



Annual Financial Report

Independent School District No. 508

St. Peter, Minnesota

For the year ended June 30, 2023



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St. Peter, Minnesota
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St. Peter, Minnesota
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INTRODUCTORY SECTION
INDEPENDENT SCHOOL DISTRICT NO. 508
ST. PETER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

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Independent School District No. 508
St. Peter, Minnesota
School District Officials
For the Year Ended June 30, 2023

BOARD OF EDUCATION

<u>Name</u>	<u>Term on Board Expires</u>	<u>Position</u>
Charlie Potts	12/31/2025	Chairperson
Drew Dixon	12/31/2025	Vice Chair
Kate Martens	12/31/2025	Clerk
Tim Lokensgard	12/31/2023	Treasurer
Ben Leonard	12/31/2023	Board Member
Tracy Stuewe	12/31/2023	Board Member
Bill Kautt	12/31/2023	Board Member

ADMINISTRATION

Bill Gronseth		Superintendent
Tim Regner	Effective 7/1/2022 - 6/30/2023	Business Manager
Megan Gracia	Effective 7/1/2023	Business Manager

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FINANCIAL SECTION
INDEPENDENT SCHOOL DISTRICT NO. 508
ST. PETER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 508
St. Peter, Minnesota

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 508, St. Peter, Minnesota, (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2023, and the respective changes in financial position and the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions and Schedule of Changes in the District's Net OPEB Liability and Related Ratios starting on page 80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual fund financial statements, schedules, table and schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual fund financial statements, schedules, 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 in the report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 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.



Abdo
Mankato, Minnesota
December 13, 2023



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Management's Discussion and Analysis

As management of the Independent School District No. 508 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023.

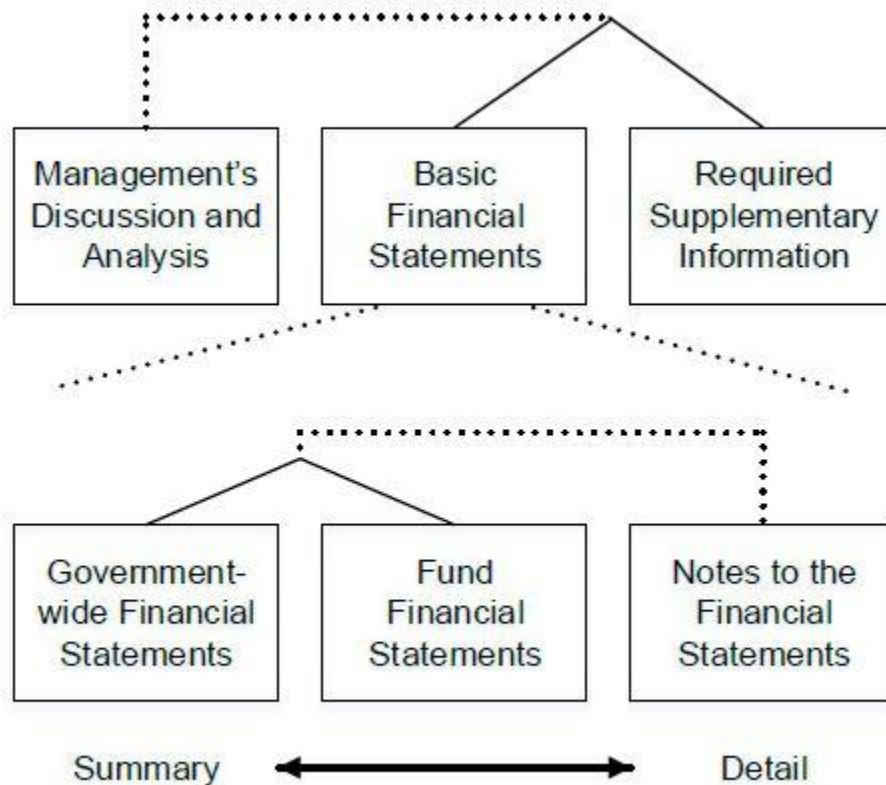
Financial Highlights

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year as shown in the summary of net position on the following pages.
- The District's total net position increased as shown in the summary of changes in net position on the following pages mainly due to TRA pension related expenses.
- As of the close of the current fiscal year, the District's governmental fund balances are shown in the Financial Analysis of the District's funds section of the MD&A. The total fund balance decreased in comparison with the prior year mainly due to increased expenditures in the General fund due to inflationary pressures.
- At the end of the current fiscal year, unassigned fund balance for the General fund, as shown in the financial analysis of the District's funds section, decreased from the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

Organization of Independent School District No. 508 Annual Financial Report



The following chart summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements:

Major Features of the District-wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses, such as self-insurance benefits	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balance 	<ul style="list-style-type: none"> • Statements of Net Position • Statements of Revenues, Expenses and Changes in Fund Net Position • Statements of Cash Flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Financial Statements. The *District-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the District's overall health, you need to consider additional non-financial indicators such as changes in the District's property tax base and condition of school buildings and other facilities.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

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

- **Governmental activities:** The District's basic services are reported here, including regular and special education, transportation, administration, food services, and community education. Property taxes and State aids finance most of these activities.

The District-wide financial statements can be found starting on page 32 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the District-wide financial statements. However, unlike the District-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the District-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the District-wide financial statements. By doing so, readers may better understand the long-term impact by the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund and Debt Service fund, which are considered to be major funds. Data from the two other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its General fund, Debt Service fund, Food Service fund and Community Service fund. Budgetary comparison statements and schedules have been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 36 of this report.

Proprietary Funds. The District maintains one proprietary fund, an *Internal service fund*, which is used to accumulate and allocate costs internally among the District's various functions. The District uses the internal service fund to account for activity related to dental and health self-insurance activity. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The basic proprietary funds financial statements start on page 41 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of students within the District. Fiduciary funds are *not* reflected in the District-wide financial statements because the resources of those funds are not available to support the District's own programs. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those activities that the assets belong. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found starting on page 44 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found starting on page 47 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Independent School District No. 508's share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 80 of this report.

Supplementary Information. Combining and individual fund financial statements and schedules and table can be found starting on page 90 of this report.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources at the close of the most recent fiscal year.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Another portion of the District's net position reflects amounts restricted for food service and educational purposes. These funds are to be used for the District's funded programs and activities.

Independent School District No. 508's Net Position

	Governmental Activities		Increase (Decrease)	
	2023	2022	Amounts	Percent
Current and Other Assets	\$ 67,517,857	\$ 67,758,003	\$ (240,146)	(0.4) %
Capital Assets	67,766,136	69,168,639	(1,402,503)	(2.0)
Total Assets	<u>135,283,993</u>	<u>136,926,642</u>	<u>(1,642,649)</u>	(1.2)
Deferred Inflows of Resources	<u>6,717,829</u>	<u>7,236,931</u>	<u>(519,102)</u>	(7.2)
Noncurrent Liabilities	127,026,850	118,346,216	8,680,634	7.3
Other Liabilities	5,535,945	4,290,713	1,245,232	29.0
Total Liabilities	<u>132,562,795</u>	<u>122,636,929</u>	<u>9,925,866</u>	8.1
Deferred Inflows of Resources	<u>11,006,975</u>	<u>24,594,744</u>	<u>(13,587,769)</u>	(55.2)
Net Position				
Net investment in capital assets	14,094,981	14,178,066	(83,085)	(0.6)
Restricted	2,300,968	2,330,956	(29,988)	(1.3)
Unrestricted	<u>(17,963,897)</u>	<u>(19,577,122)</u>	<u>1,613,225</u>	8.2
Total Net Position	<u>\$ (1,567,948)</u>	<u>\$ (3,068,100)</u>	<u>\$ 1,500,152</u>	48.9

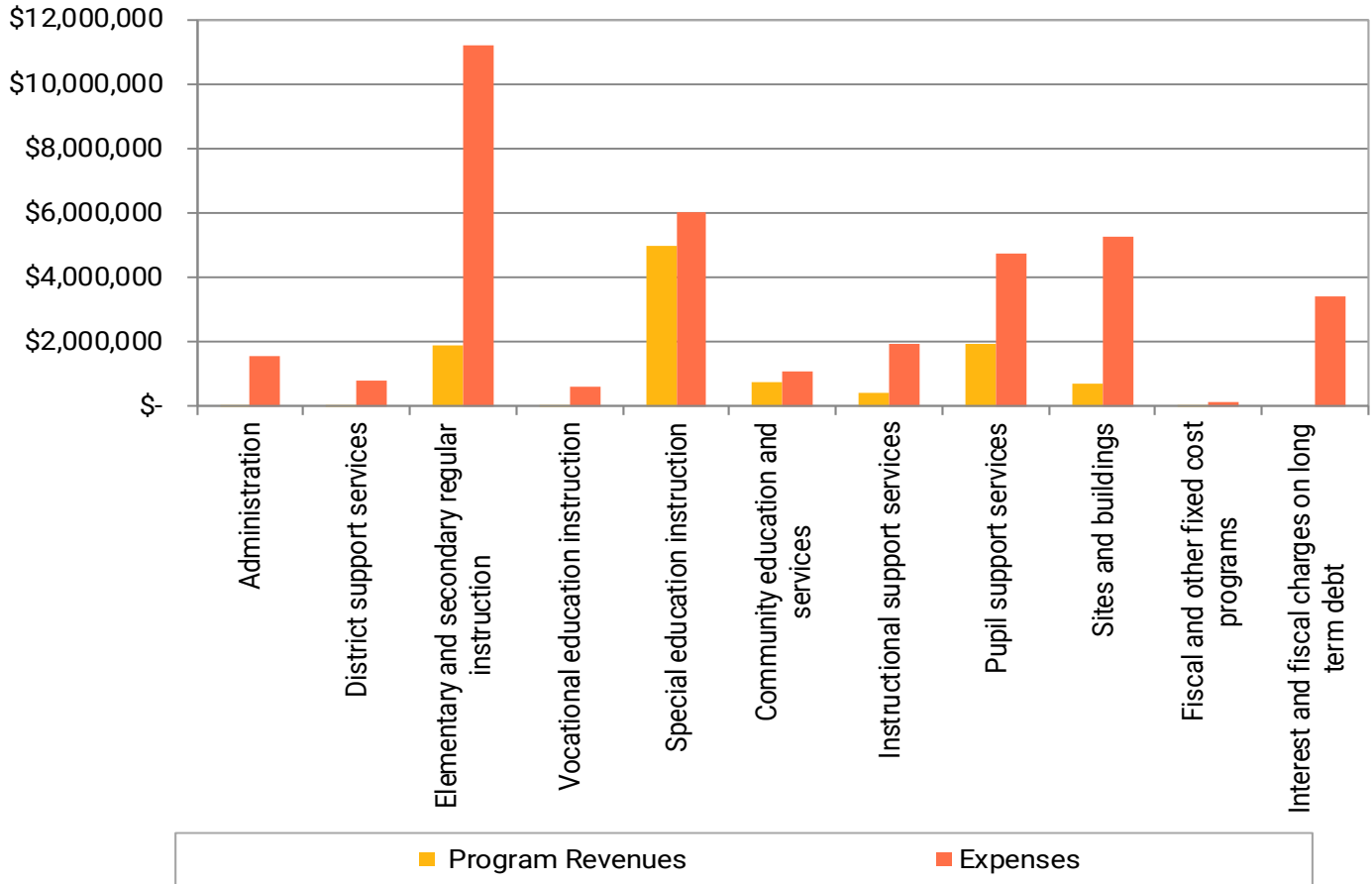
The balance of unrestricted net position is a deficit due to recognition of long-term liabilities in accordance with GASB Statements No. 68 and 75.

Governmental Activities. Governmental activities increased the District's net position as shown below. Key elements of this increase are as follows:

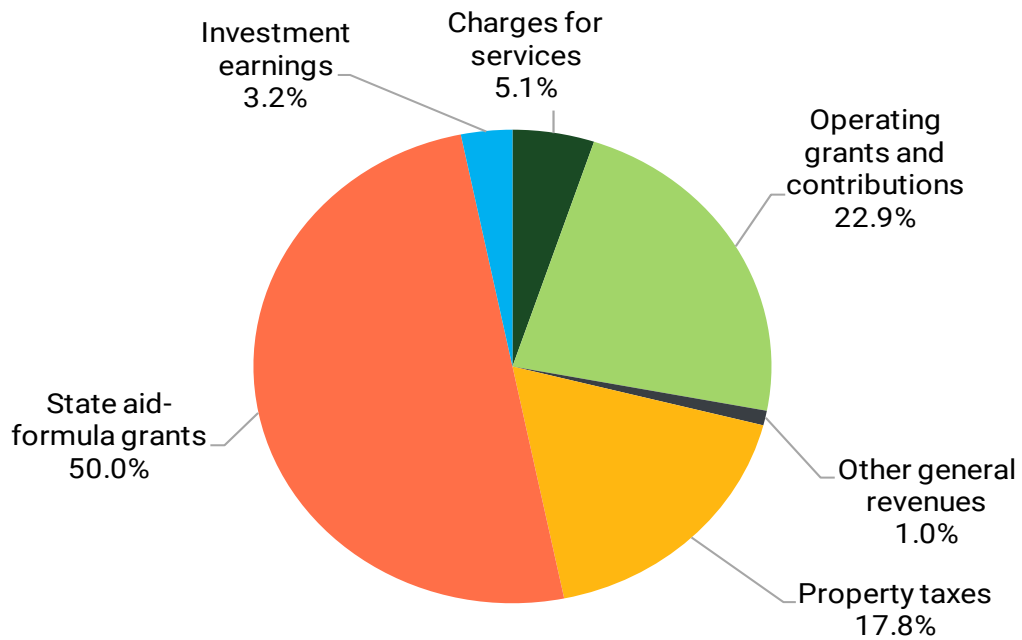
Independent School District No. 508's Changes in Net Position

	Governmental Activities		Increase (Decrease)	
	2023	2022	Amounts	Percent
Revenues				
Program revenues				
Charges for services	\$ 1,951,639	\$ 1,582,453	\$ 369,186	23.3 %
Operating grants and contributions	8,838,760	8,024,112	814,648	10.2
General revenues				
Property taxes	6,858,754	6,576,717	282,037	4.3
State aid-formula grants	19,259,317	19,311,415	(52,098)	(0.3)
Other general revenues	383,718	805,409	(421,691)	(52.4)
Gain on sale of capital assets	12,196	-	12,196	N/A
Investment earnings	1,241,397	15,828	1,225,569	7,743.0
Total Revenues	<u>38,545,781</u>	<u>36,315,934</u>	<u>2,229,847</u>	6.1
Expenses				
Administration	1,581,418	1,736,202	(154,784)	(8.9)
District support services	803,476	649,951	153,525	23.6
Elementary and secondary regular instruction	11,226,204	13,327,298	(2,101,094)	(15.8)
Vocational education instruction	588,024	486,736	101,288	20.8
Special education instruction	6,016,746	6,232,303	(215,557)	(3.5)
Community education and services	1,065,505	1,031,464	34,041	3.3
Instructional support services	1,946,340	1,670,677	275,663	16.5
Pupil support services	4,755,427	4,264,255	491,172	11.5
Sites and buildings	5,258,089	5,292,904	(34,815)	(0.7)
Fiscal and other fixed cost programs	113,273	117,847	(4,574)	(3.9)
Interest and fiscal charges on long-term debt	3,434,445	2,986,620	447,825	15.0
Total Expenses	<u>36,788,947</u>	<u>37,796,257</u>	<u>(1,007,310)</u>	(2.7)
Change in Net Position	1,756,834	(1,480,323)	3,237,157	(218.7)
Net Position, July 1	(3,068,100)	(1,587,777)	(1,480,323)	(93.2)
Prior Period Adjustment (Note 7)	<u>(256,682)</u>	<u>-</u>	<u>(256,682)</u>	N/A
Net Position, June 30	<u>\$ (1,567,948)</u>	<u>\$ (3,068,100)</u>	<u>\$ 1,500,152</u>	48.9

