BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2023

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INDEPENDENT SCHOOL DISTRICT NO. 181
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BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
BOARD OF EDUCATION AND ADMINISTRATION
JUNE 30, 2023

BOARD OF EDUCATION

NAME	TERM ON BOARD EXPIRES	BOARD POSITION
Kevin Boyles	December 31, 2024	Chairperson
Sarah Speer	December 31, 2026	Vice-Chairperson
John Ward	December 31, 2024	Treasurer
D.J. Dondelinger	December 31, 2026	Clerk
Michelle Brekken	December 31, 2024	Director
Randy Heidmann	December 31, 2026	Director

ADMINISTRATION

Dr. Heidi Hahn	Superintendent
Marci Lord	Director of Business Services
District Offices	Independent School District No. 181 Brainerd Public Schools 804 Oak Street Brainerd, Minnesota 56401 218-454-6900

FINANCIAL SECTION

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Education
Independent School District No. 181
Brainerd Public Schools
Brainerd, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 181 (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, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of revenues, expenditures, and changes in fund balances – budget to actual – general fund, the schedule of revenues, expenditures, and changes in fund balances – budget to actual – food service fund, the schedule of revenues, expenditures, and changes in fund balances – budget to actual – community service fund, the schedule of changes in the District's net OPEB liability (asset) and related ratios, the schedule of money weighted rate of return on plan assets, the schedule of the District's proportionate share of the net pension liability, the schedule of the District's contributions, and the notes to the required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The uniform financial accounting and reporting standards compliance table and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the uniform financial accounting and reporting standards compliance table and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Board of Education
Independent School District No. 181

Report on Summarized Comparative Information

We have previously audited the District's 2022 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 19, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2024, 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 District's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
January 4, 2024

REQUIRED SUPPLEMENTARY INFORMATION

This section of Brainerd Public Schools – Independent School District No. 181's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2023.

FINANCIAL HIGHLIGHTS

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

- District-wide, accrual basis net position increased by approximately $17,490,000, on revenues of $114,373,450 compared to expenses of $96,883,046.

- Total General Fund revenues were approximately $92,019,000 as compared to $92,105,000 of expenditures.

- The fund balance of the General Fund increased by approximately $891,000 from the prior year. The increase was due to the issuance of lease liability which is considered an other financing source.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

District-Wide Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

The District has three kinds of funds:

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

- Proprietary funds – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.

- The District uses the internal service fund to report activities that provide services for the District's other programs and activities. The District currently has one internal service fund for its self-insured insurance fund.

Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as the District's Postemployment Benefits Irrevocable Trust Fund and the amounts reported for the special education cooperative. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position was $8,550,662 on June 30, 2023. This was an increase from prior year net position deficit balance of $8,939,742 (see Table A-1).

Table A-1
The District's Net Position

	Governmental Activities as of June 30, 2023	Governmental Activities as of June 30, 2022	Percentage Change
Current and Other Assets	$ 74,996,322	$ 87,782,446	(14.6)%
Capital and Noncurrent Assets	266,257,165	252,931,377	5.3
Total Assets	341,253,487	340,713,823	0.2
Deferred Outflows of Resources	22,562,489	23,681,571	(4.7)
Current Liabilities	22,797,547	28,761,384	(20.7)
Long-Term Liabilities	294,352,373	261,696,681	12.5
Total Liabilities	317,149,920	290,458,065	9.2
Deferred Inflows of Resources	38,115,394	82,877,071	(54.0)
Net Investment in Capital Assets	30,451,957	20,018,985	52.1
Restricted	14,967,891	24,115,345	(37.9)
Unrestricted	(36,869,186)	(53,074,072)	(30.5)
Total Net Position	$ 8,550,662	$ (8,939,742)	(195.6)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position

The District's total revenues were $114,373,450 for the year ended June 30, 2023. Property taxes and state aid formula accounted for 65% of total revenue for the year. Another 29% came from other program-specific federal and state aid.

Table A-2
Change in Net Position

	Governmental Activities as of June 30, 2023	Governmental Activities as of June 30, 2022	Total % Change
Revenues			
Program Revenues			
Charges for Services	$ 4,478,134	$ 2,999,315	49.3 %
Operating Grants and Contributions	31,864,850	35,157,375	(9.4)
Capital Grants and Contributions	799,258	6,057,516	(86.8)
General Revenues			
Property Taxes	24,695,967	24,659,016	0.1
Unrestricted State Aid	49,352,561	49,269,472	0.2
Investment Earnings (Loss)	1,071,471	(389,408)	(375.2)
Other	2,111,209	1,809,140	16.7
Total Revenues	114,373,450	119,562,426	(4.3)
Expenses			
Administration	2,949,562	3,278,879	(10.0)
District Support Services	2,352,418	2,056,811	14.4
Regular Instruction	29,538,930	38,242,444	(22.8)
Vocational Education Instruction	1,340,069	1,510,127	(11.3)
Special Education Instruction	21,235,700	25,159,058	(15.6)
Instructional Support Services	5,580,168	5,680,542	(1.8)
Pupil Support Services	7,478,364	7,721,823	(3.2)
Sites and Buildings	11,082,335	11,407,475	(2.9)
Fiscal and Other Fixed Cost Programs	528,947	413,430	27.9
Food Service	4,454,382	4,086,695	9.0
Community Service	3,473,903	3,442,624	0.9
Interest and Fiscal Charges on Long-Term Liabilities	6,868,268	6,974,172	(1.5)
Total Expenses	96,883,046	109,974,080	(11.9)
Increase in Net Position	17,490,404	9,588,346	
Net Position - Beginning of Year	(8,939,742)	(18,528,088)	
Net Position - End of Year	$ 8,550,662	$ (8,939,742)	

Revenues decreased in 2023 due to a decrease in federal revenues. Expenses decreased due to a decrease in federal money that was received and spent in the current year.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

The cost of all governmental activities this year was $96,883,046.

- Some of the cost was paid by the users of the District's programs ($4,478,134).
- The federal and state governments subsidized certain programs with grants and contributions ($32,664,108).
- The rest of the remaining District's costs were paid by District taxpayers and the taxpayers of our state in property taxes and state aid based on the statewide education aid formula and other miscellaneous revenues.

Figure A-1
Sources of District's Revenues for Fiscal 2023

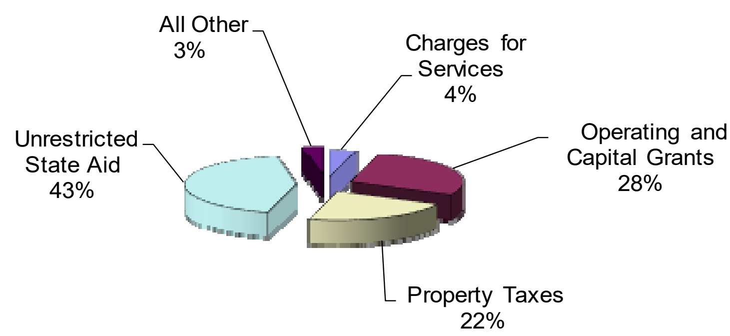
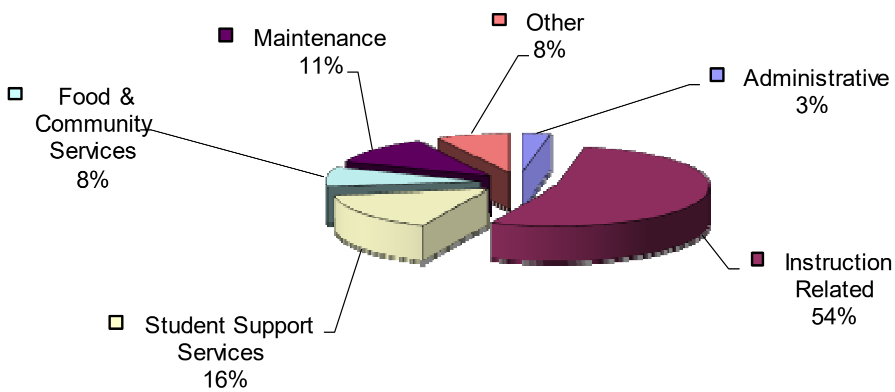


Figure A-2
District Expenses for Fiscal 2023



FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

Table A-3
Cost and Net Cost of Services

	Total Cost of Services			Net Cost of Services		
	2023	2022	Change	2023	2022	Change
Administration	$ 2,949,562	$ 3,278,879	(10.0)%	$ 2,929,761	$ 3,181,905	(7.9)%
District Support Services	2,352,418	2,056,811	14.4	2,346,536	2,048,431	14.6
Regular Instruction	29,538,930	38,242,444	(22.8)	17,770,592	24,800,488	(28.3)
Vocational Education Instruction	1,340,069	1,510,127	(11.3)	1,260,466	1,424,511	(11.5)
Special Education Instruction	21,235,700	25,159,058	(15.6)	4,451,271	9,031,394	(50.7)
Instructional Support Services	5,580,168	5,680,542	(1.8)	5,223,885	5,285,822	(1.2)
Pupil Support Services	7,478,364	7,721,823	(3.2)	6,696,289	7,119,555	(5.9)
Sites and Buildings	11,082,335	11,407,475	(2.9)	10,529,713	5,893,360	78.7
Fiscal and Other Fixed Cost Programs	528,947	43,430	1117.9	528,947	413,430	27.9
Food Service	4,454,382	4,086,695	9.0	493,514	(1,246,654)	(139.6)
Community Service	3,473,903	3,442,624	0.9	641,562	833,460	(23.0)
Interest and Fiscal Charges on Long-Term Liabilities	6,868,268	6,974,172	(1.5)	6,868,268	6,974,172	(1.5)
Total	$ 96,883,046	$ 109,604,080	(11.6)	$ 59,740,804	$ 65,759,874	(9.2)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the school district as a whole is further detailed in the governmental funds balance sheet on pages 21 and 22. As the District completed the year, its governmental funds reported combined balances of $31,519,619, showing a decrease of about $6,266,000 from prior year.

As detailed in the statement of revenues, expenditures, and changes in fund balances on pages 24 and 25, the District's overall governmental fund revenues decreased by approximately 3.84% to a level of $115,435,494. Expenditures for 2023 decreased 14.32% to a level of $133,310,759; with expenditures exceeding revenues. The large decrease in fund balance is due to the spend down of bonds issued for capital projects in the previous years.

GENERAL FUND

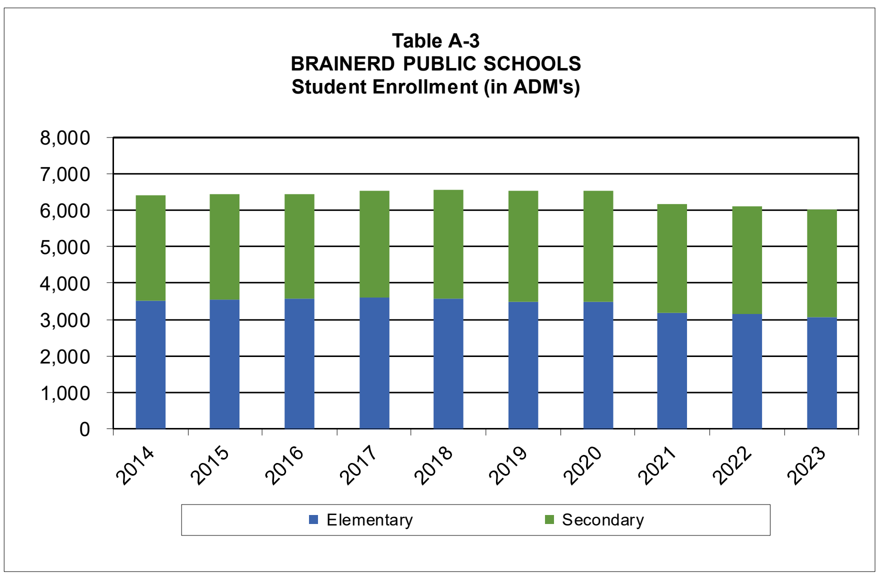
The General Fund includes the primary operations of the District in providing educational services to students from kindergarten through grade 12 including pupil transportation activities and capital outlay projects.

GENERAL FUND (CONTINUED)

The following graph shows the trend in student counts over the past 10 years:

Table A-4
Student Enrollment (Average Daily Membership)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Pre-K	107	101	107	115	122	121	149	134	140	142
HCP K	81	94	97	96	102	123	121	100	130	117
Reg K	407	411	378	375	394	307	328	287	315	283
Elementary	2,918	2,946	2,999	3,015	2,972	2,947	2,889	2,667	2,555	2,532
Secondary	2,903	2,884	2,865	2,932	2,977	3,040	3,041	2,982	2,961	2,933
Total Students for Aid	6,416	6,436	6,446	6,533	6,567	6,538	6,528	6,170	6,101	6,007
Percent Change	0.28%	0.31%	0.16%	1.35%	0.52%	-0.44%	-0.15%	-5.48%	-1.12%	-1.54%



GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund Revenues:

Table A-5
General Fund Revenues

Fund	Year Ended June 30, 2023	Year Ended June 30, 2022	Change Amount Increase (Decrease)	Change Percent Increase (Decrease)
Local Sources				
Property Taxes	$ 9,792,223	$ 10,618,690	$ (826,467)	(7.8)%
Earnings (Loss) on Investments	479,966	(246,883)	726,849	294.4
Other	3,505,102	2,892,177	612,925	21.2
State Sources	69,931,722	69,326,253	605,469	0.9
Federal Sources	8,310,363	9,266,852	(956,489)	(10.3)
Total General Fund Revenue	$ 92,019,376	$ 91,857,089	$ 162,287	0.2

Overall, total General Fund revenue increased by $162,287 or 0.2% from the prior year as shown above.

