				1,250,000	9,660,000
Bond (Discounts) Premiums				-	194,679
Finance Purchase Agreement				78,852	384,113
Lease Liability				11,626	36,898
Vacation Payable				-	2,326
Compensated Absences				-	75,607
Total				<u>\$ 1,340,478</u>	<u>\$ 10,353,623</u>

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term debt, are as follows:

Year Ending June 30,	General Obligation Bonds Payable		Refunding Bonds Payable	
	Principal	Interest	Principal	Interest
2024	\$ 540,000	\$ 160,825	\$ 710,000	\$ 74,100
2025	555,000	144,625	725,000	59,900
2026	565,000	133,525	740,000	45,400
2027	580,000	120,813	755,000	30,600
2028	590,000	107,763	775,000	15,500
2029 - 2033	2,170,000	349,763	-	-
2034 - 2035	955,000	46,800	-	-
Total	<u>\$ 5,955,000</u>	<u>\$ 1,064,114</u>	<u>\$ 3,705,000</u>	<u>\$ 225,500</u>

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

B. Minimum Debt Payments (Continued)

<u>Year Ending June 30.</u>	<u>Finance Purchase Agreement</u>		<u>Lease Liability</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 78,852	\$ 16,371	\$ 11,626	\$ 1,415
2025	82,433	12,791	12,324	717
2026	86,175	9,048	5,803	188
2027	90,088	5,136	3,537	104
2028	46,565	1,045	3,608	33
Total	<u>\$ 384,113</u>	<u>\$ 44,391</u>	<u>\$ 36,898</u>	<u>\$ 2,457</u>

C. Description of Long-Term Debt

General Obligation School Building Bonds

In February 2015, the District issued \$8,470,000 General Obligation School Building Bonds to finance security and lighting improvements, mechanical repairs, roof repairs and other deferred maintenance at the District. Assets of the debt service fund, together with scheduled future ad valorem tax levies are dedicated for the retirement of these bonds. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota Statutes.

General Obligation School Refunding Bonds

In April 2016, the District issued \$7,020,000 General Obligation Alternative Facilities Refunding Bonds and repaid the 2019 through 2028 maturities of the District's General Obligation Building Bonds of 2008.

Finance Purchase Agreements

On December 21, 2007, the District entered into a finance purchase agreement with CitiCapital Municipal Finance in the amount of \$1,323,783, bearing interest at 4.29% to finance the purchase of energy conservation equipment. Repayment of the agreement will occur with annual payments varying from \$43,902 to \$80,929 beginning July 2008.

On December 21, 2007, the District entered into a finance purchase agreement with CitiCapital Municipal Finance in the amount of \$1,248,197, bearing interest at 4.49% to finance the roof and window replacement. Repayment of the agreement will occur with annual payments of \$47,612 beginning July 2018.

Lease Liabilities

On August 20, 2020, the District entered into a five-year lease agreement with Marco Technologies, LLC in the amount of \$32,151 bearing interest at 7.78% to finance its copiers and printers across the District. Repayment of the lease will occur in monthly installments of \$730 commencing October 2020.

**MINNEWASKA AREA SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt (Continued)

Lease Liabilities (Continued)

On April 1, 2023, the District entered into a five-year lease agreement with Pitney Bowes in the amount of \$17,343 bearing interest at 1.99% to finance a postage machine. Repayment of the lease will occur in quarterly installments of \$910 commencing July 2023.

On September 21, 2020, the District entered into a five-year lease agreement with Pitney Bowes in the amount of \$3,191 bearing interest at 1.92% to finance a postage machine. Repayment of the lease will occur in monthly installments of \$53 commencing October 2020.

D. Changes in Long-Term Debt

	Beginning Balance As Restated June 30, 2022	Additions	Retirements	June 30, 2023
Bonds Payable	\$ 10,885,000	\$ -	\$ 1,225,000	\$ 9,660,000
Bond (Discounts) Premiums	274,621	-	79,942	194,679
Finance Purchase Agreement *	616,336	-	232,223	384,113
Lease Liability *	27,264	17,343	7,709	36,898
Vacation Payable *	1,750	576	-	2,326
Compensated Absences	77,550	-	1,943	75,607
Total	<u>\$ 11,882,521</u>	<u>\$ 17,919</u>	<u>\$ 1,546,817</u>	<u>\$ 10,353,623</u>

*The beginning balances of the finance purchase agreement and lease liability were restated. The beginning balance for vacation payable was restated due to a prior period adjustment (see Note 14).

NOTE 7 RESTRICTED FUND BALANCES

Fund Equity

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. The following is a summary of the restricted fund balances for the governmental funds.

A. Community Education

Represents the resources available to provide programming such as: nonvocational, recreational, and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, early childhood family education, and extended day programs.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 RESTRICTED FUND BALANCES (CONTINUED)

B. Restricted for Operating Capital

Represents tax levies and state aid in the General Fund to be used for purchases of equipment and facilities.

C. Restricted for Safe Schools – Crime

Restriction for Safe Schools – crime represents available resources to be used only to provide for safe schools – crime projects.