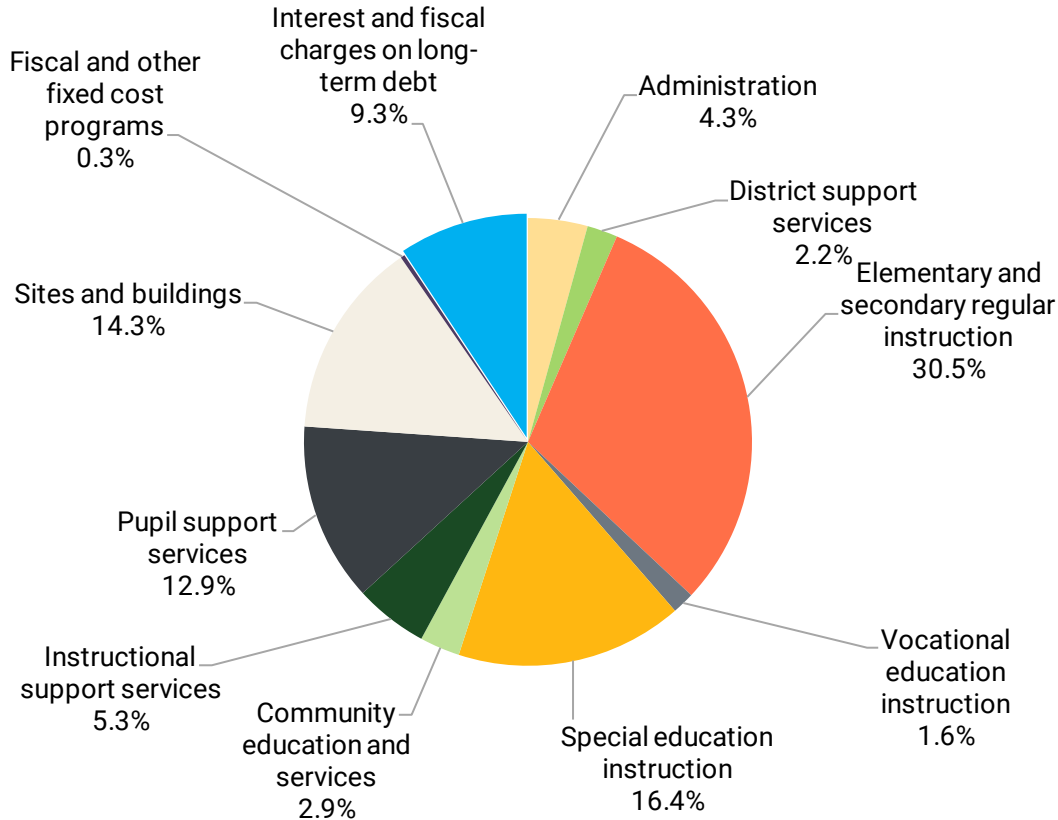
Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Expenses by Program - Governmental Activities



Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The table below outlines the governmental fund balances for the year ending June 30, 2023.

	General Fund	Debt Service Fund	Nonmajor Funds	Total	Prior Year Total	Increase (Decrease)
Fund Balances						
Nonspendable	\$ 29,247	\$ -	\$ -	\$ 29,247	\$ 27,954	\$ 1,293
Restricted	831,082	48,662,477	1,465,191	50,958,750	51,011,757	(53,007)
Assigned	2,227,293	-	-	2,227,293	2,357,268	(129,975)
Unassigned	3,181,630	-	(920,395)	2,261,235	3,784,082	(1,522,847)
Total	<u>\$ 6,269,252</u>	<u>\$ 48,662,477</u>	<u>\$ 544,796</u>	<u>\$ 55,476,525</u>	<u>\$ 57,181,061</u>	<u>\$ (1,704,536)</u>

The General fund is the chief operating fund of the District. At the end of the current year, the fund balance of the General fund is shown in the table above. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The total unassigned fund balance as a percent of total fund expenditures is shown in the chart below along with total fund balance as a percent of total expenditures.

	General Fund	Prior Year Total	Increase (Decrease)
General Fund Fund Balances			
Nonspendable	\$ 29,247	\$ 27,954	\$ 1,293
Restricted	831,082	699,749	131,333
Assigned	2,227,293	2,357,268	(129,975)
Unassigned	<u>3,181,630</u>	<u>4,456,040</u>	<u>(1,274,410)</u>
 Total General Fund Fund Balances	 <u>\$ 6,269,252</u>	 <u>\$ 7,541,011</u>	 <u>\$ (1,271,759)</u>
 General Fund Expenditures	 \$ 32,744,813	 \$ 31,096,283	
Unassigned as a Percent of Expenditures	9.7%	14.3%	
Total Fund Balance as a Percent of Expenditures	19.1%	24.3%	

The General fund had a decrease in fund balance as shown above. There are many factors that play into this decrease in fund balance. The District utilized carryover COVID funds from previous years to help offset costs in the General fund. This was comprised mostly of ESSER III funds, Supply Chain Assistance funds and Expanded Summer Learning funds. With funded student counts staying fairly level from fiscal year 2022 to fiscal year 2023, the District saw an increase in general education aid of almost \$500,000 while salary expenditures increased by almost \$1,000,000. Additionally, almost 15 years ago, the District had to sunset retirement language that allowed the district to levy for certain OPEB costs. Now, the District is paying out over \$100,000 in retirement benefits that are no longer allowed to be levied for. The District also saw a significant increase in special education expenditures, with an increase of almost \$385,000 in those costs. However, due to increased special education expenditures in fiscal year 2022, the District also saw an increase in special education revenue of almost \$800,000 from fiscal year 2022 to fiscal year 2023. Compensatory revenue was down from fiscal year 2022 to fiscal year 2023 by \$242,000 due to fewer student applications for free and reduced meals.

General Fund Budgetary Highlights

	Original Budgeted Amounts	Budget Amendments	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 30,702,475	\$ 682,086	\$ 31,384,561	\$ 31,514,629	\$ 130,068
Expenditures	32,625,317	1,311,282	33,936,599	32,744,813	1,191,786
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,922,842)	(629,196)	(2,552,038)	(1,230,184)	1,321,854
Other Financing Sources (Uses)					
Leases issued	267,190	68,110	335,300	202,911	(132,389)
Insurance recovery (loss)	1,000	-	1,000	-	(1,000)
Sale of capital assets	175	9,825	10,000	12,196	2,196
Total Other Financing Sources (Uses)	268,365	77,935	346,300	215,107	(131,193)
Net Change in Fund Balances	(1,654,477)	(551,261)	(2,205,738)	(1,015,077)	1,190,661
Fund Balances, July 1	7,541,011	-	7,541,011	7,541,011	-
Prior Period Adjustment (Note 7)	(256,682)	-	(256,682)	(256,682)	-
Fund Balances, June 30	<u>\$ 5,629,852</u>	<u>\$ (551,261)</u>	<u>\$ 5,078,591</u>	<u>\$ 6,269,252</u>	<u>\$ 1,190,661</u>

The District adopted the annual revised operating budget in May of 2023 as shown above. For revenue, the biggest variances between the revised budget and actual revenue was in special education (under budget by \$105,000), general education aid (over budget by \$160,000) and ALC/targeted services revenue (under budget by \$73,000). For expenditures, some of the more notable differences between our budgeted amounts and the actuals include retirement expenditures paid out to teachers hired after 7/1/2009 (under budgeted by \$122,000), transportation costs (over budgeted by \$150,000), LTFM projects (over budgeted by \$250,000) and salaries expenditures (over budgeted by \$300,000).

Debt Service Budgetary Highlights

	Original Budgeted Amounts	Budget Amendments	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 3,248,289	\$ 4,305	\$ 3,252,594	\$ 4,257,662	\$ 1,005,068
Expenditures	3,249,250	350	3,249,600	4,279,759	(1,030,159)
Net Change in Fund Balances	(961)	3,955	2,994	(22,097)	(25,091)
Fund Balances, July 1	48,684,574	-	48,684,574	48,684,574	-
Fund Balances, June 30	<u>\$ 48,683,613</u>	<u>\$ 3,955</u>	<u>\$ 48,687,568</u>	<u>\$ 48,662,477</u>	<u>\$ (25,091)</u>

In reviewing the District's debt service budget, the District was under budget on both the revenues and the expenditures. The refunded bond's principal payment and interest receipts were not included in the preliminary or revised budgets, thus the variance with the actual amounts.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2023 is shown in the table below (net of accumulated depreciation). This investment in capital assets includes land, construction work in progress, land improvements, buildings and equipment. The major additions to capital assets during the year were parking lot improvements, technology (such as Chromebooks and iPads) and food service counters. The following is a schedule of capital assets as of June 30, 2023.

Independent School District No. 508's Capital Assets (Net of Depreciation)

	Governmental Activities		
	2023	2022	Increase (Decrease)
Land	\$ 933,564	\$ 933,564	\$ -
Construction in Progress	388,662	95,167	293,495
Land Improvements	2,215,784	2,107,638	108,146
Buildings	60,982,022	63,541,009	(2,558,987)
Equipment	3,246,104	2,491,261	754,843
Total	<u>\$ 67,766,136</u>	<u>\$ 69,168,639</u>	<u>\$ (1,402,503)</u>
Percent Increase (Decrease)			-2.0%

Additional information on the District's capital assets can be found in Note 3C on page 58 of this report.

Long-term Debt. At the end of the current fiscal year, the District had total general obligation bonds outstanding as shown in the table below. Most of this amount is to finance capital projects relating to school buildings. The District also leases payable reported as long-term debt at year end.

Independent School District No. 508's Outstanding Debt

	Governmental Activities		
	2023	2022	Increase (Decrease)
General Obligation Bonds Payable	\$ 99,170,000	\$ 100,275,000	\$ (1,105,000)
Lease Payable	670,939	749,234	(78,295)
Total	<u>\$ 99,840,939</u>	<u>\$ 101,024,234</u>	<u>\$ (1,183,295)</u>
Percent Increase (Decrease)			-1.2%

The District's total long-term debt decreased during the current fiscal year due to regularly scheduled debt payments.

Additional information on the District's long-term debt can be found in Note 3D starting on page 59 of this report.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstance that could significantly affect its financial health in the future.

- The District is now starting to graduate larger classes than the incoming kindergarten class, so the District will need to see an influx of students moving into the area and growth of the general St. Peter area to maintain its enrollment over the next several years.
- The District saw an increased deficit in the Community Service fund balance. This was mostly due to expenditures exceeding revenues in the School Readiness program. This is something that will need to be remedied in the coming years, most likely by a transfer from the General fund.
- The additional cost of inflation is increasing the expenditures of the District in all areas including salaries and fringe, supplies, utilities, fuel, etc.
- The District finished its second year of self-insurance with health insurance. Both the dental and health insurance plans saw revenues in excess of expenses. This excess revenue can be used to help curb increases to future premiums for each of these plans but must stay within the internal service fund.
- A referendum was passed in the fall of 2021. This provided additional revenue for the district beginning in fiscal year 2023.
- The Leo A. Hoffmann Center changed the students that they serve in fiscal year 2023. Because of the location in our school district, we provide the educational services for their program. The change in students has increased the costs and changed the timing of reimbursements associated with running the educational program.

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be in written form and addressed to the Business Office, Independent School District No. 508, 100 Lincoln Drive, Suite 229, St. Peter, MN 56082.

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DISTRICT-WIDE FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 508
ST. PETER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

Independent School District No. 508

St. Peter, Minnesota
Statement of Net Position
June 30, 2023

	Governmental Activities
Assets	
Cash and temporary investments	\$ 12,233,868
Cash held with fiscal agent	47,987,168
Receivables	
Taxes	3,766,228
Accounts	9,086
Due from other school districts	404,025
Intergovernmental	3,088,235
Prepaid items	29,247
Capital assets not being depreciated/amortized	1,322,226
Capital assets being depreciated/amortized (net of accumulated depreciation/amortization)	66,443,910
Total Assets	<u>135,283,993</u>
Deferred Outflows of Resources	
Deferred pension resources	6,475,820
Deferred other postemployment benefit resources	242,009
Total Deferred Outflows of Resources	<u>6,717,829</u>
Liabilities	
Salaries and wages payable	1,578,747
Accounts and other payables	601,641
Accrued interest payable	1,408,973
Due to other school districts	111,145
Due to other governments	192,230
Accrued expenses	1,575,991
Unearned revenue	67,218
Noncurrent liabilities	
Due within one year	
Long-term liabilities	1,559,080
Due in more than one year	
Long-term liabilities	100,892,974
Net pension liability	21,351,369
Other postemployment benefits liability	3,223,427
Total Liabilities	<u>132,562,795</u>
Deferred Inflows of Resources	
Property taxes levied for subsequent year	6,830,309
Deferred pension resources	3,420,263
Deferred other postemployment benefit resources	756,403
Total Deferred Inflows of Resources	<u>11,006,975</u>
Net Position	
Net investment in capital assets	14,094,981
Restricted	
Food service	1,069,113
Educational purposes	1,231,855
Unrestricted	<u>(17,963,897)</u>
Total Net Position	<u>\$ (1,567,948)</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 508

St. Peter, Minnesota

Statement of Activities

For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Position
					Governmental
					Activities
Governmental Activities					
Administration	\$ 1,581,418	\$ 20,559	\$ 15,290	\$ -	\$ (1,545,569)
District support services	803,476	-	9,617	-	(793,859)
Elementary and secondary regular instruction	11,226,204	473,777	1,425,140	-	(9,327,287)
Vocational education instruction	588,024	-	13,540	-	(574,484)
Special education instruction	6,016,746	377,453	4,611,908	-	(1,027,385)
Community education and services	1,065,505	494,878	252,860	-	(317,767)
Instructional support services	1,946,340	1,800	425,151	-	(1,519,389)
Pupil support services	4,755,427	571,430	1,379,372	-	(2,804,625)
Sites and buildings	5,258,089	11,742	670,989	-	(4,575,358)
Fiscal and other fixed cost programs	113,273	-	34,893	-	(78,380)
Interest and fiscal charges on long term debt	3,434,445	-	-	-	(3,434,445)
Total Governmental Activities	<u>\$ 36,788,947</u>	<u>\$ 1,951,639</u>	<u>\$ 8,838,760</u>	<u>\$ -</u>	<u>(25,998,548)</u>
General Revenues					
Property taxes, levied for general purposes					3,853,426
Property taxes, levied for community service					166,536
Property taxes, levied for debt service					2,838,792
State aid-formula grants					19,259,317
Other general revenues					383,718
Investment earnings					1,241,397
Gain on sale of capital assets					12,196
Total General Revenues					<u>27,755,382</u>
Change in Net Position					1,756,834
Net Position, July 1					(3,068,100)
Prior Period Adjustment (Note 7)					<u>(256,682)</u>
Net Position, June 30					<u>\$ (1,567,948)</u>

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 508
ST. PETER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

Independent School District No. 508

St. Peter, Minnesota

Balance Sheet

Governmental Funds

June 30, 2023

	General	Debt Service	Other Governmental Funds	Total
Assets				
Cash and temporary investments	\$ 8,268,592	\$ 2,103,977	\$ 854,452	\$ 11,227,021
Cash held with fiscal agent	-	47,987,168	-	47,987,168
Receivables				
Taxes	1,799,037	1,882,875	84,316	3,766,228
Accounts	8,290	-	796	9,086
Due from other school districts	404,025	-	-	404,025
Intergovernmental	3,013,523	42,981	31,731	3,088,235
Prepaid items	29,247	-	-	29,247
 Total Assets	 <u>\$ 13,522,714</u>	 <u>\$ 52,017,001</u>	 <u>\$ 971,295</u>	 <u>\$ 66,511,010</u>
Liabilities				
Salaries and wages payable	\$ 1,471,407	\$ -	\$ 107,340	\$ 1,578,747
Accounts and other payables	497,932	-	103,709	601,641
Due to other school districts	111,145	-	-	111,145
Due to other governments	192,230	-	-	192,230
Accrued expenses	1,575,991	-	-	1,575,991
Unearned revenue	25,800	-	41,418	67,218
Total Liabilities	<u>3,874,505</u>	<u>-</u>	<u>252,467</u>	<u>4,126,972</u>
 Deferred Inflows of Resources				
Property taxes levied for subsequent year	3,345,257	3,315,715	169,337	6,830,309
Unavailable revenue				
Delinquent property taxes	33,700	38,809	4,695	77,204
Total Deferred Inflows of Resources	<u>3,378,957</u>	<u>3,354,524</u>	<u>174,032</u>	<u>6,907,513</u>
 Fund Balances				
Nonspendable	29,247	-	-	29,247
Restricted	831,082	48,662,477	1,465,191	50,958,750
Assigned	2,227,293	-	-	2,227,293
Unassigned	3,181,630	-	(920,395)	2,261,235
Total Fund Balances	<u>6,269,252</u>	<u>48,662,477</u>	<u>544,796</u>	<u>55,476,525</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 13,522,714</u>	 <u>\$ 52,017,001</u>	 <u>\$ 971,295</u>	 <u>\$ 66,511,010</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 508
St. Peter, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
June 30, 2023