The following schedule presents a summary of General Fund Expenditures:

Table A-6
General Fund Expenditures

	Year Ended June 30, 2023	Year Ended June 30, 2022	Change Amount of Increase (Decrease)	Change Percent Increase (Decrease)
Salaries	$ 49,736,715	$ 50,590,398	$ (853,683)	(1.7)%
Employee Benefits	20,223,618	20,399,726	(176,108)	(0.9)
Purchased Services	13,231,694	12,144,702	1,086,992	9.0
Supplies and Materials	3,990,423	4,220,425	(230,002)	(5.4)
Capital Expenditures	2,178,034	2,713,601	(535,567)	(19.7)
Other Expenditures	2,744,892	2,306,141	438,751	19.0
Total Expenditures	$ 92,105,376	$ 92,374,993	$ (269,617)	(0.3)

Total General Fund expenditures decreased $270,000 or 0.3% due to an decrease in salaries and benefits payable as the District offered stipends to employees in the previous year with CARES funds.

GENERAL FUND (CONTINUED)

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget one time. This budget amendment falls into one category:

- Generally speaking, the budget amendment concentrates on students and staff. Actual student counts from the beginning of the school year are tracked and matched against the student enrollment estimates used to project many of the revenue components in the preliminary budget revenue categories. Actual staffing and respective assignments are verified for accuracy against the projected staffing costs used to establish the preliminary budget expense for salaries and benefits and capital expenditures.

Depending on how actual revenue and expense items are tracking against the preliminary budget amounts, adjustments are proposed to specific categories for review and approval by the school board.

Actual results differed from budget as follows:

- The District's final budget for the General Fund anticipated that expenditures would exceed revenues by approximately $1,691,942, actual expenditures exceeded actual revenues by $86,000.
- Overall, actual revenues were about $654,000 more than budgeted, representing a 0.72% variation from budget to actual, primarily due to an increase in investment earnings.
- The actual expenditures for current year were about $952,000 under budget, which represents 1.02% of budgeted expenditures.
- The General Fund's fund balance increased by approximately $891,000. The unassigned fund balance increased by approximately $1,291,900, and the restricted fund balances decreased by approximately $393,000. Nonspendable fund balance decreased by approximately $63,000. Assigned fund balance decreased by approximately $248,000.

INTERNAL SERVICE FUND

The District provides group health insurance and dental insurance for various employee groups through a self-insurance program funded by District contributions and payroll withholding. Medica is the current provider of administrative services for health insurance and Delta Dental is the current provider of administrative services for dental insurance. Expenses for the year ended June 30, 2023 exceeded revenues by approximately $276,000 and net position at year-end totaled approximately $9,414,000 as compared to annual expenses of approximately $14,992,000.

OTHER MAJOR FUNDS

The Food Service Fund had fund balance of $1,270,002, a decrease of approximately $313,000, which was due to a decrease in revenues due to the change in funding.

The Community Service Fund had fund balance of $1,363,627, an increase of approximately $218,000, which was due to the District increasing programming.

The Capital Projects fund had fund balance of $5,911,555, a decrease of approximately $7,874,000, due to current year projects and continued spend down of bond proceeds.

The Debt Service Fund had fund balance of $3,647,055, an increase of approximately $812,000, due to tax revenue exceeding debt repayments.

CAPITAL ASSETS

As shown in the table below, the District has invested $359,024,109 in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. More detailed information about capital assets can be found in Note 4 to the financial statements. Total depreciation and amortization expense for the year was $6,278,527.

Table A-7
The District's Capital Assets

	2023	2022	Percentage Change
Land	$ 4,960,016	$ 4,960,016	- %
Construction-in-Progress	132,082,838	114,968,300	14.9
Land Improvements	13,498,375	13,086,663	3.1
Right-to-Use Assets	1,415,126	1,511,060	(6.3)
Buildings and Improvements	188,643,038	187,241,291	0.7
Equipment	18,424,716	19,468,451	(5.4)
Less: Accumulated Depreciation/Amortization	(92,766,944)	(88,304,404)	5.1
Total	$ 266,257,165	$ 252,931,377	5.3

Long-Term Liabilities

At year-end, the District had $214,040,000 in general obligation bonds outstanding, approximately $2,358,000 in a finance purchase agreement, and about $855,000 in lease liabilities as shown in Note 5 to the financial statements.

Table A-8
The District's Long-Term Debt

	2023	2022	Percentage Change
General Obligation Bonds	$ 214,040,000	$ 210,325,000	1.8 %
Net Bond Premium and Discount	9,025,116	9,445,271	(4.4)
Certificate of Participation	7,830,000	8,365,000	(6.4)
Lease Liabilities	855,493	1,011,183	(15.4)
Finance Purchase Agreements	2,358,355	2,684,141	(12.1)
Total	$ 234,108,964	$ 231,830,595	1.0
Long-Term Debt			
Due Within One Year	$ 8,926,351	$ 7,548,036	
Due in More Than One Year	225,182,613	224,282,559	
Total	$ 234,108,964	$ 231,830,595	

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of voter-approved excess capital referendums, the District is mostly dependent on the state of Minnesota for its revenue authority.

The general education per pupil formula is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources.

With recent increases in federal funding due to COVID-19, the District's increased funding from the state was very limited and at a level that was insufficient in meeting the instructional program needs and increasing operating costs. The district responded to these financial challenges by taking appropriate expense reduction steps to bring relative stability to its budget and maintain an adequate amount in fund reserves. With recent increases in federal funding due to COVID-19, the District's operating results have improved and allowed for an increase in its fund reserves, better positioning itself for continued financial stability in the future.

With continued proactive and prudent management of expenses, combined with the effects of increased federal funding, the District is well-positioned to achieve stability in its operating budget going forward.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Business Services, Independent School District No. 181, 804 Oak Street, Brainerd, Minnesota 56401.

BASIC FINANCIAL STATEMENTS

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
STATEMENT OF NET POSITION
JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2022)

	Governmental Activities	
	2023	2022
ASSETS		
Cash and Investments	$ 45,814,669	$ 60,433,820
Cash Held by Fiscal Agent	1,037	-
Receivables:		
Property Taxes	11,797,824	12,521,321
Other Governments	14,960,987	12,595,122
Other	532,972	494,141
Prepaid Items	789,243	718,707
Inventories	255,905	200,905
Due from Other Funds	843,685	818,430
Capital Assets:		
Land	4,960,016	4,960,016
Construction in Progress	132,082,838	114,968,300
Other Capital Assets, Net of Depreciation/Amortization	129,214,311	133,003,061
Total Assets	341,253,487	340,713,823
DEFERRED OUTFLOWS OF RESOURCES		
OPEB Related	2,594,216	2,869,831
Pension Related	19,968,273	20,811,740
Total Deferred Outflows of Resources	22,562,489	23,681,571
LIABILITIES		
Current Liabilities:		
Salary and Benefits Payable	3,119,748	4,145,348
Accounts and Contracts Payable	5,730,800	12,329,526
Accrued Interest	3,554,468	3,583,462
Due to Other Governmental Units	578,451	754,508
Due to Other Funds	383,304	-
Unearned Revenue	255,544	143,760
Total Current Liabilities	13,622,315	20,956,604
Long-Term Liabilities:		
Net Pension Liability	66,217,938	35,495,679
Net OPEB Liability	2,951,822	1,918,443
Portion Due Within One Year	9,175,232	7,804,780
Portion Due in More Than One Year	225,182,613	224,282,559
Total Long-Term Liabilities	303,527,605	269,501,461
Total Liabilities	317,149,920	290,458,065

See accompanying Notes to Financial Statements.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2022)

	Governmental Activities	
	2023	2022
DEFERRED INFLOWS OF RESOURCES		
Gain on Refunding	$ 1,102,184	$ 1,344,953
Pension Related	12,728,369	57,915,964
OPEB Related	486,455	435,640
Property Taxes Levied for Subsequent Year	23,798,386	23,180,514
Total Deferred Inflows of Resources	38,115,394	82,877,071
NET POSITION		
Net Investment in Capital Assets	30,451,957	20,018,985
Restricted for:		
General Fund Operating Capital Purposes	1,914,200	1,813,776
General Fund State-Mandated Reserves	3,876,896	4,192,940
Food Service	1,270,002	1,582,823
Community Service	1,369,189	1,152,824
Capital Projects	6,336,190	15,372,982
Cash Held by Fiscal Agent, Debt Payment	1,037	-
Debt Service	200,377	-
Unrestricted	(36,869,186)	(53,074,072)
Total Net Position	$ 8,550,662	$ (8,939,742)

See accompanying Notes to Financial Statements.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2022)

	2023					2022
		Program Revenues			Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Governmental Activities
Governmental Activities						
Administration	$ 2,949,562	$ 32	$ (22,002)	$ 41,771	$ (2,929,761)	$ (3,181,905)
District Support Services	2,352,418	9,000	(3,118)	-	(2,346,536)	(2,048,431)
Regular Instruction	29,538,930	1,218,893	10,359,862	189,583	(17,770,592)	(24,800,488)
Vocational Education Instruction	1,340,069	100,793	(21,190)	-	(1,260,466)	(1,424,511)
Special Education Instruction	21,235,700	-	16,784,429	-	(4,451,271)	(9,031,394)
Instructional Support Services	5,580,168	-	40,826	315,457	(5,223,885)	(5,285,822)
Pupil Support Services	7,478,364	-	721,378	60,697	(6,696,289)	(7,119,555)
Sites and Buildings	11,082,335	19,929	340,943	191,750	(10,529,713)	(5,893,360)
Fiscal and Other Fixed Cost Programs	528,947	-	-	-	(528,947)	(413,430)
Food Service	4,454,382	1,179,057	2,781,811	-	(493,514)	1,246,654
Community Service	3,473,903	1,950,430	881,911	-	(641,562)	(833,460)
Interest and Fiscal Charges on Long-Term Liabilities	6,868,268	-	-	-	(6,868,268)	(6,974,172)
Total School District	$ 96,883,046	$ 4,478,134	$ 31,864,850	$ 799,258	(59,740,804)	(65,759,874)
	General Revenues					
	Property Taxes Levied for:					
	General Purposes				9,867,505	10,710,055
	Community Service				592,298	539,551
	Debt Service				14,236,164	13,409,410
	State Aid Not Restricted to Specific Purposes				49,352,561	49,269,472
	Earnings (Loss) on Investments				1,071,471	(389,408)
	Miscellaneous				2,111,209	1,809,140
	Total General Revenues				77,231,208	75,348,220
	CHANGE IN NET POSITION				17,490,404	9,588,346
	Net Position - Beginning of Year				(8,939,742)	(18,528,088)
	NET POSITION - END OF YEAR				$ 8,550,662	$ (8,939,742)

See accompanying Notes to Financial Statements.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2022)

	Major Funds		
	General	Food Service	Community Service
ASSETS			
Cash and Investments	$ 11,321,470	$ 1,036,901	$ 1,806,737
Cash Held by Fiscal Agent	1,037	-	-
Receivables:			
Current Property Taxes	4,197,990	-	269,667
Delinquent Property Taxes	90,505	-	5,562
Due from Other Minnesota School Districts	135,450	-	-
Due from Minnesota Department of Education	7,420,308	-	85,667
Due from Federal through Minnesota Department of Education	7,094,969	103,797	42,182
Due from Other Governmental Units	-	-	-
Other Receivables	428,718	61,203	43,051
Due from Other Funds	843,685	-	-
Prepaid Items	669,962	46	17,712
Inventory	9,688	246,217	-
Total Assets	$ 32,213,782	$ 1,448,164	$ 2,270,578
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Salary and Benefits Payable	$ 2,937,565	$ 27,123	$ 150,450
Accounts and Contracts Payable	1,078,538	22,756	24,524
Due to Other Minnesota School Districts	487,764	-	-
Due to Other Governmental Units	90,252	-	435
Due to Other Funds	383,304	-	-
Unearned Revenue	65	128,283	127,196
Total Liabilities	4,977,488	178,162	302,605
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Levied for Subsequent Year	7,826,084	-	598,784
Unavailable Revenue - Delinquent Taxes	82,830	-	5,562
Total Deferred Inflows of Resources	7,908,914	-	604,346
FUND BALANCE			
Nonspendable:			
Prepaid Items	669,962	46	17,712
Inventory	9,688	246,217	-
Restricted:			
Student Activities	207,875	-	-
Operating Capital	1,914,200	-	-
Learning and Development	378,846	-	-
Area Learning Center	484,549	-	-
Safe Schools - Crime	377,908	-	-
Community Education Programs	-	-	417,058
Early Childhood and Family Educations Programs	-	-	798,128
School Readiness	-	-	35,617
Adult Basic Education	-	-	41,307
Staff Development	699,207	-	-
Long-Term Facilities Maintenance (LTFM)	1,600,614	-	-
Medical Assistance	420	-	-
Other Restricted	127,477	1,023,739	53,805
Assigned:			
Q Comp	204,801	-	-
Other	235,253	-	-
Unassigned	12,416,580	-	-
Total Fund Balances	19,327,380	1,270,002	1,363,627
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 32,213,782	$ 1,448,164	$ 2,270,578

See accompanying Notes to Financial Statements.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
BALANCE SHEET – GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2022)

Major Funds (Continued)		Total Governmental Funds	
Capital Projects	Debt Service	2023	2022
$ 8,445,065	$ 11,815,649	$ 34,425,822	$ 49,802,586
-	-	1,037	-
-	7,126,310	11,593,967	12,215,716
-	107,790	203,857	305,605
-	-	135,450	87,064
-	78,614	7,584,589	7,266,473
-	-	7,240,948	5,219,650
-	-	-	21,935
-	-	532,972	494,141
-	-	843,685	818,430
101,523	-	789,243	718,707
-	-	255,905	200,905
$ 8,546,588	$ 19,128,363	$ 63,607,475	$ 77,151,212
$ 4,610	$ -	$ 3,119,748	$ 4,145,348
2,630,423	-	3,756,241	10,836,350
-	-	487,764	412,483
-	-	90,687	342,025
-	-	383,304	-
-	-	255,544	143,760
2,635,033	-	8,093,288	15,879,966
-	15,373,518	23,798,386	23,180,514
-	107,790	196,182	305,605
-	15,481,308	23,994,568	23,486,119
101,523	-	789,243	718,707
-	-	255,905	200,905
-	-	207,875	228,568
-	-	1,914,200	1,813,776
-	-	378,846	510,648
	-	484,549	307,235
-	-	377,908	540,484
-	-	417,058	214,769
-	-	798,128	774,554
-	-	35,617	52,211
-	-	41,307	46,919
-	-	699,207	807,321
573,598	-	2,174,212	6,939,696
-	-	420	-
5,236,434	3,647,055	10,088,510	12,816,667
-	-	204,801	521,704
-	-	235,253	166,240
-	-	12,416,580	11,124,723
5,911,555	3,647,055	31,519,619	37,785,127
$ 8,546,588	$ 19,128,363	$ 63,607,475	$ 77,151,212

