Financial Statements
June 30, 2023

Independent School District No. 690
Warroad Public Schools

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Other Supplementary Information

Additional Reports

Name	Position	Term Expires
School Board		
Laurie Thompson	Chairperson	2022
Cindy Drost-Sandy	Vice Chairperson	2024
Brenda Solar	Clerk	2026
Blayke Nelson	Treasurer	2026
Matt Schreiner	Director	2024
Gus Booth	Director	2026
Administration		
Shawn Yates	Superintendent	
Amanda Burke	Director of Business Services	

Independent Auditor's Report

The School Board of
Independent School District No. 690
Warroad Public Schools
Warroad, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 690 ("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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2023, and the respective changes in financial position, and the respective budgetary comparison for the general fund 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is 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, schedule of changes in supplemental benefits liability, schedule of supplemental benefits liability, schedule of changes in the District's net OPEB liability and related ratios, schedule of District OPEB contributions, schedule of employer's share of net pension liability, and schedule of employer's contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 combining and individual fund schedules, the uniform financial accounting and reporting standards compliance table, and Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis are not a required part of the 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 combining and individual fund schedules, the uniform financial accounting and reporting standards compliance table, and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 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.

Report on Other Legal and Regulatory Requirements

In accordance with Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated November 28, 2023, on our consideration of the District's compliance with aspects of the provisions of the Minnesota Legal Compliance Audit Guide for School Districts. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with Office of the State Auditor's Minnesota Legal Compliance Audit Guide for School Districts in considering the District's compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.

Eide Bailly LLP

Fargo, North Dakota
November 28, 2023

This section of Warroad Public Schools – Independent School District No. 690's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2023. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

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

- *General Fund 01* – The overall revenues were $14,291,786 while the overall expenditures were $13,709,037. These increased the fund balance by $525,981.
- *Food Service Fund 02* – The overall revenues were $715,042 while the overall expenditures were $761,622, decreased the fund balance by $46,580.
- *Community Service Fund 04* – The overall revenues were $511,196 while the overall expenditures were $629,417, decreasing the fund balance by $61,453.
- *Capital Projects Fund 06* – The overall revenues were $- while the overall expenditures were $129,769. These decreased the fund balance by $129,769.
- *Debt Service Fund 07* – The overall revenues were $1,522,587 while the overall expenditures were $1,516,591, increased the fund balance by $5,996.

Overview of the Financial Statements

Government-Wide Statements

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

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

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statement the District's activities are shown in one category:

- *Governmental Activities* – All of the District's basic services are included here, such as regular and special education, transportation, administration, food service, 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 revenues (e.g., federal grants).

The District has two kinds of funds:

- *Governmental Funds* – All 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 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 government-wide statements, we provide additional information following the governmental funds statements that explains the relationship (or differences) between them.

- *Fiduciary Funds* – The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only by those to whom the assets belong.

Financial Analysis of the District as a Whole

Net Position

The District's combined net position was $1,784,705 on June 30, 2023.

Statement of Net Position
June 30, 2023 and 2022

	2023	2022
Assets		
Current assets	$ 6,210,231	$ 5,574,086
Capital assets	26,281,413	27,618,474
Total assets	32,491,644	33,192,560
Deferred Outflows of Resources	4,064,727	4,882,571
Liabilities		
Other liabilities	1,099,800	1,140,522
Long-term liabilities	28,695,649	25,100,977
Total liabilities	29,795,449	26,241,499
Deferred Inflows of Resources	4,976,217	11,559,056
Net Position		
Net investment in capital assets	9,084,370	9,545,213
Restricted for specific purposes	830,919	893,668
Unrestricted	(8,130,584)	(10,164,305)
Total net position	$ 1,784,705	$ 274,576

Changes in Net Position – The District's total revenues were approximately $17.0 million for the year ended June 30, 2023. Property taxes and state formula aid accounted for 72.3% of total revenue for the year. Another 25.8% came from program revenues.

The total cost of all programs and services was approximately $15.5 million. The District's expenses are predominantly related to educating and caring for students. The purely administrative activities of the District accounted for just 2.4% of total costs.

The total revenues exceeded expenses, increasing the net position by approximately $1.5 million for fiscal year 2023.

Statement of Activities
Years Ended June 30, 2023 and 2022

	2023	2022
Revenues		
Program revenues		
Charges for service	$ 1,091,293	$ 706,415
Operating grants and contributions	3,309,371	4,422,238
General		
Property taxes	2,810,146	2,411,985
Aids and payments from state and other	9,498,219	9,432,687
Miscellaneous revenues	323,902	342,629
Total revenues	17,032,931	17,315,954
Expenses		
Administration	371,431	266,419
District support services	337,925	323,069
Regular instruction	6,035,951	6,397,052
Vocational instruction	327,640	302,793
Special education instruction	2,290,807	2,929,352
Community education and services	629,417	637,458
Instructional support services	807,121	1,006,597
Pupil support services	1,719,320	1,838,804
Sites and buildings	2,313,875	2,353,140
Fiscal and other fixed-cost programs	689,315	637,893
Total expenses	15,522,802	16,692,577
Change in Net Position (Deficit)	1,510,129	623,377
Net Position (Deficit) - Beginning	274,576	(348,801)
Net Position - Ending	$ 1,784,705	$ 274,576

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, buildings and grounds, and capital outlay projects.

The following schedule presents a summary of General Fund Revenues.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2023	2022		
Local Property Taxes	$ 1,065,305	$ 1,068,724	$ (3,419)	-0.3%
Other Local Sources	1,436,958	1,064,351	372,607	35.0%
State Sources	11,202,030	10,683,665	518,365	4.9%
Federal Sources	587,493	1,648,833	(1,061,340)	-64.4%
Miscellaneous	-	1,498	(1,498)	-100.0%
Total general fund revenues	$ 14,291,786	$ 14,467,071	$ (175,285)	-1.2%

Total General Fund revenue decreased by $175,285 or 1.2% from the previous year. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on revenue. Federal aid decreased during 2023 as a result of fewer COVID-19 ESSER grant funding in 2023.

The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2023	2022		
Salaries and Benefits	$ 10,726,544	$ 11,036,326	$ (309,782)	-2.8%
Purchased Services	1,301,051	1,218,346	82,705	6.8%
Supplies and Materials	1,185,430	998,653	186,777	18.7%
Capital Expenditures	295,144	391,046	(95,902)	-24.5%
Other Expenditures	200,868	342,586	(141,718)	-41.4%
Total general fund expenditures	$ 13,709,037	$ 13,986,957	$ (277,920)	-2.0%

Total General Fund expenditures decreased by $277,920 or 2.0% from the previous year. The majority of the decrease in expenditures for 2023 was for salaries and benefits of district staff as well as the less technology purchases during 2023.

General Fund Budgetary Highlights

The District's general fund results when compared to the final budget are:

- Actual revenues were $422,480 more than budget, mainly because of greater anticipated revenue from local sources.
- Actual expenditures were $706,136 less than budget, mainly because of less special education needs of the district as well as less repair and maintenance expenses than anticipated during 2023.

Other Non-Major Funds

The Food Service Fund incurred a current year deficit of $46,580. The Community Service Fund incurred a current year deficit of $61,453. From the standpoint of maintaining current operating expenditures within the relative range of annual revenue, the Community Service Fund and Food Service Fund continue to operate on a sound financial basis.

Capital Assets

By the end of fiscal year 2023, the District had invested approximately $45.4 million in a broad range of capital assets, including school buildings, athletic facilities, computer and audit-visual equipment, and school vehicles. Total depreciation and amortization expense for the year was $1,532,788. Note 4 presents the detail of the District's capital assets.

Capital Assets Governmental Activities
June 30, 2023 and 2022

	2023	2022
Land	$ 351,203	$ 351,203
Buildings	38,253,269	38,233,279
Improvements	1,739,948	1,739,948
Equipment	4,840,367	4,693,831
Right-to-Use Lease Assets	257,016	257,016
Accumulated Depreciation/Amortization	(19,160,390)	(17,656,803)
Total capital assets	$ 26,281,413	$ 27,618,474

Long-Term Liabilities

At year end the District had $17,275,919 of long term debt, excluding pension, OPEB, and supplemental benefits liabilities. This consisted of bonded indebtedness of $16,840,000, unamortized bond premiums of $234,368, leases payable of $122,675, and vacation and sick leave payable of $78,876. Note 7 presents the detail of the District's long-term debt. Note 6 presents the details of the District's leases. The District has $328,005 in supplemental benefit liability. See Note 8 for further information on supplemental benefits. The District has $51,931 in liabilities for other postemployment benefits. See Note 6 for further information on OPEB obligations. The District has $11,039,794 in net pension liability at June 30, 2023. See Note 10 for further information on pensions.