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

Total Fund Balances - Governmental Funds	\$ 55,476,525
Net capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	67,766,136
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of	
Bonds payable	(99,170,000)
Unamortized premiums	(2,450,216)
Leases payable	(670,939)
Severance benefits payable	(127,415)
Compensated absences payable	(33,484)
Net pension liability	(21,351,369)
Other postemployment benefit liability	(3,223,427)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds. Delinquent property taxes	77,204
Governmental funds do not report long-term amounts related to pensions. Deferred outflows of pension resources	6,475,820
Deferred inflows of pension resources	(3,420,263)
Governmental funds do not report long-term amounts related to other post employment benefits. Deferred outflows of other postemployment benefit resources	242,009
Deferred inflows of other postemployment benefit resources	(756,403)
Governmental funds do not report a liability for accrued interest until due and payable.	(1,408,973)
Internal service funds are used by management to charge the costs of self insurance services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.	1,006,847
Total Net Position - Governmental Activities	<u>\$ (1,567,948)</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 508
St. Peter, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	General	Debt Service	Other Governmental Funds	Total
Revenues				
Local property tax levies	\$ 3,843,929	\$ 2,827,795	\$ 165,614	\$ 6,837,338
Other local and county revenue	1,168,050	-	567,420	1,735,470
Interest earned on investments	241,183	1,000,073	118	1,241,374
Revenue from state sources	23,779,292	429,794	245,068	24,454,154
Revenue from federal sources	2,482,175	-	994,381	3,476,556
Sales and other conversion of assets	-	-	571,430	571,430
Total Revenues	<u>31,514,629</u>	<u>4,257,662</u>	<u>2,544,031</u>	<u>38,316,322</u>
Expenditures				
Current				
Administration	1,764,088	-	-	1,764,088
District support services	788,180	-	-	788,180
Elementary and secondary regular instruction	13,325,680	-	-	13,325,680
Vocational education and instruction	639,367	-	-	639,367
Special education instruction	6,765,745	-	-	6,765,745
Community education and services	-	-	1,151,311	1,151,311
Instructional support services	1,676,441	-	-	1,676,441
Pupil support services	3,105,799	-	1,672,366	4,778,165
Sites and buildings	2,723,946	-	-	2,723,946
Fiscal and other fixed cost programs	248,782	-	-	248,782
Capital outlay	1,410,559	-	131,034	1,541,593
Debt service				
Principal	281,206	1,105,000	-	1,386,206
Interest and other costs	15,020	3,174,759	-	3,189,779
Total Expenditures	<u>32,744,813</u>	<u>4,279,759</u>	<u>2,954,711</u>	<u>39,979,283</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,230,184)</u>	<u>(22,097)</u>	<u>(410,680)</u>	<u>(1,662,961)</u>
Other Financing Sources (Uses)				
Leases issued	202,911	-	-	202,911
Sale of capital assets	12,196	-	-	12,196
Total Other Financing Sources (Uses)	<u>215,107</u>	<u>-</u>	<u>-</u>	<u>215,107</u>
Net Change in Fund Balances	(1,015,077)	(22,097)	(410,680)	(1,447,854)
Fund Balances, July 1	7,541,011	48,684,574	955,476	57,181,061
Prior Period Adjustment (Note 7)	<u>(256,682)</u>	<u>-</u>	<u>-</u>	<u>(256,682)</u>
Fund Balances, June 30	<u>\$ 6,269,252</u>	<u>\$ 48,662,477</u>	<u>\$ 544,796</u>	<u>\$ 55,476,525</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 508
St. Peter, Minnesota
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
to Statement of Activities
Governmental Funds
For the Year Ended June 30, 2023

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

Total Net Change in Fund Balances - Governmental Funds	\$ (1,447,854)
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Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlay	1,256,217
Depreciation/amortization expense	(2,658,720)

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. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Leases issued	(202,911)
Amortization of premium on bonds	136,123
Principal repayments on bonds and notes	1,105,000
Retirement of leases payable	281,206

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

(244,666)

Long-term pension activity is not reported in governmental funds.

Pension expense	2,678,410
Direct aid contributions	195,824

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

21,416

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(17,282)
Other postemployment benefit costs	203,635

Internal service funds are used by management to charge the costs of self insurance services to individual funds. The net revenues of certain of the internal activities of internal service funds are reported in governmental activities

450,436

Change in Net Position - Governmental Activities	<u><u>\$ 1,756,834</u></u>
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Independent School District No. 508
St. Peter, Minnesota
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Local property tax levies	\$ 3,192,373	\$ 3,780,905	\$ 3,843,929	\$ 63,024
Other local and county revenue	3,125	1,050,377	1,168,050	117,673
Interest earned on investments	1,173,079	183,600	241,183	57,583
Revenue from state sources	23,148,331	23,886,545	23,779,292	(107,253)
Revenue from federal sources	3,185,567	2,483,134	2,482,175	(959)
Total Revenues	<u>30,702,475</u>	<u>31,384,561</u>	<u>31,514,629</u>	<u>130,068</u>
Expenditures				
Current				
Administration	1,758,490	1,767,045	1,764,088	2,957
District support services	666,909	743,566	788,180	(44,614)
Elementary and secondary regular instruction	14,229,978	13,621,146	13,325,680	295,466
Vocational education and instruction	359,260	573,928	639,367	(65,439)
Special education instruction	6,793,979	7,051,231	6,765,745	285,486
Instructional support services	1,203,787	1,528,782	1,676,441	(147,659)
Pupil support services	2,481,144	3,265,732	3,105,799	159,933
Sites, buildings and equipment	2,703,830	2,930,766	2,723,946	206,820
Fiscal and other fixed cost programs	256,100	254,050	248,782	5,268
Capital outlay				
Administration	29,511	29,511	19,477	10,034
District support services	4,000	4,000	1,626	2,374
Elementary and secondary regular instruction	73,359	73,359	66,012	7,347
Special education instruction	33,180	41,380	41,718	(338)
Instructional support services	287,515	349,625	342,197	7,428
Pupil support services	12,200	8,200	16,557	(8,357)
Sites, buildings and equipment	1,405,693	1,367,896	914,768	453,128
Fiscal and other fixed cost programs	-	-	8,204	(8,204)
Debt service				
Principal	311,732	311,732	281,206	30,526
Interest and other costs	14,650	14,650	15,020	(370)
Total Expenditures	<u>32,625,317</u>	<u>33,936,599</u>	<u>32,744,813</u>	<u>1,191,786</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,922,842)</u>	<u>(2,552,038)</u>	<u>(1,230,184)</u>	<u>1,321,854</u>
Other Financing Sources (Uses)				
Leases issued	267,190	335,300	202,911	(132,389)
Insurance recovery (loss)	1,000	1,000	-	(1,000)
Sale of capital assets	175	10,000	12,196	2,196
Total Other Financing Sources (Uses)	<u>268,365</u>	<u>346,300</u>	<u>215,107</u>	<u>(131,193)</u>
Net Change in Fund Balances	(1,654,477)	(2,205,738)	(1,015,077)	1,190,661
Fund Balances, July 1	7,541,011	7,541,011	7,541,011	-
Prior Period Adjustment (Note 7)	<u>(256,682)</u>	<u>(256,682)</u>	<u>(256,682)</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 5,629,852</u>	<u>\$ 5,078,591</u>	<u>\$ 6,269,252</u>	<u>\$ 1,190,661</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 508
St. Peter, Minnesota
Proprietary Funds - Internal Service Funds
Statement of Net Position
June 30, 2023

Assets	<u>Self-Insurance</u>
Cash and temporary investments	<u>\$ 1,006,847</u>
Net Position	
Unrestricted	<u>\$ 1,006,847</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 508
 St. Peter, Minnesota
 Proprietary Funds - Internal Service Funds
 Statement of Revenues, Expenses and Changes in Net Position
 For the Year Ended June 30, 2023

	<u>Self-Insurance</u>
Operating Revenues	
Charges for services	
Contributions from employees and retirees	<u>\$ 3,938,138</u>
Operating Expenses	
Self insurance benefits/claims	3,453,732
Administrative costs	<u>33,993</u>
Total Operating Expenses	<u>3,487,725</u>
Operating Income	450,413
Nonoperating Revenues (Expenses)	
Investment income	<u>23</u>
Change in Net Position	450,436
Net Position, July 1	<u>556,411</u>
Net Position, June 30	<u><u>\$ 1,006,847</u></u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 508
Proprietary Funds - Internal Service Funds
Statement of Cash Flows
For the Year Ended June 30, 2023

	<u>Self-Insurance</u>
Cash Flows from Operating Activities	
Contributions from the District and employees	\$ 3,938,138
Payments for health care premiums and claims	(3,453,732)
Payments for administrative costs	<u>(33,993)</u>
Net Cash Provided (Used) by	
Operating Activities	<u>450,413</u>
Cash Flows from Investing Activities	
Interest received on cash and investments	<u>23</u>
Net Increase (Decrease) in Cash and	
Cash Equivalents	450,436
Cash and Cash Equivalents, July 1	<u>556,411</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 1,006,847</u></u>
Reconciliation of Operating Income (Loss) to Net	
Cash Provided (Used) by Operating Activities	
Operating income (loss)	<u><u>\$ 450,413</u></u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 508
St. Peter, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023

	Private Purpose Trust
Assets	
Cash and temporary investments	<u>\$ 735,277</u>
Net Position	
Held in trust for scholarships	<u>\$ 735,277</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 508
St. Peter, Minnesota
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023

	Private Purpose Trust
Additions	
Investment income	\$ 23,868
Deductions	
Scholarships	<u>22,000</u>
Change in Net Position	1,868
Net Position, July 1	<u>733,409</u>
Net Position, June 30	<u><u>\$ 735,277</u></u>

The notes to the financial statements are an integral part of this statement.

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Independent School District No. 508

St. Peter, Minnesota

Notes to the Financial Statements

June 30, 2023

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Independent School District No. 508, (the District) was incorporated under the laws of the State of Minnesota, (the State). The District operates under a School Board form of government for the purpose of providing educational services to individuals within the area. The District is governed by an elected School Board of seven members, who are responsible for legislative and fiscal control of the District. A superintendent is appointed by the School Board and is responsible for administrative control of the District.

The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The District has no component units that meet the GASB criteria.

B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

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

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. State revenue is recognized in the year to which it applies according to Minnesota statutes and accounting principles generally accepted in the United States of America. Minnesota statutes include State aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure was made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service funds is charges to employees and retirees for claims and benefits. Operating expenses for the internal service fund includes claims and benefits and administrative costs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

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

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Description of Funds

The various District funds have been established by the State of 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:

The *General fund* is the District's primary operating fund. It accounts for all financial resources of the District, 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 capital related activities such as maintenance of facilities, equipment purchases, health and safety projects and disabled accessibility projects.

The *Debt Service fund* accounts for the resources accumulated and payments made for principal, interest and related costs on long-term general obligation debt of governmental funds.

Nonmajor Governmental Funds:

The *Food Service special revenue fund* is used to account for food service revenue and expenditures.

The *Community Service special revenue fund* accounts for services provided to residents in the areas of recreation, civic activities, non-public pupils, adult or early childhood programs, or other similar services.

Proprietary Funds:

The *Self-Insurance fund* is an internal service fund used to accumulate and allocate costs internally among the District's various functions and is used to account for the District's dental and health insurance activity.

Fiduciary Funds:

The *Private-Purpose trust fund* is used to account for trust arrangements under which the income benefits individuals. This fund accounts for dollars established for various annual scholarships that are awarded to students based on the requirements of the donor. All resources of the fund, including any earnings on invested resources, may be used to support the activities.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and all highly liquid investments or equity investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

The District may invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The Minnesota School District Liquid Asset Fund (MSDLAF) investment pool operates in accordance with appropriate Minnesota laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The MSDLAF is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule §2a7. Financial statements of the MSDLAF fund can be obtained by contacting PFM Asset Management, LLC at P.O. Box 11760, Harrisburg, PA 17108-11760.

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 District's recurring fair value measurements are listed in detail on page 57 and are valued using quoted market prices (Level 1 inputs).

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

The School Board annually adopts a tax levy and certifies it to the County in December for collection in the following year. The County is responsible for collecting all property taxes for the District. These taxes attach an enforceable lien on taxable property within the District on January 1 and are payable by the property owners in two installments generally due on May 15 and October 15. The taxes are collected by the County Treasurer and tax settlements are made to the District three or four times throughout the year.

Statutory funding formulas determine the majority of the District revenue in the General and special revenue funds. This revenue is divided between property taxes and State aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as a "tax shift". The remaining portion of taxes collectible in 2023 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

Taxes payable on qualifying property, as defined by Minnesota statutes, are partially reduced by a market value credit aid. The credit is paid to the District by the State in lieu of taxes levied against homestead property.

Current property taxes receivable is recorded for taxes levied in 2022 and collectible in 2023. The remaining portion of the current tax levy is reported as a liability, property taxes levied for subsequent year. Delinquent taxes receivable include 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.

Accounts Receivable

All trade and property tax receivables are shown net of an allowance for uncollectibles. No allowance for uncollectibles have been recorded. The only receivable not expected to be collected within one year are current property taxes receivable.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets

Capital assets include property, plant and equipment. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,500 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	20 - 50
Land Improvements	20 - 50
Equipment, Machinery and Vehicles	5 - 15

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows of Resources

In addition to assets, the statement of net 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 two items that qualify for reporting in this category. Accordingly, the items, deferred pension resources and deferred other post-employment benefit resources, are reported only in the statement of net position. These items result from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Accrued Employee Benefits

Compensated Absences Payable

Vacation is earned under the terms of the superintendent, custodial group office support group, and food service employee contracts. Annual vacation pay rates are dependent upon employee group labor contracts. At June 30, certain employee groups may carry forward up to 10 days of unpaid vacation for up to one year. At June 30, 2023, unpaid vacation pay totaling \$33,484 is recorded in the statement of net position.

Substantially all District employees are entitled to sick leave at various rates. For certain eligible employees, unused sick leave is used to calculate severance pay upon termination. The General fund is typically used to liquidate compensated absences payable.

Severance and Health Insurance Benefits

Severance and health insurance benefits consist of severance payments and post-employment healthcare benefits. Accounting policies for severance and health benefits are described as follows:

1. Severance Payment - Educational Assistants

A severance payment is available to paraprofessionals who have completed at least 10 consecutive years of service with the District and are at least age 55. An eligible individual will receive an amount equal to \$4,375 per hour of accumulated sick leave up to 1,400 hours, to a maximum of \$6,125.

2. Severance Payment - Custodial Personnel

A severance payment is available to custodial personnel who are at least age 55. A full-time eligible individual will receive an amount equal to \$35 per unused sick leave day to a maximum of 180 days or \$6,300. A part-time eligible individual will receive an amount equal to \$20 per unused sick leave day to a maximum of 180 days or \$3,600.

3. Severance Payment - Office Support Staff

A severance payment is available to office support personnel who are at least age 55. An eligible individual will receive an amount equal to \$25 per unused sick leave day to a maximum of 160 days or \$4,000.

