



Annual Financial Report

Independent School District No. 2895

Jackson, Minnesota

For the year ended June 30, 2023



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INTRODUCTORY SECTION
INDEPENDENT SCHOOL DISTRICT NO. 2895
JACKSON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

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Independent School District No. 2895

Jackson, Minnesota

School District Officials

For the Year Ended June 30, 2023

Board of Education

<u>Name</u>	<u>Term on Board Expires</u>	<u>Position</u>
Rhonda Moore	12/31/2026	Chairperson
Jody Thrush Withers	12/31/2024	Vice-Chairperson
Troy Schultz	12/31/2024	Clerk
Amy Voss	12/31/2024	Treasurer
Tina Polz	12/31/2024	Director
Ben Appel	12/31/2026	Director
Levi Lucht	12/31/2026	Director

Administration

Barry Schmidt
Maria Bezdicek

Superintendent
Business Manager

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FINANCIAL SECTION
INDEPENDENT SCHOOL DISTRICT NO. 2895
JACKSON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 2895
Jackson, Minnesota

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2895, Jackson, Minnesota, (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2023, and the respective changes in financial position and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions and Schedule of Changes in the District's OPEB Liability and Related Ratios starting on page 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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



Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Abdo
Mankato, Minnesota
October 17, 2023



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Management's Discussion and Analysis

As management of the Independent School District No. 2895, Jackson, Minnesota (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023.

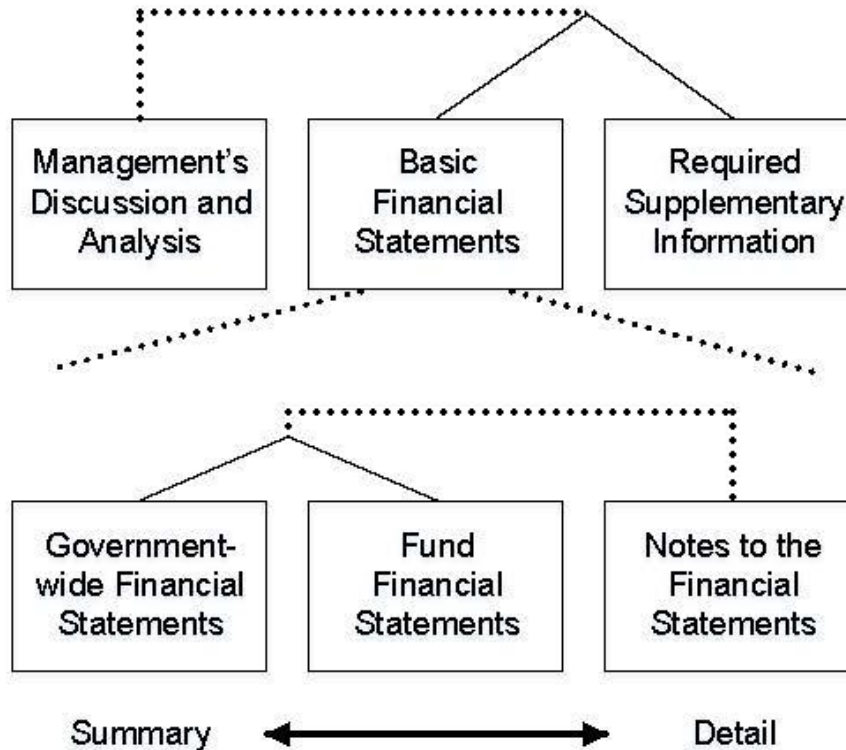
Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year as shown in the summary of net position on the following pages.
- The District's total net position increased as shown in the summary of changes in net position on the following pages. The main cause of the increase is the decrease in elementary and secondary regular instruction expenses.
- As of the close of the current fiscal year, the District's governmental balances are shown in the Financial Analysis of the District's funds section of the MD&A. The total fund balance decreased in comparison with the prior year. The main reason for the decrease is due to the spend down of unspent bond proceeds from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General fund, as shown in the financial Analysis of the District's funds section, decreased from the prior year.
- The District's total debt increased during the current fiscal year. This increase relates to the issuance of the 2022A General Obligation School Building Bonds. It was mitigated by the regular debt payments made during the year.

Overview of the Financial Statements

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

Organization of Independent School District No. 2895 Annual Financial Report



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

Major Features of the District-wide and Fund Financial Statements

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

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

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

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

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

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

The District-wide financial statements can be found starting on page 28 of this report.

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

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

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

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Debt Service fund and Building Construction fund, all of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these no major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 32 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found starting on page 37 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District’s share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 68 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund financial statements and schedules and table can be found starting on page 76 of this report.