D. Restricted for School Readiness

Represents the resources available to provide for School Readiness Program.

E. Restricted for Gifted and Talents

Represents the amount restricted for gifted and talented children educational programs.

F. Restricted for Early Childhood and Family Education Programs

The fund balance restriction represents accumulated resources available to provide services for early childhood family education programming.

G. Restricted for Student Activities

Represents available resources to be used for extracurricular activity funds raised by students.

H. Restricted for Staff Development

Represents the cumulated amount of unspent staff development dollars.

I. Restricted for Capital Projects Levy

Represents unspent proceeds from a special down payment levy.

J. Unfunded Severance and Retirement Levy

Represents resources from the unfunded severance and retirement levy.

K. Restricted for Other Purposes

The fund balance restriction represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Other Restricted:

Restricted for Food Service	\$ 415,631
Restricted for Community Service	29,653
Restricted for Bond Payments	309,345
Total Other Restricted	<u><u>\$ 754,629</u></u>

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 ASSIGNED FUND BALANCES

Other assigned fund balances are listed below:

Other Assigned:	
Music Department	\$ 6,277
Parking Lot Fees	32,213
Total	<u>\$ 38,490</u>

NOTE 9 PENSION PLANS

A. Plan Description

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

1. General Employees Retirement Plan (General Employees Plan)

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

2. Teachers Retirement Fund (TRA)

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

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

B. Benefits Provided

PERA and TRA provide 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.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits

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

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

2. TRA Benefit

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

**MINNEWASKA AREA SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefit (Continued)

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

Tier I Benefits

Tier 1	Step Rate Formula	Percentage
Basic	First Ten Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First Ten Years of Service are Up to July 1, 2006	1.2% per Year
	First Ten Years, If Service Years are July 1, 2006 or After	1.4% per Year
	All Other Years of Service If Service Years are Up to July 1, 2006	1.7% per Year
	All Other Years of Service If Service Years are July 1, 2006 or After	1.9% per Year

With these provisions:

- (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% per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

Tier II Benefits

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

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.

**MINNEWASKA AREA SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefit (Continued)

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

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

C. Contributions

1. General Employees Plan 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% of their annual covered salary in fiscal year 2023 and the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2023 were \$245,609. The District's contributions were equal to the required contributions as set by state statute.

2. TRA Contributions

Per *Minnesota Statutes*, Chapter 354 rates for the fiscal year for coordinated were 7.50% for the employee and 8.55% for the employer. Basic rates were 11.00% for the employee and 12.55% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2023 were \$706,151. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

1. General Employees Plan Pension Costs

At June 30, 2023, the District reported a liability of \$3,706,575 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a nonemployer 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 \$108,729 for a total net pension liability of \$3,815,304 associated with the District.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employee Plan Pension Costs (Continued)

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was .0468% at the end of the measurement period and .0417% at the beginning of the period.

For the year ended June 30, 2023, the District recognized pension expense of \$508,989 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$16,247 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 30,960	\$ 39,595
Changes in Actuarial Assumptions	838,865	15,075
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	64,292	-
Changes in Proportion	212,683	89,778
District Contributions Subsequent to the Measurement Date	245,609	-
Total	<u>\$ 1,392,409</u>	<u>\$ 144,448</u>

The \$245,609 reported as deferred outflows of resources related to pensions resulting from District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending 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:

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employee Plan Pension Costs (Continued)

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2024	\$ 332,446
2025	381,928
2026	(47,226)
2027	335,204

2. TRA Pension Costs

At June 30, 2023, the District reported a liability of \$10,657,944 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 total system contributions including direct aid from the state of Minnesota, City of Minneapolis, and Minneapolis School District. The District's proportionate share was .1331% at the end of the measurement period and .1246% at the beginning of the period.

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

<u>Description</u>	<u>Amount</u>
District's Proportionate Share of the TRA Net Pension Liability	\$ 10,657,944
State's Proportionate Share of TRA's Net Pension Liability Associated with the District	790,381
Total	<u><u>\$ 11,448,325</u></u>

For the year ended June 30, 2023, the District recognized pension expense of (\$2,030,801). It also recognized (\$224,106) as an increase to pension expense and grant revenue for the support provided by direct aid.

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

**MINNEWASKA AREA SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 155,893	\$ 93,643
Changes in Actuarial Assumptions	1,707,376	2,255,457
Net Difference Between Projected and Actual Investment Earnings	297,734	-
Changes in Proportion	1,001,819	43,170
District Contributions Subsequent to the Measurement Date	706,151	-
Total	<u>\$ 3,868,973</u>	<u>\$ 2,392,270</u>

\$706,151 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 ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2024	\$ (1,665,003)
2025	486,276
2026	265,087
2027	1,529,398
2028	154,794

3. Summary

The aggregate amount of net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense for the District's defined benefit pension plans are summarized below. These liabilities are typically liquidated by the individual activity in which the employee's costs are associated.