Factors Bearing on the District's Future

With the exception of voter-approved excess operating referendum, the District is dependent on the State of Minnesota for its revenue authority. The state did allocate additional resources to school districts at a much greater level in the next two years than has been seen for quite some time. However, with the continuing uncertainty of funding sustainability, the District will continue to monitor its spending to remain fiscally responsible.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers 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 any questions about this report or would like additional information, contact the Business Office, Independent School District No. 690, Warroad, Minnesota.

Independent School District No. 690
Warroad Public Schools
Statement of Net Position
June 30, 2023

Assets	
Cash and cash equivalents	$ 3,773,553
Receivables	
Current property taxes	1,236,689
Delinquent property taxes	37,529
Accounts	13,393
Due from other governmental units	1,081,118
Prepaid items	45,296
Inventories	22,653
	6,210,231
Capital assets	
Capital assets not being depreciated	
Land	351,203
Capital assets, net of accumulated depreciation/amortization	
Buildings and improvements	23,983,949
Land improvements	657,995
Equipment	1,168,324
Right-to-use lease assets	119,942
Total capital assets	26,281,413
Total assets	32,491,644
Deferred Outflows of Resources	
Other postemployment benefits	253,239
Supplemental benefits	34,951
Pension plans	3,776,537
Total deferred inflows of resources	4,064,727
Liabilities	
Accounts payable	38,473
Salaries payable	851,208
Accrued interest payable	210,119
Long-term liabilities	
Due within one year - other than pensions, OPEB, and supplemental benefits	1,158,377
Due in more than one year - other than pensions, OPEB, and supplemental benefits	16,117,542
Due in more than one year - supplemental benefits	328,005
Due in more than one year - other postemployment benefits	51,931
Due in more than one year - net pension liability	11,039,794
Total liabilities	29,795,449
Deferred Inflows of Resources	
Property taxes levied for subsequent year	2,756,193
Other postemployment benefits	458,242
Supplemental benefits	121,248
Pension plans	1,640,534
Total deferred inflows of resources	4,976,217
Net Position	
Net investment in capital assets	9,084,370
Restricted for specific purposes	830,919
Unrestricted	(8,130,584)
Total net position	$ 1,784,705

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities					
Administration	$ 371,431	$ -	$ -	$ -	$ (371,431)
District support services	337,925	-	-	-	(337,925)
Regular instruction	6,035,951	464,073	244,236	-	(5,327,642)
Vocational instruction	327,640	-	15,853	-	(311,787)
Special education instruction	2,290,807	68,166	2,155,001	-	(67,640)
Community education and services	629,417	337,564	100,895	-	(190,958)
Instructional support services	807,121	2,413	23,254	-	(781,454)
Pupil support services	1,719,320	217,653	552,843	-	(948,824)
Sites and buildings	2,313,875	1,424	217,289	-	(2,095,162)
Fiscal and other fixed-cost programs	689,315	-	-	-	(689,315)
Total governmental activities	$ 15,522,802	$ 1,091,293	$ 3,309,371	$ -	(11,122,138)
General Revenues					
Property taxes, levied for general purposes					1,456,783
Property taxes, levied for community education and services					67,683
Property taxes, levied for debt service					1,285,680
Aids and payments from state sources					9,200,201
Aids and payments from federal sources					59,075
County apportionment					238,943
Unrestricted investment earnings					28,930
Miscellaneous revenues					294,972
Total general revenues					12,632,267
Change in Net Position					1,510,129
Net Position - Beginning					274,576
Net Position - Ending					$ 1,784,705

Governmental Funds
Balance Sheet
June 30, 2023

	General	Debt Service	Other Governmental Funds	Totals
Assets				
Cash and cash equivalents	$ 2,495,587	$ 1,051,027	$ 226,939	$ 3,773,553
Receivables				
Current property taxes	600,652	608,548	27,489	1,236,689
Delinquent property taxes	15,339	21,151	1,039	37,529
Accounts	13,393	-	-	13,393
Due from other governmental units	1,046,602	23,879	10,637	1,081,118
Prepaid items	45,296	-	-	45,296
Inventories	-	-	22,653	22,653
Total assets	$ 4,216,869	$ 1,704,605	$ 288,757	$ 6,210,231
Liabilities				
Accounts payable	$ 38,473	$ -	$ -	$ 38,473
Salaries payable	808,037	-	43,171	851,208
Total liabilities	846,510	-	43,171	889,681
Deferred Inflows of Resources				
Unavailable revenue-property taxes	15,339	21,151	1,039	37,529
Property taxes levied for subsequent year	1,305,742	1,381,893	68,558	2,756,193
Total deferred inflows of resources	1,321,081	1,403,044	69,597	2,793,722
Fund Balance				
Nonspendable	45,296	-	22,653	67,949
Restricted	505,373	301,561	211,914	1,018,848
Committed	40,804	-	-	40,804
Unassigned	1,457,805	-	(58,578)	1,399,227
Total fund balance	2,049,278	301,561	175,989	2,526,828
Total liabilities, deferred inflows of resources, and fund balance	$ 4,216,869	$ 1,704,605	$ 288,757	$ 6,210,231

Total Fund Balances - Governmental Funds	$ 2,526,828
Amounts reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported as assets in the governmental funds.	26,281,413
Accrued interest payable for long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(210,119)
Delinquent property taxes are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	37,529
Deferred outflows and inflows of resources related to pension, supplemental benefit, and OPEB plans are applicable to future periods and, therefore, are not reported in the funds.	1,844,703
Long-term liabilities, including bonds payable, leases, bond premiums, compensated absences, supplemental benefits, other post-employment benefits, and pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(28,695,649)
Total Net Position - Governmental Activities	$ 1,784,705

	General	Debt Service	Other Governmental Funds	Totals
Revenues				
Local property tax levies	$ 1,065,305	$ 1,285,680	$ 67,683	$ 2,418,668
Other local and county sources	1,408,028	-	331,371	1,739,399
Investment earnings	28,930	-	-	28,930
State sources	11,202,030	236,907	155,318	11,594,255
Federal sources	587,493	-	455,065	1,042,558
Sales and other conversion of assets	-	-	216,801	216,801
Total revenues	14,291,786	1,522,587	1,226,238	17,040,611
Expenditures				
Current				
Administration	801,762	-	-	801,762
District support services	324,628	-	-	324,628
Regular instruction	5,757,190	-	-	5,757,190
Vocational instruction	343,666	-	-	343,666
Special education instruction	2,781,037	-	-	2,781,037
Community education and service	-	-	629,417	629,417
Instructional support services	767,800	-	-	767,800
Pupil support services	1,257,441	-	761,622	2,019,063
Sites and buildings	1,069,947	-	-	1,069,947
Fiscal and other fixed cost programs	177,503	2,376	-	179,879
Debt service				
Principal	125,586	985,000	-	1,110,586
Interest	7,333	529,215	-	536,548
Capital outlay	295,144	-	129,769	424,913
Total expenditures	13,709,037	1,516,591	1,520,808	16,746,436
Excess (Deficiency) of Revenues over (under) Expenditures	582,749	5,996	(294,570)	294,175
Other Financing Sources (Uses)				
Transfer in	-	-	56,768	56,768
Net Change in Fund Balance	525,981	5,996	(237,802)	294,175
Fund Balance, Beginning of Year	1,523,297	295,565	413,791	2,232,653
Fund Balance, End of Year	$ 2,049,278	$ 301,561	$ 175,989	$ 2,526,828

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds	$ 294,175
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation/amortization expense.	
Capital outlay	211,098
Depreciation/amortization expense	(1,532,788)
The net effect of the disposal of capital assets is to decrease net position.	(15,371)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(7,680)
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	(7,771)
In the statement of activities, OPEB liabilities and supplemental benefits liabilities are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	(48,874)
In the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as an expense.	1,479,206
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,138,134
Change in Position of Governmental Activities	$ 1,510,129

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Local property tax levies	$ 908,949	$ 905,199	$ 1,065,305	$ 160,106
Other local and county sources	588,991	1,087,899	1,408,028	320,129
Investment earnings	750	24,740	28,930	4,190
State sources	11,243,498	11,288,082	11,202,030	(86,052)
Federal sources	515,000	563,386	587,493	24,107
Total revenues	13,257,188	13,869,306	14,291,786	422,480
Expenditures				
Current				
Administration	794,864	810,796	801,762	9,034
District support services	325,934	343,334	324,628	18,706
Regular instruction	5,212,461	5,608,448	5,757,190	(148,742)
Vocational instruction	290,983	328,207	343,666	(15,459)
Special education instruction	3,098,898	3,116,853	2,781,037	335,816
Instructional support services	632,561	664,351	767,800	(103,449)
Pupil support services	1,263,428	1,471,614	1,257,441	214,173
Sites and buildings	1,252,005	1,247,121	1,069,947	177,174
Fiscal and other fixed cost programs	210,000	247,817	177,503	70,314
Debt Service				
Principal	252,524	253,542	125,586	127,956
Interest	-	-	7,333	(7,333)
Capital outlay	191,000	323,090	295,144	27,946
Total expenditures	13,524,658	14,415,173	13,709,037	706,136
Excess (Deficiency) of Revenues over (under) Expenditures	(267,470)	(545,867)	582,749	1,128,616
Other Financing Uses				
Transfer out	-	-	(56,768)	(56,768)
Net Change in Fund Balance	$ (267,470)	$ (545,867)	525,981	$ 1,071,848
Fund Balance, Beginning of Year			1,523,297	
Fund Balance, End of Year			$ 2,049,278	

	OPEB Trust Fund
Assets	
Cash and investments	$ 1,499,090
Net Position	
Unrestricted	$ 1,499,090

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2023

	OPEB Trust Fund
Additions	
Investment earnings	$ 143,976
Deductions	
OPEB health insurance	186,689
Net Change in Net Position	(42,713)
Net Position, Beginning of Year	1,541,803
Net Position, End of Year	$ 1,499,090

Note 1 - Summary of Significant Accounting Policies

A. Organization

Independent School District No. 690, Warroad Public Schools, Warroad, Minnesota ("the District") was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America 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. Reporting Entity

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District, along with any component units.