District-wide Financial Analysis

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

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

Independent School District No. 2895's Net Position

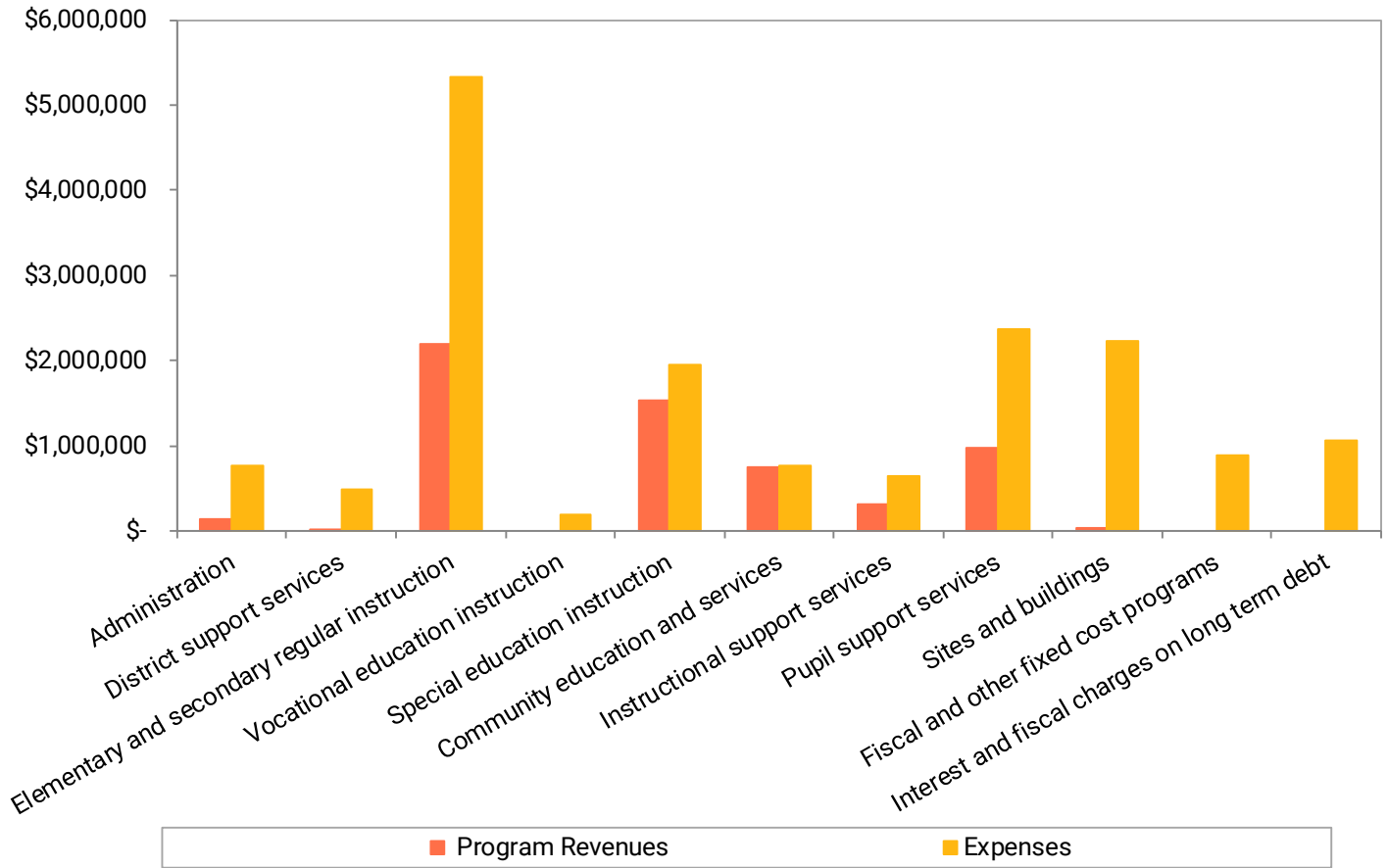
	Governmental Activities		Increase (Decrease)	
	2023	2022	Amount	Percent
Current and Other Assets	\$ 14,820,869	\$ 23,573,080	\$ (8,752,211)	(37.1) %
Capital Assets	52,982,256	44,126,153	8,856,103	20.1
Total Assets	<u>67,803,125</u>	<u>67,699,233</u>	<u>103,892</u>	0.2
Deferred Outflows of Resources	<u>3,223,451</u>	<u>3,601,898</u>	<u>(378,447)</u>	(10.5)
Long-term Liabilities Outstanding	47,773,581	42,582,304	5,191,277	12.2
Other Liabilities	3,624,058	4,117,210	(493,152)	(12.0)
Total Liabilities	<u>51,397,639</u>	<u>46,699,514</u>	<u>4,698,125</u>	10.1
Deferred Inflows of Resources	<u>6,837,244</u>	<u>15,040,766</u>	<u>(8,203,522)</u>	(54.5)
Net Position				
Net investment in capital assets	19,612,688	19,199,445	413,243	2.2
Restricted	1,807,659	1,893,443	(85,784)	(4.5)
Unrestricted	<u>(8,628,654)</u>	<u>(11,532,037)</u>	<u>2,903,383</u>	(25.2)
Total Net Position	<u>\$ 12,791,693</u>	<u>\$ 9,560,851</u>	<u>\$ 3,230,842</u>	33.8 %

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

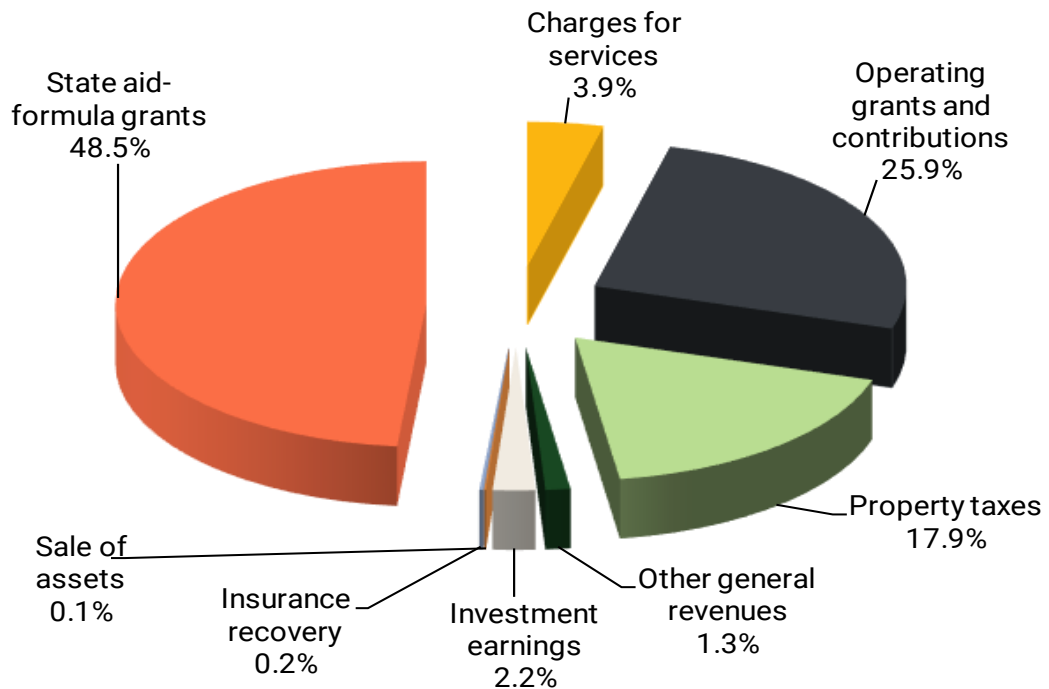
Independent School District No. 2895’s Changes in Net Position