See accompanying Notes to Financial Statements.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2022)

	2023	2022
Total Fund Balance for Governmental Funds	$ 31,519,619	$ 37,785,127
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	4,960,016	4,960,016
Construction-in-Progress	132,082,838	114,968,300
Land Improvements, Net of Accumulated Depreciation	3,646,445	3,725,851
Right-to-Use Assets, Net of Accumulated Amortization	835,762	1,084,420
Buildings and Improvements, Net of Accumulated Depreciation	119,007,057	122,144,776
Equipment, Net of Accumulated Depreciation	5,725,047	6,048,014
OPEB trust assets net of the OPEB liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:		
Net OPEB Liability	(2,951,822)	(1,918,443)
Deferred Inflows of Resources - OPEB Related	(486,455)	(435,640)
Deferred Outflows of Resources - OPEB Related	2,594,216	2,869,831
The District's Net Pension Liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:		
Net Pension Liability	(66,217,938)	(35,495,679)
Deferred Inflows of Resources - Pension Related	(12,728,369)	(57,915,964)
Deferred Outflows of Resources - Pension Related	19,968,273	20,811,740
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the funds.	196,182	305,605
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(3,554,468)	(3,583,462)
Internal service fund is used by management to charge the costs of health and dental insurance services to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position. Internal service fund net position at year-end is:	9,414,288	9,138,058
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term are reported in the statement of net position. Balances at year-end are:		
Bonds Payable	(214,040,000)	(210,325,000)
Unamortized Premiums	(9,025,116)	(9,445,271)
Gain on Refunding Bond	(1,102,184)	(1,344,953)
Certificates of Participation	(7,830,000)	(8,365,000)
Lease Liabilities	(855,493)	(1,011,183)
Finance Purchase Agreements	(2,358,355)	(2,684,141)
Compensated Absences Payable	(248,881)	(256,744)
Total Net Position of Governmental Activities	$ 8,550,662	$ (8,939,742)

See accompanying Notes to Financial Statements.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2022)

	Major Funds		
	General	Food Service	Community Service
REVENUES			
Local			
Property Taxes	$ 9,792,223	$ -	$ 594,009
Earnings (Loss) on Investments	479,966	43,314	67,781
Other	3,505,102	1,196,459	2,145,058
State Sources	69,931,722	166,277	815,564
Federal Sources	8,310,363	2,615,534	126,808
Total Revenues	92,019,376	4,021,584	3,749,220
EXPENDITURES			
Current			
Administration	3,181,623	-	-
District Support Services	2,197,645	-	-
Regular Instruction	35,309,380	-	-
Vocational Education Instruction	1,379,761	-	-
Special Education Instruction	23,315,972	-	-
Instructional Support Services	5,568,921	-	-
Pupil Support Services	7,279,388	-	-
Sites and Buildings	8,754,889	-	-
Fiscal and Other Fixed Cost Programs	528,947	-	-
Food Service	-	4,334,405	-
Community Service	-	-	3,531,144
Capital Outlay	2,178,034	-	-
Debt Service			
Principal	1,981,599	-	-
Interest and Fiscal Charges	429,217	-	-
Total Expenditures	92,105,376	4,334,405	3,531,144
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(86,000)	(312,821)	218,076
OTHER FINANCING SOURCES (USES)			
Bond Refunding Payment	-	-	-
Issuance of Bonds	-	-	-
Issuance of Lease Liability	965,123	-	-
Premium on Sale of Bonds	-	-	-
Sale of Capital Assets	12,130	-	-
Total Other Financing Sources (Uses)	977,253	-	-
NET CHANGE IN FUND BALANCE	891,253	(312,821)	218,076
Fund Balance - Beginning of Year	18,436,127	1,582,823	1,145,551
FUND BALANCE - END OF YEAR	$ 19,327,380	$ 1,270,002	$ 1,363,627

See accompanying Notes to Financial Statements.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2022)

Major Funds (Continued)		Total Governmental Funds	
Capital Projects - Building Construction	Debt Service	2023	2022
$ -	$ 14,289,676	$ 24,675,908	$ 24,683,918
342,080	218,992	1,152,133	(290,681)
14,000	-	6,860,619	10,154,752
-	780,566	71,694,129	71,133,743
-	-	11,052,705	14,365,679
356,080	15,289,234	115,435,494	120,047,411
-	-	3,181,623	3,248,393
-	-	2,197,645	2,212,359
-	-	35,309,380	35,804,838
-	-	1,379,761	1,296,182
-	-	23,315,972	23,264,405
-	-	5,568,921	6,022,550
-	-	7,279,388	7,171,631
2,612,527	-	11,367,416	13,551,268
-	-	528,947	413,430
-	-	4,334,405	4,187,636
-	-	3,531,144	3,366,237
16,249,617	-	18,427,651	38,744,519
-	6,210,000	8,191,599	7,285,968
-	8,267,690	8,696,907	9,028,831
18,862,144	14,477,690	133,310,759	155,598,247
(18,506,064)	811,544	(17,875,265)	(35,550,836)
-	-	-	(2,120,000)
9,925,000	-	9,925,000	3,075,000
-	-	965,123	931,048
707,504	-	707,504	160,360
-	-	12,130	32,354
10,632,504	-	11,609,757	2,078,762
(7,873,560)	811,544	(6,265,508)	(33,472,074)
13,785,115	2,835,511	37,785,127	71,257,201
$ 5,911,555	$ 3,647,055	$ 31,519,619	$ 37,785,127

See accompanying Notes to Financial Statements.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2022)

	2023	2022
Net Change in Fund Balance-Total Governmental Funds	$ (6,265,508)	$ (33,472,074)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation/amortization expense.		
Capital Outlays	20,378,598	42,761,116
Gain (Loss) on Disposal of Capital Assets	(774,283)	(15,352)
Depreciation/Amortization Expense	(6,278,527)	(5,564,604)
Some capital asset additions are financed through finance purchase agreements. In governmental funds, a finance purchase agreement is considered a source of financing, but in the statement of net position, the finance purchase agreement is reported as a liability. Repayment of the finance purchase principal is an expenditure in the governmental funds, but repayment reduces the finance purchase agreement in the statement of net position.		
Issuance of Finance Purchase Agreement	-	(931,048)
Change in Accrued Interest Expense - Finance Purchase Agreement	(4,752)	35,852
Principal Payments - Finance Purchase Agreement	325,786	499,913
Payment of OPEB benefits are recognized as expenditures at the fund level while the change in the net OPEB asset, and the related deferred inflows and outflows resources are recognized in the statement of net position.	(1,359,809)	(2,219,482)
Pension expenditures on the governmental funds are measured by current year employee contributions. Pension expenses on the statement of activities are measured by the change in Net Pension Liability and the related deferred inflows and outflows of resources.	13,621,869	3,779,841
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:		
Net Bond (Premium)	(707,504)	(160,360)
Issuance of Bonds	(9,925,000)	(3,075,000)
Repayment of Bond Principal	6,210,000	7,785,000
Repayment of Certificates of Participation	535,000	515,000
Issuance of Lease Liability	(965,123)	-
Payment on Lease Liability	1,120,813	606,055
Change in Accrued Interest Expense - General Obligation Bonds	33,746	137,774
Amortization of Gain on Refunding	242,769	242,769
Amortization of Bond Premium	1,127,659	1,159,313
Amortization of Bond Discount	-	(725)
Delinquent property taxes receivable will be collected next year, but are not available soon enough to pay for the current-period's expenditures and, therefore, are unavailable in the funds.	(109,423)	(127,050)
In the statement of activities, compensated absences are measured on the accrual basis. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	7,863	82,054
Internal service fund is used by the District to charge the costs of the employee health and dental benefits to individual funds. The net gain (loss) of the internal service fund is reported with governmental activities.	276,230	(2,450,646)
Change in Net Position of Governmental Activities	$ 17,490,404	$ 9,588,346

See accompanying Notes to Financial Statements.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2022)

	2023	2022
ASSETS		
Cash and Cash Equivalents	$ 11,388,710	$ 10,631,234
LIABILITIES		
Claims Payable	1,974,422	1,493,176
NET POSITION		
Unrestricted Net Position	$ 9,414,288	$ 9,138,058

See accompanying Notes to Financial Statements.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUND
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2022)

	2023	2022
OPERATING REVENUES		
Charges for Services	$ 14,982,179	$ 12,538,194
OPERATING EXPENSES		
Insurance Claims and Administration	14,984,736	15,090,615
Wellness Expenses from Insurance Administrator	7,631	10,000
Total Operating Expenses	14,992,367	15,100,615
OPERATING LOSS	(10,188)	(2,562,421)
NONOPERATING INCOME		
Earnings on Investments	261,418	11,775
Wellness Funding from Insurance Administrator	25,000	100,000
Total Nonoperating Income	286,418	111,775
CHANGE IN NET POSITION	276,230	(2,450,646)
Net Position - Beginning of Year	9,138,058	11,588,704
NET POSITION - END OF YEAR	$ 9,414,288	$ 9,138,058

See accompanying Notes to Financial Statements.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2022)

	Governmental Activities - Internal Service Funds	
	2023	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from District	$ 14,982,179	$ 12,538,194
Cash Payments for Insurance and Other Operating Expenses	(14,511,121)	(14,467,402)
Net Cash Provided (Used) by Operating Activities	471,058	(1,929,208)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	261,418	11,775
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Wellness Funding Received from Insurance Administrator	25,000	100,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	757,476	(1,817,433)
Cash and Cash Equivalents - Beginning of Year	10,631,234	12,448,667
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 11,388,710	$ 10,631,234
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating (Loss)	$ (10,188)	$ (2,562,421)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities		
Decrease in Claims Payable	481,246	611,830
Decrease in Prepaids	-	21,383
Net Cash Provided (Used) by Operating Activities	$ 471,058	$ (1,929,208)

See accompanying Notes to Financial Statements.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
STATEMENT FIDUCIARY NET POSITION
JUNE 30, 2023

	Postemployment Benefits Irrevocable Trust Fund	Custodial Fund
ASSETS		
Cash and Deposits	$ 898,469	$ -
Investments:		
Fixed Income	9,815,767	-
Equities	5,419,357	-
Receivables:		
Due from Other Minnesota School Districts	-	1,037,090
Due From General Fund	383,304	-
Interest	44,059	-
Prepaid Items	-	38,500
Total Assets	16,560,956	1,075,590
LIABILITIES		
Accounts Payable	-	5,793
Salary and Benefits Payable	-	154,483
Due to Other Minnesota School Districts	-	10,105
Due to General Fund	-	843,685
Total Liabilities	-	1,014,066
NET POSITION		
Restricted for Postemployment Benefits other than Pensions	16,560,956	-
Held in Trust	-	61,524
Total Net Position	$ 16,560,956	$ 61,524

See accompanying Notes to Financial Statements.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
STATEMENT CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2023

	Postemployment Benefits Irrevocable Trust Fund	Custodial Fund
ADDITIONS		
Local Sources	$ -	$ 3,153,426
Federal Sources	-	2,313
Charges for Service	-	971,861
Investment Income:		
Net Increase (Decrease) in Fair Value of Investments	121,381	-
Interest and Dividends	581,100	-
Less Investment Expense	(103,677)	-
Net Investment Income	598,804	-
Total Additions	598,804	4,127,600
DEDUCTIONS		
Supplies and Materials	-	4,127,230
OPEB Health Insurance Payments	2,071,470	-
Total Deductions	2,071,470	4,127,230
CHANGE IN NET POSITION	(1,472,666)	370
Net Position - Beginning of Year	18,033,622	61,154
NET POSITION - END OF YEAR	$ 16,560,956	$ 61,524

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 181 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Financial Reporting Entity

The District is an instrumentality of the state of Minnesota established to function as an educational institution. The elected Board of Education (Board) is responsible for legislative and fiscal control of the District. A superintendent is appointed by the Board and is responsible for administrative control of the District.

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

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

C. Basic Financial Statement Presentation

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation (Continued)

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

Separate Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type. The District has one custodial fund and one trust fund.

The Internal Service Fund is presented in the proprietary fund financial statements. Because the principal user of the internal services is the District's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

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 source of operating revenue of the District's internal service fund is the District's operating funds for insurance premiums related to District employees. Operating expenses for the internal service fund include the cost of medical benefits, dental benefits, re-insurance premiums, and third-party administration fees. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Fiduciary Funds are presented in the fiduciary fund financial statements by type (custodial and trust). Since by definition these assets are being held for the benefit of a third-party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the District, these funds are not incorporated into the District-wide statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

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

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

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is used for revenues other than property taxes.

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds

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

Major Governmental Funds

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

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

Community Service Special Revenue Fund
The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, K-6 extended day programs or other similar services. Revenues for the Community Service Fund are generated primarily from user fees, local property taxes and state credits.

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

Debt Service Fund
The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general long-term obligation bond principal, interest, and related costs.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds (Continued)

Proprietary Fund

Internal Service Fund
The Internal Service Fund accounts for financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The Internal Service Fund accounts for the financing of services provided by one department to other departments of the District on a cost reimbursement basis. The District's Internal Service Fund reflects the activities of its self-insured insurance plan for its employees.