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial burden or benefit with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the District.

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary fund is reported in the Statement of Fiduciary Net Position at the fund financial statement level. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported as general revenues.

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 amounts advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

The fiduciary fund is presented in the fiduciary fund financial statement. The District has one type of fiduciary fund, pension (or other benefit) trust. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, this fund is excluded from the government-wide statements.

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:

Revenue Recognition – Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to Minnesota Statutes. Federal revenue is recorded in the year in which the related expenditure is made. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Recording of Expenditures – Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, postemployment benefits, and pensions, are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the District the right to use leased assets, are reported as expenditures in the governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

The fiduciary fund financial statement is reported using the economic resources measurement focus and the accrual basis of accounting as described earlier in these notes.

Description of Funds

The existence of the various district funds has been established by the Minnesota Department of Education. Each fund is accounted for as an independent entity. Descriptions of the funds included in this report are as follows:

Major Governmental Funds

General Fund – The general fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities, equipment purchases, and health and safety projects. The District’s Student Activity Funds are under board control and are reported in the general fund.

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

Nonmajor Governmental Funds

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

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

Capital Projects Fund – The capital projects fund is used to account for capital projects within the District.

Other Funds

Trust Fiduciary Fund – The Other Postemployments Benefits Irrevocable Trust Fund is used to report the resources set aside and held in an irrevocable arrangement for postemployment benefits, including health insurance premiums.

E. Other Significant Accounting Policies

Budgeting

An operating budget is adopted by July 1 of each fiscal year for all governmental funds on the same modified accrual basis used to reflect actual revenues and expenditures. The superintendent is authorized to transfer budget amounts within line items; however, supplemental appropriations that amend total appropriations of any fund require a board resolution. Reported budgeted amounts are as originally adopted or as amended by board resolution. Unencumbered appropriations lapse at year-end.

Cash and Cash Equivalents

Cash balances for all district funds are pooled and invested to the extent available in various investment instruments as authorized by state statutes. Earnings from such investments are allocated to each of the funds based on the fund's average monthly cash and cash equivalents balance. Funds that incur a deficit balance in pooled cash and cash equivalents during the year are charged interest.

Deposits and investments include deposits, petty cash, mutual funds, and monies deposited with the Minnesota School District Liquid Asset Fund (MSDLAF), and are stated at fair value. Fair value is the price that would be received to sell the investment in an orderly transaction at year end.

Receivables

Amounts are shown net of any allowance for uncollectibles. No allowances for uncollectibles have been recorded. The only receivables expected to be not fully collected within one year are property taxes receivable.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Inventories

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

Property Taxes

The majority of district revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the Legislature based on education funding priorities.

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. The remaining portion of the taxes collectible in 2023 is recorded as deferred inflows of resources (property taxes levied for subsequent year).

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

Current property taxes receivable is the uncollected portion of the taxes levied in 2022 and collectible in 2023. This levy is offset with a deferred inflow of resources for property taxes levied for a subsequent year. Delinquent taxes receivable includes the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year-end in the fund financial statements.

Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historic cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would have been paid to acquire an asset with equivalent service potential on the date of the donation. The District maintains a threshold level of $5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 3 to 50 years. Land is not depreciated.

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

Right to use leased assets are recognized at the lease commencement date and represents the District's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period is 5 years.

Long-Term Obligations

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

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

Lease liabilities represents the District's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of the lease payments are discounted based on a borrowing rate determined by the District.

Accrued Employee Benefits

Vacation – The District compensates substantially all full-time noncertified employees for unused vacation upon termination. In the fund financial statements, the expenditure for vacation pay is recognized when payment is made, and a liability is recorded only for amounts payable in the current period. In the district-wide statements, vacation expense is recognized as earned and a liability is recorded for all earned vacation pay.

Sick Leave – Substantially all full-time district employees are entitled to sick leave benefits. Sick leave accumulates at various rates and are paid out in accordance with union contracts.

The liability for such vacation or sick leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

Supplemental Benefits Liability

Under the provisions of the various employee and union contracts, the District provides certain supplemental pension benefits to eligible retirees. These supplemental benefit obligations are funded on a pay-as-you-go basis. The total supplemental benefit liability, deferred outflows/inflows of resources, and supplemental benefit expense were actuarially determined in accordance with GASB Statement No. 73. Additional information can be found in Note 7.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measure the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. Additional information can be found in Note 8.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) and additions to/deductions from PERA's and TRA's fiduciary net position have been determined on the same basis as they are reported by PERA and TRA.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in Note 9.

For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then.

The District has three items that qualify for reporting in this category on the government-wide statement of net position. Deferred outflows of resources related to other postemployment benefits consists of various estimate differences and contributions made to the plan subsequent to the measurement date that will be recognized as expenditures in future years. Deferred outflows of resources related to supplemental benefits consists of various estimate differences that will be recognized as expenses in future years. Deferred outflows of resources related to pension plans consists of various estimate differences and contributions made to the plan subsequent to the measurement date that will be recognized as expenses in future years.

Deferred Inflows of Resources

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

The District has four types of items that qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide statement of net position and the governmental funds balance sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. The third item is deferred inflows related to pension, OPEB, and supplemental benefit activity as a result of various estimate differences that will be recognized as expenses in future years, reported in the government-wide statement of net position.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called “fund balance.” The District’s governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

- Nonspendable fund balance amounts are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.

- Restricted fund balance amounts are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

- Committed fund balance amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the school board and that remain binding unless removed by the school board by subsequent formal action. The formal action to commit a fund balance must occur prior to fiscal year end; however, the specific amounts actually committed can be determined in the subsequent fiscal year. A majority vote of the school board is required to commit a fund balance to a specific purpose and subsequently to remove or change any constraint so adopted by the board. A committed fund balance cannot be a negative number.

- Assigned fund balance amounts are comprised of unrestricted funds constrained by the school district’s intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. In funds other than the general fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the school district’s intended use of those resources. The action to assign a fund balance may be taken after the end of the fiscal year. An appropriation of an existing fund balance to eliminate a projected budgetary deficit in the subsequent year’s budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance. The school board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The board also delegates the power to assign fund balances to the following: the business manager. Assignments so made shall be reported to the school board on a monthly basis, either separately or as part of ongoing reporting by the assigning party if other than the school board. An assigned fund balance cannot be a negative number.

- Unassigned fund balance amounts are the residual amounts in the general fund not reported in any other classification. Unassigned amounts in the general fund are technically available for expenditure for any purpose. The general fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

If resources from more than one fund balance classification could be spent, the school district will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned. The school district will strive to maintain a minimum unassigned general fund balance of 12 percent of the annual budget.

Risk Management

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

Estimates

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

Note 2 - Deposits and Investments

Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the District's School Board. All such depositories are members of the Federal Reserve System.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

At June 30, 2023, all deposits were insured or collateralized by securities held by the District's agent in the District's name.

Concentration of Credit Risk – The District maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per insured bank, for each account ownership category. At June 30, 2023, the District had $3,144,963 in excess of FDIC insured limits.

Investments

The following are considered the most significant risks associated with investments:

Credit Risk - Investments – Minnesota Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record.

Custodial Credit Risk - Investments – The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40.

Interest Rate Risk - Investments – The District does not have a formal policy that limits investment maturities.

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

The following table presents the District’s investments held at fair value:

Type	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 1,877,683	$ -	$ -	$ 1,877,683

The following table presents the District’s deposit and investment balances at June 30, 2023:

		Investment Maturities (in Years)		
Type	Fair Value	N/A	< 1	1 - 5
Cash and Cash Equivalents				
Minnesota School District Liquid Asset Fund	$ 704,638	$ 704,638	$ -	$ -
Deposits	2,690,302	2,690,302	-	-
Petty Cash	20	20	-	-
Investments				
Mutual Funds	1,877,683	1,877,683	-	-
	$ 5,272,643	$ 5,272,643	$ -	$ -

The Minnesota School District Liquid Asset Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool's shares.