	Governmental Activities		Increase (Decrease)	
	2023	2022	Amounts	Percent
Revenues				
Program revenues				
Charges for services	\$ 777,323	\$ 645,704	\$ 131,619	20.4 %
Operating grants and contributions	5,158,938	5,764,188	(605,250)	(10.5)
General revenues				
Property taxes	3,569,270	3,691,113	(121,843)	(3.3)
State aid-formula grants and other contributions	9,661,750	9,603,876	57,874	0.6
Other general revenues	249,628	376,686	(127,058)	(33.7)
Investment earnings (loss)	428,342	(15,276)	443,618	(2,904.0)
Gain on sale of capital assets	18,547	19,916	(1,369)	(6.9)
Insurance recovery	30,475	5,187	25,288	487.5
Total Revenues	<u>19,894,273</u>	<u>20,091,394</u>	<u>(197,121)</u>	<u>(1.0)</u>
Expenses				
Administration	771,320	955,516	(184,196)	(19.3)
District support services	482,385	448,189	34,196	7.6
Elementary and secondary regular instruction	5,325,021	6,912,704	(1,587,683)	(23.0)
Vocational education instruction	188,180	247,508	(59,328)	(24.0)
Special education instruction	1,948,270	2,201,917	(253,647)	(11.5)
Community education and services	770,747	813,975	(43,228)	(5.3)
Instructional support services	639,140	516,174	122,966	23.8
Pupil support services	2,361,471	2,430,513	(69,042)	(3)
Sites and buildings	2,228,472	1,674,039	554,433	33.1
Fiscal and other fixed cost programs	882,875	527,286	355,589	67.4
Interest and fiscal charges on long-term debt	1,065,550	1,025,129	40,421	3.9
Total Expenses	<u>16,663,431</u>	<u>17,752,950</u>	<u>(1,089,519)</u>	<u>(6.1)</u>
Change in Net Position	3,230,842	2,338,444	892,398	38.2
Net Position, July 1	<u>9,560,851</u>	<u>7,222,407</u>	<u>2,338,444</u>	32.4
Net Position, June 30	<u>\$ 12,791,693</u>	<u>\$ 9,560,851</u>	<u>\$ 3,230,842</u>	33.8 %

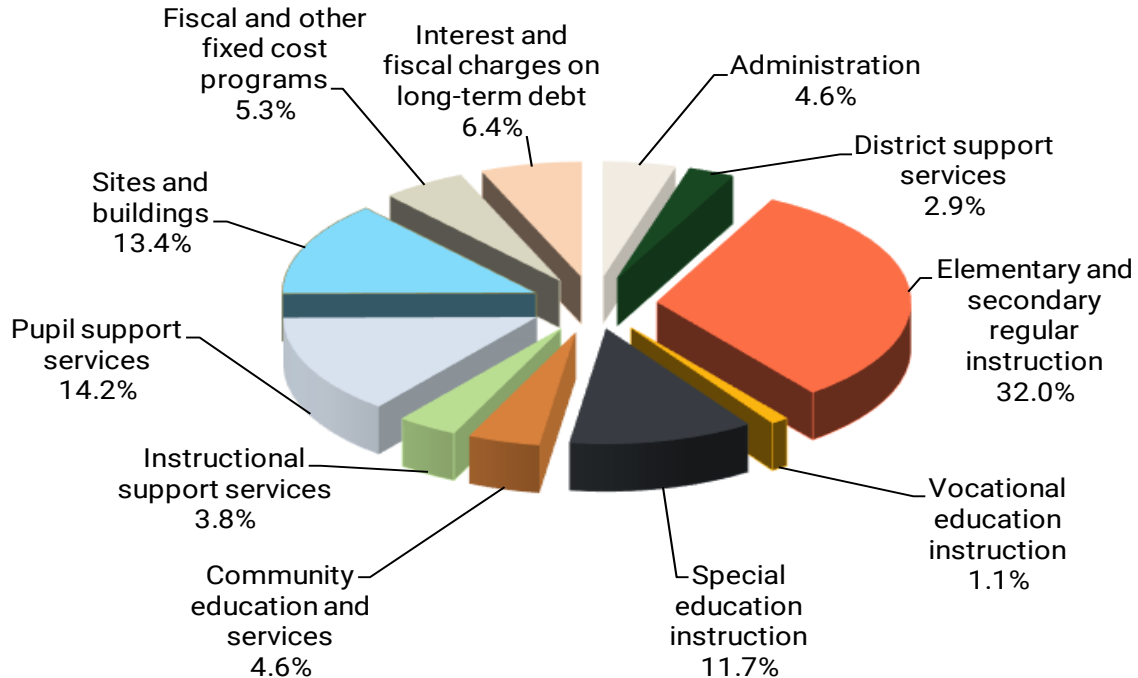
Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Expenses by Program - Governmental Activities



Financial Analysis of the District's Funds

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

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

	General	Debt Service	Building Construction	Other Governmental Funds	Total	Prior Year Total	Increase/Decrease
Fund Balances							
Nonspendable	\$ 50,778	\$ -	\$ -	\$ 7,063	\$ 57,841	\$ 69,171	\$ (11,330)
Restricted	1,223,474	453,192	2,593,885	530,377	4,800,928	13,151,167	(8,350,239)
Unassigned	2,253,575	-	-	(87,454)	2,166,121	2,295,661	(129,540)
Total Fund Balances	\$ 3,527,827	\$ 453,192	\$ 2,593,885	\$ 449,986	\$ 7,024,890	\$ 15,515,999	\$ (8,491,109)

As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances shown above. Additional information on the District's fund balances can be found in Note 3 starting on page 51 of this report.

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

	<u>Current Year Ending Balance</u>	<u>Prior Year Ending Balance</u>	<u>Increase / (Decrease)</u>
General Fund Fund Balances			
Nonspendable	\$ 50,778	\$ 57,859	\$ (7,081)
Restricted	1,223,474	1,159,764	63,710
Unassigned	<u>2,253,575</u>	<u>2,337,038</u>	<u>(83,463)</u>
	<u>\$ 3,527,827</u>	<u>\$ 3,554,661</u>	<u>\$ (26,834)</u>
General fund expenditures	\$ 15,532,503	\$ 15,131,140	
Unassigned as a percent of expenditures	15%	15%	
Total fund balance as a percent of expenditures	23%	23%	

The fund balance of the District's General fund decreased during the current fiscal year as shown in the table above. The decrease in fund balance was mainly due to decreased state funding.