	General Employees Fund	Teachers Retirement Fund	Total
Net Pension Liability	\$ 3,706,575	\$ 10,657,944	\$ 14,364,519
Deferred Outflows of Resources	1,392,409	3,868,973	5,261,382
Deferred Inflows of Resources	144,448	2,392,270	2,536,718
Pension Expense	525,236	(2,254,907)	(1,729,671)

**MINNEWASKA AREA SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 PENSION PLANS (CONTINUED)

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	33.5 %	5.10%
International Stocks	16.5	5.30%
Private Markets	25.0	5.90%
Fixed Income	25.0	0.75%
Total	<u>100.0 %</u>	

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	33.5 %	5.10%
International Stocks	16.5	5.30%
Private Markets	25.0	5.90%
Fixed Income	25.0	0.75%
Total	<u>100.0 %</u>	

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions

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

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter.

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

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

TRA pre-retirement mortality rates were based on the RP-2014 white collar employee table, male rates set back 5 years and female rates set back 7 years. Generational projection used the MP-2015 scale. Postretirement mortality rates were based on the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale. Post-disability mortality rates were based on the RP-2014 disabled retiree mortality table, without adjustment.

Inflation is assumed to be 2.5% for TRA. Benefit increases after retirement are assumed to be 1.0% for January 2020 through January 2023 then increasing by 0.10% each year up to 1.5% annually.

Salary growth assumptions for TRA range in annual increments from 2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

The following changes in actuarial assumption for PERA occurred in 2022:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

The following changes in actuarial assumption for TRA occurred in 2022:

- There have been no changes since the prior valuation.

G. Discount Rates

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

The discount rate used to measure the TRA pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contribution will be made at the fiscal year 2022 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 PENSION PLANS (CONTINUED)

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 one percentage point lower or one percentage point higher than the current discount rate:

	PERA		TRA	
1% Lower	5.50%	\$ 5,854,730	6.00%	\$ 16,801,668
Current Discount Rate	6.50%	3,706,575	7.00%	10,657,944
1% Higher	7.50%	1,944,757	8.00%	5,622,006

I. Pension Plan Fiduciary Net Position

Detailed information about General Employees Plan's fiduciary's net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org.

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org; by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-657-3669.

NOTE 10 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District operates a single-employer retiree benefit plan (the Plan) that provides health and dental insurance to eligible employees and their spouses through the District's health insurance plan. There are 228 active participants, 36 retired participants, and 0 spouses receiving payments. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are negotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

B. Funding Policy

The District does not have assets accumulated in a trust to pay for OPEB related costs. Contribution requirements are negotiated between the District and union representatives. 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. The District is funding this liability on a pay-as-you-go basis. For fiscal year 2023, the District contributed \$126,299 to the plan.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Actuarial Methods and Assumptions

The District's OPEB liability was measured as of July 1, 2022, and the total OPEB liability was determined by an actuarial valuation as of July 1, 2021. Liabilities in this report were calculated as of the valuation date and rolled forward to the measurement date using the standard actuarial roll forward techniques.

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

Inflation	2.50%
Salary Increases	Service graded table
	6.25% decreasing to 5.00% over 5
Health Care Trend Rates	years and then to 4.00% over 48 years

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

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2019 to June 30, 2021.

The discount rate used to measure the total OPEB liability was 3.80%. The discount rate is based on the estimated yield of a 20-year Municipal Bond Yield.

Since the most recent valuation the following assumption changes have been made:

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

Since the most recent valuation, the following Plan change was made for the measurement date July 1, 2021:

- None noted.

D. Changes in the OPEB Liability

Balances - June 30, 2022	\$ 1,779,310
Changes for the Year:	
Service Cost	95,392
Interest	37,584
Changes in Assumptions	(130,901)
Benefit Payments	(170,847)
Net Changes	<u>(168,772)</u>
Balances - June 30, 2023	<u><u>\$ 1,610,538</u></u>

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Changes in the OPEB Liability (Continued)

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

	1% Decrease (2.8%)	Discount Rate (3.8%)	1% Increase (4.8%)
OPEB Liability	<u>\$ 1,702,979</u>	<u>\$ 1,610,538</u>	<u>\$ 1,521,410</u>

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

	1% Decrease (5.25% Decreasing to 4.00% then 3.00%)	Current Trend Rates (6.25% Decreasing to 5.00% then 4.00%)	1% Increase (7.25% Decreasing to 6.00% then 5.00%)
OPEB Liability	<u>\$ 1,490,250</u>	<u>\$ 1,610,538</u>	<u>\$ 1,751,944</u>

For June 30, 2023, the District reported its proportionate share of the OPEB's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Liability	\$ -	\$ 165,435
Change in Assumptions	75,215	122,970
District Contributions Subsequent to the Measurement Date	126,299	-
Total	<u>\$ 201,514</u>	<u>\$ 288,405</u>

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Changes in the OPEB Liability (Continued)

The \$126,299 reported as deferred outflows of resources related to OPEB resulting from District contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>OPEB Expense</u>
2024	\$ (41,626)
2025	(41,626)
2026	(41,626)
2027	(41,617)
2028	(28,000)
Thereafter	(18,695)
Total	<u>\$ (213,190)</u>

For the year ended June 30, 2023, the District recognized OPEB expense of \$91,350.