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

Cash and Cash Equivalents - Statement of Net Position	$ 3,773,553
Cash and Cash Equivalents - Statement of Fiduciary Net Position	1,499,090
	$ 5,272,643

Note 3 - Due from Other Governmental Units

Amounts receivable from other governments as of June 30, 2023, include:

Fund	Federal	State	Other	Total
Major Funds				
General	$ 234,458	$ 727,617	$ 84,527	$ 1,046,602
Debt service	-	23,879	-	23,879
Non-Major Funds	-	10,637	-	10,637
	$ 234,458	$ 762,133	$ 84,527	$ 1,081,118

Note 4 - Capital Assets

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

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	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital Assets Not Being Depreciated				
Land	$ 351,203	$ -	$ -	$ 351,203
Capital Assets Being Depreciated/Amortized:				
Buildings and improvements	38,233,279	19,990	-	38,253,269
Equipment	4,693,831	191,108	44,572	4,840,367
Land improvements	1,739,948	-	-	1,739,948
Right-to-use lease assets	257,016	-	-	257,016
Total capital assets being depreciated/amortized	44,924,074	211,098	44,572	45,090,600
Less Accumulated Depreciation/Amortization for				
Buildings and improvements	14,191,598	77,722	-	14,269,320
Equipment	2,685,200	1,016,044	29,201	3,672,043
Land improvements	711,467	370,486	-	1,081,953
Right-to-use lease assets	68,538	68,536	-	137,074
Total accumulated depreciation/amortization	17,656,803	1,532,788	29,201	19,160,390
Net capital assets, depreciated/amortized	27,267,271	(1,321,690)	15,371	25,930,210
Total capital assets, net	$ 27,618,474	$ (1,321,690)	$ 15,371	$ 26,281,413

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

District support services	$ 13,297
Regular instruction	129,171
Vocational education instruction	2,686
Pupil support services	147,119
Sites and buildings	1,240,515
Total depreciation/amortization expense	$ 1,532,788

Note 5 - Leases Payable

During the prior years, the District entered into a five-year lease agreement as lessee for the acquisition and use of a copier machine. The District is required to make monthly principal and interest payments of $5,965. The lease has an interest rate of 2.28%. Interest expense on the lease liability for the year ended June 30, 2023, totaled $3,639.

The future principal and interest lease payments as of June 30, 2023, were as follows:

Years Ending June 30,	Principal	Interest
2024	$ 69,501	$ 2,074
2025	53,174	506
	$ 122,675	$ 2,580

Note 6 - Long-Term Liabilities

Changes in long-term liabilities during the year ended June 30, 2023 are as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year
Bonds Payable	$ 17,825,000	$ -	$ 985,000	$ 16,840,000	$ 1,010,000
Unamortized Bond Premium	251,612	-	17,244	234,368	-
Direct Borrowings	57,650	-	57,650	-	-
Leases	190,611	-	67,936	122,675	69,501
Vacation and Sick Leave	71,105	107,942	100,171	78,876	78,876
	$ 18,395,978	$ 107,942	$ 1,228,001	$ 17,275,919	$ 1,158,377

Bonds Payable

Following is a summary of bonds payable as of June 30, 2023:

Bond Description	Final Maturity	Interest Rate	Original Principal	Outstanding Balance
General Obligation School Building Refunding Bonds, Series 2016A	2031	0.90-2.50%	$ 1,360,000	$ 815,000
General Obligation Tax Abatement Bonds, Series 2016B	2031	2.00-2.50%	1,065,000	635,000
General Obligation Facilities Maintenance Bonds, Series 2016C	2031	2.00-2.50%	3,300,000	2,100,000
General Obligation School Building Bonds, Series 2016D	2037	2.75%	4,075,000	4,075,000
General Obligation School Building Bonds, Series 2017A	2037	3.00-4.00%	11,870,000	9,215,000
				$ 16,840,000

The bonds are general obligations of the District for which the full faith and credit and unlimited taxing powers of the district are pledged. Bond principal and interest payments are made by the debt service fund.

Leases

Leases payable consists of leases as discussed in Note 5. Lease principal and interest expense are made by the general fund.

Vacation and Sick Leave

Vacation and sick leave consists of vested vacation and sick leave as discussed in Note 1. These expenses are paid out of the general fund.

Remaining principal and interest payments on bonds payable are as follows:

Years Ending June 30,	Principal	Interest
2024	$ 1,010,000	$ 504,286
2025	1,045,000	472,418
2026	1,085,000	439,251
2027	1,110,000	404,201
2028	1,155,000	368,251
2029-2033	6,125,000	1,322,452
2034-2038	5,310,000	392,513
	$ 16,840,000	$ 3,903,372

Note 7 - Supplemental Benefit Plan

A. Plan Description

The District provides a defined contribution supplemental pension benefit to certain eligible employees and report them following the guidance of GASB Statement No. 73. This plan covers active and retired employees who have reached age 55, and needing at least 3 years of service. All of the pension benefits are based on contractual agreements with employee groups. Contract groups receive other supplement benefits as follows:

Teachers – For eligible individuals, the benefit is 50% of severance (3 days per year of service up to 75 days times daily rate of pay) minus accumulated District contributions to the 403b matching program. Matching contributions are limited to 3% of annual pay, up to a maximum of $2,700 annually and a lifetime maximum of $40,000.

MSEA and MSEA – Drivers & Mechanics Unit – For eligible individuals, the benefit is 2 days per year of service times daily rate of pay.

B. Employees Covered by Benefit Terms

At the July 1, 2020, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active Employees	143
	145

C. Supplemental Benefits Liability

The District's supplemental benefits liability of $328,005 was measured as of June 30, 2023, and was based on an actuarial valuation as of July 1, 2022.

D. Actuarial Assumptions

The supplemental benefits liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary Increases	Service graded table
Discount Rate	3.90 percent
20-Year Municipal Bond Yield	3.90 percent

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2023 valuation were based on the results of an actuarial experience study as of July 1, 2022.

The following changes in actuarial assumptions and plan provisions occurred during the year ended June 30, 2023:

Actuarial Assumptions:
- The discount rate was changed from 3.80% to 3.90%.

Plan Provisions:
- The Payroll/HR Clerk/Benefits Specialist now has the same GASB 73 benefit as MSEA and MSEA –Drivers & Mechanics.

E. Discount Rate

The discount rate used to measure the supplemental benefits liability was 3.90%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates.

F. Changes in the Supplemental Benefits Liability

Service Cost	$ 22,329
Interest Cost	14,367
Assumption Changes	(13,100)
Difference Between Expected and Actual Experience	(50,161)
Plan Changes	8,000
Supplemental benefits cost	(18,565)
Benefit Payments	(18,213)
Change in supplemental benefits obligation	(36,778)
Supplemental benefits liability, beginning of year	364,783
Supplemental benefits liability, end of year	$ 328,005

G. Sensitivity of the Supplemental Benefits Liability to Changes in Discount Rate

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount Rate	2.90%	3.90%	4.90%
Supplemental Benefits Liability	$ 344,119	$ 328,005	$ 312,356

H. Supplemental Benefits Expense and Deferred Outflows and Inflows of Resources Related to Supplemental Benefits

For the year ended June 30, 2023, the District recognized supplemental benefits expense of $32,655. At June 30, 2023, the District reported deferred outflows of resources related to supplemental benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability losses	$ 5,350	$ -
Liability gains	-	82,748
Assumption changes	29,601	38,500
	$ 34,951	$ 121,248

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

Years Ended June 30,	Supplemental Benefits Expense Amount
2024	$ (12,041)
2025	(12,041)
2026	(12,041)
2027	(12,041)
2028	(12,043)
Thereafter	(26,090)

Note 8 - Other Post-Employment Benefits

A. Plan Description

All employees are allowed upon meeting the eligibility requirements under Minn. Stat. 471.61 subd, 2b, to participate in the District's health insurance plan after retirement. This plan covers active and retired employees who have reached age 55, and needing at least 3 years of service. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated at the end of each contract period. A separately issued report is not available.

B. Benefits Provided

The contract groups have access to other post-retirement benefits of blended medical premiums of $606 for single and $1,618 for family coverage. The implicit rate subsidy is only until Medicare eligibility. Contract groups are eligible for subsidized benefits as follows:

Teachers (excluding ECFE Teachers and Coordinators) – For retirees eligible for unreduced TRA benefits with 20 years of service to the District, the District will contribute the Board contribution towards medical insurance at the time of retirement until Medicare eligibility. For those hired after July 1, 2008, the board contribution is limited to the earlier of seven years or Medicare eligibility. The District will also contribute to a post retirement health care savings account an amount equal to 50% of three days per year of service up to a maximum of 75 days at the daily rate of pay at the time of retirement minus lifetime contributions to the 403(b) matching program. Additionally, the District will pay 100% of full single dental premium until Medicare eligibility with the option to elect family coverage at the retiree's expense.