General Fund Budgetary Highlights

	<u>Original Budgeted Amounts</u>	<u>Budget Amendments</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues	\$ 14,813,870	\$ 494,991	\$ 15,308,861	\$ 15,496,307	\$ 187,446
Expenditures	<u>15,269,630</u>	<u>531,160</u>	<u>15,800,790</u>	<u>15,532,503</u>	<u>268,287</u>
Excess of Revenues Over Expenditures	(455,760)	(36,169)	(491,929)	(36,196)	455,733
Other Financing Sources (Uses)	<u>-</u>	<u>9,300</u>	<u>9,300</u>	<u>9,362</u>	<u>62</u>
Net Change in Fund Balances	(455,760)	(26,869)	(482,629)	(26,834)	455,795
Fund Balances, July 1	<u>3,554,661</u>	<u>-</u>	<u>3,554,661</u>	<u>3,554,661</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 3,098,901</u>	<u>\$ (26,869)</u>	<u>\$ 3,072,032</u>	<u>\$ 3,527,827</u>	<u>\$ 455,795</u>

Over the course of the year, the District revised the annual operation budget in February 2023. The revisions related to numerous areas. The original preliminary budget was approved in June, 2022 when the student numbers were very soft and salaries were not settled. The budget was also impacted by grants and COVID-19 response.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2023, is shown below in the capital asset table (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements and machinery and equipment. The total depreciation expense for the year was \$1,308,791. The following is a schedule of capital assets as of June 30, 2023:

Independent School District No. 2895's Capital Assets (Net of Depreciation)

	Governmental Activities		
	2023	2022	Increase (Decrease)
Land	\$ 143,618	\$ 143,618	\$ -
Buildings	49,918,220	17,598,972	32,319,248
Equipment	1,888,756	1,008,116	880,640
Construction in Progress	1,031,662	25,375,447	(24,343,785)
Total	<u>\$ 52,982,256</u>	<u>\$ 44,126,153</u>	<u>\$ 8,856,103</u>
Percent increase (decrease)			20.1%

Additional information on the District's capital assets can be found in Note 3C on page 48 of this report.

Long-term Debt. At the end of the current fiscal year, the District had the following noncurrent liabilities outstanding.

Independent School District No. 2895's Outstanding Debt

	Governmental Activities		
	2023	2022	Increase (Decrease)
General Obligation Bonds	<u>\$ 34,270,000</u>	<u>\$ 34,050,000</u>	<u>\$ 220,000</u>
Percent increase (decrease)			0.6%

Additional information on the District's long-term debt can be found in Note 3D on page 49 of this report.

Factors Bearing on the District's Future

The District has a healthy General fund unassigned fund balance. The referendum that was renewed and the additional referendum that passed has helped to make the School District financially stable. The Board is increasing the choices of classes for our students. We have built a new Middle School, added on to Riverside Elementary and updated other facilities. The Board and Administration are dedicated to making Jackson County Central Schools the best it can be. We do need to keep working towards a balanced budget in the future.

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Superintendent, Independent School District No. 2895, PO Box 119, Jackson, Minnesota 56143-1075.

DISTRICT-WIDE FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 2895
JACKSON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

Independent School District No. 2895

Jackson, Minnesota
 Statement of Net Position
 June 30, 2023

	<u>Governmental Activities</u>
Assets	
Cash and temporary investments	\$ 10,526,794
Receivables	
Taxes	2,604,159
Accounts and interest	116,567
Intergovernmental	1,515,508
Inventories	22,630
Prepaid items	35,211
Capital assets not being depreciated	1,175,280
Capital assets net of accumulated depreciation	<u>51,806,976</u>
Total Assets	<u>67,803,125</u>
Deferred Outflows of Resources	
Deferred pension resources	3,147,439
Deferred other post employment benefit resources	<u>76,012</u>
Total Deferred Outflows of Resources	<u>3,223,451</u>
Liabilities	
Salaries and wages payable	650,655
Accounts and other payables	1,773,969
Accrued interest payable	421,864
Due to other school districts	36,907
Due to other governments	33,135
Accrued expenses	692,566
Unearned revenue	14,962
Noncurrent liabilities	
Due within one year	
Long-term liabilities	1,380,000
Due in more than one year	
Long-term liabilities	34,583,453
Net pension liability	11,280,843
Other postemployment benefits liability	<u>529,285</u>
Total Liabilities	<u>51,397,639</u>
Deferred Inflows of Resources	
Property taxes levied for subsequent year	4,546,559
Deferred pension resources	2,215,720
Deferred other post employment benefit resources	<u>74,965</u>
Total Deferred Inflows of Resources	<u>6,837,244</u>
Net Position	
Net investment in capital assets	19,612,688
Restricted	
Educational purposes	1,431,943
Food service	331,961
Debt service	43,755
Unrestricted	<u>(8,628,654)</u>
Total Net Position	<u>\$ 12,791,693</u>

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

Independent School District No. 2895

Jackson, Minnesota

Statement of Activities

For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities					
Administration	\$ 771,320	\$ -	\$ 136,655	\$ -	\$ (634,665)
District support services	482,385	-	628	-	(481,757)
Elementary and secondary regular instruction	5,325,021	247,735	1,948,504	-	(3,128,782)
Vocational education instruction	188,180	-	-	-	(188,180)
Special education instruction	1,948,270	-	1,535,804	-	(412,466)
Community education and services	770,747	279,323	464,300	-	(27,124)
Instructional support services	639,140	-	313,367	-	(325,773)
Pupil support services	2,361,471	250,265	732,588	-	(1,378,618)
Sites and buildings	2,228,472	-	27,092	-	(2,201,380)
Fiscal and other fixed cost programs	882,875	-	-	-	(882,875)
Interest and fiscal charges on long term debt	1,065,550	-	-	-	(1,065,550)
Total Governmental Activities	\$ 16,663,431	\$ 777,323	\$ 5,158,938	\$ -	(10,727,170)
General revenues					
Taxes					
Property taxes, levied for general purposes					2,219,178
Property taxes, levied for community service					112,321
Property taxes, levied for debt service					1,237,771
State aid-formula grants and other contributions					9,661,750
Other general revenues					249,628
Investment earnings (loss)					428,342
Gain on sale of capital assets					18,547
Insurance recovery					30,475
Total General Revenues					13,958,012
Change in Net Position					3,230,842
Net Position, July 1					9,560,851
Net Position, June 30					\$ 12,791,693

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

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FUND FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 2895
JACKSON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