NOTE 11 COMMITMENTS AND CONTINGENCIES

Federal and State Receivables

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable 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. The financial assistance received is subject to audits by the grantor agency.

Claims and Litigation

The District, in connection with the normal conduct of its affairs, is involved in various claims, judgements, and litigations. It is unknown at this time, if the potential claims resulting from such litigation and not covered by insurance would materially affect the financial statements of the District. No liability or provision for loss has been recorded in the June 30, 2023 financial statements in relation to any of these matters.

NOTE 12 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; error and omissions; injuries to employees; natural disasters and workers' compensation. The District purchases commercial insurance coverage for such risks.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 12 RISK MANAGEMENT (CONTINUED)

The District continues to carry commercial insurance for all other risk of loss. There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. In addition, there have been no settlements in excess of the District's insurance coverage in any of the prior three years.

NOTE 13 DEFINED CONTRIBUTION PLAN

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the Plan). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. Contributions are invested in tax-deferred annuities selected and owned by Plan participants. The District contributions for the year ended June 30, 2023 was \$220,886.

NOTE 14 RESTATEMENT

During the current year, it was determined that there were two overstatements and two understatements of net position on the June 30, 2022 statement of activities due to errors. Therefore, to correct these errors, the beginning net position was restated by \$777,073. The restatement related to deferred inflows – pensions is due to using the wrong amount in the prior year causing deferred inflows to be understated. The restatement related to deferred outflows – pensions is due to using the wrong amount in the prior year causing deferred outflows to be understated. The restatement of vacation payable is due to the District recording vacation payable for employees who were not eligible for the benefit. The restatement of deferred outflows – OPEB is due to the wrong deferred outflow amount being used from the actuarial report.

The following table summarizes the breakdown of the current year restatement related to prior period adjustments.

	Governmental Activities
Net Position - Beginning of Year, as Previously Reported	\$ 6,556,995
Prior Period Adjustments:	
Deferred Inflows - Pensions	(818,278)
Deferred Outflows - Pensions	210,838
Vacation Payable	28,353
Deferred Outflows - OPEB	(197,986)
Net Position - Beginning of Year, as Restated	<u>\$ 5,779,922</u>

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Over (Under)
	Original	Final	Amounts	Final Budget
REVENUES				
Local Sources:				
Property Taxes	\$ 2,828,675	\$ 2,828,675	\$ 2,855,241	\$ 26,566
Earnings on Investments	12,000	60,000	43,747	(16,253)
Other	712,175	869,575	876,508	6,933
State Sources	15,804,169	16,302,568	16,383,004	80,436
Federal Sources	1,512,121	1,363,323	1,483,018	119,695
Total Revenues	20,869,140	21,424,141	21,641,518	217,377
EXPENDITURES				
Current:				
Administration	968,132	1,034,613	994,725	(39,888)
District Support Services	637,230	578,338	595,762	17,424
Regular Instruction	8,072,144	8,013,103	8,077,945	64,842
Vocational Education Instruction	268,570	264,360	367,048	102,688
Special Education Instruction	5,928,117	6,285,669	6,494,013	208,344
Instructional Support Services	530,704	592,122	483,823	(108,299)
Pupil Support Services	1,659,902	1,782,208	1,735,815	(46,393)
Sites and Buildings	1,671,386	1,676,571	1,770,356	93,785
Fiscal and Other Fixed Cost Programs	119,500	121,367	121,367	-
Capital Outlay	941,722	1,506,892	1,440,539	(66,353)
Debt Service:				
Principal	240,118	239,281	239,932	651
Interest and Fiscal Charges	26,563	27,400	26,549	(851)
Total Expenditures	21,064,088	22,121,924	22,347,874	225,950
EXCESS OF REVENUES OVER EXPENDITURES	(194,948)	(697,783)	(706,356)	(8,573)
OTHER FINANCING SOURCES				
Lease Liability Proceeds	-	-	17,343	17,343
Insurance Proceeds	-	1,526	1,799	273
Total Other Financing Sources	-	1,526	19,142	17,616
NET CHANGE IN FUND BALANCE	<u>\$ (194,948)</u>	<u>\$ (696,257)</u>	(687,214)	<u>\$ 9,043</u>
Fund Balance - Beginning of Year			3,997,601	
FUND BALANCE - END OF YEAR			<u><u>\$ 3,310,387</u></u>	