Fiduciary Funds

Custodial Fund
The Custodial Fund was established to account for cash and other assets held by the District in a custodial capacity. This fund is used to account for transactions relating to the special education cooperative in which the District has a custodial relationship.

Postemployment Benefits Irrevocable Trust Fund
This Trust Fund is used for reporting resources set aside and held in an irrevocable trust arrangement for postemployment benefits. District contributions to this fund must be expensed to an operating fund.

E. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the Board of Education adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, and Debt Service Funds. An annual budget is adopted for the Capital Projects – Building Construction Fund when there are projects taking place. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year. Reported budgeted amounts represent the amended budget as adopted by the Board of Education. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the superintendent submits to the Board of Education prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by Board of Education action. Revisions to budgeted amounts must be approved by the Board of Education.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting (Continued)

Total fund expenditures in excess of the budget require approval of either the Director of Business Services or the Board of Education. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

Budgeted amounts include interim budget amendments that increased and decreased revenue and expenditure budgets as follows:

Revenues and Transfers In	Original Budget	Amendments	Amended Budget
General Fund	$ 88,363,447	$ 3,002,124	$ 91,365,571
Special Revenue Funds:			
Food Service Fund	3,924,825	168,775	4,093,600
Community Service Fund	3,346,502	123,238	3,469,740
Expenditures and Transfers Out			
General Fund	90,327,102	2,730,411	93,057,513
Special Revenue Funds:			
Food Service Fund	3,873,541	447,295	4,320,836
Community Service Fund	3,280,380	365,648	3,646,028

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

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

F. Cash and Investments

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. The Trust Fund, Internal Service Funds, and the escrowed assets are not included in this pool.

G. Accounts Receivable

Represents amounts receivable from individuals and governments for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivables not expected to be collected within one year are property taxes receivable.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Inventories

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

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Expenses are allocated over the periods benefited.

J. Property Taxes

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

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as deferred inflow of resources (property taxes levied for subsequent year).

The majority of District revenue in the General and Special Revenue Funds is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the “tax shift.” In the Debt Service Fund, all property taxes collected in a calendar year are recorded as revenue in the fiscal year which begins July 1 of that calendar year.

In accordance with state law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy (frozen at $381,871) advance recognized as revenue each year with no corresponding state aid adjustment. Certain other portions of the District’s 2022 Pay 2023 levy, normally revenue for the 2022-23 fiscal year, are also advance recognized as June 30, 2023, as required by state statute to match revenue with the same fiscal year as the related expenditures.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Taxes (Continued)

Revenue from these delinquent property taxes that is not collected within 60 days of year-end is unavailable because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material.

Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2023, are included in the Property Taxes Levied for Subsequent Year account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

K. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The District maintains a threshold level of $5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

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

L. Leases

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Leases (Continued)

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

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

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

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

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

M. Deferred Outflows of Resources

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

N. Long-Term Obligations

In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Accrued Employee Benefits

Sick Pay

Substantially, all District employees are entitled to sick leave at various rates. No sick leave is paid out at termination.

Vacation Pay

The secretarial, custodial, superintendent and the nonunion employees are the only groups to accrue vacation. Secretarial and custodial have to be down to one year's accumulation by a specified date according to their contract or they lose it. Any unused vacation at termination is paid out. The superintendent and nonunion employees all vary from contract to contract, and either state a limit or that there is no limit on the amount of carryover of vacation and any unused vacation at termination is paid out.

Severance and Other Postretirement Benefits

Severance and other postretirement benefit liabilities are paid by the General and Special Revenue Funds. Annual payments to retire the severance benefits liability have not been determined and will depend on actual employee turnover.

Severance benefits consist of lump sum retirement payments, and postemployment health care benefits. Accounting policies for severance and health benefits are described below:

1. Postemployment Health Care Benefits

The District provides postemployment retirement benefits to pay health insurance premiums for certain retired District personnel. Eligible administrative personnel hired prior to January 1, 2009 receive health insurance benefits to age 70. Eligible administrative personnel hired after January 1, 2009 receive health insurance benefits to age 65. Eligible teaching staff hired prior to January 1, 2009, receive health insurance benefits to Medicare eligible age. Teaching staff hired after January 1, 2009 do not receive postemployment health insurance benefits. Other qualified staff hired prior to March 1, 2010, also receive health insurance benefits to Medicare eligible age. Other staff hired after March 1, 2010 do not receive postemployment health insurance benefits.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Accrued Employee Benefits (Continued)

1. Postemployment Health Care Benefits (Continued)

For purposes of measuring the net OPEB liability (asset), deferred outflows of resources, and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

P. Deferred Inflows of Resources

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

Q. Pensions

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

R. Unearned Revenue

Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported unearned revenues for the charges for services, and school lunch deposits.

S. Statement of Cash Flows

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments with an original maturity from the time of purchase by the District of three months or less to be cash equivalents.

T. Cash and Investments Held by Fiscal Agent

Cash and Investments held with fiscal agent are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Fund Balance

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance are related to prepaid items and inventories. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The Board of Education passed a resolution authorizing the Superintendent or Director of Business Services to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts. Positive unassigned fund balance can only be reported in the General Fund, and all other funds only report negative unassigned amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned fund balance.

It is also the District's policy to work to increase the fund balance each year to attain a minimum unassigned fund balance of 10% of the annual general fund budget.

V. Net Position

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

W. Comparative Data

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2022, from with the summarized information was derived.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

X. Adoption of New Accounting Standards

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

The District adopted the requirements of the guidance effective July 1, 2022, and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this standard did not result in any material agreements being identified.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following funds at June 30, 2023.

	Budget	Expenditures	Excess
Special Revenue Funds:			
Food Service Fund	$ 4,320,836	$ 4,334,405	$ 13,569

The overages were considered by District management to be the result of necessary expenditures critical to operations and were approved by the Board.

B. Interfund Balances

The General Fund showed a due from other funds of $843,685 which was due from the Custodial Fund. This balance was to cover negative cash as of the end of the year. The General fund also shows a due to other funds of $383,304 which was due to the OPEB Trust Fund. This balance was to zero out cash in the OPEB Trust Fund.

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

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

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

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

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

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

B. Investments

With the exception of the fiduciary funds held in the District's Other Postemployment Benefit Trust account discussed in Note 3, C, the District may invest idle funds as authorized by Minnesota Statutes Chapter 118A as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies;
- Shares of investment companies registered under the Investment Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less;
- General obligations rated "A" or better; revenue obligations rated "AA" or better;
- General obligations of the Minnesota Housing Finance Agency rate "A" or better;
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System;
- Commercial paper issued by United States bank corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less;

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories and repurchase or reverse purchase agreement and securities lending agreements 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.

At June 30, 2023, the District, excluding its Postemployment Benefits Irrevocable Trust Fund, had the following investments. (See separate investment disclosures for the Benefits Trust Fund at Note 3, C):

	Amount
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	$ 30,977,058
US Treasury	1,995,550
Municipal Bonds	976,580
Total Investments	$ 33,949,188

The Minnesota School District Liquid Asset Fund Plus (MSDLAF+) is an external investment pool (Pool). The Pool is regulated by Minnesota statutes and is not registered with the Securities and Exchange Commission (SEC) as an investment company. MSDLAF+ MAX Class is managed to maintain a dollar-weighted average portfolio maturity of no greater than 60 days and seeks to maintain a constant net asset value (NAV) per share of $1.00. The Pool elects to measure its investments at amortized cost in accordance with accounting statements issued by the Governmental Accounting Standards Board. The MAX Class may not be redeemed for at least 14 days and a 24-hour hold is place options prior to 14 days may be subject to penalty.

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District’s policy is that the obligations at the time of purchase must be rated at the highest classification by at least two of the three standard rating services. The following chart summarizes year-end ratings for the District’s investments as rated by Moody’s Investors Service:

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Type	Credit Quality Rating	Amount
MSDLAF+	Not Rated	$ 30,977,058
U.S. Treasury	A-1+	1,995,550
Municipal Bonds	AA+	976,580
Total		$ 33,949,188

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District's investment policies do not limit the maturities of investments; however, when purchasing investments, the District considers such things as interest rates and cash flow needs.

Type	Total	12 Months or Less	12 to 24 Months	25 to 60 Months	More than 60 Months
MSDLAF+	$ 30,977,058	$ 30,977,058	$ -	$ -	$ -
U.S. Treasury	1,995,550	1,995,550	-	-	-
Municipal Bonds	976,580	976,580	-	-	-
Total	$ 33,949,188	$ 33,949,188	$ -	$ -	$ -

Concentration of Credit Risk – The investment policy of the District contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by Minnesota Statutes. The following is a list of investments which individually comprise more than 5% of the District's total investments:

Type	Amount	Percentage
MSLDAF+	$ 30,977,058	91.3 %
U.S. Treasury	1,995,550	5.9 %

The District's deposits ($11,866,518), investments ($33,949,188), irrevocable OPEB trust investments ($16,133,593) are presented in the financial statements as follows:

Cash and Investments - Statement of Net Position	$ 45,815,706
Cash and Investments - OPEB Trust	16,133,593
Total Cash and Investments	$ 61,949,299

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Other Postemployment Benefit Trust Account

Fiduciary Funds held in the District's Other Postemployment Benefit Trust account may be invested as authorized by Minnesota Statutes Chapter 356A. The District has further restricted and defined its authorized statute investment parameters within an OPEB Trust investment policy statement as follows:

Following is a list of the permissible assets for the OPEB Trust portfolio:

- Securities of the U.S. Government, its Agencies and/or Instrumentality
- Commercial Paper; Domestic and Eurodollar
- Corporate Notes/Bonds; Domestic and International
- Asset-Backed Securities
- Certificates of Deposit
- Tax-Exempt and Taxable Municipal bonds
- Mortgage-backed securities (U.S. Government-backed)
- Domestic Equities traded on a major exchange
- International Equities traded on a U.S. exchange (ADRs)
- Open-ended mutual funds that invest substantially all their assets in the asset classes listed above, such as: money market funds, domestic and foreign equity and fixed income funds
- Alternative funds that employ nontraditional strategies

Asset Allocation

The long-term financial requirements and prudent diversification implies a balanced investment approach. The target asset class allocation and ranges are as follows:

	Long-Term Target	Allowable Ranges	Actual Allocation as of June 30, 2023	
Money Market/Cash Equivalent	N/A	N/A	$ 898,469	6%
Domestic Fixed Income	55%	50-70%	9,815,767	61%
U.S. Stocks	30%	20-35%	3,838,101	24%
Foreign Stocks	5%	0-10%	1,581,256	10%
Total Equity	35%	20-40%	5,419,357	33.5%
Accrued Interest			44,059	0%
Total Investments and Accrued Interest			$ 16,177,652	100%

Approximate breakdown of fixed income securities is as follows:

Sector Distribution		
Treasury	$ 968	0%
Federal Agency	3,311,592	34%
Corporate Bonds	5,112,532	52%
Municipal Bonds	1,390,675	14%
Total	$ 9,815,767	100%

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Other Postemployment Benefit Trust Account (Continued)

Credit Quality Standards

Any individual fixed income security purchased or retained in an account must have a rating of at least BBB-/ Baa3 (i.e., investment grade or above) as determined by at least one Nationally Recognized Statistical Rating Organization (NRSRO). Non-U.S. dollar denominated, and below-investment grade obligations may be purchased only if held in a mutual fund.

Industry concentrations within the corporate, municipal revenue and asset-backed sectors should generally be limited to no more than 25% of an account's fixed income portfolio. In general, fixed income portfolios of individual securities will be well diversified and constructed to reflect the District's risk and return requirements, and will be comprised of investment grade securities.

Bond Mutual Funds are not rated and therefore are not included in the table listed below.

Quality Distribution Ratings		
Govt/AAA	$ 313,271	3%
AA	1,481,197	15%
A	3,435,124	35%
BBB	3,392,216	35%
NR	1,193,959	12%
Total	$ 9,815,767	100%

Fixed Income – Maturity Restrictions

Duration of the portfolio will be the duration of the OPEB obligation.

Approximate maturities of fixed income securities are as follows:

Duration Distribution		
0-1 Years	$ 574,436	6%
1-3 Years	2,135,859	22%
3-5 Years	2,502,622	25%
5-7 Years	1,867,532	19%
7-10 Years	1,472,130	15%
>10 Years	1,263,188	13%
Total	$ 9,815,767	100%

Issuer Concentration Policy

No single security, with the exception of a security issued by the U.S. Government, its Agencies and/or Instrumentalities, shall at the time of purchase constitute more than 5% of the value of the portfolio.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

D. Fair Value Measurements

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

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

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

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices and recently published security specific trading levels.