Independent School District No. 2895

Jackson, Minnesota
 Balance Sheet
 Governmental Funds
 June 30, 2023

	General	Debt Service	Building Construction	Other Governmental Funds	Total
Assets					
Cash and temporary investments	\$ 4,691,391	\$ 1,124,715	\$ 4,152,169	\$ 558,519	\$ 10,526,794
Receivables					
Taxes					
Current	872,243	1,636,927	-	47,763	2,556,933
Delinquent	31,809	12,427	-	2,990	47,226
Accounts and interest	13,452	-	92,050	11,065	116,567
Intergovernmental	1,395,226	90,333	-	29,949	1,515,508
Inventories	15,567	-	-	7,063	22,630
Prepaid items	35,211	-	-	-	35,211
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 7,054,899</u>	<u>\$ 2,864,402</u>	<u>\$ 4,244,219</u>	<u>\$ 657,349</u>	<u>\$ 14,820,869</u>
Liabilities					
Salaries and wages payable	\$ 604,010	\$ -	\$ -	\$ 46,645	\$ 650,655
Accounts and other payables	99,352	-	1,650,334	24,283	1,773,969
Due to other school districts	36,907	-	-	-	36,907
Due to other governments	29,639	-	-	3,496	33,135
Accrued expenses	692,566	-	-	-	692,566
Unearned revenue	-	-	-	14,962	14,962
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>1,462,474</u>	<u>-</u>	<u>1,650,334</u>	<u>89,386</u>	<u>3,202,194</u>
Deferred Inflows of Resources					
Property taxes levied for subsequent year	2,032,789	2,398,783	-	114,987	4,546,559
Unavailable revenue					
Delinquent property taxes	31,809	12,427	-	2,990	47,226
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u>2,064,598</u>	<u>2,411,210</u>	<u>-</u>	<u>117,977</u>	<u>4,593,785</u>
Fund Balances					
Nonspendable	50,778	-	-	7,063	57,841
Restricted	1,223,474	453,192	2,593,885	530,377	4,800,928
Unassigned	2,253,575	-	-	(87,454)	2,166,121
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>3,527,827</u>	<u>453,192</u>	<u>2,593,885</u>	<u>449,986</u>	<u>7,024,890</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,054,899</u>	<u>\$ 2,864,402</u>	<u>\$ 4,244,219</u>	<u>\$ 657,349</u>	<u>\$ 14,820,869</u>

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

Independent School District No. 2895

Jackson, Minnesota

Reconciliation of the Balance Sheet

to the Statement of Net Position

Governmental Funds

June 30, 2023

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

Total Fund Balances - Governmental Funds	\$ 7,024,890
Net capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	52,982,256
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Bonds payable	(34,270,000)
Unamortized premiums	(1,693,453)
Other postemployment benefits liability	(529,285)
Net pension liability	(11,280,843)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	47,226
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	3,147,439
Deferred inflows of pension resources	(2,215,720)
Governmental funds do not report long-term amounts related to other post employment benefits.	
Deferred outflows of other postemployment benefit resources	1,047
Deferred inflows of other postemployment benefit resources	
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(421,864)</u>
Total Net Position - Governmental Activities	<u>\$ 12,791,693</u>

Independent School District No. 2895
 Jackson, Minnesota
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2023

	General	Debt Service	Building Construction	Other Governmental Funds	Total
Revenues					
Local property tax levies	\$ 2,151,530	\$ 1,237,500	\$ -	\$ 111,539	\$ 3,500,569
Other local and county revenue	462,398	535	146,007	678,168	1,287,108
Interest earned on investments	108,579	24,995	277,474	17,294	428,342
Revenue from state sources	11,383,814	893,912	-	139,384	12,417,110
Revenue from federal sources	1,389,986	-	-	483,078	1,873,064
Sales and other conversion of assets	-	-	-	233,523	233,523
Total Revenues	<u>15,496,307</u>	<u>2,156,942</u>	<u>423,481</u>	<u>1,662,986</u>	<u>19,739,716</u>
Expenditures					
Current					
Administration	1,013,927	-	-	-	1,013,927
District support services	469,095	-	-	-	469,095
Elementary and secondary regular instruction	7,016,804	-	-	26,719	7,043,523
Vocational education instruction	266,959	-	-	-	266,959
Special education instruction	2,353,710	-	-	-	2,353,710
Community education and services	-	-	-	852,415	852,415
Instructional support services	597,147	-	-	-	597,147
Pupil support services	1,605,772	-	-	998,504	2,604,276
Sites and buildings	1,553,518	-	-	-	1,553,518
Fiscal and other fixed cost programs	102,258	-	-	-	102,258
Capital outlay	553,313	-	10,057,371	-	10,610,684
Debt service					
Principal	-	1,145,000	-	-	1,145,000
Interest and other charges	-	977,101	72,200	-	1,049,301
Total Expenditures	<u>15,532,503</u>	<u>2,122,101</u>	<u>10,129,571</u>	<u>1,877,638</u>	<u>29,661,813</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures					
	<u>(36,196)</u>	<u>34,841</u>	<u>(9,706,090)</u>	<u>(214,652)</u>	<u>(9,922,097)</u>
Other Financing Sources (Uses)					
Sale of capital assets	9,362	-	-	-	9,362
Insurance recovery	-	-	30,475	-	30,475
Bonds issued	-	-	1,365,000	-	1,365,000
Premium on bonds issued	-	-	26,151	-	26,151
Total Other Financing Sources (Uses)	<u>9,362</u>	<u>-</u>	<u>1,421,626</u>	<u>-</u>	<u>1,430,988</u>
Net Change In Fund Balances	<u>(26,834)</u>	<u>34,841</u>	<u>(8,284,464)</u>	<u>(214,652)</u>	<u>(8,491,109)</u>
Fund Balances, July 1	<u>3,554,661</u>	<u>418,351</u>	<u>10,878,349</u>	<u>664,638</u>	<u>15,515,999</u>
Fund Balances, June 30	<u>\$ 3,527,827</u>	<u>\$ 453,192</u>	<u>\$ 2,593,885</u>	<u>\$ 449,986</u>	<u>\$ 7,024,890</u>

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

Independent School District No. 2895
 Jackson, Minnesota
 Reconciliation of the Statement of
 Revenues, Expenditures and Changes in Fund Balances
 to Statement of Activities
 Governmental Funds
 For the Year Ended June 30, 2023

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

Total Net Change in Fund Balances - Governmental Funds	\$ (8,491,109)
<p>Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>	
Capital outlay	10,155,709
Depreciation expense	(1,308,791)
<p>The net effect of various miscellaneous transactions involving capital assets.</p>	
Gain on trade-in	9,185
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.</p>	
Issuance of long-term debt	(1,365,000)
Principal repayments	1,145,000
Amortization of bond premiums, net of premium on bonds issued	61,604
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	(16,249)
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	2,871,846
Direct aid contributions	102,325
<p>Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.</p>	
	3,210
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Severance costs	51,864
Other postemployment benefits costs	11,248
	11,248
Change in Net Position - Governmental Activities	\$ 3,230,842