See accompanying Notes to Required Supplementary Information.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
BUDGETARY COMPARISON SCHEDULE – FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final	Amounts	
REVENUES				
Local Sources:				
Other - Primarily Meal Sales	\$ 418,975	\$ 432,061	\$ 429,910	\$ (2,151)
Earnings on Investments	-	-	6,170	6,170
State Sources	86,500	65,000	65,958	958
Federal Sources	343,900	510,346	560,456	50,110
Total Revenues	<u>849,375</u>	<u>1,007,407</u>	<u>1,062,494</u>	<u>55,087</u>
EXPENDITURES				
Current:				
Food Service	1,006,870	1,105,776	1,074,724	(31,052)
Capital Outlay	-	-	64,215	64,215
Total Expenditures	<u>1,006,870</u>	<u>1,105,776</u>	<u>1,138,939</u>	<u>33,163</u>
NET CHANGE IN FUND BALANCE	<u>\$ (157,495)</u>	<u>\$ (98,369)</u>	(76,445)	<u>\$ 21,924</u>
Fund Balance - Beginning of Year			<u>503,126</u>	
FUND BALANCE - END OF YEAR			<u>\$ 426,681</u>	

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
BUDGETARY COMPARISON SCHEDULE – COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final	Amounts	
REVENUES				
Local Sources:				
Property Taxes	\$ 146,231	\$ 146,222	\$ 143,258	\$ (2,964)
Earnings on Investments	-	-	5,332	5,332
Other - Primarily Tuition and Fees	443,300	492,329	551,396	59,067
State Sources	95,749	94,875	94,766	(109)
Total Revenues	685,280	733,426	794,752	61,326
EXPENDITURES				
Current				
Community Service	633,150	736,664	776,863	40,199
NET CHANGE IN FUND BALANCE	<u>\$ 52,130</u>	<u>\$ (3,238)</u>	17,889	<u>\$ 21,127</u>
Fund Balance - Beginning of Year			301,641	
FUND BALANCE - END OF YEAR			<u>\$ 319,530</u>	

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
SCHEDULE OF CHANGES IN THE DISTRICT'S OPEB LIABILITY AND RELATED RATIOS
LAST TEN MEASUREMENT DATES**

Measurement Date	2023	2022	2021
Total OPEB Liability			
Service Cost	\$ 95,392	\$ 119,003	\$ 111,573
Interest	37,584	46,459	58,291
Differences Between Expected and Actual Experience	-	(170,350)	-
Assumption Changes	(130,901)	54,660	57,881
Benefit Payments	(170,847)	(173,465)	(185,629)
Net Change in Total OPEB Liability	(168,772)	(123,693)	42,116
Total OPEB Liability - Beginning	1,779,310	1,903,003	1,860,887
Total OPEB Liability - Ending (a)	\$ 1,610,538	\$ 1,779,310	\$ 1,903,003
Covered-Employee Payroll	\$ 10,948,973	\$ 10,630,071	\$ 10,472,650
District's Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll	14.71%	16.74%	18.17%

Note 1: The District implemented GASB Statement No. 75 in fiscal year 2017 and the above table will be expanded to 10 years of information as the information becomes available.

Note 2: No assets are accumulated in a trust.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
SCHEDULE OF CHANGES IN THE DISTRICT'S OPEB LIABILITY AND RELATED RATIOS
LAST TEN MEASUREMENT DATES (CONTINUED)**

<u>2020</u>	<u>2019</u>	<u>2018</u>
\$ 97,260	\$ 103,726	\$ 100,705
68,593	70,267	71,810
(87,517)	-	-
(21,546)	-	-
<u>(230,239)</u>	<u>(203,485)</u>	<u>(238,107)</u>
(173,449)	(29,492)	(65,592)
<u>2,034,336</u>	<u>2,063,828</u>	<u>2,129,420</u>
<u>\$ 1,860,887</u>	<u>\$ 2,034,336</u>	<u>\$ 2,063,828</u>
 \$ 10,167,621	 \$ 9,176,892	 \$ 8,909,604
 18.30%	 22.17%	 23.16%

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS**

	Measurement Date June 30, 2022	Measurement Date June 30, 2021	Measurement Date June 30, 2020	Measurement Date June 30, 2019	Measurement Date June 30, 2018
General Employees Fund					
District's Proportion of the Net Pension Liability	0.0468%	0.0417%	0.0457%	0.0196%	0.0224%
District's Proportionate Share of the Net Pension Liability	\$ 3,706,575	\$ 1,780,777	\$ 2,608,024	\$ 2,526,651	\$ 2,490,868
State's Proportionate Share of the Net Pension Liability Associated with District	108,729	54,415	80,257	78,497	81,753
Total of District's and State's Proportionate Share of the Net Pension Liability	3,815,304	1,835,192	2,688,281	2,605,148	2,572,621
District's Employee Payroll	3,274,787	3,001,853	3,104,907	3,244,360	3,020,573
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Employee Payroll	113.19%	59.32%	84.00%	77.88%	82.46%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.70%	87.00%	79.06%	80.20%	75.90%
TRA					
District's Proportion of the Net Pension Liability	0.1331%	0.1246%	0.1252%	0.0687%	0.0686%
District's Proportionate Share of the Net Pension Liability	\$ 10,657,944	\$ 5,452,869	\$ 9,249,944	\$ 7,865,542	\$ 7,587,371
State's Proportionate Share of the Net Pension Liability Associated with District	790,381	459,859	775,217	387,524	404,967
Total Proportionate Share of the Net Pension Liability Associated with District	11,448,325	5,912,728	10,025,161	8,253,066	7,992,338
District's Payroll	7,271,115	7,458,930	7,274,167	7,004,617	6,671,333
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Payroll	146.58%	73.11%	127.16%	112.29%	113.73%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.17%	86.63%	75.48%	78.07%	78.07%