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

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

D. Fair Value Measurements (Continued)

Assets measured at fair value on a recurring basis:

Type	Level 1	Level 2	Level 3	Total
Statement of Net Position				
U.S. Treasury	$ -	$ 1,995,550	$ -	$ 1,995,550
Municipal Bonds	-	976,580	-	976,580
OPEB Trust				
Mortgage Backed Securities (MBS)	-	564,038	-	564,038
Government/Agency Obligations	968	2,747,555	-	2,748,523
Corporate Bonds	-	5,112,531	-	5,112,531
Municipal Obligations	-	1,390,675	-	1,390,675
Mutual Funds/ETFs	-	5,419,357	-	5,419,357
Money Market Accounts	-	898,469	-	898,469
Total	$ 968	$ 19,104,755	$ -	19,105,723
Investments at Amortized Costs				30,977,058
Total Investments				$ 50,082,781

NOTE 4 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 4,960,016	$ -	$ -	$ 4,960,016
Construction-in-Progress	114,968,300	17,377,016	(262,478)	132,082,838
Total Capital Assets, Not Being Depreciated	119,928,316	17,377,016	(262,478)	137,042,854
Capital Assets, Being Depreciated/Amortized:				
Land Improvements	13,086,663	411,712	-	13,498,375
Buildings and Improvements	187,241,291	1,417,583	(15,836)	188,643,038
Equipment	19,468,451	469,542	(1,513,277)	18,424,716
Right-to-Use Assets:				
Equipment	1,271,985	965,123	(1,061,157)	1,175,951
Buildings and Improvements	239,075	100	-	239,175
Total Capital Assets, Being Depreciated/Amortized	221,307,465	3,264,060	(2,590,270)	221,981,255
Accumulated Depreciation/Amortization for:				
Land Improvements	(9,360,812)	(491,118)	-	(9,851,930)
Buildings and Improvements	(65,096,515)	(4,554,957)	15,491	(69,635,981)
Equipment	(13,420,437)	(716,789)	1,437,557	(12,699,669)
Right-to-Use Assets:				
Equipment	(390,325)	(479,338)	362,939	(506,724)
Buildings and Improvements	(36,315)	(36,325)	-	(72,640)
Total Accumulated Depreciation/Amortization	(88,304,404)	(6,278,527)	1,815,987	(92,766,944)
Total Capital Assets, Being Depreciated/Amortized, Net	133,003,061	(3,014,467)	(774,283)	129,214,311
Governmental Activities Capital Assets, Net	$ 252,931,377	$ 14,362,549	$ (1,036,761)	$ 266,257,165

NOTE 4 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities	
Administration	$ 188,343
District Support Services	134,026
Regular Instruction	2,123,472
Vocational Education Instruction	133,107
Special Education Instruction	1,915,322
Instructional Support Services	671,707
Pupil Support Services	240,048
Sites and Buildings	503,738
Community Service	368,764
Total Depreciation/Amortization Expense, Governmental Activities	$ 6,278,527

NOTE 5 LONG-TERM LIABILITIES

A. Components of General Long-Term Debt

Description of Issue	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding
School Building Bonds:					
Series 2018A	6/27/2018	2%	$ 143,110,000	2/1/2044	$ 141,075,000
Series 2018C	12/6/2018	5%	20,325,000	2/1/2028	15,210,000
Capital Facilities:					
Series 2013A	3/19/2013	0.40 - 1.95%	1,240,000	2/1/2024	130,000
Series 2018D	12/6/2018	3.25-5%	14,200,000	2/1/2039	12,630,000
Series 2019A	5/16/2019	3-5%	20,255,000	2/1/2035	18,390,000
Series 2020A	11/12/2020	2-4%	15,225,000	2/1/2041	13,945,000
Series 2023A	3/9/2023	3.25-5%	9,925,000	2/1/2041	9,925,000
Alternative Facilities:					
Series 2021A Refunding	12/61/21	1%	3,075,000	2/1/2025	2,735,000
Total General Obligation Bonds					214,040,000
Certificates of Participation	5/22/2019	3-5%	9,485,000	4/1/2034	7,830,000
Lease Liabilities:					
Franklin Building	2/15/2008	5%	718,553	1/31/2028	**167,941**
Postage Machine	5/18/2021	0.89%	18,341	6/1/2026	11,103
Dynabooks	7/1/2021	0.89%	931,048	7/1/2025	655,006
Marco Copiers	9/1/2019	7%	374,287	9/1/2023	21,443
Total Lease Liabilities					855,493
Finance Purchase Agreements					
Finance Purchase Series 2014	03/13/14	4%	3,020,702	2/1/2029	1,412,268
Finance Purchase Series 2015	5/19/2015	3%	1,835,000	2/1/2030	946,087
Total Finance Purchases					2,358,355
Compensated Absences Payable					248,881
Total Long-Term Liabilities					$ 225,332,729

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term debt, not including compensated absences payable are as follows:

Year Ending	General Obligation Bonds Payable		Lease Liabilities		Finance Purchase Agreements		Certificate of Participation	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	$ 7,650,000	$ 8,281,884	$ 374,059	$ 5,726	$ 337,292	$ 90,386	$ 565,000	$ 297,600
2025	8,260,000	8,010,298	355,767	2,570	349,212	78,880	595,000	269,350
2026	6,920,000	7,751,313	66,875	688	361,561	66,960	620,000	239,600
2027	7,265,000	7,435,763	37,035	345	374,355	54,611	660,000	208,600
2028	7,625,000	7,116,113	21,757	48	387,611	41,817	695,000	175,600
2029-2033	44,515,000	30,586,913	-	-	548,324	46,560	3,855,000	480,150
2034-2038	55,205,000	22,380,613	-	-	-	-	840,000	25,200
2039-2043	63,710,000	11,842,081	-	-	-	-	-	-
2044	12,890,000	1,398,100	-	-	-	-	-	-
Total	$ 214,040,000	$ 104,803,078	$ 855,493	$ 9,377	$ 2,358,355	$ 379,214	$ 7,830,000	$ 1,696,100

C. Description of Long-Term Debt

1. General Obligation School Building Bonds

These bonds were issued to finance acquisition and/or construction/improvement of capital facilities. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies are dedicated for the retirement of these bonds. Deferred future years' tax levies available to retire bond principal and interest payable at June 30, 2023 are approximately $343,763,674. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota Statutes.

2. General Obligation School Building Refunding Bonds

On December 6, 2018, the District issued $20,325,000 General Obligation Refunding Bonds, Series 2018C to refund (in 2018) the 2010A General Obligation School Building Bonds, dated March 10, 2010.

3. General Obligation Facilities Maintenance Bonds

On December 6, 2018, the District issued $14,200,000 General Obligation Facilities Maintenance Bonds, Series 2018D. The proceeds are to be used to provide funds for facility maintenance projects included in the 10-year facility plan of the District. Repayment of the principal will be in one annual installment, plus 40 semi-annual fixed interest payments at 3.25% to 5.00%.

On November 12, 2020, the District issued $15,225,000 General Obligation Facilities Maintenance Bonds, Series 2020A. The proceeds are to be used to finance capital projects. Repayment of the principal will be in 20 annual installments plus variable interest.

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt (Continued)

4. General Obligation Facilities Maintenance and Tax Abatement Bonds

On May 16, 2019, the District issued $20,255,000 General Obligation Facilities Maintenance and Tax Abatement Bonds, Series 2019A. The proceeds are to be used to provide funds for facility maintenance projects included in the 10-year facility plan of the District and parking lot construction and improvements. Repayment of the principal will be in one annual installment, plus 31 semi-annual fixed interest payments at 3% to 5%.

5. General Obligation Facilities Maintenance and Tax Abatement Refunding Bonds

On December 16, 2021, the District issued $3,075,00 General Obligation Tax Abatement and Alternative Facilities Refunding Bonds, Series 2021A. The proceeds are to be used to provide funds for capital projects and to redeem the Series 2013B bonds. Repayment of the principal will be in one annual installment, plus six semi-annual fixed interest payments at 1% to 3%, commencing August 1, 2022.

6. General Obligation School Building, Facilities Maintenance and Capital Facilities Bonds

On March 9, 2023, the District issued $9,925,000 General Obligation School Building Facilities Maintenance and Capital Facilities Bonds, Series 2023A. The proceeds are to be used to finance the acquisition and betterment of school sites in the District, to finance various deferred maintenance projects at District facilities, and to finance certain capital projects. Repayment of the principal will be in one annual installment, plus 36 semi-annual fixed interest payments at 3.25% to 5.00%, commencing August 1, 2023.

7. Certificates of Participation

On May 22, 2019, the District issued $9,485,000 Certificates of Participation, Series 2019B. The proceeds are to be used to finance building additions at district sites and facilities.

8. Lease Liabilities

On February 15, 2008, the District entered into a 20-year lease with Artspace Brainerd Limited Partnership in the amount of $718,553, bearing interest at 5.15% to finance the acquisition of additional gymnasium space. Lease terms call for a $250,000 down payment and monthly lease payments of $3,115 commencing April 1, 2008.

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt (Continued)

8. Lease Liabilities (Continued)

On August 1, 2019, the District entered into a five-year lease agreement with Marco in the amount of $374,287, bearing no interest on the first installment and 7.32% thereafter to finance its copiers and printers across the District. Repayment of the lease will occur in five annual installments of $85,790, commencing September 1, 2019.

On May 18, 2021, the District entered into a five-year lease agreement with Pitney Bowes for a postage machine in the amount of $18,341, bearing interest at 0.89%. Repayment of the lease will occur in monthly lease payments of $312 starting June 1, 2021.

On July 1, 2022, the District entered into a three-year lease agreement with Vantage Financial for a Dynabooks in the amount of $965,123 bearing interest at 0.89%. Repayment of the lease will occur in monthly lease payments of $26,434 starting July 1, 2022.

9. Finance Purchase Agreements

On March 13, 2014, the District entered into a finance-purchase agreement with Capital One Funding, LLC in the amount of $3,020,702, bearing interest at 3.87% to finance capital projects. Repayment of the agreement will occur in 30 semi-annual installments of $133,011 commencing August 8, 2014. The proceeds were used to finance improvements made to the lower-site activity fields.

On May 19, 2015, the District entered into a 15-year finance purchase agreement with Kinetic Leasing in the amount of $1,835,000, bearing interest at 2.87% to finance the Riverside addition. Repayment of the agreement will occur with $75,075 payments occurring twice a year starting August 1, 2015. The proceeds were used to finance the addition to the Riverside School Building.

D. Changes in Long-Term Debt

	June 30, 2022	Net Additions	Retirements	June 30, 2023	Due Within One Year
General Obligation Bonds	$ 210,325,000	$ 9,925,000	$ 6,210,000	$ 214,040,000	$ 7,650,000
Net Bond Premiums	9,445,271	707,504	1,127,659	9,025,116	-
Certificate of Participation	8,365,000	-	535,000	7,830,000	565,000
Lease Liability	1,011,183	965,123	1,120,813	855,493	374,059
Finance Purchase Agreement	2,684,141	-	325,786	2,358,355	337,292
Subtotal	231,830,595	11,597,627	9,319,258	234,108,964	8,926,351
Compensated Absences	256,744	313,648	321,511	248,881	248,881
Total	$ 232,087,339	$ 11,911,275	$ 9,640,769	$ 234,357,845	$ 9,175,232

NOTE 6 RESTRICTED FUND BALANCES

A. Restricted for Operating Capital

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

B. Restricted for Student Activities

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

C. Restricted for Learning and Development

Represents the available general education revenues for learning and development, which is mainly for reducing the pupil-to-staff ratio.

D. Restricted for Area Learning Center

Represents the unspent portion of the general education revenues to be use for the area learning center.

E. Restricted for Safe Schools

Represents the unspent resources from the safe schools levy to be used for crime prevention, student and staff safety and violence prevention measures.

F. Restricted for Community Education

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

G. Restricted for Early Childhood and Family Education

Represents the resources available to provide for services for Early Childhood Family Education programming.

H. Restricted for School Readiness

Represents the resources available to provide for School Readiness Program.

I. Restricted for Adult Basic Education

Represents the balance of carryover monies for all activity involving Adult Basic Education.

NOTE 6 RESTRICTED FUND BALANCES (CONTINUED)

J. Restricted for Staff Development

Represents cumulative unspent staff development dollars.

K. Restricted for Long-term Facilities Maintenance (LTFM)

Represents available resources to be used for LTFM projects in accordance with the 10-year capital plan.

L. Restricted for Medical Assistance

Represents cumulative unspent medical assistance dollars.

M. Restricted for Other Purposes

Restricted for other purposes represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Other Restricted:	
Donation/Grant Expenditures	$ 127,477
Food Service	1,023,739
Community Service	53,805
Capital Projects	5,236,434
Debt Service	3,647,055
Total Other Restricted	$ 10,088,510

NOTE 7 ASSIGNED FUND BALANCES

Assigned for Q Comp

Represents amount set aside for Q Comp expenditures.

Other Assigned

Other assigned fund balances are listed below:

Other Assigned:	
FMS School Store	$ 50,707
Reading Recovery	4,056
Fiber Partner	111,883
FMS Book Fair	110
FMS Yearbook	23,133
BHS Concessions	39,931
FMS Concessions	5,433
Total Other Assigned	$ 235,253

NOTE 8 PENSION PLANS

A. Plan Description

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

1. General Employees Retirement Plan (General Employees Plan)

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

2. Teachers Retirement Fund (TRA)

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

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

B. Benefits Provided

1. General Employees Plan Benefits

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

NOTE 8 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits (Continued)

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

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

2. TRA Benefits

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

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

NOTE 8 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

Tier 1 Benefits

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

With these provisions:

(a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

(b) 3.0% per year early retirement reduction factor for all years under normal retirement age.

(c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. Beginning July I, 2015, the early retirement reduction factors are based on rates established under Minnesota Statutes. 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 eligible for a refund of their employee contributions plus interest.

NOTE 8 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

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

C. Contributions

1. General Employees Plan Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2023 and the district was required to contribute 7.50% for Coordinated Plan members. The district's contributions to the General Employees Fund for the year ended June 30, 2023, were $1,007,454. The district's contributions were equal to the required contributions as set by state statute.

2. TRA Contributions

Per Minnesota Statutes, Chapter 354 rates for the fiscal year for coordinated were 7.5% for the employee and 8.55% for the employer. Basic rates were 11.00% for the employee and 12.55% for the employer. The Districts contributions to TRA for the plan's fiscal year ended June 30, 2023 were $3,447,390. The District's contributions were equal to the required contributions for each year as set by state statue.

D. Pension Costs

1. General Employees Plan Pension Costs

At June 30, 2023, the district reported a liability of $14,129,339 for its proportionate share of the General Employees Fund's net pension liability. The district's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the district totaled $414,162.

NOTE 8 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Plan Pension Costs (Continued)

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportionate share of the net pension liability was based on the district's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The district's proportionate share was 0.1784% at the end of the measurement period and 0.1741% for the beginning of the period.