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

Independent School District No. 2895
 Jackson, Minnesota
 Statement of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 General Fund
 For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Local property tax levies	\$ 2,159,130	\$ 2,148,605	\$ 2,151,530	\$ 2,925
Other local and county revenue	288,090	357,928	462,398	104,470
Interest earned on investments	4,000	40,000	108,579	68,579
Revenue from state sources	11,198,210	11,460,720	11,383,814	(76,906)
Revenue from federal sources	1,164,440	1,301,608	1,389,986	88,378
Total Revenues	<u>14,813,870</u>	<u>15,308,861</u>	<u>15,496,307</u>	<u>187,446</u>
Expenditures				
Current				
Administration	1,041,730	1,011,291	1,013,927	(2,636)
District support services	478,570	469,548	469,095	453
Elementary and secondary regular instruction	7,130,430	7,122,103	7,016,804	105,299
Vocational education instruction	261,470	263,515	266,959	(3,444)
Special education instruction	2,483,790	2,487,184	2,353,710	133,474
Instructional support services	503,310	623,448	597,147	26,301
Pupil support services	1,318,790	1,603,807	1,605,772	(1,965)
Sites and buildings	1,504,290	1,592,384	1,553,518	38,866
Fiscal and other fixed cost programs	96,250	111,450	102,258	9,192
Capital outlay				
District support services	-	-	7,697	(7,697)
Elementary and secondary regular instruction	75,000	162,710	200,888	(38,178)
Special education instruction	2,000	2,000	1,825	175
Instructional support services	10,000	90,550	104,013	(13,463)
Pupil support services	40,000	58,800	6,729	52,071
Sites and buildings	324,000	202,000	232,161	(30,161)
Total Expenditures	<u>15,269,630</u>	<u>15,800,790</u>	<u>15,532,503</u>	<u>268,287</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(455,760)	(491,929)	(36,196)	455,733
Other Financing Sources (Uses)				
Sale of capital assets	-	9,300	9,362	62
Net Change In Fund Balances	(455,760)	(482,629)	(26,834)	455,795
Fund Balances, July 1	<u>3,554,661</u>	<u>3,554,661</u>	<u>3,554,661</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 3,098,901</u>	<u>\$ 3,072,032</u>	<u>\$ 3,527,827</u>	<u>\$ 455,795</u>

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

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2023

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Independent School District No. 2895, (the District) was incorporated under the laws of the State of Minnesota, (the State). The District operates under a School Board form of government for the purpose of providing educational services to individuals within the area. The District is governed by an elected School Board of seven members. The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The District has no component units that meet the GASB criteria.

B. District-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions 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*.

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

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

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

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

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have been reported as unavailable revenue.

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

Description of Funds

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

Major Governmental Funds

The *General fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Building Construction fund* accounts for the resources used for the acquisition and/or construction of major capital facilities.

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

Non-Major Governmental Funds

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

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

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

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

Deposits and Investments

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

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

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

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

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

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

The District has the following recurring fair value measurements as of June 30, 2023:

- Municipal Securities of are valued using quoted market prices (Level 1 inputs)
- Commercial papers of are valued using a matrix pricing model (Level 2 inputs)

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

Investment Policy

The funds of the District shall be deposited or invested in accordance with Minnesota statutes, chapter 118A and any other applicable law or written administrative procedures. The primary criteria for the investment of the funds of the District, in priority order are as follows:

1. Safety and Security. Safety of principal is the first priority. The investments of the District shall be undertaken in a manner that seeks to ensure the preservation of the capital in the overall investment portfolio.
2. Liquidity. The funds shall be invested to assure that funds are available to meet immediate payment requirements, including payroll, accounts payable and debt service.
3. Return and Yield. The investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

Limitations on instruments, diversification and maturity scheduling shall depend on whether the funds being invested are considered short-term or long-term funds. All funds shall normally be considered short-term except those reserved for building construction projects or specific future projects and any unreserved funds used to provide financial-related managerial flexibility for future fiscal years. The District shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Within these parameters, portfolio maturities shall be staggered to avoid undue concentration of assets and a specific maturity sector. The maturities selected shall provide for stability of income and reasonable liquidity.

All investment securities purchased by the District shall be held in third-party safekeeping by an institution designated as custodial agent. The custodial agent may be any Federal Reserve Bank, any bank authorized under the laws of the United States or any state to exercise corporate trust powers, a primary reporting dealer in United States Government securities to the Federal Reserve Bank of New York, or a securities broker-dealer defined in Minnesota statutes 118A.06. The institution or dealer shall issue a safekeeping receipt to the District listing the specific instrument, the name of the issuer, the name in which the security is held, the rate, the maturity, serial numbers and other distinguishing marks, and other pertinent information.

Deposit-type securities shall be collateralized as required by Minnesota statute 118A.03 for any amount exceeding FDIC, SAIF, BIF, FCUA, or other federal deposit coverage.

Repurchase agreements shall be secured by the physical delivery or transfer against payment of the collateral securities to a third party or custodial agent for safekeeping. The school district may accept a safekeeping receipt instead of requiring physical delivery or third-party safekeeping of collateral on overnight repurchase agreements of less than \$1,000,000.

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

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

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

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

Current property taxes receivable is the uncollected portion of the taxes levied in 2022 and collectible in 2023. This levy is offset with a deferred inflow of resources, property taxes levied for subsequent year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Accounts Receivable

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

Inventories and Prepaid Items

Food Service fund inventories include items purchased by the District and commodities donated by the U.S. Department of Agriculture (USDA). Commodities are valued using a standard price list furnished by the USDA and purchased inventory is valued at the lower of cost or market on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets

Capital assets include property, plant and equipment. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is expensed as incurred.

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings	20 - 50
Equipment and Machinery	5 - 20

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. Accordingly, the items, deferred pension resources and deferred other post-employment benefit resources, are reported only in the statement of net position. These items result from actuarial calculations and current year pension and OPEB contributions made subsequent to the measurement date.

Compensated Absences

Vacation Pay - Vacations taken or estimated to be taken within 60 days after year end are expensed and included in salaries payable as of June 30. Since teachers are not eligible for vacation pay and amounts accrued to other employees are insignificant, no long-term portion of vacation liabilities is recorded in the financial statements.

Sick Pay - Substantially all District employees are entitled to sick leave at various rates. Employees are not compensated for unused sick leave upon termination of employment.

Postemployment Benefits Other Than Pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 75, at July 1, 2021. The General fund is typically used to liquidate governmental other postemployment benefits payable.