4. Severance Payment - Principals

A severance payment is available to principals who have completed at least 10 consecutive years of service with the District and are at least age 55. An eligible individual will receive pay for a maximum of 310 unused sick leave days. The first 75 days are paid at the full daily salary and the additional 235 days are at least an amount equal to \$40 per day.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

During fiscal year 2023, total expenditures for severance and health insurance benefits were a negative \$17,282 and \$203,635 respectively. At June 30, 2023, a liability for severance and for health benefits (OPEB liability) is recorded on the statement of net position. Severance and health benefits payable are being paid by mainly the General and Food Service funds.

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized 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.

Other Postemployment Benefits (OPEB) Obligation

Under Minnesota statute 471.61, subdivision 2b, public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in a group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees are able to add dependent coverage during open enrollment period or qualifying life event prior to retirement. All premiums are funded on a pay-as-you-go basis. The liability was determined, in accordance with GASB Statement No. 75, on June 30, 2023. The General fund is typically used to liquidate governmental other postemployment benefits payable.

Pensions

Teachers Retirement Association (TRA)

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Teachers Retirement Association (TRA) and additions to/deductions from TRA's fiduciary net position have been determined on the same basis as they are reported by 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 merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in Note 4.

Public Employees Retirement Association (PERA)

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

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

The total pension expense for the General Employee Plan (GERP) and TRA is as follows:

	GERP	TRA	Total
District's Proportionate Share	\$ 667,819	\$ (2,040,792)	\$ (1,372,973)
Proportionate Share of State's Contribution	17,696	178,128	195,824
Total	<u>\$ 685,515</u>	<u>\$ (1,862,664)</u>	<u>\$ (1,177,149)</u>

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net 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 two types of items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, one of the items, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: delinquent property taxes and property taxes levied for subsequent year. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are the deferred pension and deferred other post-employment benefit resources reported in the statement of net position of the government-wide statements. These items result from actuarial calculations.

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the School Board (the Board), which is the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Board itself or by an official to which the governing body delegates the authority. The Board has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Business Manager.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District has formally set of a goal of a minimum unassigned fund balance in the General fund of \$3,810,403 for the year ended June 30, 2023. The unassigned fund balance for the General fund at year end was \$3,181,630.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation/amortization reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consist of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Budgets are prepared for District governmental funds on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the funds.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the budget is prepared by the Superintendent to be adopted by the School Board.
2. Budgets for the General, special revenue, Debt Service and Capital Projects funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
3. Budgeted amounts are as originally adopted, or as amended.
4. Budget appropriations lapse at year end.
5. The District does not use encumbrance accounting.
6. The legal level of budgetary control is the fund level.

B. Excess of Actual Expenditures Over Appropriations

For the year ended June 30, 2023, expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Community Service	\$ 1,136,836	\$ 1,151,543	\$ 14,707
Debt Service	3,249,600	4,279,759	1,030,159

The excess expenditures were funded by actual revenues in excess of budget and available fund balance. Excess community service expenditures increased to the fund's deficit.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 2: Stewardship, Compliance and Accountability (Continued)

C. Deficit Fund Equity

The follow fund had a fund balance deficit at June 30, 2023:

Fund	Amount
Community Service	\$ 524,317

The above deficit will be eliminated through future charges for services and General fund transfers.

Note 3: Detailed Notes on all Funds

A. Deposits and Investments

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the District's deposits and investments may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the School Board, the District maintains deposits at those depository banks which are members of the Federal Reserve System.

Minnesota statutes require that all District deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, with the exception of irrevocable standby letters of credit from Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral includes the legal investments described below, as well as certain first mortgage notes, and certain other State or local government obligations. Minnesota statutes require that securities pledged as collateral be held in safekeeping by the District Treasurer or in a financial institution other than that furnishing the collateral.

At year end, the District's carrying amount of deposits was \$2,061,052 and the bank balance was \$2,136,273. Of the bank balance, \$1,473,490 was covered by federal depository insurance. The remaining balance was collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 3: Detailed Notes on all Funds (Continued)

As of June 30, 2023, the District had the following investments:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Balance	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
Minnesota School District Liquid Asset Fund (MSDLAF)	AAA	less than 1 year	\$ 10,300,882			
Brokered Money Market	N/A	less than 1 year	111,558			
Non-pooled Investments at Fair Value						
Taxable Municipal Bond	AAA	1 - 5 years	71,235	\$ 71,235	\$ -	\$ -
Taxable Municipal Bond	AA3/AA-	1 - 5 years	55,000	55,000	-	-
Taxable Municipal Bond	AA3/AA-	1 - 5 years	44,876	44,876	-	-
Taxable Municipal Bond	AA2	1 - 5 years	101,311	101,311	-	-
Taxable Municipal Bond	AA2/AA-	1 - 5 years	76,739	76,739	-	-
Brokered Certificates of Deposits	N/A	1 - 5 years	73,976	73,976	-	-
Brokered Certificates of Deposits	N/A	1 - 5 years	72,286	72,286	-	-
Total Investments			\$ 10,907,863	\$ 495,423	\$ -	\$ -

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A indicates not applicable or available.

The Minnesota School District Liquid Asset Fund (MSDLAF) is a trust organized and existing under the laws of the State of Minnesota and the Minnesota Joint Powers Act, as amended. The trust was established for the purpose of allowing Minnesota school districts to pool their investment funds to obtain a competitive investment yield, while maintaining liquidity and preserving capital. The credit rating for the MSDLAF is AAA. The weighted average days to maturity are less than six months. The District's investment in the MSDLAF is equal to the value of pool shares.

A reconciliation of cash and temporary investments as shown on the statement of net position for the District follows:

Petty Cash	\$ 230
Deposits	2,061,052
Investments	10,907,863
Total	<u>12,969,145</u>
Less Fiduciary Fund Cash and Temporary Investments	<u>(735,277)</u>
Total Cash and Temporary Investments	<u><u>\$ 12,233,868</u></u>

Cash Held by Fiscal Agent

The district had cash held by fiscal agent that will be used to decrease the G.O. School Refunding Bonds, Series 2015A on February 1, 2025. The amount held is \$47,987,168 as of June 30, 2023.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 3: Detailed Notes on all Funds (Continued)

B. Property Taxes Receivable

Current property taxes receivable is recorded for taxes levied in 2022 and payable in 2023. A portion of the current property taxes receivable is recognized as revenue in the fiscal year ended June 30, 2023 in accordance with Minnesota statutes and the remaining balance is recorded as a deferred inflow of resources for subsequent years' operations.

Delinquent property taxes receivable represents uncollected taxes from the previous six years' property tax levies. 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.

Taxes receivable by fund type is comprised of the following components:

	General	Debt Service	Nonmajor Governmental	Total
Current Taxes	\$ 1,765,337	\$ 1,844,066	\$ 79,621	\$ 3,689,024
Delinquent Taxes	33,700	38,809	4,695	77,204
	<u>\$ 1,799,037</u>	<u>\$ 1,882,875</u>	<u>\$ 84,316</u>	<u>\$ 3,766,228</u>
Total Taxes Receivable				
Property Taxes Levied for Subsequent Year	<u>\$ 3,345,257</u>	<u>\$ 3,315,715</u>	<u>\$ 169,337</u>	<u>\$ 6,830,309</u>

C. Capital Assets

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Governmental Activities				
Capital Assets not Being Depreciated/Amortized				
Land	\$ 933,564	\$ -	\$ -	\$ 933,564
Construction Work in Progress	95,167	388,662	(95,167)	388,662
Total Capital Assets not Being Depreciated/Amortized	<u>1,028,731</u>	<u>388,662</u>	<u>(95,167)</u>	<u>1,322,226</u>
Capital Assets Being Depreciated/Amortized				
Land Improvements	3,652,125	260,572	-	3,912,697
Building	86,759,704	146,890	-	86,906,594
Equipment	4,737,858	352,349	-	5,090,207
Leased Equipment (Intangible Right to Use Asset)	972,580	202,911	(132,437)	1,043,054
Total Capital Assets Being Depreciated/Amortized	<u>96,122,267</u>	<u>962,722</u>	<u>(132,437)</u>	<u>96,952,552</u>
Less Accumulated Depreciation/Amortization				
Land improvements	(1,544,487)	(152,426)	-	(1,696,913)
Building	(23,943,790)	(1,980,782)	-	(25,924,572)
Equipment	(2,246,597)	(234,989)	-	(2,481,586)
Leased Equipment (Intangible Right to Use Asset)	(247,485)	(290,523)	132,437	(405,571)
Total Accumulated Depreciation/Amortization	<u>(27,982,359)</u>	<u>(2,658,720)</u>	<u>132,437</u>	<u>(30,508,642)</u>
Total Capital Assets Being Depreciated/Amortized, Net	<u>68,139,908</u>	<u>(1,695,998)</u>	<u>-</u>	<u>66,443,910</u>
Governmental Activities Capital Assets, Net	<u>\$ 69,168,639</u>	<u>\$ (1,307,336)</u>	<u>\$ (95,167)</u>	<u>\$ 67,766,136</u>

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 3: Detailed Notes on all Funds (Continued)

Depreciation/amortization expense was charged to governmental activities as follows:

Administration	\$ 1,033
Elementary and Secondary Regular Instruction	30,213
Special Education Instruction	8,261
Instructional Support Services	319,333
Pupil Support Services	30,691
Sites and Buildings	2,268,575
Fiscal and Other Fixed Cost Programs	614
	<hr/>
Total Depreciation/Amortization Expense	<u><u>\$ 2,658,720</u></u>

D. Long-term Debt

General Obligation Bonds

The District issues general obligation bonds to provide financing for the acquisition, construction and betterment of major capital school facilities. In addition, general obligation bonds have been issued to refund general obligation bonds. Assets of the Debt Service fund, together with scheduled future ad valorem tax levies are dedicated to retire these bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds currently outstanding are as follows:

	Original Issue	Interest Rate	Issue Date	Final Maturity	Principal Outstanding	
					Due Within One Year	Total
G.O. School Building Bonds of 2015A	\$ 55,325,000	4.00 - 5.00 %	08/19/15	02/01/25	\$ 1,205,000	\$ 50,550,000
G.O. School Building Refunding Bonds of 2022A	48,620,000	2.48 - 2.78	04/14/22	06/30/39	-	48,620,000
					<hr/>	<hr/>
Total Bonds					<u><u>\$ 1,205,000</u></u>	<u><u>\$ 99,170,000</u></u>

Crossover Refunding Bonds

On April 14, 2022, the District issued \$48,620,000 of G.O. School Building Refunding Bonds, Series 2022A. The proceeds will refund the G.O. School Building Refunding Bonds, Series 2015A on February 1, 2025. The bonds were issued at a net interest cost of 2.375 percent and it is estimated the District will obtain an economic gain of \$5,506,193.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 3: Detailed Notes on all Funds (Continued)

The annual requirements to amortize all bonds outstanding at June 30, 2023 are as follows:

Year Ending June 30	G.O. Bonds			Bonds from Direct Placements		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 1,205,000	\$ 2,089,350	\$ 3,294,350	\$ -	\$ 1,292,185	\$ 1,292,185
2025	49,345,000	2,029,100	51,374,100	-	1,292,185	1,292,185
2026	-	-	-	2,475,000	1,074,611	3,549,611
2027	-	-	-	2,630,000	1,025,730	3,655,730
2028	-	-	-	2,790,000	973,788	3,763,788
2029 - 2033	-	-	-	16,655,000	3,922,283	20,577,283
2034 - 2038	-	-	-	19,825,000	1,927,206	21,752,206
2039 - 2042	-	-	-	4,245,000	102,941	4,347,941
Total	<u>\$ 50,550,000</u>	<u>\$ 4,118,450</u>	<u>\$ 54,668,450</u>	<u>\$ 48,620,000</u>	<u>\$ 11,610,929</u>	<u>\$ 60,230,929</u>

Lease Payable

Lease agreements are summarized as follows:

Description	Total Lease Liability	Interest Rate	Issue Date	Payment Terms	Payment Amount	Balance at Year End
2019 Technology	\$ 64,275	2.39 %	06/20/19	5 Years	\$ 22,158 Annually	\$ 21,635
2020 Ipads	152,086	2.15	06/24/20	4 Years	52,254 Annually	51,143
2020 Technology	98,707	2.25	06/24/20	5 Years	25,775 Annually	49,805
2021 Ipads	155,960	1.89	06/24/21	4 Years	40,418 Annually	78,582
2021 Technology	102,108	1.99	06/24/21	5 Years	21,418 Annually	61,758
2022 Ipads	168,455	3.40	06/29/22	4 Years	45,040 Annually	126,299
2022 Technology	98,552	3.50	06/29/22	5 Years	21,484 Annually	78,806
2023 Ipads	64,249	6.75	12/15/23	4 Years	18,324 Annually	64,247
2023 Technology	138,664	6.00	12/15/23	5 Years	32,094 Annually	138,664
						<u>\$ 670,939</u>

The District entered into various loan agreements with Hometown Bank, Pioneer Bank and First National Bank for the purchase of Ipad's and various other technology. These leases have interest rates between 1.89-6.75% and terms of four or five years.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 3: Detailed Notes on all Funds (Continued)

Annual requirement to amortize long-term obligations and related interest are as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2024	\$ 259,866	\$ 15,591	\$ 275,457
2025	187,092	9,530	196,622
2026	127,402	5,007	132,409
2027	66,351	1,847	68,198
2028	30,228	310	30,538
Total	<u>\$ 670,939</u>	<u>\$ 32,285</u>	<u>\$ 703,224</u>

Long-term liability activity for the year ended June 30, 2023 is as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 51,655,000	\$ -	\$ (1,105,000)	\$ 50,550,000	\$ 1,205,000
Unamortized premium	2,586,339	-	(136,123)	2,450,216	-
Bonds from Direct Placements	48,620,000	-	-	48,620,000	-
Leases Payable	749,234	202,911	(281,206)	670,939	259,866
Severance Benefits Payable	112,268	120,266	(105,119)	127,415	60,730
Compensated Absences Payable	31,349	50,685	(48,550)	33,484	33,484
Governmental Activities					
Total Long-term Liabilities	<u>\$ 103,754,190</u>	<u>\$ 373,862</u>	<u>\$ (1,675,998)</u>	<u>\$ 102,452,054</u>	<u>\$ 1,559,080</u>

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 3: Detailed Notes on all Funds (Continued)

E. Components of Fund Balance

At June 30, 2023, portions of the District's fund balance are not available for appropriation due to not being in spendable form (nonspendable), legal restrictions (restricted), District School Board action (committed), policy and/or intent (assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Other Governmental Funds	Total Governmental Funds	Reconciling Items	UFARS Balance
Nonspendable						
Prepaid items	\$ 29,247	\$ -	\$ -	\$ 29,247	\$ -	\$ 29,247
Restricted						
Student activities	\$ 145,152	\$ -	\$ -	\$ 145,152	\$ -	\$ 145,152
Scholarships	161,450	-	-	161,450	-	161,450
Operating capital	473,733	-	-	473,733	-	473,733
Basic skills	4,307	-	-	4,307	-	4,307
Long term						
facility maintenance	-	-	-	-	(114,379)	(114,379)
Medical assistance	37,377	-	-	37,377	-	37,377
Food service	-	-	1,069,113	1,069,113	-	1,069,113
Community education	-	-	388,636	388,636	-	388,636
Early childhood and						
family education	-	-	806	806	-	806
School readiness	-	-	-	-	(907,659)	(907,659)
Community service	-	-	6,636	6,636	-	6,636
Bond refundings	-	47,987,168	-	47,987,168	-	47,987,168
Debt service	-	675,309	-	675,309	-	675,309
Other	9,063	-	-	9,063	-	9,063
Total Restricted	\$ 831,082	\$ 48,662,477	\$ 1,465,191	\$ 50,958,750	\$ (1,022,038)	\$ 49,936,712
Assigned						
Severance	\$ 364,171	\$ -	\$ -	\$ 364,171	\$ -	\$ 364,171
VEBA trust	412,000	-	-	412,000	-	412,000
Capital outlay	835,000	-	-	835,000	-	835,000
Water mitigation	374,737	-	-	374,737	-	374,737
Academics, arts or athletic programs	48,429	-	-	48,429	-	48,429
Depreciation	192,956	-	-	192,956	-	192,956
Total Assigned	\$ 2,227,293	\$ -	\$ -	\$ 2,227,293	\$ -	\$ 2,227,293
Unassigned	\$ 3,181,630	\$ -	\$ (920,395)	\$ 2,261,235	\$ 1,022,038	\$ 3,283,273

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 3: Detailed Notes on all Funds (Continued)

Restricted for Student Activities - This amount represents available resources for various student activities.