Description	Amount
District's Proportionate Share of the PERA Net Pension Liability	$ 14,129,339
State's Proportionate Share of PERA's Net Pension Liability Associated with the District	414,162
Total	$ 14,543,501

For the year ended June 30, 2023, the District recognized pension expense of $1,706,474 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized $61,885 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's pension expense for the annual $16 million contribution.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 118,020	$ 150,935
Changes in Actuarial Assumptions	3,197,725	57,467
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	245,081	-
Changes in Proportion	179,320	435,150
District Contributions Subsequent to the Measurement Date	1,007,454	-
Total	$ 4,747,600	$ 643,552

NOTE 8 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Plan Pension Costs (Continued)

The $1,007,454 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2024	$ 1,040,490
2025	1,168,813
2026	(390,498)
2027	1,277,789

2. TRA Pension Costs

At June 30, 2023 the District reported a liability of $52,088,599 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the state of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was .6505% at the end of the measurement period and .6412% at the beginning of the period.

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

Description	Amount
District's Proportionate Share of the TRA Net Pension Liability	$ 52,088,599
State's Proportionate Share of TRA's Net Pension Liability Associated with the District	3,862,831
Total	$ 55,951,430

For the year ended June 30, 2023, the District recognized pension expense of $(10,923,179). It also recognized ($1,095,272) as pension expense for the support provided by direct aid.

NOTE 8 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 761,907	$ 457,613
Changes in Actuarial Assumptions	8,344,461	11,022,998
Net Difference Between Projected and Actual Investment Earnings	1,455,046	-
Changes in Proportion	1,211,869	604,206
District Contributions Subsequent to the Measurement Date	3,447,390	-
Total	$ 15,220,673	$ 12,084,817

The $3,447,390 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2024	$ (9,433,052)
2025	1,506,263
2026	599,758
2027	6,817,632
2028	197,865

3. Summary

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

NOTE 8 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Summary (Continued)

	General Employees Fund	Teachers Retirement Fund	Total
Net Pension Liability	$ 14,129,339	$ 52,088,599	$ 66,217,938
Deferred Outflows of Resources	4,747,600	15,220,673	19,968,273
Deferred Inflows of Resources	643,552	12,084,817	12,728,369
Pension Expense	1,768,359	(12,018,451)	(10,250,092)

E. Long-Term Expected Return on Investments

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

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

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

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

NOTE 8 PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5% for PERA and 7% for TRA. 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% for PERA and 7% for TRA was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

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

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

TRA pre-retirement mortality rates were based on the RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale. Post-retirement mortality rates were based on the RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale. Post-disability mortality rates were based on the RP-2014 disabled retiree mortality table, without adjustment. TRA cost of living benefit increases 1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

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

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

NOTE 8 PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2021:

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 have been no changes since the prior valuation.

TRA

Changes in Actuarial Assumptions:
- There have been no changes since the prior valuation.

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

G. Discount Rate

The discount rate used to measure the PERA General Employees Plan liability in 2022 was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net 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.

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

NOTE 8 PENSION PLANS (CONTINUED)

H. Pension Liability Sensitivity

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

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
General Employees Plan Discount Rate	5.50%	6.50%	7.50%
District's Proportionate Share of the General Employees Plan Net Pension Liability	$ 22,318,031	$ 14,129,339	$ 7,413,348
TRA Discount Rate	6.00%	7.00%	8.00%
District's Proportionate Share of the TRA Net Pension Liability	$ 82,114,840	$ 52,088,599	$ 27,476,443

I. Pension Plan Fiduciary Net Position

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

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org; by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling 651-296-2409 or 1-800-652-9026.

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District operates a single-employer retiree benefit plan "the Plan" that provides health and dental insurance to eligible employees and their spouses through the District's health insurance plan. There are 868 active participants and 88 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

B. Funding Policy

The District has assets designated for OPEB. These assets are in a qualified irrevocable trust which is included as a fiduciary fund in these financial statements. The District's investment policy is to follow state statutes as listed in Note 3. The District is assumed to make no future contributions to the trust. Benefit payments equal to the annual direct subsidy plus implicit subsidy are assumed to be made from the trust. Contribution requirements are negotiated between the District and union representatives. For fiscal year 2023, the District did not make contributions to the plan; all current year benefits were paid from the District's OPEB Trust Fund.

C. Net OPEB Liability (Asset) of the District

The components of the net OPEB liability (asset) of the District at June 30, 2023, were as follows:

Total OPEB Liability	$ 19,512,778
Plan Fiduciary Net Position	16,560,956
District's Net OPEB Liability	$ 2,951,822
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	85%

D. Actuarial Methods and Assumptions

The discount rate is based on the long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that (1) the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and (2) OPEB plan assets are expected to be invested using a strategy to achieve that return. To the extent fiduciary net position is insufficient to finance the payment of benefits, the rate must be blended with a yield or index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

The District's net OPEB liability (asset) was measured as of June 30, 2023, and the total OPEB liability (asset) used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to the measurement date of June 30, 2023. Liabilities in this report were calculated as of the valuation date and rolled forward to the measurement date using standard actuarial roll-forward techniques.

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Actuarial Methods and Assumptions (Continued)

The total OPEB liability was determined by an actuarial valuation as of July 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	Various
Investment Rate of Return	5.00%
Medical Trend Rates	6.25% Decreasing to 5.00% over 5 Years
Dental Trend Rates	4.00%

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

Economic assumptions are 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.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.50%). Best estimates of geometric real and nominal rates of return for each major asset class included in the OPEB plan's asset allocation as of the measurement date are summarized in the following table:

Asset Class	Target Allocation	Expected Class Return
Domestic Equity	30.00%	N/A
International Equity	5.00%	N/A
Domestic Fixed Income	55.00%	N/A
Foreign Fixed Income	5.00%	N/A
Alternative Investments	5.00%	N/A
Net Assumed Investment Return (Weighted Avg, Rounded to 1/4%)		5.00%

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 3.3%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Actuarial Methods and Assumptions (Continued)

The discount rate used to measure the total OPEB liability was 4.20%. The projection of cash flows and OPEB trust assets used to determine the discount rate were based on recent employer contribution history and their stated funding policy. The OPEB trust's long-term assumed investment return was used to discount projected benefit payments for as long as projected trust assets are available to fund OPEB payments.

The expected employer asset return is based on the long-term expected return on short-term/cash-equivalent assets using our capital market assumption model.

Since the most recent GASB 74/75 valuation, the following changes have been made:

- The severance benefits for two administrators which were previously paid to a 403 (b) plan, are now paid to a health reimbursement account.

E. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2022	$ 19,952,065	$ 18,033,622	$ 1,918,443
Changes for the Year:			
Service Cost	716,127	-	716,127
Interest	825,011	-	825,011
Assumption Changes	334,525	-	334,525
Plan Changes	(12,009)	-	(12,009)
Projected Investment Return	-	901,681	(901,681)
Differences between Expected and Actual Experience	(231,471)	(302,877)	71,406
Benefit Payments	(2,071,470)	(2,071,470)	-
Administrative Expense	-	-	-
Net Changes	(439,287)	(1,472,666)	1,033,379
Balances at June 30, 2023	$ 19,512,778	$ 16,560,956	$ 2,951,822

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

	1% Decrease (3.20%)	Discount Rate (4.20%)	1% Increase (5.20%)
Net OPEB Liability	$ 3,791,729	$ 2,951,822	$ 2,123,988

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

E. Changes in the Net OPEB Liability (Continued)

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% point lower (5.25% decreasing to 4.00%) or 1% point higher (7.25% decreasing to 6.00%) and dental cost trend rates that are 1% point lower (3.00%) or 1% point higher (5.00%) than the current healthcare and dental cost trend rates:

	1% Decrease (5.25% decreasing to 4.00%, Dental 3.00%)	Current Trend Rates (6.25% decreasing to 5.00%, Dental 4.00%)	1% Increase (7.25% decreasing to 6.00%, Dental 5.00%)
Net OPEB Liability	$ 1,730,225	$ 2,951,822	$ 4,320,354

For the year ended June 30, 2023, the District recognized OPEB expense of $1,298,235. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Liability	$ 199,792	$ 217,739
Change of Assumptions	553,664	268,716
Net Difference Between Projected and Actual Investment Earnings	1,840,760	-
Total	$ 2,594,216	$ 486,455

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

Year Ending June 30,	Future Recognition
2024	$ 807,316
2025	460,058
2026	745,464
2027	77,749
2028	17,174
Total	$ 2,107,761

At June 30, 2023, the District had an outstanding payable from the Trust of $383,304 to the General Fund.

NOTE 10 SELF INSURANCE

A. Health Insurance

The District provides group health insurance for various employees through a self-insurance program which is funded by District contributions and employee payroll withholding. The funds are deposited into an employee benefit trust account from which all claims plus a processing fee are charged. Stop-loss coverage is in effect for individual claims exceeding $300,000. The current net aggregate limits claims to approximately $15,592,465 for the contract period ended August 31, 2023.

Claims payable include provisions for claims reported and claims incurred but not reported. The provision for reported claims is determined by estimating the amount which will ultimately be paid each claimant. The provision for claims incurred but not yet reported is estimated based on District experience since the inception of the program. Changes in the balances of claim liabilities during fiscal year 2023 were as follows:

	Year Ended 2023	Year Ended 2022
Beginning of Fiscal Year Liability - Beginning of Year	$ 1,473,435	$ 864,293
Current Year Claims and Administration	16,697,953	16,672,805
Payments to Health Care Providers	(16,210,518)	(16,063,663)
Balance at Fiscal Year-End - End of Year	$ 1,960,870	$ 1,473,435

B. Dental Insurance

The District provides group Dental insurance for various employees through a self-insurance program which is funded by District contributions and employee payroll withholding. The funds are deposited into an employee benefit trust account from which all claims plus a processing fee are charged.

Claims payable include provisions for claims reported and claims incurred but not reported. The provision for reported claims is determined by estimating the amount which will ultimately be paid each claimant. The provision for claims incurred but not yet reported is estimated based on District experience since the inception of the program. Changes in the balances of claim liabilities during fiscal year 2023 were as follows:

	Year Ended 2023	Year Ended 2022
Beginning of Fiscal Year Liability - Beginning of Year	$ 19,741	$ 17,053
Current Year Claims and Administration	736,894	706,545
Payments to Health Care Providers	(742,912)	(703,857)
Balance at Fiscal Year End - End of Year	$ 13,723	$ 19,741

NOTE 11 DEFINED CONTRIBUTION PLAN

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the Plan). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. Contributions are invested in tax-deferred annuities selected and owned by Plan participants. The District contributions for the year ended June 30, 2023 was $563,724.

NOTE 12 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and workers compensation. The District purchases commercial insurance coverage for such risks except for employee health insurance, which is self-insured by the District.

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.

NOTE 13 COMMITMENTS AND CONTINGENCIES

Federal and State Programs

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial. The financial assistance received is subject to an audit pursuant to Uniform Guidance or audits by the grantor agency.

Construction Commitments

The District has several active construction projects as of June 30, 2023. These projects are being funded by taxes, CIP bonds, and intergovernmental revenues from the state and federal governments. A summary of the District's construction commitments is shown in the table below:

Spent To Date	Remaining Commitment
$ 200,094,277	$ 1,387,730

REQUIRED SUPPLEMENTARY INFORMATION

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Over (Under) Final
	Original	Final	Amounts	Budget
REVENUES				
Local Sources:				
Property Taxes	$ 9,705,935	$ 9,705,935	$ 9,792,223	$ 86,288
Earnings on Investments	25,000	25,000	479,966	454,966
Other	2,187,301	2,287,301	3,505,102	1,217,801
State Sources	69,042,672	69,989,012	69,931,722	(57,290)
Federal Sources	7,402,539	9,358,323	8,310,363	(1,047,960)
Total Revenues	88,363,447	91,365,571	92,019,376	653,805
EXPENDITURES				
Current:				
Administration	3,256,954	3,202,610	3,181,623	(20,987)
District Support Services	2,345,590	2,248,982	2,197,645	(51,337)
Elementary and Secondary Regular Instruction	34,527,109	35,834,570	35,309,380	(525,190)
Vocational Education Instruction	1,261,418	1,325,453	1,379,761	54,308
Special Education Instruction	23,239,708	23,327,903	23,315,972	(11,931)
Instructional Support Services	4,661,124	6,028,918	5,568,921	(459,997)
Pupil Support Services	7,929,256	7,518,986	7,279,388	(239,598)
Sites and Buildings	8,047,567	8,349,988	8,754,889	404,901
Fiscal and Other Fixed Cost Programs	530,000	530,000	528,947	(1,053)
Capital Outlay	2,742,926	2,904,653	2,178,034	(726,619)
Debt Service:				
Principal	1,340,059	1,340,059	1,981,599	641,540
Interest and Fiscal Charges	445,391	445,391	429,217	(16,174)
Total Expenditures	90,327,102	93,057,513	92,105,376	(952,137)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,963,655)	(1,691,942)	(86,000)	1,605,942
OTHER FINANCING SOURCES (USES)				
Issuance of Lease Liability	-	-	965,123	965,123
Sale of Capital Assets	-	-	12,130	12,130
Total Other Financing Sources (Uses)	-	-	977,253	977,253
NET CHANGE IN FUND BALANCE	$ (1,963,655)	$ (1,691,942)	891,253	$ 2,583,195
Fund Balance - Beginning of Year			18,436,127	
FUND BALANCE - END OF YEAR			$ 19,327,380	

See accompanying Notes to Required Supplementary Information.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Over (Under) Final
	Original	Final	Amounts	Budget
REVENUES				
Local Sources:				
Earnings on Investments	$ 100	$ 100	$ 43,314	$ 43,214
Other - Primarily Meal Sales	202,500	1,233,500	1,196,459	(37,041)
State Sources	10,000	195,000	166,277	(28,723)
Federal Sources	3,712,225	2,665,000	2,615,534	(49,466)
Total Revenues	3,924,825	4,093,600	4,021,584	(72,016)
EXPENDITURES				
Current:				
Food Service	3,858,541	4,320,836	4,334,405	13,569
Capital Outlay	15,000	-	-	-
Total Expenditures	3,873,541	4,320,836	4,334,405	13,569
NET CHANGE IN FUND BALANCE	$ 51,284	$ (227,236)	(312,821)	$ (85,585)
Fund Balance - Beginning of Year			1,582,823	
FUND BALANCE - END OF YEAR			$ 1,270,002	