Activity/Community Education Director – For retirees reaching age 55 with 10 years of service, the District will contribute the Board contribution towards medical insurance as defined in the Teacher's contract towards single medical coverage fixed at retirement until Medicare eligibility.

C. Employees Covered by Benefit Terms

At the valuation date of July 1, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	19
Active employees	168
	187

D. Net OPEB Liability

The District's net OPEB liability of $51,931 was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2022.

E. Actuarial Assumptions

The total OPEB liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary Increases	3.00 percent
Discount Rate	4.50 percent
Investment Rate of Return	6.40 percent, net of OPEB plan investment expenses
Healthcare Cost Trend Rates	6.50 percent, grading to 5.00 percent over 6 years, then to 0.04 over the next 48 years
Retiree Plan Participation	
Pre-65 subsidy available	1000%
Pre-65 subsidy not available	50%
Percent of Married Retirees Electing Spouse Coverage	
Spouse subsidy available	N/A
Spouse subsidy not available	25%

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2022, valuation were based on inputs from a variety of published sources of historical and projected future financial data.

Since the previous valuation dated July 1, 2019, the following changes have been made:

- 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 PM-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (Genera, Teachers) with MP-2020 Generational Improvement Scale.
- The salary increase rates were updated to reflect the lates experience study.

- The withdrawal rates were updated to reflect the latest experience study.
- The retirement rates were updated.
- The inflation rate was changed from 2.50% to 2.00%.
- The discount rate was changed from 3.10% to 2.10%.

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Equity	54%	8.20%
Fixed Income	39%	4.00%
Cash	1%	2.20%
Other	6%	6.00%
	100%	

F. Discount Rate

The discount rate used to measure the total OPEB liability was 4.50%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

G. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2022	$ 1,823,904	$ 1,541,803	$ 282,101
Changes from the Prior Year:			
Service Cost	88,598	-	88,598
Interest Cost	81,954	-	81,954
Assumption Changes	3,875	-	3,875
Projected Investment Return	-	98,675	(98,675)
Difference between Expected and Actual Experience	(262,686)	45,301	(307,987)
Administrative expenses	-	(2,065)	2,065
Benefit Payments	(184,624)	(184,624)	-
Total Net Changes	(272,883)	(42,713)	(230,170)
Balances at June 30, 2023	$ 1,551,021	$ 1,499,090	$ 51,931

The measurement date of the net OPEB liability was June 30, 2023; the date of the actuarial valuation on which the total OPEB liability is based was July 1, 2022.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of changes in the District’s net OPEB liability and related ratios, presented as required supplementary information following the notes to the financial statements, presents multiple year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits will be displayed.

H. Sensitivity of the Net OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trend Rates

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount Rate	3.50%	4.50%	5.50%
Net OPEB Liability	$ 131,853	$ 51,931	$ (25,506)

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate one percentage point lower and one percentage point higher than the current healthcare cost trend rates:

	1% Decrease in Healthcare Trend Rate	Selected Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Medical Trend Rate	5.50%, decreasing to 4.00% over 6 years then to 3.00% over the next 48 years	6.50%, decreasing to 5.00% over 6 years then to 4.00% over the next 48 years	7.50%, decreasing to 6.00% over 6 years then to 5.00% over the next 48 years
Net OPEB Liability	$ (55,541)	$ 51,931	$ 175,953

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

For the year ended June 30, 2023, the District recognized OPEB expense of $36,347. At June 30, 2023, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Gains	$ -	$ 359,593
Assumption Changes	192,674	98,649
Investment Losses	60,565	-
	$ 253,239	$ 458,242

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

Years Ended June 30,	OPEB Expense Amount
2024	$ (42,109)
2025	(41,408)
2026	27,801
2027	(33,180)
2028	(69,369)
Thereafter	(46,738)

J. OPEB Plan Fiduciary Plan

Detailed information about the OPEB plan's fiduciary net position is available in a separately issued OPEB financial report.

Note 9 - Defined Benefit Pension Plans

Substantially all employees of the District are required by state law to belong to defined benefit, multi-employer, cost-sharing pension plans administered by the Public Employees' Retirement Association (PERA) or the Teachers' Retirement Association (TRA), both of which are administered on a state-wide basis.

For the year ended June 30, 2023, the District reported its proportionate share of deferred outflows of resources, net pension liabilities, deferred inflows of resources, and pension expense for each of the plans as follows:

	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources	Pension Expense (Income)
PERA	$ 1,034,368	$ 3,128,413	$ 67,045	$ 478,093
TRA	2,742,169	7,911,381	1,573,489	1,175,420
Total all plans	$ 3,776,537	$ 11,039,794	$ 1,640,534	$ 1,653,513

Disclosures relating to these plans are as follows:

Public Employees Retirement Association (PERA)

A. Plan Descriptions

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

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

B. Benefits Provided

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

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

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

C. Contribution Rate

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2022, were $224,893. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

At June 30, 2023, the District reported a liability of $3,128,413 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $91,810.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0395 percent at the end of the measurement period and 0.0401 percent for the beginning of the period.

District's proportionate share of net pension liability	$ 3,128,413
State of Minnesota's proportionate share of the net pension liability associated with the District	91,810
Total	$ 3,220,223

For the year ended June 30, 2023, the District recognized pension expense of $478,093 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized $13,719 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual $16 million contribution.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 26,131	$ 33,851
Changes in actuarial assumptions	718,446	12,595
Net collective difference between projected and actual investment earnings	34,921	-
Change in proportion	29,977	20,599
Contributions paid to PERA subsequent to the measurement date	224,893	-
Total	$ 1,034,368	$ 67,045

The $224,893 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2024	$ 279,112
2025	292,554
2026	(112,154)
2027	282,918

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 Allocations	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
	100.0%	

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 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

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

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

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

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

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

G. Discount Rate

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

H. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability for the plan 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:

Sensitivity Analysis
Net Pension Liability (Asset) at Different Discount Rates

	General Employees Fund	
1% Lower	5.50%	$ 4,941,492
Current Discount Rate	6.50%	$ 3,128,413
1% Higher	7.50%	$ 1,641,408

I. Pension Plan Fiduciary Net Position

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

Teachers Retirement Association (TRA)

A. Plan Descriptions

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

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

B. Benefits Provided

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

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

Tier I Benefits

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

With these provisions:

a.) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
b.) 3 percent per year early retirement reduction 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 percent per year for coordinated members and 2.7 percent per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for coordinated members and 2.7 percent per year for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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

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

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

C. Contribution Rate

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

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

The following is a reconciliation of employer contributions in TRA's fiscal year 2021 Comprehensive Annual Financial Report "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations.

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

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

D. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Valuation Date	July 1, 2022
Measurement Date	June 30, 2022
Experience Study	June 28, 2019 (demographic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% after June 30, 2028
Projected salary increase	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% after June 30, 2028
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually
Mortality Assumptions	
Pre-retirement	RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale.
Post-retirement	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability	RP-2014 disabled retiree mortality table, without adjustment.

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

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
	100.0%	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2022 is six years. The *Difference between Expected and Actual Experience*, *Changes of Assumptions*, and *Changes in Proportion* use the amortization period of six years in the schedule presented. The amortization period for *Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments* is five years as required by GASB 68.

Changes in actuarial assumptions since the 2020 valuation

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

E. Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. The discount rate used to measure the TPL at the Prior Measurement Date was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2022 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

F. Net Pension Liability

On June 30, 2023, the District reported a liability of $7,911,381 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.0988 percent at the end of the measurement period and 0.0993 percent for the beginning of the year.

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

District's proportionate share of net pension liability	$ 7,911,381
State's proportionate share of the net pension liability associated with the district	$ 586,550

For the year ended June 30, 2023, the District recognized pension revenue of $1,175,420. It also recognized $80,652 as a decrease to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 114,387	$ 67,251
Net difference between projected and actual investment earnings on pension plan investments	200,491	-
Changes of assumptions	1,273,731	1,444,850
Changes in proportion	661,955	61,388
District's contributions to TRA subsequent to the measurement date	491,605	-
Total	$ 2,742,169	$ 1,573,489

The $491,605 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2024	$ (1,028,573)
2025	426,240
2026	219,697
2027	1,062,796
2028	(3,085)

G. Pension Liability Sensitivity

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

Sensitivity of Net Pension Liability (NPL) to changes in the discount rate

1% decrease (6.00%)	**Current (7.00%)**	**1% increase (8.00%)**
$ 12,471,862	$ 7,911,381	$ 4,173,209

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

H. Pension Plan Fiduciary Net Position

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

Note 10 - Fund Balance

Certain portions of fund balances 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 fund balances as of June 30, 2023:

	General	Debt Service	Other Governmental Funds	Totals
Nonspendable				
Inventories	$ -	$ -	$ 22,653	$ 22,653
Prepaids	45,296	-	-	45,296
Total nonspendable	45,296	-	22,653	67,949
Restricted				
Student activities	106,710	-	-	106,710
Scholarships	13,008	-	-	13,008
Staff development	11,225	-	-	11,225
Operating capital	96,845	-	-	96,845
Early childhood and family education	-	-	27,187	27,187
Safe schools levy	50,930	-	-	50,930
Food service	-	-	153,336	153,336
Community service	-	-	24,313	24,313
Debt service	-	301,561	-	301,561
OPEB debt service	-	-	-	-
Long-term facilities maintenance	59,958	-	-	59,958
Medical assistance	166,697	-	-	166,697
Total restricted	505,373	301,561	211,914	1,018,848
Committed for Severance	40,804	-	-	40,804
Unassigned	1,457,805	-	(58,578)	1,399,227
Total fund balance	$ 2,049,278	$ 301,561	$ 175,989	$ 2,526,828

The UFARS fund balance reporting standards are slightly different than the reporting standards under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Below is a reconciliation between the fund balance reporting under GASB 54 and UFARS reporting standards:

	GASB Balance	Reconciling Items	UFARS Balance
Nonspendable			
Inventory	$ 22,653	$ -	$ 22,653
Prepaids	45,296	-	45,296
Total nonspendable	67,949	-	67,949
Restricted			
Student activities	106,710	-	106,710
Scholarships	13,008	-	13,008
Staff development	11,225	-	11,225
Operating capital	96,845	-	96,845
Community education	7,078	-	7,078
Early childhood and family education	27,187	-	27,187
School readiness	-	(58,578)	(58,578)
Safe schools levy	50,930	-	50,930
Food service	153,336	-	153,336
Community service	24,313	-	24,313
Capital projects	-	-	-
Debt service	301,561	-	301,561
OPEB debt service	-	-	-
Long-term facilities maintenance			
General fund	59,958	-	59,958
Medical assistance	166,697	-	166,697
Total restricted	1,018,848	(58,578)	960,270
Committed	40,804	-	40,804
Unassigned	1,399,227	58,578	1,457,805
Total fund balance	$ 2,526,828	$ -	$ 2,526,828

Note 11 - Interfund Transfers

During the year ended June 30, 2023, the District made the following transfer out of the General Fund into the Community Service Fund to cover operating deficits during the year.

Transfer In	Amount	Transfer Out	Amount
Community Service	$ 56,768	General Fund	$ 56,768

Note 12 - Employee Benefit Plan 403(b)

All teachers are eligible to participate in the matching 403(b) program. The District will match the employee deferrals up to a maximum of 3%. For teachers with 10 or more years of in-district experience, the District will match employee deferrals up to a maximum of 4%. Contributions are invested in tax deferred annuities selected and owned by Plan participants. The District contributions for the years ended June 30, 2023, 2022, and 2021 were $205,383, $207,044, and $184,934, respectively.

Note 13 - Commitments and Contingencies

Federal and State Revenue

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.

Litigation and Potential Exposure

In the ordinary course of its operations, the District is party to legal proceedings as a plaintiff or defendant. The financial impact of remaining actions is not determinable at June 30, 2023, but, in the opinion of management and legal counsel, the ultimate disposition of any or all of these proceedings will not have a material effect on the District's financial position.

Required Supplementary Information
June 30, 2023

Independent School District No. 690
Warroad Public Schools

Schedule of Changes in Supplemental Benefits Liability
Last 10 Fiscal Years *

	2023	2022	2021	2020	2019	2018
Service Cost	$ 22,329	$ 22,136	$ 40,158	$ 32,995	$ 18,413	$ 15,972
Interest	14,367	10,560	11,501	8,500	12,259	10,258
Assumption Changes	(13,100)	(27,303)	22,714	18,423	5,702	(9,747)
Differences between Expected and Actual Experience	(50,161)	-	7,357	-	(75,214)	-
Plan Changes	8,000	(99,601)	-	159,059	(32,920)	-
Benefit Payments	(18,213)	(43,250)	(36,897)	(5,483)	(32,056)	(12,905)
Net Change in Supplemental Benefits Liability	(36,778)	(137,458)	44,833	213,494	(103,816)	3,578
Supplemental Benefits Liability - Beginning	364,783	502,241	457,408	243,914	347,730	344,152
Supplemental Benefits Liability - Ending	$ 328,005	$ 364,783	$ 502,241	$ 457,408	$ 243,914	$ 347,730

* GASB Statement No. 73 requires ten years of information to be presented in this table. However, until a full 10- year trend is compiled, the District will present information for those years for which information is available.

Schedule of Supplemental Benefits Liability
Last 10 Fiscal Years *

	2023	2022	2021	2020	2019	2018
Supplemental Benefits Liability	$ 328,005	$ 364,783	$ 502,241	$ 457,408	$ 243,914	$ 347,730
Payroll	$ 6,900,624	$ 6,878,946	$ 6,678,588	$ 6,521,945	$ 6,331,986	$ 5,695,131
Supplemental Benefits Liability as A Percentage of covered payroll	4.75%	5.30%	7.52%	7.01%	3.85%	6.11%

There are no assets accumulated in an irrevocable trust to pay plan benefits.

* GASB Statement No. 73 requires ten years of information to be presented in this table. However, until a full 10- year trend is compiled, the District will present information for those years for which information is available.

2023 Changes

Changes in Actuarial Assumptions

- None

Changes in Plan Provisions

- None

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- Maximum number of days towards post-employment subsidized benefits increased from 75 to 90 days.
- The District's lifetime maximum matching contribution for Teachers was removed (used as an offset to GASB 73 benefits).
- Maximum matching contribution increased from 3% to 4% of pay for Teachers with at least 10 years of service.

2021 Changes

Changes in Actuarial Assumptions

- The mortality tables and salary increase rates were updated.
- The discount rate was changed from 2.40% to 2.10%.

Changes in Plan Provisions

- None

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The sunset eligibilities for teacher subsidies were eliminated. Teachers are now eligible for post-employment subsidized benefits upon reaching age 55 with 15 years of service, or at any age with 30 years of service.

2019 Changes

Changes in Actuarial Assumptions

- The mortality tables were updated to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.50% to 3.10%.

Changes in Plan Provisions

- The District's lifetime maximum matching contribution for Teachers was increased from $33,000 to $40,000 (used as an offset to GASB 73 benefits).

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 2.90% to 3.50%.

Changes in Plan Provisions

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

Schedule of Changes in the District's Net OPEB Liability and Related Ratios, Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018
Service Cost	$ 88,598	$ 91,359	$ 114,790	$ 119,232	$ 37,861	$ 34,875
Interest	81,954	68,347	76,877	93,493	102,901	107,552
Assumption Changes	3,875	(78,128)	(64,086)	362,013	5,705	24,860
Plan Changes	-	(93,546)	531	447,343	(32,054)	-
Differences between Expected and Actual Experience	(262,686)	-	(116,975)	-	(163,545)	-
Benefit Payments	(184,624)	(164,546)	(183,232)	(167,828)	(169,312)	(135,665)
Net Change in Total OPEB Liability	(272,883)	(176,514)	(172,095)	854,253	(218,444)	31,622
Total OPEB liability - beginning	1,823,904	2,000,418	2,172,513	1,318,260	1,536,704	1,505,082
Total OPEB Liability - Ending (a)	$ 1,551,021	$ 1,823,904	$ 2,000,418	$ 2,172,513	$ 1,318,260	$ 1,536,704
Plan Fiduciary Net Position						
Projected Investment Return	$ 98,675	$ 127,046	$ 102,438	$ 124,267	$ 124,917	$ 130,831
Differences between Expected and Actual Experience	45,301	(403,576)	361,585	3,541	(13,024)	(78,977)
Benefit Payments	(184,624)	(164,546)	(183,232)	(167,828)	(169,312)	(135,665)
Administrative Expense	(2,065)	(2,220)	(2,989)	(2,927)	(2,723)	(3,797)
Net Change in Plan Fiduciary Net Position	(42,713)	(443,296)	277,802	(42,947)	(60,142)	(87,608)
Total Fiduciary Net Position - Beginning,	1,541,803	1,985,099	1,707,297	1,750,244	1,810,386	1,897,994
Total Fiduciary Net Position - Ending (b)	$ 1,499,090	$ 1,541,803	$ 1,985,099	$ 1,707,297	$ 1,750,244	$ 1,810,386
District's Net OPEB Liability (Asset) - Ending (a) - (b)	$ 51,931	$ 282,101	$ 15,319	$ 465,216	$ (431,984)	$ (273,682)
Plan Fiduciary Net Position as a Percentage of the total OPEB Liability	96.65%	84.53%	99.23%	78.59%	132.77%	117.81%
Covered Payroll	$ 8,350,280	$ 8,402,455	$ 8,157,724	$ 7,718,751	$ 7,493,933	$ 6,513,473
District's Net OPEB Liability (Asset) as a Percentage of covered payroll	0.62%	3.36%	0.19%	6.03%	-5.76%	-4.20%

*GASB Statements No. 74/75 require ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Schedule of District OPEB Contributions
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018
Actuarially Determined Contribution	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in Relation to The Actuarially determined contribution	-	-	-	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 8,350,280	$ 8,402,455	$ 8,157,724	$ 7,718,751	$ 7,493,933	$ 6,513,473
Contributions as a Percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

*GASB Statements No. 74/75 require ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Note to the Schedule of District Contributions

Valuation date	July 1, 2022
Inflation	2.50 percent
Investment rate of return	6.40 percent, net of investment expenses
Discount rate	3.90 percent
Healthcare cost trend rates	6.50% in 2020 grading to 5.00% over 6 years and then to 4.00% over the next 48 years
Mortality	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale
Actuarial cost method	Entry Age, level percentage of pay
Amortization method	Average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes. Closed five-year period for differences between expected and actual asset returns.