Restricted for Scholarships - This amount represents available resources for scholarships. Revenues are derived from donations and investment earnings and expenditures are for scholarships.

Restricted for Operating Capital - This amount represents available resources dedicated for capital expenditure building projects, equipment purchases, vehicles and computer hardware and software. Revenues are derived from tax levies and State aids and expenditures are for repair and restoration of existing facilities and construction of new facilities, purchase of equipment, computers, software, textbooks and library books.

Restricted for Basic Skills - This amount represents resources dedicated to meeting the educational needs of pupils who enroll under-prepared to learn and have performance below the level appropriate for their age.

Restricted for Long-term Facilities Maintenance (LTFM) - This amount represents available resources for larger maintenance projects. Revenues are derived from State aids and expenditures are for maintenance.

Restricted for Medical Assistance - This amount represents available resources for medical assistance expenditures.

Restricted for Food Service - This amount represents available resources available for Food Services. Revenues are derived from State, Federal, local and county sources along with sales and other conversion of assets and expenditures are primarily for salaries, benefits, supplies and materials.

Restricted for Community Education - This amount represents accumulated resources available to provide general community education programming.

Restricted for Early Childhood Family Education (ECFE) - This amount represents accumulated resources available to provide services for early childhood family education programming.

Restricted for School Readiness - This amount represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose.

Restricted for Community Service - This amount represents available resources available for Community Services. Revenues are derived from tax levies, State, Federal, local and county sources along with sales and other conversion of assets and expenditures are primarily for salaries, benefits, purchased services supplies and materials.

Restricted for Bond Refundings - This amount represents resources set aside from the proceeds of refunded obligation that have not met the criteria of defeasance. These resources will be used to pay off future bonded obligations.

Restricted for Debt Service - This amount represents available resources dedicated exclusively for debt service payments. Revenues are derived from tax levies and expenditures are for principal, interest and paying agent fees.

Restricted for Other - This amount represents resources available for specific purposes stipulated by constitution, external providers or through enabling legislation.

Assigned amounts represent resources constrained by the District's intent to be used for specific purpose, but are not restricted or committed.

Unassigned amounts represent resources available to meet current and future years' expenditures.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 4: Defined Benefit Pension Plans - Statewide

Substantially all employees of the District are required by state law to belong to pension plans administered by Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA), all of which are administered on a statewide basis.

Disclosures relating to these plans follow:

A. Teachers Retirement Association (TRA)

1. Plan Description

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

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

2. Benefits Provided

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

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

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

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

With these provisions:

1. Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
2. Three percent per year early retirement reduction factors for all years under normal retirement age.
3. Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

Or

Tier II: 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. 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 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 also eligible for a refund of their employee contributions plus interest.

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

3. Contribution Rates

Per Minnesota statutes, chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year were:

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

The District's contributions to TRA for the year ending June 30, 2023, 2022 and 2021 were \$1,184,468, \$1,114,434 and \$1,053,549, respectively. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The following is a reconciliation of employer contributions in TRA's fiscal year 2022 Annual Comprehensive Financial Report "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations.

Employer Contributions Reported in TRA's Annual Comprehensive Financial Report Statement of Changes in Fiduciary Net Position	\$ 482,679,000
Employer Contributions Not Related to Future Contribution Efforts	(2,178,000)
TRA's Contributions Not Included in Allocation	<u>(572,000)</u>
 Total Employer Contributions	 479,929,000
Total Non-employer Contributions	<u>35,590,000</u>
 Total Contributions Reported in Schedule of Employer and Non-Employer Pension Allocations	 <u>\$ 515,519,000</u>

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

4. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Valuation date	July 1, 2022
Measurement date	June 30, 2022
Experience study	June 5, 2019 (demographic and economic assumptions)*
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% thereafter
Projected salary increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% thereafter
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 Assumption	
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 assumptions prescribed are based on the experience study dated July 28, 2019. For GASB 67 purposes, the long-term rate of return is selected by TRA management in consultation with the actuary.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

5. Long-term Rate of Return

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.50 %	5.10 %
International Equity	16.50	5.30
Private Markets	25.00	5.90
Fixed Income	25.00	0.75
Total	100.00 %	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2023 is six years. The Difference between Expected and Actual Experience, Changes of Assumptions, and Changes in Proportion use the amortization period of 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 2021 valuation:

- None

6. Discount Rate

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

7. Net Pension Liability

At June 30, 2023, the District reported a liability of \$17,312,152 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 0.2162 percent at the end of the measurement period and 0.2051 percent for the beginning of the year.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

District's Proportionate Share of Net Pension Liability	\$ 17,312,152
State's Proportionate Share of Net Pension Liability Associated with the District	1,283,730

For the year ended June 30, 2023 the District recognized negative pension expense of \$2,040,792. It also recognized \$178,128 as an increase 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 243,092	\$ 142,145
Changes in actuarial assumptions	2,630,962	3,223,234
Net difference between projected and actual earnings on plan investments	782,033	-
Changes in proportion	272,653	-
Contributions to TRA subsequent to the measurement date	<u>1,184,468</u>	<u>-</u>
Total	<u>\$ 5,113,208</u>	<u>\$ 3,365,379</u>

Deferred outflows of resources totaling \$1,184,468 related to pensions resulting from the District's 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 deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

2024	\$ (2,827,994)
2025	280,765
2026	(85,493)
2027	1,909,734
2028	1,276,163
Thereafter	10,186

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

8. Pension Liability Sensitivity

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

District Proportionate Share of NPL		
1 Percent Decrease (6.00%)	Current (7.00%)	1 Percent Increase (8.00%)
\$ 27,291,665	\$ 17,312,152	\$ 9,132,063

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.

9. Pension Plan Fiduciary Net Position

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

B. Public Employees Retirement Association (PERA)

1. Plan Description

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

General Employees Retirement Plan

All full-time and certain part-time employees of the District, other than teachers, are covered by the General Employees Plan. General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

2. Benefits Provided

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

General Employee Plan Benefits

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

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

3. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ending June 30, 2023, 2022 and 2021 were \$317,086, \$286,767 and \$257,903, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

4. Pension Costs

General Employees Fund Pension Costs

At June 30, 2023, the District reported a liability of \$4,039,217 for its proportionate share of the General Employee 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 \$118,429. 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 proportion was 0.0510 percent which was an increase of 0.0032 percent from its proportion measured as of June 30, 2021.

District's Proportionate Share of the Net Pension Liability	\$ 4,039,217
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the District	<u>118,429</u>
Total	<u><u>\$ 4,157,646</u></u>

For the year ended June 30, 2023, the District recognized expense of \$667,819 for its proportionate share of General Employees Plan's pension expense. In addition, the District recognized an additional \$17,696 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 33,739	\$ 40,260
Changes in actuarial assumptions	858,523	14,624
Net difference between projected and actual earnings on plan investments	150,162	-
Changes in proportion	3,102	-
Contributions to PERA subsequent to the measurement date	<u>317,086</u>	<u>-</u>
Total	<u><u>\$ 1,362,612</u></u>	<u><u>\$ 54,884</u></u>

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The \$317,086 reported as deferred outflows of resources related to pensions resulting from the District's 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 inflows of resources related to pensions will be recognized in pension expense as follows:

2024	\$ 355,433
2025	366,361
2026	(96,442)
2027	365,290

5. Long-term Expected Return on Investment

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.50 %	5.10 %
Private Markets	25.00	5.90
Fixed Income	25.00	0.75
International Equity	16.50	5.30
Total	<u>100.00 %</u>	

6. Actuarial 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. Mortality rates for the General Employees Plan are based on Pub-2010 general Employee Mortality Table.

Actuarial assumptions used in the June 30, 2022 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

7. Discount Rate

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

8. Pension Liability Sensitivity

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

	District Proportionate Share of NPL		
	<u>1 Percent Decrease (5.50%)</u>	<u>Current (6.50%)</u>	<u>1 Percent Increase (7.50%)</u>
General Employees Fund	\$ 6,380,155	\$ 4,039,217	\$ 2,119,287

9. Pension Plan Fiduciary Net Position

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

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 5: Other Information

A. Risk Management

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance coverage for such risks. The District acquires Property and Casualty Insurance from Riverport Insurance Company - Minnesota Public School Program.

The District has joined together with other school districts in South-Central Minnesota in the South Central Service Cooperative Gross Self-Insured Health Insurance Plan, a public entity risk pool currently operating as common risk management and insurance health insurance coverage. These premiums are used to purchase reinsurance through commercial companies. The administrators of the plan believe assessment to participating districts for future losses sustained is extremely remote.

There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

The District has been charged with a claim of discrimination to the Minnesota Department of Human Rights (MDHR). The matter has been settled and the District is awaiting the final settlement documents from the MDHR for execution by the parties.

C. Jointly Covered Organization

The Minnesota Valley Education District was established for the primary objective of providing specialized services for special education students as defined by state law, and to provide other programs and services as approved by the Joint Powers Governing Board. The Cooperative was established by seven separate member districts, of which Independent School District No. 508 is a member. Each member district shares in the cost of the programming, which is paid to the education district in the form of membership fees, reimbursements and other charges for services. The education district is able to recover the cost of its program through the previously mentioned revenue sources. The joint venture's financial statements are audited and available for inspection.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 5: Other Information (Continued)

D. Self-Insurance Plan

An internal service fund accounts for the District's dental and health self-insurance programs. The District self-insures dental benefits provided to retirees and active employees. The District purchases health insurance stop-loss reinsurance that protects against individual claims in excess of a maximum determined amount, with no lifetime maximum and against aggregate annual claims in excess of an amount determined by formula. The plan is administered by a third-party administrator and liabilities for claims incurred but not reported are estimated based on subsequent claims activity. An analysis of claims activity for the last two fiscal years is as follows:

Year Ending June 30	January 1 Claims Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	December 31 Claims Liability
2023	\$ -	\$ 3,453,732	\$ 3,453,732	\$ -
2022	-	4,014,596	4,014,596	-

Note 6: Postemployment Benefits Other Than Pensions

A. Plan Description

The District administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides healthcare insurance for eligible retirees and their spouses through the District's group health insurance plan until Medicare age, which covers both active and retired members. Benefit provisions are established through negotiations between the District and the unions representing District employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

At June 30, 2023, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	41
Active Plan Members Waiving Coverage	42
Active Plan Members	197
Total Plan Members	280

B. Funding Policy

The District has historically funded these liabilities on a pay-as-you-go basis. Contribution requirements are negotiated between the District and union representatives on a per contract basis. The contributions to the plan are generally made at the same time and in the same amount as retiree benefits and expenses become due. For fiscal year 2023, the District directly contributed \$61,384 to the plan.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 6: Postemployment Benefits Other than Pensions (Continued)

C. Actuarial Methods and Assumptions

The District's total OPEB liability of \$3,223,427 was measured as of June 30, 2022, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of July 1, 2021.

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

Discount Rate	3.69%
20-Year Municipal Bond Yield	3.69%
Inflation Rate	2.25%
Salary Increases	Based on most recently disclosed assumption for the pension plan in which the employee participates
Medical Trend Rate	6.70% for FY2023, gradually decreasing to 3.70% in FY2075 and later

The discount rate used to measure the total OPEB liability was 3.69 percent. Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

Mortality rates for teachers were based on the RP-2014 White Collar Mortality Tables with projected mortality improvements based on scale MP-2015, and other adjustments. Mortality rates for non-teachers were based on the Pub-2010 Generational mortality tables with projected mortality improvements based on scale MP-2020, and other adjustments.

The actuarial assumptions used in the July 1, 2021 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

D. Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2022	\$ 3,574,963
Changes for the Year	
Service cost	179,016
Interest	68,386
Changes in benefit terms	3,337
Differences between expected and actual experience	51,651
Changes in assumptions or other inputs	(269,556)
Benefit payments	(384,370)
Net Changes	<u>(351,536)</u>
Balance at June 30, 2023	<u>\$ 3,223,427</u>

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 6: Postemployment Benefits Other than Pensions (Continued)

Since the prior measurement date, the following assumptions changed:

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

Since the prior measurement date, the following plan provisions changed:

- The District will set aside \$1,000 annually and after 10 consecutive years of service, the District will deposit \$10,000 into VEBA/HAS account. For each year of service thereafter, the District will deposit \$1,200 annually in the VEBA/HAS account.

E. Sensitivity of the Total OPEB Liability

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 that is one percentage point lower (2.69 percent) or one percentage-point higher (4.69 percent) than the current discount rate:

1 Percent Decrease (2.69%)	Current (3.69%)	1 Percent Increase (4.69%)
\$ 3,375,607	\$ 3,223,427	\$ 3,073,917

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 Rates that is one percentage point lower (5.70 percent decreasing to 2.70 percent) or one percentage-point higher (7.70 percent decreasing to 4.70 percent) than the cost trend rate:

1 Percent Decrease (5.70% Decreasing to 2.70%)	Healthcare Cost Trend Rates (6.70% Decreasing to 3.70%)	1 Percent Increase (7.70% Decreasing to 4.70%)
\$ 3,112,274	\$ 3,223,427	\$ 3,346,960

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$(203,635). At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 46,162	\$ 197,404
Changes in Actuarial Assumptions	134,463	558,999
Contributions to OPEB Subsequent to the Measurement Date	61,384	-
Total	<u>\$ 242,009</u>	<u>\$ 756,403</u>

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 6: Postemployment Benefits Other than Pensions (Continued)

Deferred outflows of resources totaling \$61,384 related to OPEB resulting from the District's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2024. Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2024	\$ (82,990)
2025	(82,990)
2026	(82,990)
2027	(69,175)
2028	(69,075)
Thereafter	(188,558)

Note 7: Prior Period Adjustment

A prior period adjustment was required in the General fund to restate beginning payroll accrual and accounts receivable balances. As a result of the adjustment of beginning balance, the following schedule reconciles the previously reported June 30, 2022 balances to the July 1, 2022 financial statements balances:

Fund	Net Position June 30, 2022 as Previously Reported	Prior Period Adjustment	Net Position July 1, 2022 as Restated
Governmental Activities	<u>\$ (3,068,100)</u>	<u>\$ (256,682)</u>	<u>\$ (3,324,782)</u>
Governmental Funds			
General fund	<u>\$ 7,541,011</u>	<u>\$ (256,682)</u>	<u>\$ 7,284,329</u>

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 508
ST. PETER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

Independent School District No. 508

St. Peter, Minnesota

Required Supplementary Information

For the Year Ended June 30, 2023

Schedule of Employer's Share of TRA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/22	0.2162 %	\$ 17,312,152	\$ 1,283,730	\$ 18,595,882	\$ 13,362,521	129.6 %	76.2 %
06/30/21	0.2051	8,975,789	757,014	9,732,803	12,958,786	69.3	86.6
06/30/20	0.2048	15,130,898	1,268,225	16,399,123	11,900,995	127.1	75.5
06/30/19	0.1979	12,614,188	1,116,247	13,730,435	11,218,975	112.4	78.2
06/30/18	0.1902	11,947,151	1,122,554	13,069,705	10,505,813	113.7	78.1
06/30/17	0.1826	36,450,272	3,524,387	39,974,659	9,826,987	370.9	51.6
06/30/16	0.1805	43,053,557	4,321,073	47,374,630	9,301,173	462.9	44.9
06/30/15	0.1802	11,147,152	1,367,283	12,514,435	9,147,613	121.9	76.8
06/30/14	0.1861	8,575,354	603,289	9,178,643	7,928,307	108.2	81.1

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

Schedule of Employer's TRA Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
06/30/23	\$ 1,184,468	\$ 1,184,468	\$ -	\$ 13,853,421	8.55 %
06/30/22	1,114,434	1,114,434	-	13,362,521	8.34
06/30/21	1,053,549	1,053,549	-	12,958,786	8.13
06/30/20	942,559	942,559	-	11,900,995	7.92
06/30/19	864,983	864,983	-	11,218,975	7.71
06/30/18	787,936	787,936	-	10,505,813	7.50
06/30/17	737,024	737,024	-	9,826,987	7.50
06/30/16	697,588	697,588	-	9,301,173	7.50
06/30/15	686,071	686,071	-	9,147,613	7.50

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

Independent School District No. 508
St. Peter, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2023

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

2022 - No changes noted.