See accompanying Notes to Required Supplementary Information.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Over (Under) Final
	Original	Final	Amounts	Budget
REVENUES				
Local Sources:				
Property Taxes	$ 594,233	$ 594,233	$ 594,009	$ (224)
Earnings on Investments	1,000	1,000	67,781	66,781
Other - Primarily Tuition and Fees	1,849,825	1,952,425	2,145,058	192,633
State Sources	887,865	863,395	815,564	(47,831)
Federal Sources	13,579	58,687	126,808	68,121
Total Revenues	3,346,502	3,469,740	3,749,220	279,480
EXPENDITURES				
Current:				
Community Service	3,278,380	3,646,028	3,531,144	(114,884)
Capital Outlay	2,000	-	-	-
Total Expenditures	3,280,380	3,646,028	3,531,144	(114,884)
NET CHANGE IN FUND BALANCE	$ 66,122	$ (176,288)	218,076	$ 394,364
Fund Balance - Beginning of Year			1,145,551	
FUND BALANCE - END OF YEAR			$ 1,363,627	

See accompanying Notes to Required Supplementary Information.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY (ASSET) AND RELATED RATIOS
JUNE 30, 2023

Total OPEB Liability	**2023**	**2022**	**2021**
Service Cost	$ 716,127	$ 798,392	$ 746,657
Interest	825,011	807,585	808,913
Plan Changes	(12,009)	1,063,264	(12,772)
Differences Between Expected and Actual Experience	(231,471)	-	(49,699)
Changes of Assumptions	334,525	-	(537,435)
Benefit Payments	(2,071,470)	(2,264,150)	(1,752,540)
Net Change in Total OPEB Liability	(439,287)	405,091	(796,876)
Total OPEB Liability - Beginning	19,952,065	19,546,974	20,343,850
Total OPEB Liability - Ending (a)	$ 19,512,778	$ 19,952,065	$ 19,546,974
Plan Fiduciary Net Position			
Contributions - Employer	$ -	$ -	$ -
Projected Investment Return	901,681	1,148,692	1,092,945
Differences between Expected and Actual Experience	(302,877)	(3,824,737)	1,774,512
Benefit Payments	(2,071,470)	(2,264,150)	(1,752,540)
Net Change in Plan Fiduciary Net Position	(1,472,666)	(4,940,195)	1,114,917
Plan Fiduciary Net Position - Beginning	18,033,622	22,973,817	21,858,900
Plan Fiduciary Net Position - Ending (b)	$ 16,560,956	$ 18,033,622	$ 22,973,817
District's Net OPEB Liability - Ending (a) - (b)	$ 2,951,822	$ 1,918,443	$ (3,426,843)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	84.87%	90.38%	117.53%
Covered Employee Payroll	$ 48,771,781	$ 48,889,195	$ 47,465,238
District's Net OPEB Liability as a Percentage of Covered Employee Payroll	6.05 %	3.92 %	(7.22)%

The District implemented GASB Statement Nos. 74 and 75 in fiscal year 2017, and the above table will be expanded to 10 years of information as the information becomes available.

See accompanying Notes to Required Supplementary Information.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY (ASSET)
AND RELATED RATIOS (CONTINUED)
JUNE 30, 2023

2020	2019	2018	2017
$ 817,386	$ 728,439	$ 670,268	$ 683,508
874,009	884,088	857,960	879,813
129,876	-	-	-
-	1,198,752	-	-
417,019	815,371	(265,345)	-
(1,861,763)	(1,924,004)	(1,936,697)	(2,111,654)
376,527	1,702,646	(673,814)	(548,333)
19,967,323	18,264,677	18,938,491	19,486,824
$ 20,343,850	$ 19,967,323	$ 18,264,677	$ 18,938,491
$ -	$ -	$ -	$ 242,900
1,132,311	1,316,407	1,210,837	1,228,310
(57,865)	-	(237,073)	290,991
(1,861,763)	(1,924,004)	(1,936,697)	(2,111,654)
(787,317)	(607,597)	(962,933)	(349,453)
22,646,217	23,253,814	24,216,747	24,566,200
$ 21,858,900	$ 22,646,217	$ 23,253,814	$ 24,216,747
$ (1,515,050)	$ (2,678,894)	$ (4,989,137)	$ (5,278,256)
107.45%	113.42%	127.32%	127.87%
$ 47,071,732	$ 45,700,711	$ 42,976,691	$ 40,509,653
(3.22)%	(5.86)%	(11.61)%	(13.03)%

See accompanying Notes to Required Supplementary Information.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF MONEY WEIGHTED RATE OF RETURN ON PLAN ASSETS
JUNE 30, 2023

Year	Annual Money Weighted Rate of Return, Net of Investment
2023	3.30%
2022	-11.70%
2021	13.10%
2020	4.70%
2019	5.70%
2018	4.00%
2017	1.10%

The District implemented GASB Statement Nos. 74 and 75 in fiscal year 2017, and the above table will be expanded to 10 years of information as the information becomes available.

See accompanying Notes to Required Supplementary Information.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2023

	Measurement Date			
	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
PERA				
District's Proportion of the Net Pension Liability	0.1784%	0.1741%	0.1860%	0.1906%
District's Proportionate Share of the Net Pension Liability	$ 14,129,339	$ 7,434,850	$ 11,151,550	$ 10,537,847
State's Proportionate Share of the Net Pension Liability Associated with the District	414,162	227,024	343,810	327,486
Total District's Proportionate Share of the Net Pension Liability and State's Proportionate Share of the Net Pension Liability	$ 14,543,501	$ 7,661,874	$ 11,495,360	$ 10,865,333
District's Covered Payroll	$ 13,361,121	$ 12,505,813	$ 13,240,387	$ 13,153,680
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	108.85%	61.27%	86.82%	82.60%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.70%	87.00%	79.10%	80.23%
TRA				
District's Proportion of the Net Pension Liability	0.6505%	0.6412%	0.6946%	0.6431%
District's Proportionate Share of the Net Pension Liability	$ 52,088,599	$ 28,060,829	$ 47,993,318	$ 40,991,329
State's Proportionate Share of the Net Pension Liability Associated with the District	3,862,831	2,366,619	4,021,760	3,627,609
Total District's Proportionate Share of the Net Pension Liability and State's Proportionate Share of the Net Pension Liability	$ 55,951,430	$ 30,427,448	$ 52,015,078	$ 44,618,938
District's Covered Payroll	$ 40,211,169	$ 38,440,541	$ 40,546,313	$ 37,685,642
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	139.14%	79.15%	128.29%	118.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.17%	86.63%	75.48%	78.21%

NOTE: Information prior to 2014 is unavailable.

See accompanying Notes to Required Supplementary Information.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)
JUNE 30, 2023

Measurement Date				
June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
0.1880%	0.1890%	0.1851%	0.1879%	0.2058%
$ 10,429,469	$ 12,065,635	$ 15,029,202	$ 9,737,953	$ 9,667,453
342,164	151,722	196,269	-	-
$ 10,771,633	$ 12,217,357	$ 15,225,471	$ 9,737,953	$ 9,667,453
$ 12,580,213	$ 12,147,480	$ 11,193,133	$ 11,038,651	$ 10,796,201
85.62%	100.58%	136.03%	88.22%	89.54%
79.50%	75.90%	68.91%	78.20%	78.75%
0.6415%	0.6402%	0.6301%	0.6221%	0.6616%
$ 40,291,418	$ 127,795,533	$ 150,293,884	$ 38,483,038	$ 30,486,052
3,785,490	12,353,829	15,084,592	4,720,268	2,144,524
$ 44,076,908	$ 140,149,362	$ 165,378,476	$ 43,203,306	$ 32,630,576
$ 33,800,547	$ 34,465,227	$ 31,129,173	$ 31,568,351	$ 30,197,434
130.40%	406.64%	531.27%	121.90%	100.96%
78.07%	51.57%	44.88%	76.80%	81.50%

See accompanying Notes to Required Supplementary Information.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF DISTRICT CONTRIBUTIONS
LAST TEN FISCAL YEARS

	2023	2022	2021	2020	2019
PERA					
Contractually Required Contribution	$ 1,007,454	$ 1,031,501	$ 937,936	$ 993,029	$ 986,526
Contributions in Relation to the Contractually Required Contribution	(1,007,454)	(1,031,501)	(937,936)	(993,029)	(986,526)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 13,432,720	$ 13,753,347	$ 12,505,813	$ 13,240,387	$ 13,153,680
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%
TRA					
Contractually Required Contribution	$ 3,447,390	$ 3,392,647	$ 3,125,216	$ 3,211,268	$ 2,905,563
Contributions in Relation to the Contractually Required Contribution	(3,447,390)	(3,392,647)	(3,125,216)	(3,211,268)	(2,905,563)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 40,320,351	$ 40,679,221	$ 38,440,541	$ 40,546,313	$ 37,685,642
Contributions as a Percentage of Covered Payroll	8.55%	8.34%	8.13%	7.92%	7.71%

See accompanying Notes to Required Supplementary Information.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF DISTRICT CONTRIBUTIONS
LAST TEN FISCAL YEARS (CONTINUED)

2018	2017	2016	2015	2014
$ 943,516	$ 911,061	$ 839,485	$ 815,148	$ 782,726
(943,516)	(911,061)	(839,485)	(815,148)	(782,726)
$ -	$ -	$ -	$ -	$ -
$ 12,580,213	$ 12,147,480	$ 11,193,133	$ 11,038,651	$ 10,796,201
7.50%	7.50%	7.50%	7.38%	7.25%
$ 2,535,041	$ 2,584,892	$ 2,334,688	$ 2,367,880	$ 2,113,775
(2,535,041)	(2,584,892)	(2,334,688)	(2,367,880)	(2,113,775)
$ -	$ -	$ -	$ -	$ -
$ 33,800,547	$ 34,465,227	$ 31,129,173	$ 31,568,351	$ 30,197,434
7.50%	7.50%	7.50%	7.50%	7.00%

See accompanying Notes to Required Supplementary Information.

NOTE 1 LEGAL COMPLIANCE – BUDGETS

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

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

	Budget	Expenditures	Excess
Special Revenue Funds:			
Food Service Fund	$ 4,320,836	$ 4,334,405	$ 13,569

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

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

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

<u>2022</u>

Changes in Actuarial Assumptions

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

Changes in Plan Provisions.

- There have been no changes since the prior valuation.

<u>2021</u>

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

<u>2020</u>

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

<u>2019</u>

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2018

Changes in Actuarial Assumption

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

Changes in Plan Provisions

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

2017

Changes in Actuarial Assumption

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

Changes in Plan Provisions

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

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2016

Changes in Actuarial Assumptions

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

Changes in Actuarial Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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

2022

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2021

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018

Changes in Actuarial Assumptions

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

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2018 (Continued)

Changes in Plan Provisions

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0% 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 four years, (7.92% in 2019, 8.13% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017

Changes in Actuarial Assumptions

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

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2017 (Continued)

Changes in Actuarial Assumptions (Continued)

- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions

- The cost of living adjustment was not assumed to increase (it remained at 2.0% for all future years).
- The price inflation assumption was lowered from 3.0% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes at some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back six years, and female rates set back five years. Generational projection uses the MP-2015 scale.
- The post-retirement mortality assumption was changed to the RP-2014 while collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustments.
- Separate retirement assumptions for members hired before or after July 1, 1989 were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2015

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2014

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

NOTE 3 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFIT PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS

For the year ended June 30, 2023, the following changes were made:

- The District's matching contributions to the 403 (b) plan for administrators and teachers increased.
- The severance benefits for two administrators which were previously paid to a 403 (b) plan are now paid to a health reimbursement account.

For the year ended June 30, 2022, the following changes were made:

- An early retirement incentive was offered to teachers and principals who are age 55 with 20 years of service. Retirees will receive a one-time payment of $25,000 into a HRA.

NOTE 3 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFIT PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

For the year ended June 30, 2021, the following changes were made:

- The discount rate was changed from 4.00% to 4.20%.
- The health care trend rates, mortality tables, salary increase rates were updated.
- The principals' and assistant principals' employer matching contributions to the 403(b) Plan increased from $2,000 to $,2500 per year. The matching contribution is not included in the GASB 75 valuation but is used to offset the GASB 75 severance benefit.

For the year ended June 30, 2020, the following changes were made:

- The discount rate was changed from 4.40% to 4.00%.
- The administrators' severance benefit which was previously paid to a 403(b) plan so was valued under GASB 73 is now being paid to an HRA so is being included under GASB 75. This change impacts all administrators except the assistant superintendent and one confidential employee.
- The superintendent is now eligible for OPEB subsidies when she attains age 60. The subsidies include full district paid single medical premiums for Plan H, single dental premiums, and an annual contribution of $3,000 to an HRA, all payable until age 65. Also, if the superintendent's spouse is eligible for Medicare, the district will pay the premium for a Medicare Supplement Plan until the superintendent attains age 65. Lastly, the superintendent is eligible to receive 50% of her salary, payable to an HRA, once she completed three years of service.

For the year ended June 30, 2019, the following changes were made:

- The discount rate was changed from 4.60% to 4.40%.
- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The trend on board contributions was changed from the same as the health care trend rates to 7.3% for two years and then the same as the remaining health care trend rates.

For the year ended June 30, 2018, the following changes were made:

- The discount rate was changed from 4.60% to 4.90%.

NOTE 3 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFIT PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

For the year ended June 30, 2017, the following changes were made:

- The actuarial cost method changed from using the Projected Unit Credit cost method to the Entry Age Normal level percentage of pay cost method.
- The discount rate was changed from 5.00% to 4.60%.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- The withdrawal table for all employees and retirement table for only employees eligible to retire with Rule of 90 also were updated.