Note: Information is presented prospectively and an accumulation of 10 years will be provided as the information becomes available.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS (CONTINUED)**

Measurement Date <u>June 30, 2017</u>	Measurement Date <u>June 30, 2016</u>	Measurement Date <u>June 30, 2015</u>	Measurement Date <u>June 30, 2014</u>
0.0245%	0.0245%	0.0261%	0.0279%
\$ 2,783,395	\$ 3,320,877	\$ 2,285,493	\$ 2,179,640
<u>72,994</u>	<u>43,441</u>	<u>-</u>	<u>-</u>
2,856,389	3,364,318	2,285,493	2,179,640
2,815,040	2,557,505	2,622,477	2,462,836
98.88%	129.85%	87.15%	88.50%
75.90%	68.91%	78.20%	78.70%
0.0672%	0.0683%	0.0687%	0.0719%
\$ 23,195,628	\$ 28,193,520	\$ 7,460,303	\$ 5,488,042
<u>1,296,791</u>	<u>1,636,177</u>	<u>521,095</u>	<u>233,199</u>
24,492,419	29,829,697	7,981,398	5,721,241
6,317,747	6,263,526	6,118,707	6,051,472
367.15%	450.12%	121.93%	90.69%
51.57%	44.88%	76.80%	81.50%

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
SCHEDULE OF DISTRICT CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	2023	2022	2021	2020	2019
General Employees Fund					
Contractually Required Contribution	\$ 245,609	\$ 225,139	\$ 232,868	\$ 242,672	\$ 243,327
Contributions in Relation to the					
Contractually Required Contribution	(245,609)	(225,139)	(232,868)	(242,672)	(243,327)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Payroll	\$ 3,274,787	\$ 3,001,853	\$ 3,104,907	\$ 3,235,627	\$ 3,244,360
Contributions as a Percentage of					
Employee Payroll	7.50%	7.50%	7.50%	7.50%	7.50%
TRA					
Contractually Required Contribution	\$ 706,151	\$ 606,411	\$ 576,114	\$ 540,056	\$ 500,350
Contributions in Relation to the					
Contractually Required Contribution	(706,151)	(606,411)	(576,114)	(540,056)	(500,350)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Payroll	\$ 8,259,076	\$ 7,271,115	\$ 7,086,273	\$ 6,818,889	\$ 6,489,624
Contributions as a Percentage of					
Employee Payroll	8.55%	8.34%	8.13%	7.92%	7.71%

See accompanying Notes to Required Supplementary Information.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
SCHEDULE OF DISTRICT CONTRIBUTIONS
LAST TEN FISCAL YEARS (CONTINUED)**

2018	2017	2016	2015	2014
\$ 226,543	\$ 211,128	\$ 189,121	\$ 196,632	\$ 178,740
(226,543)	(211,128)	(189,121)	(196,632)	(178,740)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,020,573	\$ 2,815,040	\$ 2,557,505	\$ 2,622,477	\$ 2,462,836
7.50%	7.50%	7.50%	7.40%	7.25%
\$ 504,810	\$ 473,831	\$ 462,342	\$ 452,194	\$ 396,765
(504,810)	(473,831)	(462,342)	(262,516)	(396,765)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,730,800	\$ 6,317,747	\$ 6,164,560	\$ 6,029,253	\$ 5,668,071
7.50%	7.50%	7.50%	7.50%	7.00%

See accompanying Notes to Required Supplementary Information.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023**

NOTE 1 LEGAL COMPLIANCE – BUDGETS

The budget and the actual amounts are both prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

In the following fund, expenditures exceeded the appropriations during the year ended June 30, 2023:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	\$ 22,121,924	\$ 22,347,874	\$ 225,950
Food Service Fund	1,105,776	1,138,939	33,163
Community Service Fund	736,664	776,863	40,199

The overage above was considered by District management to be the result of necessary expenditures critical to operations.

NOTE 2 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFITS PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS

Since the most recent GASB 75 valuation, the following changes have been made:

2022

- The discount rate was changed from 2.10% to 3.80%.
- The inflation rate was changed from 2.00% to 2.50%.
- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teacher) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.
- The inflation rate was changed from 2.50% to 2.00%
- The discount rate was changed from 2.40% to 2.10%.

2021

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

2020

- The health care trend rates, mortality tables, and salary increase rates were updated
- The discount rate was changed from 3.4% to 3.1%.

2019

- None noted

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023**

**NOTE 2 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFITS PLAN
PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

2018

- The teachers added an early retirement incentive of \$2,500 per year for three years payable to a health reimbursement account. Teachers need to retire by June 30, 2019, to receive the benefit. Two teachers are known to elect this benefit as of June 30, 2018.
- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.
- The discount rate was changed from 3.00% to 3.40%.

**NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS**

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

2022

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023**

**NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2020 (Continued)

Changes in Actuarial Assumptions (Continued)

- 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.

Changes in Plan Provisions

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

2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023**

**NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2018

Changes in Actuarial Assumption

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed postretirement benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Changes in Plan Provisions

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

2017

Changes in Actuarial Assumption

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

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023**

**NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2017 (Continued)

Changes in Plan Provisions

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

2016

Changes in Actuarial Assumptions

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

Changes in Actuarial Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% per year thereafter.

Changes in Plan Provisions

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

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023**

NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

The following changes were reflected in the valuation performed on behalf of the Teachers Retirement Association for the year ended June 30:

2022

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021

Changes in Actuarial Assumptions

- The investment return assumption was changed from 7.50% to 7.00%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020

Changes in Actuarial Assumptions

- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 5 years and female rates set back 7 years.
- Generational projection uses the MP-2015 scale. Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023**

**NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2018

Changes in Actuarial Assumptions

- The investment return assumption was changed from 8.5% to 7.5%.
- The price inflation assumption was lowered from 3.0% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for the next 10 years, and 0.75% thereafter.
- The total salary increase assumption was adjusted by the wage inflation change.
- The amortization date for the funding of the Unfunded Actuarial Accrual Liability (UAAL) was reset to June 30, 2048 (30 years).
- The mechanism in the law that provided the TRA Board with some authority is set contribution rates was eliminated.

Changes in Plan Provisions

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

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023**

**NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2017

Changes in Actuarial Assumptions

- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- Adjustment were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the nonvested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for 10 years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions

- The cost of living adjustment was not assumed to increase (it remained at 2.0% for all future years).
- The price inflation assumption was lowered from 3.0% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes at some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 6 years, and female rates set back five years. Generational projection uses the MP-2015 scale.
- The postretirement mortality assumption was changed to the RP-2014 while collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustments.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023**

NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2016 (Continued)

Changes in Actuarial Assumptions (Continued)

- Separate retirement assumptions for members hired before or after July 1, 1989 were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2037.
- The investment return assumption was changed from 8.25% to 8.0%.

Changes in Plan Provisions

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

2014

Changes in Actuarial Assumptions

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually once the legally specified criteria was met. This was estimated to occur July 1, 2031.

Changes in Plan Provisions

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

SUPPLEMENTARY INFORMATION

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final	Amounts	
REVENUES				
Local Sources				
Property Tax	\$ 1,448,361	\$ 1,448,367	\$ 1,141,931	\$ (306,436)
Earnings on Investments	1,200	-	8,330	8,330
State Sources	298,041	337,913	338,516	603
Total Revenues	<u>1,747,602</u>	<u>1,786,280</u>	<u>1,488,777</u>	<u>(297,503)</u>
EXPENDITURES				
Debt Service:				
Bond Principal	1,269,050	1,269,050	1,225,000	(44,050)
Bond Interest	222,625	221,575	264,675	43,100
Paying Agent Fees and Other	-	-	950	950
Total Expenditures	<u>1,491,675</u>	<u>1,490,625</u>	<u>1,490,625</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ 255,927</u>	<u>\$ 295,655</u>	(1,848)	<u>\$ (297,503)</u>
Fund Balance - Beginning of Year			<u>311,193</u>	
FUND BALANCE - END OF YEAR			<u>\$ 309,345</u>	