2021 - The investment return assumption was changed from 7.50 percent to 7.00 percent

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

2019 - No changes noted.

2018 - 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.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The cost-of-living adjustment was not assumed to increase to 2.5 percent but remain at 2.0 percent for all future years. The investment return assumption was changed from 8.25 percent to 8.00 percent.

2014 - The cost-of-living adjustment was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2034.

Independent School District No. 508
St. Peter, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2023

Notes to the Required Supplementary Information - TRA (Continued)

Changes in Plan Provisions

2022 - No changes noted.

2021 - No changes noted.

2020 - No changes noted.

2019 - No changes noted.

2018 - The 2018 Omnibus Pension Bill contained a number of changes:

- 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, 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.

2017 - No changes noted.

2016 - No changes noted.

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

2014 - The increase in the post-retirement benefit adjustment (COLA) will be made once the plan is 90% funded (on a market value basis) in two consecutive years, rather than just one year.

Independent School District No. 508
St. Peter, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2023

Schedule of Employer's Share of PERA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/22	0.0510 %	\$ 4,039,217	\$ 118,429	\$ 4,157,646	\$ 3,823,554	105.6 %	76.7 %
06/30/21	0.0478	2,041,274	62,387	2,103,661	3,438,707	59.4	87.0
06/30/20	0.0454	2,721,937	83,935	2,805,872	3,224,165	84.4	79.0
06/30/19	0.0452	2,499,007	77,663	2,576,670	3,198,323	78.1	80.2
06/30/18	0.0458	2,540,796	83,339	2,624,135	3,077,667	82.6	79.5
06/30/17	0.0430	2,745,092	34,547	2,779,639	2,772,560	99.0	75.9
06/30/16	0.0459	3,726,852	48,675	3,775,527	2,810,000	132.6	68.9
06/30/15	0.0482	2,497,974	-	2,497,974	2,786,293	89.7	78.2
06/30/14	0.0517	2,428,607	-	2,428,607	2,622,027	92.6	78.7

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

Schedule of Employer's PERA Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
06/30/23	\$ 317,086	\$ 317,086	\$ -	\$ 4,227,816	7.50 %
06/30/22	286,767	286,767	-	3,823,554	7.50
06/30/21	257,903	257,903	-	3,438,707	7.50
06/30/20	241,812	241,812	-	3,224,165	7.50
06/30/19	239,874	239,874	-	3,198,323	7.50
06/30/18	230,825	230,825	-	3,077,667	7.50
06/30/17	207,942	207,942	-	2,772,560	7.50
06/30/16	210,750	210,750	-	2,810,000	7.50
06/30/15	208,972	208,972	-	2,786,293	7.50

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

Independent School District No. 508
St. Peter, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2023

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 - 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.

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

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - 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.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Independent School District No. 508
St. Peter, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2023

Notes to the Required Supplementary Information - PERA (Continued)

Changes in Plan Provisions

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

2020 - 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 - 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 - 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 - 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 - No changes noted.

2015 - 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 increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Independent School District No. 508
St. Peter, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2023

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

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	\$ 179,016	\$ 214,399	\$ 182,500	\$ 230,106	\$ 217,366	\$ 226,152
Interest	68,386	101,639	126,796	150,527	147,771	126,844
Changes in benefit terms	3,337	15,448	8,447	-	-	-
Differences between expected and actual experience	51,651	(149,885)	-	(138,785)	-	-
Changes in assumptions	(269,556)	(347,132)	132,142	72,230	7,498	(133,155)
Benefit payments	(384,370)	(387,289)	(381,158)	(366,228)	(389,849)	(418,489)
Net Change in Total OPEB Liability	(351,536)	(552,820)	68,727	(52,150)	(17,214)	(198,648)
Total OPEB Liability - Beginning	3,574,963	4,127,783	4,059,056	4,111,206	4,128,420	4,327,068
Total OPEB Liability - Ending	<u>\$ 3,223,427</u>	<u>\$ 3,574,963</u>	<u>\$ 4,127,783</u>	<u>\$ 4,059,056</u>	<u>\$ 4,111,206</u>	<u>\$ 4,128,420</u>
Covered-Employee Payroll	\$ 17,161,444	\$ 15,876,958	\$ 15,379,075	\$ 14,600,000	\$ 13,900,000	\$ 12,700,000
District's Total OPEB Liability as a Percentage of Covered-Employee Payroll	18.78 %	22.52 %	26.84 %	27.80 %	29.58 %	32.51 %

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

Independent School District No. 508
St. Peter, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2023

Notes to the Required Supplementary Information - OPEB

Changes in Actuarial Assumptions

2023 - The discount rate was changed from 1.92% to 3.69% based on 20-year municipal bond rates.

2022 - The discount rate was changed from 2.45% to 1.92% based on 20-year municipal bond rates. Healthcare trend rates were reset to reflect updated cost increase expectations. Medical per capita claims costs were updated to reflect recent experience. Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the 7/1/2019 PERA General Employees Plan and 7/1/2019 Teachers Retirement Association valuation to the rates used in the 7/1/2021 valuation. The percent of future retirees eligible for an explicit subsidy assumed to elect coverage at retirement changed from 100% to 90% to reflect recent plan experience. The percent of future retirees not eligible for an explicit subsidy assumed to elect coverage at retirement changed from 30% to 20% to reflect recent plan experience. The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience. The inflation assumption was changed from 2.50% to 2.25% based in an updated historical analysis of inflation rates and forward-looking market expectations.

2021 - The discount rate was changed from 3.13% to 2.45% based on 20-year municipal bond rates.

2020 - The discount rate was changed from 3.62% to 3.13% based on 20-year municipal bond rates.

2019 - The medical trend rates were increased to reflect the projected effect of the Affordable Care Act's Excise Tax on high-cost health insurance plans. The discount rate was changed from 3.56% to 3.62% based on 20-year municipal bond rates.

2018 - The medical trend rates were increased to reflect the projected effect of the Affordable Care Act's Excise Tax on high-cost health insurance plans. The inflation assumption was changed from 3.00% to 2.75% based on updated historical analysis of inflation rates and forward-looking market expectations. The discount rate was changed from 2.92% to 3.56% based on 20-year municipal bond rates.

Changes in Benefits

2023 - The District will set aside \$1,000 annually and after 10 consecutive years of service, the District will deposit \$10,000 into VEBA/HAS account. For each year of service thereafter, the District will deposit \$1,200 annually in the VEBA/HSA account.

2022 - There were no benefit changes since the previous valuation.

2021 - The maximum medical benefit payable to eligible retiring principals was increased from \$52,000 to \$60,000. Teachers hired after 7/1/2009 are eligible for the same subsidized life insurance after retirement as teachers hired before the date. The activities director, district technology director, and special program administrator have a life insurance benefit of \$200,000 at retirement.

2020 - There were no benefit changes since the previous valuation.

2019 - There were no benefit changes since the previous valuation.

2018 - Retiree premiums were updated to current levels. Direct subsidies for teachers changed from \$52,000 to \$60,000. The position of District Technology Coordinator is no longer offered.

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COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS, SCHEDULES AND TABLE

INDEPENDENT SCHOOL DISTRICT NO. 508
ST. PETER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

Independent School District No. 508

St. Peter, Minnesota

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2023

	Special Revenue		Total
	Food Service	Community Service	
Assets			
Cash and temporary investments	\$ 1,274,416	\$ (419,964)	\$ 854,452
Receivables			
Taxes	-	84,316	84,316
Accounts	-	796	796
Intergovernmental	773	30,958	31,731
Total Assets	\$ 1,275,189	\$ (303,894)	\$ 971,295
Liabilities			
Salaries and wages payable	\$ 65,564	\$ 41,776	\$ 107,340
Accounts and other payables	99,094	4,615	103,709
Unearned revenue	41,418	-	41,418
Total Liabilities	206,076	46,391	252,467
Deferred Inflows of Resources			
Property taxes levied for subsequent year	-	169,337	169,337
Unavailable revenue			
Delinquent property taxes	-	4,695	4,695
Total Deferred Inflows of Resources	-	174,032	174,032
Fund Balances			
Restricted			
Food service	1,069,113	-	1,069,113
Community education	-	388,636	388,636
Early childhood family education	-	806	806
Community service	-	6,636	6,636
Unassigned	-	(920,395)	(920,395)
Total Fund Balances	1,069,113	(524,317)	544,796
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,275,189	\$ (303,894)	\$ 971,295

Independent School District No. 508
St. Peter, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2023

	Special Revenue		
	Food Service	Community Service	Total
Revenues			
Local property tax levies	\$ -	\$ 165,614	\$ 165,614
Other local and county revenue	-	567,420	567,420
Interest earned on investments	-	118	118
Revenue from state sources	63,683	181,385	245,068
Revenue from federal sources	994,381	-	994,381
Sales and other conversion of assets	571,430	-	571,430
Total Revenues	<u>1,629,494</u>	<u>914,537</u>	<u>2,544,031</u>
Expenditures			
Current			
Community education and services	-	1,151,311	1,151,311
Pupil support services	1,672,366	-	1,672,366
Capital outlay			
Community education and services	-	232	232
Pupil support services	130,802	-	130,802
Total Expenditures	<u>1,803,168</u>	<u>1,151,543</u>	<u>2,954,711</u>
Net Change in Fund Balances	(173,674)	(237,006)	(410,680)
Fund Balances, July 1	<u>1,242,787</u>	<u>(287,311)</u>	<u>955,476</u>
Fund Balances, June 30	<u>\$ 1,069,113</u>	<u>\$ (524,317)</u>	<u>\$ 544,796</u>

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Independent School District No. 508

St. Peter, Minnesota

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual (Continued on the Following Pages)

For the Year Ended June 30, 2023

(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023				2022
	Budgeted Amounts		Actual	Variance With Final Budget	Actual
	Original	Final			
Revenues					
Local property tax levies	\$ 3,192,373	\$ 3,780,905	\$ 3,843,929	\$ 63,024	\$ 3,538,137
Other local and county revenue	3,125	1,050,377	1,168,050	117,673	1,150,884
Interest earned on investments	1,173,079	183,600	241,183	57,583	13,414
Revenue from state sources	23,148,331	23,886,545	23,779,292	(107,253)	22,906,855
Revenue from federal sources	3,185,567	2,483,134	2,482,175	(959)	1,649,561
Total Revenues	30,702,475	31,384,561	31,514,629	130,068	29,258,851
Expenditures					
Current					
Administration					
Salaries	1,197,800	1,221,495	1,195,266	26,229	1,182,447
Employee benefits	432,765	424,080	446,217	(22,137)	428,579
Purchased services	50,900	66,700	71,224	(4,524)	45,723
Supplies and materials	38,460	20,720	16,053	4,667	13,089
Other expenditures	38,565	34,050	35,328	(1,278)	48,010
Total administration	1,758,490	1,767,045	1,764,088	2,957	1,717,848
District support services					
Salaries	353,400	419,984	408,763	11,221	335,930
Employee benefits	141,209	163,282	228,936	(65,654)	142,772
Purchased services	121,400	92,200	88,879	3,321	107,843
Supplies and materials	6,550	27,500	23,316	4,184	21,132
Other expenditures	44,350	40,600	38,286	2,314	42,501
Total district support services	666,909	743,566	788,180	(44,614)	650,178
Elementary and secondary regular instruction					
Salaries	9,277,218	8,727,481	8,374,224	353,257	8,646,429
Employee benefits	3,580,085	3,560,462	3,455,316	105,146	3,514,081
Purchased services	751,549	688,362	802,254	(113,892)	758,521
Supplies and materials	425,450	448,165	542,214	(94,049)	416,492
Other expenditures	195,676	196,676	151,672	45,004	115,886
Total elementary and secondary regular instruction	14,229,978	13,621,146	13,325,680	295,466	13,451,409

Independent School District No. 508

St. Peter, Minnesota

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual (Continued)

For the Year Ended June 30, 2023

(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023			2022	
	Budgeted Amounts		Actual	Variance With Final Budget	Actual
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Vocational education instruction					
Salaries	\$ 294,100	\$ 410,000	\$ 441,214	\$ (31,214)	\$ 343,104
Employee benefits	22,160	127,928	123,501	4,427	22,237
Purchased services	6,000	6,000	31,370	(25,370)	32,645
Supplies and materials	37,000	30,000	43,282	(13,282)	90,522
Total vocation education instruction	359,260	573,928	639,367	(65,439)	488,508
Special education instruction					
Salaries	4,126,290	4,266,095	4,291,476	(25,381)	3,990,395
Employee benefits	1,342,324	1,391,546	1,375,948	15,598	1,268,531
Purchased services	1,287,680	1,353,745	984,385	369,360	970,990
Supplies and materials	34,860	38,220	48,885	(10,665)	49,163
Other expenditures	2,825	1,625	65,051	(63,426)	3,348
Total special education instruction	6,793,979	7,051,231	6,765,745	285,486	6,282,427
Instructional support services					
Salaries	629,331	843,355	959,183	(115,828)	695,364
Employee benefits	174,271	253,091	334,266	(81,175)	256,088
Purchased services	147,739	205,575	162,028	43,547	113,130
Supplies and materials	250,121	224,436	220,618	3,818	321,332
Other expenditures	2,325	2,325	346	1,979	2,123
Total instructional support services	1,203,787	1,528,782	1,676,441	(147,659)	1,388,037
Pupil support services					
Salaries	946,132	1,210,302	1,077,319	132,983	787,450
Employee benefits	268,277	421,245	370,672	50,573	258,802
Purchased services	1,244,210	1,618,660	1,644,779	(26,119)	1,441,247
Supplies and materials	22,525	15,525	12,699	2,826	12,241
Other expenditures	-	-	330	(330)	465
Total pupil support services	2,481,144	3,265,732	3,105,799	159,933	2,500,205

Independent School District No. 508
St. Peter, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023			2022	
	Budgeted Amounts		Actual	Variance With Final Budget	Actual
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Sites and buildings					
Salaries	\$ 952,768	\$ 937,014	\$ 835,555	\$ 101,459	\$ 908,137
Employee benefits	376,625	370,882	339,945	30,937	367,005
Purchased services	1,040,087	1,143,695	1,058,524	85,171	1,124,147
Supplies and materials	326,550	471,775	483,460	(11,685)	353,336
Other expenditures	7,800	7,400	6,462	938	6,938
Total sites and buildings	<u>2,703,830</u>	<u>2,930,766</u>	<u>2,723,946</u>	<u>206,820</u>	<u>2,759,563</u>
Fiscal and other fixed cost programs					
Employee benefits	96,800	93,500	79,332	14,168	111,042
Purchased services	159,300	160,550	169,450	(8,900)	142,725
Total fiscal and other fixed cost programs	<u>256,100</u>	<u>254,050</u>	<u>248,782</u>	<u>5,268</u>	<u>253,767</u>
Total current	<u>30,453,477</u>	<u>31,736,246</u>	<u>31,038,028</u>	<u>698,218</u>	<u>29,491,942</u>
Capital outlay					
Administration	29,511	29,511	19,477	10,034	34,342
District support services	4,000	4,000	1,626	2,374	129
Elementary and secondary regular instruction	73,359	73,359	66,012	7,347	121,354
Special education instruction	33,180	41,380	41,718	(338)	31,805
Instructional support services	287,515	349,625	342,197	7,428	292,763
Pupil support services	12,200	8,200	16,557	(8,357)	17,733
Sites and buildings	1,405,693	1,367,896	914,768	453,128	748,006
Fiscal and other fixed cost programs	-	-	8,204	(8,204)	-
Total capital outlay	<u>1,845,458</u>	<u>1,873,971</u>	<u>1,410,559</u>	<u>463,412</u>	<u>1,246,132</u>
Debt service					
Principal	311,732	311,732	281,206	30,526	344,946
Interest and other costs	14,650	14,650	15,020	(370)	13,263
Total debt service	<u>326,382</u>	<u>326,382</u>	<u>296,226</u>	<u>30,156</u>	<u>358,209</u>
Total Expenditures	<u>32,625,317</u>	<u>33,936,599</u>	<u>32,744,813</u>	<u>1,191,786</u>	<u>31,096,283</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,922,842)</u>	<u>(2,552,038)</u>	<u>(1,230,184)</u>	<u>1,321,854</u>	<u>(1,837,432)</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	9,063
Leases issued	267,190	335,300	202,911	(132,389)	267,008
Insurance recovery (loss)	1,000	1,000	-	(1,000)	(1,010)
Sale of capital assets	175	10,000	12,196	2,196	-
Transfers out	-	-	-	-	(78,610)
Total Other Financing Sources (Uses)	<u>268,365</u>	<u>346,300</u>	<u>215,107</u>	<u>(131,193)</u>	<u>196,451</u>
Net Change in Fund Balances	<u>(1,654,477)</u>	<u>(2,205,738)</u>	<u>(1,015,077)</u>	<u>1,190,661</u>	<u>(1,640,981)</u>
Fund Balances, July 1	7,541,011	7,541,011	7,541,011	-	9,181,992
Prior Period Adjustment (Note 7)	<u>(256,682)</u>	<u>(256,682)</u>	<u>(256,682)</u>	<u>-</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 5,629,852</u>	<u>\$ 5,078,591</u>	<u>\$ 6,269,252</u>	<u>\$ 1,190,661</u>	<u>\$ 7,541,011</u>