2023 Changes

Changes in Actuarial Assumptions
- The mortality tables, salary increase rates for non-teachers, and withdrawal rates were updated.
- The discount rate was changed from 3.80% to 3.90%.

Changes in Plan Provisions
- The Payroll/HR Clerk/Benefits Specialist now has the same GASB 73 benefit as MSEA and MSEA –Drivers & Mechanics.

2022 Changes

Changes in Actuarial Assumptions
- The expected return on assets was changed from 6.00% to 6.40%.
- The discount rate was changed from 3.40% to 4.50%.

Changes in Plan Provisions
- Maximum number of days towards post-employment subsidized benefits increased from 75 to 90 days.
- The District's lifetime maximum matching contribution for Teachers was removed (used as an offset to GASB 75 benefits).
- Maximum matching contributions increased from 3% to 4% of pay for Teachers with at least 10 years of service.

2021 Changes
Changes in Actuarial Assumptions
- The health care trend rates, mortality tables, and salary increase rates were updated.
- The expected return on assets was changed from 7.10% to 6.00%.
- The discount rate was changed from 3.50% to 3.40%.

Changes in Plan Provisions
- The Technology Director is now eligible for subsidized post-employment benefit.

2020 Changes
Changes in Actuarial Assumptions
- The expected return on assets was changed from 6.90% to 7.10%.
- The discount rate was changed from 6.90% to 3.50%.

Changes in Plan Provisions
- The sunset eligibilities for teacher subsidies was eliminated. Teachers are now eligible for post-employment subsidized benefits upon reaching age 55 with 15 years of service, or at any age with 30 years of service. The District's lifetime maximum matching contribution for Teachers was increased from $33,000 to $40,000 (used as an offset to GASB 75 benefits).

2019 Changes
Changes in Actuarial Assumptions
- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.

Changes in Plan Provisions
- The new Principals do not have post-employment subsidized benefits and the Teachers' post-employment dental subsidized benefits' duration was clarified in this valuation.

2018 Changes
Changes in Actuarial Assumptions
- The discount rate and expected long-term investment return were changed from 7.30% to 6.90%.

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

Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years *

Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With District (b)	Total (d) (a+b)	Employer's Covered Payroll (e)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/e)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	6/30/2014	0.0391%	$ 1,836,722	N/A	$ 1,836,722	$ 2,092,601	87.8%	78.8%
PERA	6/30/2015	0.0363%	1,881,254	N/A	1,881,254	2,014,380	93.4%	78.2%
PERA	6/30/2016	0.0354%	2,874,304	37,579	2,911,883	2,043,893	140.6%	68.9%
PERA	6/30/2017	0.0347%	2,215,225	27,820	2,243,045	2,136,474	103.7%	75.9%
PERA	6/30/2018	0.0350%	1,941,657	63,781	2,005,438	2,204,585	88.1%	79.5%
PERA	6/30/2019	0.0392%	2,167,280	67,330	2,234,610	2,557,312	84.7%	80.2%
PERA	6/30/2020	0.0391%	2,344,224	72,277	2,416,501	2,619,213	89.5%	79.1%
PERA	6/30/2021	0.0401%	1,712,450	52,264	1,764,714	2,711,303	63.2%	87.0%
PERA	6/30/2022	0.0395%	3,128,413	91,810	3,220,223	2,957,013	105.8%	70.5%
TRA	6/30/2014	0.0989%	$ 4,557,124	$ 320,725	$ 4,877,849	$ 4,517,019	100.9%	81.5%
TRA	6/30/2015	0.0881%	5,449,856	668,434	6,118,290	4,473,707	121.8%	76.8%
TRA	6/30/2016	0.0920%	21,944,195	2,201,876	24,146,071	4,786,173	458.5%	44.9%
TRA	6/30/2017	0.0862%	17,207,084	503,288	17,710,372	4,638,960	370.9%	51.6%
TRA	6/30/2018	0.0853%	5,355,437	503,288	5,858,725	4,710,800	113.7%	78.1%
TRA	6/30/2019	0.0900%	5,736,619	507,856	6,244,475	5,111,881	112.2%	78.1%
TRA	6/30/2020	0.0973%	7,188,654	602,693	7,791,347	5,653,106	127.2%	75.5%
TRA	6/30/2021	0.0993%	4,345,665	366,594	4,712,259	5,942,595	73.1%	86.6%
TRA	6/30/2022	0.0988%	7,911,381	586,550	8,497,931	6,149,664	128.6%	76.2%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10- year trend is compiled, the District will present information for those years for which information is available.

Schedule of Employer's Contributions
Last 10 Fiscal Years *

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
PERA	6/30/2015	$ 151,078	$ 151,078	$ -	$ 2,014,380	7.5%
PERA	6/30/2016	153,292	153,292	-	2,043,893	7.5%
PERA	6/30/2017	160,236	160,236	-	2,136,474	7.5%
PERA	6/30/2018	165,344	165,344	-	2,204,585	7.5%
PERA	6/30/2019	191,798	191,798	-	2,557,312	7.5%
PERA	6/30/2020	196,441	196,441	-	2,619,213	7.5%
PERA	6/30/2021	203,348	203,348	-	2,711,303	7.5%
PERA	6/30/2022	221,776	221,776	-	2,957,013	7.5%
PERA	6/30/2023	224,893	224,893	-	2,998,573	7.5%
TRA	6/30/2015	$ 335,528	$ 335,528	$ -	$ 4,473,707	7.5%
TRA	6/30/2016	358,963	358,963	-	4,786,173	7.5%
TRA	6/30/2017	347,922	347,922	-	4,638,960	7.5%
TRA	6/30/2018	353,310	353,310	-	4,710,800	7.5%
TRA	6/30/2019	394,126	394,126	-	5,111,881	7.7%
TRA	6/30/2020	447,726	447,726	-	5,653,106	7.9%
TRA	6/30/2021	483,133	483,133	-	5,942,595	8.1%
TRA	6/30/2022	512,882	512,882	-	6,149,664	8.3%
TRA	6/30/2023	491,605	491,605	-	5,749,766	8.6%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10- year trend is compiled, the District will present information for those years for which information is available.

Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

PERA

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

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

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

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

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

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

TRA

2022 Changes

Changes in Actuarial Assumptions

- None.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- 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 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

- 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 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2017 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.

- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes of benefit terms

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

Changes in Actuarial Assumptions

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

PERA's Comprehensive Annual Financial Report may be obtained on the PERA's website at www.mnpera.org for notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions.

Additional financial and actuarial information can be found in TRA's GASB 67-68 report. Both reports can be obtained at https://minnesotatra.org.

Combining and Individual Fund Schedules
June 30, 2023

Independent School District No. 690
Warroad Public Schools

General Fund
Schedule of Changes in UFARS Fund Balances
Year Ended June 30, 2023

	Fund Balance Beginning of Year	Net Change in Fund Balance	Fund Balance End of Year
Nonspendable	$ 41,571	$ 3,725	$ 45,296
Restricted for Student Activities	133,647	(26,937)	106,710
Restricted for Scholarships	15,908	(2,900)	13,008
Restricted for Staff Development	10,940	285	11,225
Restricted for Operating Capital	-	96,845	96,845
Restricted for Safe Schools Levy	37,734	13,196	50,930
Restricted for Long Term Facilities Maintenance	74,020	(14,062)	59,958
Restricted for Medical Assistance	111,106	55,591	166,697
Committed for Severance	40,804	-	40,804
Unassigned	1,057,567	400,238	1,457,805
	$ 1,523,297	$ 525,981	$ 2,049,278

	Food Service	Community Service	Capital Projects	Totals
Assets				
Cash and cash equivalents	$ 162,916	$ 64,023	$ -	$ 226,939
Receivables				
Current property taxes	-	27,489	-	27,489
Delinquent property taxes	-	1,039	-	1,039
Due from other governmental units	-	10,637	-	10,637
Inventories	22,653	-	-	22,653
Total assets	$ 185,569	$ 103,188	$ -	$ 288,757
Liabilities				
Salaries payable	$ 9,580	$ 33,591	$ -	$ 43,171
Deferred Inflows of Resources				
Unavailable revenue-property taxes	-	1,039	-	1,039
Property taxes levied for subsequent year	-	68,558	-	68,558
Total deferred inflows of resources	-	69,597	-	69,597
Fund Balance				
Nonspendable	22,653	-	-	22,653
Restricted	153,336	58,578	-	211,914
Unassigned	-	(58,578)	-	(58,578)
Total fund balance	175,989	-	-	175,989
Total liabilities, deferred inflows of resources, and fund balance	$ 185,569	$ 103,188	$ -	$ 288,757