SUPPLEMENTARY INFORMATION

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
JUNE 30, 2023

	Audit	UFARS	Audit-UFARS
01 GENERAL FUND			
Total Revenues	$ 92,019,376	$ 92,019,380	$ (4)
Total Expenditures	$ 92,105,376	$ 92,105,381	$ (5)
Non Spendable:			
460 Non Spendable Fund Balance	$ 679,650	$ 679,650	$ -
Restricted/Reserve:			
401 Student Activities	$ 207,875	$ 207,875	$ -
403 Staff Development	$ 699,207	$ 699,207	$ -
407 Capital Project Levy	$ -	$ -	$ -
408 Cooperative Rev.	$ -	$ -	$ -
409 Deferred Maintenance	$ -	$ -	$ -
414 Operating Debt	$ -	$ -	$ -
416 Levy Reduction	$ -	$ -	$ -
419 Encumbrances	$ -	$ -	$ -
423 Certain Teacher Programs	$ -	$ -	$ -
424 Operating Capital	$ 1,914,200	$ 1,914,200	$ -
426 $25 Taconite	$ -	$ -	$ -
427 Disabled Accessibility	$ -	$ -	$ -
428 Learning & Development	$ 378,846	$ 378,846	$ -
434 Area Learning Center	$ 484,549	$ 484,549	$ -
435 Contracted Alt. Programs	$ -	$ -	$ -
436 St. Approved Alt. Prog.	$ -	$ -	$ -
438 Gifted & Talented	$ -	$ -	$ -
441 Basic Skills	$ -	$ -	$ -
443 Telecomm. Access Cost	$ -	$ -	$ -
446 First Grade Preparedness	$ -	$ -	$ -
449 Safe Schools Levy	$ 377,908	$ 377,908	$ -
450 Pre-Kindergarten	$ -	$ -	$ -
451 QZAB Payments	$ -	$ -	$ -
452 OPEB Liab. Not in Trust	$ -	$ -	$ -
453 Unfunded Sev & Retirement Levy	$ -	$ -	$ -
467 LTFM	$ 1,600,614	$ 1,600,614	$ -
472 Medical Assistance	$ 420	$ 420	$ -
Restricted:			
464 Restricted Fund Balance	$ 127,477	$ 127,477	$ -
Assigned:			
462 Assigned Fund Balance	$ 440,054	$ 440,054	$ -
Unassigned:			
422 Unassigned Fund Balance	$ 12,416,580	$ 12,416,579	$ 1
02 FOOD SERVICE			
Total Revenues	$ 4,021,584	$ 4,021,582	$ 2
Total Expenditures	$ 4,334,405	$ 4,334,405	$ -
Non Spendable:			
460 Non Spendable Fund Balance	$ 246,263	$ 246,263	$ -
Restricted			
452 OPEB Liab. Not in Trust	$ -	$ -	$ -
464 Restricted Fund Balance	$ 1,023,739	$ 1,023,738	$ 1
Unassigned:			
463 Unassigned Fund Balance	$ -	$ -	$ -
04 COMMUNITY SERVICE			
Total Revenues	$ 3,749,220	$ 3,749,222	$ (2)
Total Expenditures	$ 3,531,144	$ 3,531,147	$ (3)
Non Spendable:			
460 Non Spendable Fund Balance	$ 17,712	$ 17,712	$ -
Restricted/Reserve:			
426 $25 Taconite	$ -	$ -	$ -
431 Community Education	$ 417,058	$ 417,058	$ -
432 E.C.F.E.	$ 798,128	$ 798,128	$ -
444 School Readiness	$ 35,617	$ 35,617	$ -
447 Adult Basic Education	$ 41,307	$ 41,307	$ -
452 OPEB Liab. Not in Trust	$ -	$ -	$ -
Restricted:			
464 Restricted Fund Balance	$ 53,805	$ 53,804	$ 1
Unassigned			
463 Unassigned Fund Balance	$ -	$ -	$ -

	Audit	UFARS	Audit-UFARS
06 BUILDING CONSTRUCTION			
Total Revenues	$ 356,080	$ 356,080	$ -
Total Expenditures	$ 18,862,144	$ 18,862,144	$ -
Non Spendable:			
460 Non Spendable Fund Balance	$ 101,523	$ 101,523	$ -
Restricted/Reserved:			
407 Capital Projects Levy	$ -	$ -	$ -
413 Project Funded by COP	$ -	$ -	$ -
467 LTFM	$ 573,598	$ 573,598	$ -
Restricted:			
464 Restricted Fund Balance	$ 5,236,434	$ 5,236,434	$ -
Unassigned:			
463 Unassigned Fund Balance	$ -	$ -	$ -
07 DEBT SERVICE			
Total Revenues	$ 12,732,267	$ 12,732,266	$ 1
Total Expenditures	$ 11,939,851	$ 11,939,850	$ 1
Non Spendable:			
460 Non Spendable Fund Balance	$ -	$ -	$ -
Restricted/Reserve:			
425 Bond Refundings	$ -	$ -	$ -
451 QZAB Payments	$ -	$ -	$ -
Restricted:			
464 Restricted Fund Balance	$ 3,080,444	$ 3,080,445	$ (1)
Unassigned			
463 Unassigned Fund Balance	$ -	$ -	$ -
08 TRUST			
Total Revenues	$ -	$ -	$ -
Total Expenditures	$ -	$ -	$ -
422 Net Position	$ -	$ -	$ -
18 CUSTODIAL FUND			
Total Revenues	$ 4,127,600	$ 4,127,600	$ -
Total Expenditures	$ 4,127,230	$ 4,127,231	$ (1)
464 Restricted	$ 61,524	$ 61,523	$ 1
20 INTERNAL SERVICE			
Total Revenues	$ 15,268,597	$ 15,268,598	$ (1)
Total Expenditures	$ 14,992,367	$ 14,992,368	$ (1)
422 Net Position	$ 9,414,288	$ 9,414,288	$ -
25 OPEB REVOCABLE TRUST			
Total Revenues	$ -	$ -	$ -
Total Expenditures	$ -	$ -	$ -
422 Net Position	$ -	$ -	$ -
45 OPEB IRREVOCABLE TRUST			
Total Revenues	$ 702,481	$ 702,481	$ -
Total Expenditures	$ 2,175,147	$ 2,175,146	$ 1
422 Net Position	$ 16,560,956	$ 16,560,956	$ -
47 OPEB DEBT SERVICE			
Total Revenues	$ 2,556,967	$ 2,556,967	$ -
Total Expenditures	$ 2,537,839	$ 2,537,838	$ 1
Non Spendable:			
460 Non Spendable Fund Balance			
Restricted:			
425 Bond Refundings	$ -	$ -	$ -
464 Restricted Fund Balance	$ 566,611	$ 566,611	$ -
Unassigned:			
463 Unassigned Fund Balance	$ -	$ -	$ -

SINGLE AUDIT AND OTHER REQUIRED REPORTS

INDEPENDENT AUDITORS' 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*

Board of Education
Independent School District No. 181
Brainerd Public Schools
Brainerd, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #181 (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 January 4, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Board of Education
Independent School District No. 181

Report on Compliance and Other Matters

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

The District's Response to Findings

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

Purpose of This Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
January 4, 2024

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Education
Independent School District No. 181
Brainerd Public Schools
Brainerd, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

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

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
January 4, 2024

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

Federal Agency/ Pass-Through Grantor/Program Title	Federal Assistance Listing Number		Agency or Pass-Through Grantor's Number			Total Federal Expenditures	Pass-Through to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE							
Passed Through Minnesota Department of Education:							
Noncash Assistance (Commodities):							
National School Lunch Program	10.555	#	1-0181-000			$ 225,818	$ -
Cash Assistance:							
School Breakfast Program	10.553	#	1-0181-000		$ 440,244		
National School Lunch Program	10.555	#	1-0181-000		1,735,783		
COVID-19 - Supply Chain Assistance Funding	10.555	#	1-0181-000		106,757		
State Pandemic Electronic Benefit Transfer	10.649		1-0181-000		3,135		
Cash Assistance Subtotal						2,285,919	-
Passed Through Minnesota Department of Agriculture							
Patrick Leahy Farm to School Grant Program	10.659		N/A			5,501	-
Total U.S. Department of Agriculture						2,517,238	-
U.S. DEPARTMENT OF TREASURY							
Passed Through Minnesota Department of Education							
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		SFRF001			42,000	-
COVID-19 - American Rescue Plan (ARP) Pandemic Enrollment Loss	21.027		N/A			211,987	-
Total U.S. Department of Treasury						253,987	-
FEDERAL COMMUNICATIONS COMMISSION							
Direct							
Emergency Connectivity Fund Program	32.009		N/A			962,500	-
U.S. DEPARTMENT OF EDUCATION							
Passed Through Minnesota Department of Education:							
Cash Assistance:							
Adult Basic Education Formula Revenue	84.002		N/A			13,687	-
Non-Exclusionary Discipline Training & Support Grant	84.027A		N/A	@		88,523	-
Title II, Part A - Improving Teacher Quality	84.367		S367A220022			214,259	-
Title VII - Indian Education	84.060		N/A			17,015	-
Title I, Part A	84.010		S010A220023A			1,388,169	-
Title I, Part D	84.412		N/A			323,812	-
COVID-19 - 90% Elementary and Secondary School Emergency Relief Fund (ESSER III)	84.425U		S425U220045	*	4,330,093		
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER III) - Learning Loss	84.425U		N/A	*	421,569		
ARP - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	84.425W		S425W220024	*	2,696		
Total Education Stabilization Fund						4,754,358	-

See accompanying Notes to Schedule of Expenditures of Federal Awards.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2023

Federal Agency/ Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Agency or Pass-Through Grantor's Number			Total Federal Expenditures	Pass-Through to Subrecipients
U.S. DEPARTMENT OF EDUCATION (CONTINUED)						
Passed Through Paul Bunyan Education Co-op						
Special Education	84.027	1-6050-052	@	354,275		
Discretionary Low Incidence	84.027	1-6050-052	@	10,213		
Individuals with Disabilities Education Act Part B						
Section 611 Discretionary Comprehensive System						
of Personnel Development - CSPD	84.027	1-6050-052	@	3,000		
Special Education Preschool Grants	84.173	1-6050-052	@	742		
Total Passed Through Paul Bunyan Education Co-op					368,230	-
Passed Through Freshwater Education District						
Carl Perkins Vocational and Applied Technology	84.048	1-6004-000			17,478	-
Total U.S. Department of Education					7,185,531	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed Through Minnesota Department of Education:						
Minnesota COVID-19 Testing Program	93.323	N/A			20,544	-
Passed Through Minnesota Department of Human Services						
COVID-19 - Child Care Stabilization Grant (CCDF Cluster)	93.575	N/A			112,905	-
Total U.S. Department of Health and Human Services					133,449	-
Total Federal Expenditures					$ 11,052,705	$ -

N/A - Agency or Pass-Through Number Unknown

The total of Assistance Listing Number 10.555 is $2,068,358
The total of Assistance Listing Number 84.425U is $4,751,662
The total of Assistance Listing Number 84.027 is $367,488

- Child Nutrition Cluster - total $2,508,602
@ - Special Education Cluster - total $456,753
* - Education Stabilization Fund

See accompanying Notes to Schedule of Expenditures of Federal Awards.

NOTE 1 GENERAL

The accompanying schedule of expenditures of federal awards presents the expenditures of all federal financial assistance programs of Independent School District No. 181 for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule presents only a select portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. The District has not elected to use the 10% de minimis in direct costs rate as allowed under Uniform Guidance.

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education
Independent School District No. 181
Brainerd Public Schools
Brainerd, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #181 (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 January 4, 2024.

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

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
January 4, 2024

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

Section I – Summary of Auditors' Results

Type of auditor's report issued:	*Unmodified*
Internal control over financial reporting:	
• Material weakness(es) identified?	__X__ yes _____ no
• Significant deficiency(ies) identified?	_____ yes __X__ none reported
Noncompliance material to financial statements noted?	_____ yes __X__ no

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	_____ yes __X__ no
• Significant deficiency(ies) identified?	_____ yes __X__ none reported
Type of auditors' report issued on compliance for major programs:	*Unmodified*
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ yes __X__ no

Identification of major programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
21.027	COVID 19 – Coronavirus State and Local Fiscal Recovery Funds
84.425U, 84.425W	COVID-19 – Education Stabilization Fund
10.555, 10.553	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000/$187,500
Auditee qualified as low-risk auditee?	_____ yes __X__ no

Section II – Findings and Questioned Costs – Financial Statements

Finding 2023-001 – Annual Financial Reporting Under Generally Accepted Accounting Principles (GAAP)

Type of Finding: Material weakness in internal control over financial reporting.

Condition: The board and management share the ultimate responsibility for the District's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced.

The District engages CliftonLarsonAllen LLP (CLA) to assist in preparing the financial statements and accompanying disclosures. However, as independent auditors, CLA cannot be considered part of the District's internal control system. As part of its internal control over the preparation of its financial statements, including disclosures, the District has implemented a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of accounting principles generally accepted in the United States of America and knowledge of the District's activities and operations.

Criteria or Specific Requirement: Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements including the related disclosures, in conformity with accounting principles generally accepted in the United States of America.

Effect: The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the District's internal controls.

Cause: The District personnel have not monitored recent accounting developments to the extent necessary to enable them to prepare the District's financial statements and related disclosures. However, management has reviewed and approved the financial statements and related disclosures.

Repeat Finding: Yes - finding 2022-001.

Recommendation: Management should continue to evaluate their internal staff capacity to determine if an internal control policy or procedures over the annual financial reporting is beneficial.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

There is no disagreement with the finding.

Section III – Findings and Questioned Costs – Major Federal Awards

None noted.

Section IV – Findings and Questioned Costs – Minnesota Legal Compliance

None noted.