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Independent School District No. 508
St. Peter, Minnesota
Food Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023			2022
	Budgeted Amounts		Variance With	
	Original	Final	Final Budget	Actual
Revenues				
Interest earned on investments	\$ -	\$ 2,000	\$ (2,000)	\$ 1,422
Revenue from state sources	34,800	41,500	22,183	69,252
Revenue from federal sources	1,961,379	953,725	40,656	2,085,286
Sales and other conversion of assets	104,300	541,500	29,930	131,570
Total Revenues	<u>2,100,479</u>	<u>1,538,725</u>	<u>90,769</u>	<u>2,287,530</u>
Expenditures				
Current				
Pupil support services				
Salaries	308,900	619,510	890	397,892
Employee benefits	90,260	140,176	8,260	88,169
Purchased services	64,355	76,325	(446)	55,170
Supplies and materials	1,462,865	861,627	21,134	1,172,183
Other expenditures	52,200	21,420	16,854	3,626
Total current	<u>1,978,580</u>	<u>1,719,058</u>	<u>46,692</u>	<u>1,717,040</u>
Capital outlay				
Pupil support services	<u>113,240</u>	<u>165,000</u>	<u>34,198</u>	<u>113,761</u>
Total Expenditures	<u>2,091,820</u>	<u>1,884,058</u>	<u>80,890</u>	<u>1,830,801</u>
Net Change in Fund Balances	8,659	(345,333)	171,659	456,729
Fund Balances, July 1	<u>1,242,787</u>	<u>1,242,787</u>	<u>-</u>	<u>786,058</u>
Fund Balances, June 30	<u>\$ 1,251,446</u>	<u>\$ 897,454</u>	<u>\$ 171,659</u>	<u>\$ 1,242,787</u>

Independent School District No. 508
St. Peter, Minnesota
Community Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023			2022
	Budgeted Amounts		Variance With	
	Original	Final	Final Budget	Actual
Revenues				
Local property tax levies	\$ 163,880	\$ 165,209	\$ 405	\$ 159,995
Other local and county revenue	453,940	512,171	55,249	487,394
Interest earned (lost) on investments	150	150	(32)	(117)
Revenue from state sources	183,530	176,923	4,462	157,146
Total Revenues	<u>801,500</u>	<u>854,453</u>	<u>60,084</u>	<u>804,418</u>
Expenditures				
Current				
Community education and services				
Salaries	715,252	762,386	10,199	738,738
Employee benefits	134,919	157,406	3,093	141,319
Purchased services	129,483	130,818	(30,259)	101,600
Supplies and materials	76,158	76,050	(3,140)	57,794
Other expenditures	8,006	7,126	2,582	5,560
Total current	<u>1,063,818</u>	<u>1,133,786</u>	<u>(17,525)</u>	<u>1,045,011</u>
Capital outlay				
Community education and services	<u>2,129</u>	<u>3,050</u>	<u>2,818</u>	<u>350</u>
Debt service				
Principal	580	-	-	-
Interest and other costs	100	-	-	-
Total debt service	<u>680</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>1,066,627</u>	<u>1,136,836</u>	<u>(14,707)</u>	<u>1,045,361</u>
Net Change in Fund Balances	(265,127)	(282,383)	45,377	(240,943)
Fund Balances, July 1	<u>(287,311)</u>	<u>(287,311)</u>	<u>-</u>	<u>(46,368)</u>
Fund Balances, June 30	<u>\$ (552,438)</u>	<u>\$ (569,694)</u>	<u>\$ 45,377</u>	<u>\$ (287,311)</u>

Independent School District No. 508
St. Peter, Minnesota
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance With Final Budget	Actual Amounts
	Original	Final			
Revenues					
Local property tax levies	\$ 3,248,189	\$ 2,822,688	\$ 2,827,795	\$ 5,107	\$ 2,873,406
Interest earned on investments	100	100	1,000,073	999,973	1,020
Revenue from state sources	-	429,806	429,794	(12)	381,831
Total Revenues	<u>3,248,289</u>	<u>3,252,594</u>	<u>4,257,662</u>	<u>1,005,068</u>	<u>3,256,257</u>
Expenditures					
Fiscal and other fixed cost programs					
Principal	1,105,000	1,105,000	1,105,000	-	1,050,000
Interest and other costs	2,144,250	2,144,600	3,174,759	(1,030,159)	2,199,250
Bond issuance costs	-	-	-	-	600,000
Total Expenditures	<u>3,249,250</u>	<u>3,249,600</u>	<u>4,279,759</u>	<u>(1,030,159)</u>	<u>3,849,250</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(961)	2,994	(22,097)	(25,091)	(592,993)
Other Financing Sources (Uses)					
Bonds issued	-	-	-	-	48,620,000
Net Change in Fund Balances	(961)	2,994	(22,097)	(25,091)	48,027,007
Fund Balances, July 1	<u>48,684,574</u>	<u>48,684,574</u>	<u>48,684,574</u>	-	<u>657,567</u>
Fund Balances, June 30	<u>\$ 48,683,613</u>	<u>\$ 48,687,568</u>	<u>\$ 48,662,477</u>	<u>\$ (25,091)</u>	<u>\$ 48,684,574</u>

Fiscal Compliance Report - 6/30/2023
District: ST. PETER (508-1)

	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	\$31,514,629	<u>\$31,514,611</u>	<u>\$18</u>
Total Expenditures	\$32,744,813	<u>\$32,744,800</u>	<u>\$13</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$29,247	<u>\$29,247</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$145,152	<u>\$145,154</u>	<u>(\$2)</u>
4.02 Scholarships	\$161,450	<u>\$161,449</u>	<u>\$1</u>
4.03 Staff Development	\$0	<u>\$0</u>	<u>\$0</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.13 Funded by COP/FP	\$0	<u>\$0</u>	<u>\$0</u>
4.14 Operating Debt	\$0	<u>\$0</u>	<u>\$0</u>
4.16 Levy Reduction	\$0	<u>\$0</u>	<u>\$0</u>
4.17 Taconite Building Maint	\$0	<u>\$0</u>	<u>\$0</u>
4.24 Operating Capital	\$473,733	<u>\$473,734</u>	<u>(\$1)</u>
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>
4.28 Learning & Development	\$0	<u>\$0</u>	<u>\$0</u>
4.34 Area Learning Center	\$0	<u>\$0</u>	<u>\$0</u>
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>
4.38 Gifted & Talented	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.41 Basic Skills Programs	\$4,307	<u>\$4,307</u>	<u>\$0</u>
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>
4.49 Safe Schools Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
4.53 Unfunded Sev & Retiremt Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.59 Basic Skills Extended Time	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	(\$114,379)	<u>(\$114,378)</u>	<u>(\$1)</u>
4.72 Medical Assistance	\$37,377	<u>\$37,378</u>	<u>(\$1)</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$9,063	<u>\$9,063</u>	<u>\$0</u>
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	<u>\$0</u>
<i>Committed:</i>			
4.18 Committed for Separation	\$0	<u>\$0</u>	<u>\$0</u>
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Assigned:</i>			
4.62 Assigned Fund Balance	\$2,227,293	<u>\$2,227,293</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.22 Unassigned Fund Balance	\$3,296,009	<u>\$3,296,001</u>	<u>\$8</u>

02 FOOD SERVICES

Total Revenue	\$1,629,494	<u>\$1,629,497</u>	<u>(\$3)</u>
Total Expenditures	\$1,803,168	<u>\$1,803,172</u>	<u>(\$4)</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$1,069,113	<u>\$1,069,112</u>	<u>\$1</u>

06 BUILDING CONSTRUCTION

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.13 Funded by COP/FP	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

07 DEBT SERVICE

Total Revenue	\$4,257,662	<u>\$4,257,662</u>	<u>\$0</u>
Total Expenditures	\$4,279,759	<u>\$4,279,759</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.25 Bond Refundings	\$47,987,168	<u>\$47,987,168</u>	<u>\$0</u>
4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$675,309	<u>\$675,309</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

08 TRUST

Total Revenue	\$23,868	<u>\$23,868</u>	<u>\$0</u>
Total Expenditures	\$22,000	<u>\$22,000</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.02 Scholarships	\$735,277	<u>\$735,277</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>

18 CUSTODIAL

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

20 INTERNAL SERVICE

Total Revenue	\$3,938,161	<u>\$3,938,164</u>	<u>(\$3)</u>
Total Expenditures	\$3,487,725	<u>\$3,487,726</u>	<u>(\$1)</u>
4.22 Unassigned Fund Balance (Net Assets)	\$1,006,847	<u>\$1,006,848</u>	<u>(\$1)</u>

25 OPEB REVOCABLE TRUST

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>

Unassigned:

4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
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04 COMMUNITY SERVICE

Total Revenue	\$914,537	<u>\$914,530</u>	<u>\$7</u>
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Total Expenditures	\$1,151,543	<u>\$1,151,536</u>	<u>\$7</u>
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Non Spendable:

4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
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Restricted / Reserved:

4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
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4.31 Community Education	\$388,636	<u>\$388,635</u>	<u>\$1</u>
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4.32 E.C.F.E	\$806	<u>\$807</u>	<u>(\$1)</u>
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4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
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4.44 School Readiness	(\$907,659)	<u>(\$907,660)</u>	<u>\$1</u>
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4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>
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4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
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Restricted:

4.64 Restricted Fund Balance	\$6,636	<u>\$6,636</u>	<u>\$0</u>
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Unassigned:

4.63 Unassigned Fund Balance	(\$12,736)	<u>(\$12,736)</u>	<u>\$0</u>
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4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
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45 OPEB IRREVOCABLE TRUST

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
---------------	-----	------------	------------

Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
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4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
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47 OPEB DEBT SERVICE

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
---------------	-----	------------	------------

Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
--------------------	-----	------------	------------

Non Spendable:

4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
---------------------------------	-----	------------	------------

Restricted:

4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
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4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
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Unassigned:

4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
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OTHER REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 508
ST. PETER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Members of the School Board
Independent School District No. 508
St. Peter, 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 governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 508 (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated December 13, 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 and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, tax increment financing, and uniform financial accounting and reporting standards for school districts sections of the *Minnesota Legal Compliance Audit Guide for Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, except as described in the Schedule of Findings, Responses and Questioned Costs as item 2023-004. 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 District's responses to the findings in our audit are described in the accompanying Schedule of Findings, Responses and Questioned Costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of those charged with governance and management of the District and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.



Abdo
Mankato, Minnesota
December 13, 2023

**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**

Members of the School Board
Independent School District No. 508
St. Peter, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 508, Minnesota (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 December 13, 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.

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

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. We consider the deficiency described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2023-003 to be a material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings, Responses and Questioned Costs as items 2023-001, 2023-002 and 2023-005 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported in accordance with *Government Auditing Standards* identified described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2023-004.

Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, Responses and Questioned Costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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



Abdo
Mankato, Minnesota
December 13, 2023



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FEDERAL FINANCIAL AWARD PROGRAMS
INDEPENDENT SCHOOL DISTRICT NO. 508
ST. PETER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

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

Members of the School Board
Independent School District No. 508
St. Peter, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Independent School District No. 508's, St. Peter, Minnesota (the District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above 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 District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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



Abdo
Mankato, Minnesota
December 13, 2023



Independent School District No. 508
St. Peter, Minnesota
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Funding Source	Administering Department	Program Name	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Program Clusters	Total Federal Expenditures
U.S. Department of Agriculture	Minnesota Department of Education	School Breakfast Program	10.553	1000003951	\$ 139,529	
U.S. Department of Agriculture	Minnesota Department of Education	National School Lunch Program	10.555	1000003951	699,084	
U.S. Department of Agriculture	Minnesota Department of Education	Noncash* - Commodity Supplemental Food Progr	10.555	1000003951	90,277	
U.S. Department of Agriculture	Minnesota Department of Education	Supply Chain Assistance	10.555C	1000003951	62,966	
U.S. Department of Agriculture	Minnesota Department of Education	Special Milk Program for Children	10.556	1000003951	1,760	
U.S. Department of Agriculture	Minnesota Department of Education	Summer Food Service Program for Children	10.559	1000003951	<u>765</u>	
Total Child Nutrition Cluster						\$ 994,381
U.S. Department of Education	Minnesota Valley Education District Flow Through Payments	Special Education Grants to States	84.027	Unknown	150,000	
U.S. Department of Education	Minnesota Valley Education District Flow Through Payments	Special Education Preschool Grants	84.173	Unknown	<u>20,000</u>	
Total Special Education Cluster						170,000
U.S. Department of Agriculture	Minnesota Department of Education	COVID-19 - State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grants	10.649C	SERVS2022-09-20D0000898		628
Federal Communications Commission	Direct	Emergency Connectivity Fund Program	32.009	Direct		170,499
U.S. Department of Education	Minnesota Department of Education	Title I Grants to Local Educational Agencies	84.010	S010A150023A		251,808
U.S. Department of Education	Direct	Career and Technical Education - Basic Grants to States (Perkins V)	84.048	Direct		310
U.S. Department of Education	Minnesota Department of Education	English Language Acquisition Grants	84.365	S365A150023A		19,925
U.S. Department of Education	Minnesota Department of Education	Improving Teacher Quality State Grants	84.367	S367A150022		38,768
U.S. Department of Education	Minnesota Department of Education	Student Support and Academic Enrichment Program	84.424	SERVS2023-FIN433		4,500
U.S. Department of Education	Minnesota Department of Education	COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II)	84.425D	SERVS2023-FIN163		96,457
U.S. Department of Education	Minnesota Department of Education	COVID-19 - American Rescue Plan Elementary and Secondary School Emergency Relief (ESSER III)	84.425U	SERVS2023-FIN160/ FIN 161/FIN 169		1,679,003
U.S. Department of Health and Human Services	Minnesota Department of Education	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	SERVS2023-FIN170		<u>50,277</u>
Total Other Programs						<u>2,312,175</u>
Total Expended						<u>\$ 3,476,556</u>

* This represents noncash assistance comprised of the value of commodities issued to the District for the year.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal awards programs of the Independent School District No. 508, St. Peter, Minnesota (the District). The District's reporting entity is defined in Note 1A to the District's financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). All federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

Note 2: Summary of Significant Accounting Policies for Expenditures

Expenditures reported on this schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, Cost Principles for Non-Profit-Organizations, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Pass-through Entity Identifying Numbers

Pass-through entity identifying numbers, if any, are presented where available.

Note 4: Subrecipients

No federal expenditures presented in this schedule were provided to subrecipients.