Long-term Obligations

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

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

Independent School District No. 2895
 Jackson, Minnesota
 Notes to the Financial Statements
 June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Pensions

Teachers Retirement Association (TRA)

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in in Note 4.

Public Employees Retirement Association (PERA)

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

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

	GERP	TRA	Total All Plans
District's Proportionate Share	\$ 294,552	\$ (2,514,054)	\$ (2,219,502)
Proportionate Share of State's Contribution	10,213	92,112	102,325
Total Pension Expense	\$ 304,765	\$ (2,421,942)	\$ (2,117,177)

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three types of items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, one of the items, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: delinquent property taxes and property taxes levied for subsequent year. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are the deferred pension and deferred other postemployment benefit resources reported in the statement of net position of the government-wide statements. These items result from the difference between expected and actual experience, the net difference between projected and actual investments earnings on pension and OPEB plan investments, changes in assumptions and changes in proportion and differences between entity contributions and proportionate share of contributions.

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

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

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

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

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of fund balance when expenditures are made. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District has formally adopted a fund balance policy for the General fund. The District's policy is to maintain a minimum unassigned fund balance of 1.5 months of operating expenditures for cash-flow timing needs.

Net Position

In the district-wide financial statements, net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

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

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

Independent School District No. 2895
 Jackson, Minnesota
 Notes to the Financial Statements
 June 30, 2023

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

The District amended the originally adopted budget for the General fund in the current year to account for changes in student numbers, salaries, and response to COVID-19 changes.

B. Excess of Actual Expenditures Over Appropriations

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

Fund	Budget	Actual	Excess
Food Service	\$ 960,025	\$ 984,874	\$ 24,849

The excess expenditures were funded by actual revenues in excess of budget.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

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

Independent School District No. 2895
Jackson, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 3: Detailed Notes on All Funds (Continued)

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the District.

At year end, the District's carrying amount of deposits was \$2,930,496 and the bank balance was \$3,794,902. Of the bank balance, \$2,810,013 was covered by federal depository insurance and the remaining amount was covered by bonds or collateral held by the District's agent in the District's name.

Independent School District No. 2895
Jackson, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 3: Detailed Notes on All Funds (Continued)

Investments

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

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	6/30/2023	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
Minnesota School District Liquid Asset Fund (MSDLAF)	AAAm	less than 1 year	\$ 3,444,129			
Non-Pooled Investments at Amortized Costs						
Brokered cash and cash equivalents	AAA	less than 1 year	564,678			
Non-Pooled Investments at Fair Value						
Government Agency Securities	AAAm	less than 1 year	750,000	\$ 750,000	\$ -	\$ -
U.S. Treasury notes	A-1+	less than 1 year	2,837,491	2,837,491	-	-
Total Non-Pooled Investments at Fair Value			3,587,491	3,587,491	-	-
Total Investments			\$ 7,596,298	\$ 3,587,491	\$ -	\$ -

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

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

N/A Indicates not applicable or available.

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

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

Deposits	\$ 2,930,496
Investments	<u>7,596,298</u>
Total	<u>\$ 10,526,794</u>

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2023

Note 3: Detailed Notes on All Funds (Continued)

B. Property Taxes

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

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

Taxes receivable is comprised of the following components:

	General	Debt Service	Nonmajor Governmental	Total
Current Taxes	\$ 872,243	\$ 1,636,927	\$ 47,763	\$ 2,556,933
Delinquent Taxes	31,809	12,427	2,990	47,226
Total Taxes Receivable	<u>\$ 904,052</u>	<u>\$ 1,649,354</u>	<u>\$ 50,753</u>	<u>\$ 2,604,159</u>
Property Taxes Levied for Subsequent Year	<u>\$ 2,032,789</u>	<u>\$ 2,398,783</u>	<u>\$ 114,987</u>	<u>\$ 4,546,559</u>

C. Capital Assets

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

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 143,618	\$ -	\$ -	\$ 143,618
Construction In Progress	25,375,447	9,409,629	(33,753,414)	1,031,662
Total Capital Assets not Being Depreciated	<u>25,519,065</u>	<u>9,409,629</u>	<u>(33,753,414)</u>	<u>1,175,280</u>
Capital Assets Being Depreciated				
Buildings	33,585,870	33,401,290	-	66,987,160
Equipment	4,444,491	1,147,448	(42,919)	5,549,020
Total Capital Assets Being Depreciated	<u>38,030,361</u>	<u>34,548,738</u>	<u>(42,919)</u>	<u>72,536,180</u>
Less Accumulated Depreciation				
Buildings	(15,986,898)	(1,082,042)	-	(17,068,940)
Equipment	(3,436,375)	(226,749)	2,860	(3,660,264)
Total Accumulated Depreciation	<u>(19,423,273)</u>	<u>(1,308,791)</u>	<u>2,860</u>	<u>(20,729,204)</u>
Total Capital Assets Being Depreciated, Net	<u>18,607,088</u>	<u>33,239,947</u>	<u>(40,059)</u>	<u>51,806,976</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 44,126,153</u>	<u>\$ 42,649,576</u>	<u>\$ (33,793,473)</u>	<u>\$ 52,982,256</u>

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2023

Note 3: Detailed Notes on All Funds (Continued)

Depreciation Expense Was Charged to Governmental Activities as Follows:

Administration	\$ 4,212
Elementary And Secondary Regular Instruction	130,578
Vocational Education Instruction	856
Instructional Support Services	1,430
Pupil Support Services	41,171
Sites and Buildings	262,172
Fiscal And Other Fixed Cost Programs	<u>868,372</u>
 Total Depreciation Expense	 <u><u>\$ 1,308,791</u></u>

Construction Commitments

The District has active construction projects as of June 30, 2023. At year end the District's commitments are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
JCC - Middle School Addition/Remodel	\$ 20,871,077	\$ 169,941
JCC - CTE Addition	<u>890,052</u>	<u>1,718,506</u>
 Total	 <u><u>\$ 21,761,129</u></u>	 <u><u>\$ 1,888,447</u></u>

D. Long-term Debt

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. In addition, general obligation bonds have been issued to refund general obligation bonds.