	Food Service	Community Service	Capital Projects	Totals
Revenues				
Local property tax levies	$ -	$ 67,683	$ -	$ 67,683
Other local and county sources	-	331,371	-	331,371
State sources	43,176	112,142	-	155,318
Federal sources	455,065	-	-	455,065
Sales and other conversion of assets	216,801	-	-	216,801
Total revenues	715,042	511,196	-	1,226,238
Expenditures				
Current				
Community education and service	-	629,417	-	629,417
Pupil support services	761,622	-	-	761,622
Capital outlay	-	-	129,769	129,769
Total expenditures	761,622	629,417	129,769	1,520,808
Deficiency of Revenues under Expenditures	(46,580)	(118,221)	(129,769)	(294,570)
Other Financing Sources				
Transfer in	-	56,768	-	56,768
Net Change in Fund Balance	(46,580)	(61,453)	(129,769)	(237,802)
Fund Balance, Beginning of Year	222,569	61,453	129,769	413,791
Fund Balance, End of Year	$ 175,989	$ -	$ -	$ 175,989

Other Supplementary Information
June 30, 2023

Independent School District No. 690
Warroad Public Schools

Fiscal Compliance Report - 6/30/2023

Help Logoff

District: WARROAD (690-1)

Back Print

	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	$14,291,786	$14,291,780	$6
Total Expenditures	$13,709,037	$13,709,033	$4
Non Spendable:			
4.60 Non Spendable Fund Balance	$45,296	$45,296	$0
Restricted / Reserved:			
4.01 Student Activities	$106,710	$106,710	$0
4.02 Scholarships	$13,008	$13,008	$0
4.03 Staff Development	$11,225	$11,225	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Funded by COP/FP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	$96,845	$96,845	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe Schools Levy	$50,930	$50,930	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$0	$0	$0
4.67 LTFM	$59,958	$59,958	$0
4.72 Medical Assistance	$166,697	$166,697	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$40,804	$40,804	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$0	$0	$0
Unassigned:			
4.22 Unassigned Fund Balance	$1,457,804	$1,457,804	$0
02 FOOD SERVICES			
Total Revenue	$715,042	$715,040	$2
Total Expenditures	$761,622	$761,621	$1
Non Spendable:			
4.60 Non Spendable Fund Balance	$22,653	$22,653	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$153,336	$153,336	$0

	Audit	UFARS	Audit - UFARS
06 BUILDING CONSTRUCTION			
Total Revenue	$0	$0	$0
Total Expenditures	$129,769	$129,769	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Funded by COP/FP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
07 DEBT SERVICE			
Total Revenue	$1,522,587	$1,522,586	$1
Total Expenditures	$1,516,591	$1,516,590	$1
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$301,561	$301,562	($1)
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
08 TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
18 CUSTODIAL			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
20 INTERNAL SERVICE			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
25 OPEB REVOCABLE TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0

04 COMMUNITY SERVICE

Total Revenue	$511,196	$511,196	$0
Total Expenditures	$629,417	$629,417	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$7,078	$7,078	$0
4.32 E.C.F.E	$27,187	$27,187	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	($58,578)	($58,578)	$0
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$24,313	$24,312	$1
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

45 OPEB IRREVOCABLE TRUST

Total Revenue	$143,976	$143,976	$0
Total Expenditures	$186,689	$186,689	$0
4.22 Unassigned Fund Balance (Net Assets)	$1,499,090	$1,499,093	($3)

47 OPEB DEBT SERVICE

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures		
Department of Agriculture					
Passed through Minnesota Department of Education					
Child Nutrition Cluster					
Non-Cash Assistance (Commodities):					
National School Lunch Program	10.555	0690-01-000 FIN 701	$ 59,810		
Cash Assistance:					
School Breakfast Program	10.553	0690-01-000 FIN 705	93,198		
National School Lunch Program	10.555	0690-01-000 FIN 701	278,249		
COVID 19 National School Lunch Program	10.555C	0690-01-000 FIN 709	22,848		
Total Child Nutrition Cluster				$ 454,105	
COVID-19 Pandemic Electric Benefit Transfer	10.649C	0690-01-000 FIN 709		628	
Total Department of Agriculture					$ 454,733
Federal Communications Commission					
Direct Program					
COVID-19 Emergency Connectivity Fund	32.009				
Department of Treasury					
Passed through Minnesota Department of Education					
COVID-19 Governor's Discretionary American Rescue Funds	21.027C	0690-01-000 FIN 169			16,460
Department of Education					
Direct Programs					
Indian Education Grants to Local Educational Agencies	84.060			23,254	
Rural Education Achievement Program	84.358A			27,328	
Passed through Minnesota Department of Education					
Title I Grants to Local Educational Agencies	84.010	0690-01-000 FIN 401		133,179	
Supporting Effection Instruction State Grants	84.367	0690-01-000 FIN 414		23,342	
Student Support and Academic Enrichment	84.424	0690-01-000 FIN 433		10,000	
Special Education Grants - Grants for Infants and Families	84.181	0690-01-000 FIN 422		7,121	
COVID-19 Education Stabilization Fund	84.425UC	0690-01-000 FIN 161		21,749	
Total 84.425					
Special Education Cluster					
Special Education Grants to States	84.027	0690-01-000 FIN 419	258,274		
Special Education Grants to States	84.027XC	0690-01-000 FIN 140	52,085		
Special Education Preschool Grants	84.173	0690-01-000 FIN 420	12,326		
Special Education Preschool Incentive	84.173X	0690-01-000 FIN 141	4,518		
Total Special Education Cluster				327,203	
Total Department of Education					573,176
Total Federal Financial Assistance					$ 1,044,369

See Notes to Schedule of Expenditures of Federal Awards

Note 1 – Basis of Presentation

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

Note 2 – Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 – Indirect Cost Rate

The District has not elected to use the 10% de minimis cost rate.

Note 4 – Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of commodities received and disbursed. At June 30, 2023 the District had food commodities totaling $22,653 in inventory.

Additional Reports
June 30, 2023

Independent School District No. 690
Warroad Public Schools

CPAs & BUSINESS ADVISORS

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

The School Board of
Independent School District No. 690
Warroad Public Schools
Warroad, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 690, Warroad Public Schools ("the District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 28, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001, 2023-002, and 2023-003 that we consider to be material weaknesses.

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Report on Compliance and Other Matters

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

District's Response to Findings

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

Purpose of this Report

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

Eide Bailly LLP

Fargo, North Dakota
November 28, 2023

Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

The School Board of
Independent School District No. 690
Warroad Public Schools
Warroad, Minnesota

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Independent School District No. 690's (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2023. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Eide Bailly LLP

Fargo, North Dakota
November 28, 2023

Independent Auditor's Report on *Minnesota Legal Compliance*

The School Board of
Independent School District No. 690
Warroad Public Schools
Warroad, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 690, Warroad Public Schools ("the District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 28, 2023.

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

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

Eide Bailly LLP

Fargo, North Dakota
November 28, 2023

Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

Name of Federal Program	Federal Financial Assistance Listing
Child Nutrition Cluster	10.553, 10.555, 10.555C

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2023-001 Preparation of Financial Statements and Schedule of Expenditures of Federal Awards Material Weakness

Criteria – A good system of internal accounting control contemplates an adequate system for internally preparing the District's financial statements and schedule of expenditures of federal awards (SEFA).

Condition – The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. The auditors were requested to, and did, draft the financial statements, accompanying notes to the financial statements, and SEFA.

Cause – The District does not have an internal control system designed to provide for the preparation of the financial statements and SEFA being audited.

Effect – The disclosures in the financial statements could be incomplete.

Recommendation – It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials – There is no disagreement with the audit finding.

2023-002 Material Journal Entries
Material Weakness

Criteria – A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements.

Condition – During the course of our engagement, we proposed material audit adjustments that were not identified as a result of the District's existing internal controls, and therefore could have resulted in a material misstatement of the District's financial statements.

Cause – The District does not have an internal control system designed to identify all necessary adjustments.

Effect – This deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Recommendation – A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisor levels.

Views of Responsible Officials – There is no disagreement with the audit finding.

2023-003 Segregation of Duties
Material Weakness

Criteria – A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of assets (check signers), record keeping and reconciliation functions.

Condition – The District does not have enough staff to adequately separate duties in cash receipts, cash disbursements, payroll and related liabilities, and general ledger maintenance and reconciliation.

Cause – There is a limited amount of office employees involved in the internal control process.

Effect – Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Recommendation – The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Views of Responsible Officials – There is no disagreement with the audit finding.

Section III – Federal Award Findings and Questioned Costs

None reported

Section IV – Minnesota Legal Compliance Findings

None reported