Note 5: Indirect Cost Rate

During the year ended June 30, 2023, the District did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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Independent School District No. 508
St. Peter, Minnesota
Schedule of Findings, Responses and Questioned Costs
For the Year Ended June 30, 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?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
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 2CFR section 200.516(a) of the Uniform Guidance?	No

Identification of Major Programs/Projects

	<u>ALN</u>
Title I Grants to Local Educational Agencies	84.010
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II)	84.425D
COVID-19 - American Rescue Plan Elementary and Secondary School Emergency Relief (ESSER III)	84.425U
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

A material weakness and two significant deficiencies relating to the audit of the financial statements are reported in the 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*. Finding 2023-003 is reported as a material weakness.

Section III - Major Federal Award Findings and Questioned Costs

There are no significant deficiencies, material weaknesses or instances of noncompliance including questioned costs that are required to be reported in accordance with the Uniform Guidance.

Section IV - Schedule of Prior Year Audit Findings

There were prior year audit findings that are attached.

Other Issues

Corrective Action Plans are attached as required to be reported under the Federal Single Audit Act.

Independent School District No. 508
St. Peter, Minnesota
Schedule of Findings, Responses and Questioned Costs (Continued)
For the Year Ended June 30, 2023

<u>Finding</u>	<u>Description</u>
2023-001	Annual Financial Report Preparation
<i>Condition:</i>	As in prior years, the auditor was requested to draft the audited financial statements and related footnote disclosures as part of their regular audit services. Auditing standards require auditors to communicate this situation to the Board as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. However, based on auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process. The District has adopted an internal control to review the financial statements prepared by the auditors. This control includes review of a draft copy of the financial statements by the business manager and superintendent, along with comparing UFARS guidelines and additional financial reports to the draft prepared by auditors. However, the District has not adopted a control over disclosures included in the annual financial report therefore, the potential exists that a material misstatement related to the disclosures in the annual financial statements could occur and not be prevented or detected by the District's internal controls.
<i>Criteria:</i>	The District should have controls in place to provide reasonable assurance over financial reporting and be able to prevent or detect a material misstatement in the annual financial statements including footnote disclosures.
<i>Questioned Costs:</i>	None.
<i>Cause:</i>	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size. The District has not adopted an internal control policy over the annual financial reporting; however, they have reviewed and approved the annual financial statement drafts as prepared by the audit firm.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting, including footnote disclosures.
<i>Recommendation:</i>	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, the audit firm has instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the District is reviewing the financial statements we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the District should agree its financial software to the numbers reported in the financial statements.
<i>Management Response:</i>	
Management is aware of the control deficiency. The Business Manager is attending a training program dealing with UFARS financial/accounting practices. The District does not have an internal control policy in place over annual financial reporting under GAAP and that they do not have the necessary staff and expertise to prevent or detect a material misstatement in the annual financial statements including footnote disclosures.	

Independent School District No. 508
St. Peter, Minnesota
Schedule of Findings, Responses and Questioned Costs (Continued)
For the Year Ended June 30, 2023

<u>Finding</u>	<u>Description</u>
2023-002	Limited Segregation of Duties within Food Service
<i>Condition:</i>	One employee has the primary responsibility of entering deposits into student accounts and collecting and counting the money. As a result, certain aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities. The District should have controls in place to prevent and detect a material misstatement in the financial statements in a timely manner.
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	The existence of this limited segregation of duties increases the risk of fraud.
<i>Cause:</i>	As a result of the small staff, the District has not established controls for adequate segregation of duties within food service to ensure that all accounts are adjusted to their appropriate monthly and year end balances in accordance with GAAP.
<i>Recommendation:</i>	We recommend the District continue to evaluate its internal control processes to determine if additional internal control procedures should be implemented to ensure that accounts are adjusted to their appropriate year end balances in accordance with GAAP. Specific controls might include separation of the handling of cash from the entering of data into the Infinite Campus system, reconciling the Infinite Campus system to the general ledger monthly, and reviewing adjustments to student accounts for propriety.
<i>Management Response:</i>	
	The District will separate the food service financial duties between two or more personnel. Management will also reconcile the student account balances and meals served to the general ledger monthly and review adjustments to student accounts.

Independent School District No. 508
St. Peter, Minnesota
Schedule of Findings, Responses and Questioned Costs (Continued)
For the Year Ended June 30, 2023

<u>Finding</u>	<u>Description</u>
2023-003	Year-end Audit Adjustments
<i>Condition:</i>	During our audit, adjustments were needed to record several audit adjustments, including some material to the financial statements related to taxes and grant receivables.
<i>Criteria:</i>	The financial statements are the responsibility of the District's management.
<i>Cause:</i>	District staff has not prepared a year-end trial balance reflecting all necessary accruals and year-end adjustments without auditor assistance.
<i>Effect:</i>	It is likely that if a misstatement were to occur, it would not be detected by the District's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.
<i>Recommendation:</i>	We recommend that management review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.
<i>Management Response:</i>	
The business office has changed a number of personnel over the past three years and is beginning to work on the office organization. This will allow the shifting of projects from the Business Manager to other staff which will then give the Business Manager the time needed to have a firm understanding of the proper year-end adjustments.	

<u>Finding</u>	<u>Description</u>
2023-004	Student Activities
<i>Condition:</i>	Auditing of legal compliance requires a review of the District's student activities. Our study indicated instances of noncompliance related to negative balances and purpose summaries that we believe are required to be remedied.
<i>Criteria:</i>	In accordance with Minnesota Statute, section 123B.49 and Minnesota Rules, part 3545.0800, the District is required to have specific procedures in place around student activities.
<i>Cause:</i>	The District did not follow the MAFA manual.
<i>Effect:</i>	At year end, the District was out of compliance with various statutes and rules related to activity disbursements, inactive accounts and negative balances.
<i>Recommendation:</i>	We recommend the District establish enhanced procedures around student activities.
<i>Management Response:</i>	
The Business Manager will review student activity procedures to ensure future compliance.	

Independent School District No. 508
St. Peter, Minnesota
Schedule of Findings, Responses and Questioned Costs (Continued)
For the Year Ended June 30, 2023

<u>Finding</u>	<u>Description</u>
2023-005	Internal Control Over the Financial System
<i>Condition:</i>	During our audit, it was noted that the District's budget imported into their financial software did not match the Board approved documents.
<i>Criteria:</i>	The District's financial software should contain accurate financial information.
<i>Cause:</i>	The budget imported into the District's financial software did not accurately reflect the Board approved budget.
<i>Effect:</i>	The Board may not be provided with accurate financial reports throughout the year to analyze and monitor activity.
<i>Recommendation:</i>	We recommend that management review the budget entered into the District's financial software and compare to the Board approved budget documents.
<i>Management Response:</i>	
	The Business Manager will review imported budgets to ensure accuracy.



2023-001 Annual Financial Report Preparation

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

The Business Manager will attend financial statement training offered by MASBO or other sources, as they become available.

3. Official Responsible for Ensuring CAP:

Megan Gracia, Business Manager, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP:

The planned completion date is June 30, 2024.

5. Plan to Monitor Completion of CAP:

The School Board of ISD No. 508 will be monitoring this corrective action plan.

Sincerely,

Bill Gronseth
Superintendent



2023-002 Limited Segregation of Duties Within Food Service

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

The District will separate the food service financial duties between two or more personnel. Management will reconcile the student account balance and meals served to the general ledger monthly and review adjustments to student accounts.

3. Official Responsible for Ensuring CAP:

Megan Gracia, Business Manager, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP:

The planned completion date is June 30, 2024.

5. Plan to Monitor Completion of CAP:

The School Board of ISD No. 508 will be monitoring this corrective action plan.

Sincerely,

Bill Gronseth
Superintendent



2023-003 Year-end Audit Adjustments

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

The District will review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.

3. Official Responsible for Ensuring CAP:

Megan Gracia, Business Manager, is the official responsible for ensuring corrective action of the material weakness.

4. Planned Completion Date for CAP:

The planned completion date is June 30, 2024.

5. Plan to Monitor Completion of CAP:

The School Board of ISD No. 508 will be monitoring this corrective action plan through the District Finance Committee on a twice a year basis.

Sincerely,

Bill Gronseth
Superintendent



2023-004 Student Activities

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

The District will review their student activity procedures.

3. Official Responsible for Ensuring CAP:

Megan Gracia, Business Manager, is the official responsible for ensuring corrective action for compliance.

4. Planned Completion Date for CAP:

The planned completion date is June 30, 2023.

5. Plan to Monitor Completion of CAP:

The School Board of ISD No. 508 will be monitoring this corrective action plan.

Sincerely,

Bill Gronseth
Superintendent



2023-005 Internal Control Over the Financial System

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

The District will review imported budgets within the financial software.

3. Official Responsible for Ensuring CAP:

Megan Gracia, Business Manager, is the official responsible for ensuring corrective action for compliance.

4. Planned Completion Date for CAP:

The planned completion date is June 30, 2023.

5. Plan to Monitor Completion of CAP:

The School Board of ISD No. 508 will be monitoring this corrective action plan.

Sincerely,



Bill Gronseth
Superintendent

Independent School District No. 508

St. Peter, Minnesota

Schedule of Prior Year Findings
For the Year Ended June 30, 2023

Finding

Description

2022-001

Annual Financial Report Preparation

Condition:

As in prior years, the auditor was requested to draft the audited financial statements and related footnote disclosures as part of their regular audit services. Auditing standards require auditors to communicate this situation to the Board as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. However, based on auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process. The District has adopted an internal control to review the financial statements prepared by the auditors. This control includes review of a draft copy of the financial statements by the business manager and superintendent, along with comparing UFARS guidelines and additional financial reports to the draft prepared by auditors. However, the District has not adopted a control over disclosures included in the annual financial report therefore, the potential exists that a material misstatement related to the disclosures in the annual financial statements could occur and not be prevented or detected by the District's internal controls.

Criteria:

The District should have controls in place to provide reasonable assurance over financial reporting and be able to prevent or detect a material misstatement in the annual financial statements including footnote disclosures.

Questioned Costs:

None.

Cause:

From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size. The District has not adopted an internal control policy over the annual financial reporting; however, they have reviewed and approved the annual financial statement drafts as prepared by the audit firm.

Effect:

The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting, including footnote disclosures.

Recommendation:

It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, the audit firm has instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the District is reviewing the financial statements we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the District should agree its financial software to the numbers reported in the financial statements.

Update From Prior Year:

No progress has been made.

Independent School District No. 508
St. Peter, Minnesota
Schedule of Prior Year Findings (Continued)
For the Year Ended June 30, 2023

<u>Finding</u>	<u>Description</u>
2022-002	Limited Segregation of Duties within Food Service
<i>Condition:</i>	One employee has the primary responsibility of entering deposits into student accounts and collecting and counting the money. As a result, certain aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities. The District should have controls in place to prevent and detect a material misstatement in the financial statements in a timely manner.
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	The existence of this limited segregation of duties increases the risk of fraud.
<i>Cause:</i>	As a result of the small staff, the District has not established controls for adequate segregation of duties within food service to ensure that all accounts are adjusted to their appropriate monthly and year end balances in accordance with GAAP.
<i>Recommendation:</i>	We recommend the District continue to evaluate its internal control processes to determine if additional internal control procedures should be implemented to ensure that accounts are adjusted to their appropriate year end balances in accordance with GAAP. Specific controls might include separation of the handling of cash from the entering of data into the Infinite Campus system, reconciling the Infinite Campus system to the general ledger monthly, and reviewing adjustments to student accounts for propriety.
<i>Update From Prior Year:</i>	No progress has been made.

Independent School District No. 508
St. Peter, Minnesota
Schedule of Prior Year Findings (Continued)
For the Year Ended June 30, 2023

<u>Finding</u>	<u>Description</u>
2022-003	Year-end Audit Adjustments
<i>Condition:</i>	During our audit, adjustments were needed to record several audit adjustments, including some material.
<i>Criteria:</i>	The financial statements are the responsibility of the District's management.
<i>Questioned Costs:</i>	None.
<i>Cause:</i>	District staff has not prepared a year-end trial balance reflecting all necessary accruals and year-end adjustments without auditor assistance.
<i>Effect:</i>	It is likely that if a misstatement were to occur, it would not be detected by the District's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.
<i>Recommendation:</i>	We recommend that management review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.
<i>Update From Prior Year:</i>	
	No progress has been made.
2022-004	Collateral Coverage
<i>Condition:</i>	Auditing of legal compliance requires a review of the District's deposits and investments. Our study indicated an instance of noncompliance that we believe is required to be remedied.
<i>Criteria:</i>	In accordance with Minnesota Statute, section 118A.03, the District is required to have pledged collateral equal to 110 percent of the deposit not covered with insurance.
<i>Cause:</i>	The District had \$85,479 of deposits uncollateralized on June 30, 2022. The bank had indicated collateral would be sufficient, however, this was inaccurate.
<i>Effect:</i>	At year end, the District did not have sufficient collateral pledged and therefore was not in compliance with state statute.
<i>Recommendation:</i>	We recommend the District establish a more specific understanding with the bank for the needed collateral. Ultimately, it is the District's responsibility to have adequate coverage regardless of the bank's process.
<i>Update From Prior Year:</i>	
	Remedied in the current year.

Independent School District No. 508
St. Peter, Minnesota
Schedule of Prior Year Findings (Continued)
For the Year Ended June 30, 2023

<u>Finding</u>	<u>Description</u>
2022-005	Student Activities
<i>Condition:</i>	Auditing of legal compliance requires a review of the District's student activities. Our study indicated an instance of noncompliance that we believe is required to be remedied.
<i>Criteria:</i>	In accordance with Minnesota Statute, section 123B.49 and Minnesota Rules, part 3545.0800, the District is required to have specific procedures in place around student activities.
<i>Cause:</i>	The District did not follow the MAFA manual.
<i>Effect:</i>	At year end, the District was out of compliance with various statutes and rules related to activity disbursements, inactive accounts and negative balances.
<i>Recommendation:</i>	We recommend the District establish enhanced procedures around student activities.
<i>Update From Prior Year:</i>	No progress has been made.
2022-006	Excess Cash in the Food Service Fund
<i>Condition:</i>	Our legal compliance testing for limited net cash resources in the Food Service fund identified that net cash resources within the fund exceeds the allowable amount.
<i>Criteria:</i>	U.S. Department of Agriculture has established requirements for non-profit Food Service accounts that puts a "limitation" on Net Cash Resources, which is three months average food service expenditures during the year.
<i>Cause:</i>	The Food Service fund has a net cash resource balance of \$1,317,647 which exceeds the allowable three months average expenditures of \$429,260.
<i>Effect:</i>	The District's Food Service fund is not in compliance with the requirements for non-profit net cash resources required by the U.S. Department of Agriculture.
<i>Recommendation:</i>	We recommend that the District reviews the U.S. Department of Agriculture's list of allowable expenses to help reduce the excess funds, as well as notify the Department of Education with their plan to reduce these excess funds as required by the Department. Going forward, all activity within the fund and fees charged relating to the fund's services should be regularly reviewed to ensure the District's Food Service fund meets the requirements set by the U.S. Department of Agriculture.
<i>Update From Prior Year:</i>	Remedied in the current year.

Independent School District No. 508
St. Peter, Minnesota
Schedule of Prior Year Findings (Continued)
For the Year Ended June 30, 2023

<u>Finding</u>	<u>Description</u>
2022-007	Bank Reconciliation Adjustments
<i>Condition:</i>	During our audit we noted monthly bank reconciliation adjustments related to self-insurance activity.
<i>Criteria:</i>	Internal controls and procedures should be in place to provide reasonable assurance over the reliability of financial records and reporting on a monthly basis.
<i>Cause:</i>	Reconciliation between SMART and the District's bank statements are not being performed on a timely basis.
<i>Effect:</i>	The accuracy of monthly financial information may not be accurate and allow for errors or incomplete information to go unnoticed longer.
<i>Recommendation:</i>	We recommend the District establish enhanced procedures around reconciling self-insurance adjustments on the bank reconciliation on a periodic basis.
<i>Management Response:</i>	
	The Business Manager will review self-insurance activity and establish procedures around reconciling it with the bank statements.