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2023**

	Audit	UFARS	Audit- UFARS		Audit	UFARS	Audit- UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenues	\$ 21,641,518	\$ 21,641,520	\$ (2)	Total Revenues	\$ -	\$ -	\$ -
Total Expenditures	\$ 22,347,874	\$ 22,347,873	\$ 1	Total Expenditures	\$ -	\$ -	\$ -
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
460 Non Spendable Fund Balance	\$ 18,921	\$ 18,921	\$ -	460 Non Spendable Fund Balance	\$ -	\$ -	\$ -
<i>Restricted/Reserved:</i>				<i>Restricted/Reserved:</i>			
401 Student Activities	\$ 105,243	\$ 105,244	\$ (1)	407 Capital Projects Levy	\$ -	\$ -	\$ -
402 Scholarships	\$ 31,284	\$ 31,284	\$ -	409 Alternative Fac. Program	\$ -	\$ -	\$ -
403 Staff Development	\$ -	\$ -	\$ -	413 Projects Funded by COP/LP	\$ -	\$ -	\$ -
407 Capital Project Levy	\$ -	\$ -	\$ -	<i>Restricted:</i>			
408 Cooperative Programs	\$ -	\$ -	\$ -	464 Restricted Fund Balance			\$ -
409 Alternative Facilities	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
413 Projects Funded by COP/LP	\$ -	\$ -	\$ -	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
414 Operating Debt	\$ -	\$ -	\$ -				
416 Levy Reduction	\$ -	\$ -	\$ -	07 DEBT SERVICE			
417 Excess Taconite Building Maint. Funds	\$ -	\$ -	\$ -	Total Revenues	\$ 1,488,777	\$ 1,488,777	\$ -
423 Certain Teacher Programs	\$ -	\$ -	\$ -	Total Expenditures	\$ 1,490,625	\$ 1,490,625	\$ -
424 Operating Capital	\$ 41,821	\$ 41,821	\$ -	<i>Non Spendable:</i>			
426 \$25 Taconite	\$ -	\$ -	\$ -	460 Non Spendable Fund Balance	\$ -	\$ -	\$ -
427 Disabled Accessibility	\$ -	\$ -	\$ -	<i>Restricted/Reserved:</i>			
428 Learning & Development	\$ -	\$ -	\$ -	425 Bond Refundings	\$ -	\$ -	\$ -
434 Area Learning Center	\$ -	\$ -	\$ -	451 QZAB Payments	\$ -	\$ -	\$ -
435 Contracted Alt. Programs	\$ -	\$ -	\$ -	<i>Restricted:</i>			
436 St. Approved Alt. Prog.	\$ -	\$ -	\$ -	464 Restricted Fund Balance	\$ 309,345	\$ 309,345	\$ -
438 Gifted & Talented	\$ 363	\$ 363	\$ -	<i>Unassigned:</i>			
440 Teacher Development & Eval	\$ -	\$ -	\$ -	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
441 Basic Skills	\$ -	\$ -	\$ -				
445 Career and Technical Programs	\$ -	\$ -	\$ -	20 INTERNAL SERVICE			
448 Achievement and Integration	\$ -	\$ -	\$ -	Total Revenues	\$ -	\$ -	\$ -
449 Safe Schools Levy	\$ 36,186	\$ 36,186	\$ -	Total Expenditures	\$ -	\$ -	\$ -
450 Pre-Kindergarten	\$ -	\$ -	\$ -	422 Net Assets	\$ -	\$ -	\$ -
451 QZAB and QSCB Payments	\$ -	\$ -	\$ -				
453 Restricted for Unfunded Severance	\$ -	\$ -	\$ -	25 OPEB REVOCABLE TRUST			
467 LTFM	* \$ (94,059)	\$ (94,059)	\$ -	Total Revenues	\$ -	\$ -	\$ -
<i>Restricted:</i>				Total Expenditures	\$ -	\$ -	\$ -
464 Restricted Fund Balance	\$ -	\$ -	\$ -	422 Net Assets	\$ -	\$ -	\$ -
<i>Committed</i>							
418 Committed for Separation	\$ -	\$ -	\$ -	45 OPEB IRREVOCABLE TRUST			
461 Committed Fund Balance	\$ -	\$ -	\$ -	Total Revenues	\$ -	\$ -	\$ -
<i>Assigned:</i>				Total Expenditures	\$ -	\$ -	\$ -
462 Assigned Fund Balance	\$ 38,490	\$ 38,490	\$ -	422 Net Assets	\$ -	\$ -	\$ -
<i>Unassigned</i>							
422 Unassigned	* \$ 3,041,045	\$ 3,041,046	\$ (1)	47 OPEB DEBT SERVICE			
				Total Revenues	\$ -	\$ -	\$ -
02 FOOD SERVICE				Total Expenditures	\$ -	\$ -	\$ -
Total Revenues	\$ 1,062,494	\$ 1,062,494	\$ -	<i>Non Spendable:</i>			
Total Expenditures	\$ 1,138,939	\$ 1,138,940	\$ (1)	460 Non Spendable Fund Balance	\$ -	\$ -	\$ -
<i>Non Spendable:</i>				<i>Restricted:</i>			
460 Non Spendable Fund Balance	\$ 11,050	\$ 11,050	\$ -	425 Bond Refundings	\$ -	\$ -	\$ -
<i>Restricted:</i>				464 Restricted Fund Balance	\$ -	\$ -	\$ -
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
464 Restricted Fund Balance	\$ 415,631	\$ 415,630	\$ 1	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
<i>Unassigned:</i>							
463 Unassigned	\$ -	\$ -	\$ -				
04 COMMUNITY SERVICE							
Total Revenues	\$ 794,752	\$ 794,750	\$ 2				
Total Expenditures	\$ 776,863	\$ 776,862	\$ 1				
<i>Restricted/Reserved:</i>							
426 \$25 Taconite	\$ -	\$ -	\$ -				
431 Community Education	\$ 181,364	\$ 181,364	\$ -				
432 E.C.F.E.	\$ 10,965	\$ 10,965	\$ -				
444 School Readiness	\$ 97,548	\$ 97,548	\$ -				
447 Adult Basic Education	\$ -	\$ -	\$ -				
452 OPEB Liab. Not in Trust	\$ -	\$ -	\$ -				
<i>Restricted:</i>							
464 Restricted Fund Balance	\$ 29,653	\$ 29,653	\$ -				
<i>Unassigned:</i>							
463 Unassigned Fund Balance	\$ -	\$ -	\$ -				

* Amounts differ from those reported on the fund level balance sheet due to the need to reclassify negative restricted fund balance to unassigned fund balance.