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

<u>Description</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>	
					<u>Due Within One Year</u>	<u>Total</u>
G.O. School Building Bonds, Series 2020A	\$ 34,050,000	2.00 - 4.00 %	02/13/20	02/01/42	\$ 1,280,000	\$ 32,905,000
G.O. School Building Bonds, Series 2022A	1,365,000	3.50 - 5.00	11/17/22	02/01/37	<u>100,000</u>	<u>1,365,000</u>
 Total					 <u><u>\$ 1,380,000</u></u>	 <u><u>\$ 34,270,000</u></u>

Independent School District No. 2895
Jackson, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 3: Detailed Notes on All Funds (Continued)

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

Year Ending June 30	Principal Payments	Interest Payments	Total
2024	\$ 1,380,000	\$ 996,633	\$ 2,376,633
2025	1,430,000	928,675	2,358,675
2026	1,485,000	870,475	2,355,475
2027	1,540,000	810,075	2,350,075
2028	1,585,000	747,475	2,332,475
2029 - 2033	8,810,000	2,842,950	11,652,950
2034 - 2038	9,735,000	1,736,875	11,471,875
2039 - 2042	8,305,000	498,562	8,803,562
Total	<u>\$ 34,270,000</u>	<u>\$ 9,431,720</u>	<u>\$ 43,701,720</u>

Changes in Long-term Liabilities

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

	Beginning Balance As Restated	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 34,050,000	\$ 1,365,000	\$ (1,145,000)	\$ 34,270,000	\$ 1,380,000
Bond premiums	1,755,057	26,151	(87,755)	1,693,453	-
Total Bonds Payable	<u>35,805,057</u>	<u>1,391,151</u>	<u>(1,232,755)</u>	<u>35,963,453</u>	<u>1,380,000</u>
Other Liabilities					
Severance payable	51,864	-	(51,864)	-	-
Total Long-term Liabilities	<u>\$ 35,856,921</u>	<u>\$ 1,391,151</u>	<u>\$ (1,284,619)</u>	<u>\$ 35,963,453</u>	<u>\$ 1,380,000</u>

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2023

Note 3: Detailed Notes on All Funds (Continued)

E. Components of Fund Balance

At June 30, 2023, portions of the District's fund balance are not available for appropriation due to legal restrictions (Restricted) and policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Building Construction	Nonmajor Governmental	Total	Reconciling Items	UFARS Balance
Nonspendable							
Inventories	\$ 15,567	\$ -	\$ -	\$ 7,063	\$ 22,630	\$ -	\$ 22,630
Prepaid items	35,211	-	-	-	35,211	-	35,211
Total Nonspendable	\$ 50,778	\$ -	\$ -	\$ 7,063	\$ 57,841	\$ -	\$ 57,841
Restricted for							
Staff development	\$ 53,582	\$ -	\$ -	\$ -	\$ 53,582	\$ -	\$ 53,582
Operating capital	389,595	-	-	-	389,595	-	389,595
Lakefield Fields project	23,794	-	-	-	23,794	-	23,794
Strength and conditioning	17,312	-	-	-	17,312	-	17,312
Basic skills extended time	16,031	-	-	-	16,031	-	16,031
Learning and development	7,503	-	-	-	7,503	-	7,503
Gifted and talented	6,276	-	-	-	6,276	-	6,276
Safe schools	71,817	-	-	-	71,817	-	71,817
Long term facility maintenance	486,617	-	-	-	486,617	-	486,617
Medical assistance	99,491	-	-	-	99,491	-	99,491
Husky wrestling capital improvement project	183	-	-	-	183	-	183
Student activities	42,732	-	-	-	42,732	-	42,732
Scholarships	1,372	-	-	-	1,372	-	1,372
Career pathways	7,169	-	-	-	7,169	-	7,169
Community education	-	-	-	146,970	146,970	-	146,970
Early childhood and family education	-	-	-	2,610	2,610	-	2,610
School readiness	-	-	-	-	-	(87,454)	(87,454)
Food service	-	-	-	324,898	324,898	-	324,898
Community service	-	-	-	3,361	3,361	-	3,361
Swimming pool	-	-	-	52,538	52,538	-	52,538
Building project	-	-	2,593,885	-	2,593,885	-	2,593,885
Debt service	-	453,192	-	-	453,192	-	453,192
Total Restricted	\$ 1,223,474	\$ 453,192	\$ 2,593,885	\$ 530,377	\$ 4,800,928	\$ (87,454)	\$ 4,713,474
Unassigned	\$ 2,253,575	\$ -	\$ -	\$ (87,454)	\$ 2,166,121	\$ 87,454	\$ 2,253,575

Restricted for Staff Development - This amount represents available resources for staff development. Revenues are derived from state aids and expenditures are for staff development at each site.

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2023

Note 3: Detailed Notes on All Funds (Continued)

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

Restricted for Lakefield Fields Project - This amount represents available resources for the Lakefield Fields project. Revenues are derived from contributions and donations.

Restricted for Strength and Conditioning Project - This amount represents available resources for strength and conditioning opportunities for students. Revenues are derived from donations.

Restricted for Basic Skills Extended Time - This amount represents resources dedicated to meeting the educational needs of pupils who enroll in extended day programs, extended week programs, summer school, vacation break academies, and other programming authorized under the learning year program.

Restricted for Learning and Development - This amount represents available general education revenues for learning and development, which is mainly for reducing the pupil-to-staff ratio.

Restricted for Gifted and Talented - This amount represents available resources to provide gifted and talented students with challenging and appropriate educational programs. Revenues are derived from donations.

Restricted for Safe Schools - This amount represents resources restricted for crime prevention and making schools safe for students and staff.

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

Restricted for Medical Assistance - This amount represents available resources for medical assistance expenditures. Revenues are derived from State aids.

Restricted for Husky Wrestling Capital Improvement Project - This amount represents available resources for capital improvements related to the wrestling program. Revenues are derived from donations.

Restricted for Student Activities - This amount represents resources dedicate to student-focused extracurricular activities offered and approved by the School Board.

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

Restricted for Career Pathways - This amount represents available resources for career pathways. Revenues are derived from contributions and donations.

Restricted for Community Education - This amount represents available resources for community education classes. Revenues are derived from local tax levies and State aids and expenditures are for salaries, benefits and supplies.

Restricted for Early Childhood Family Education (ECFE) - This amount represents available resources for ECFE classes. Revenues are derived from local tax levies and State aids and expenditures are for salaries, benefits and supplies.

Restricted for School Readiness - This amount represents available resources to provide for services for school readiness programs. Revenues are derived from State aids, fees and grants and expenditures are for salaries, benefits and supplies.

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2023

Note 3: Detailed Notes on All Funds (Continued)

Restricted for Food Service - This amount represents available resources available for food service. Revenues are derived from sales to pupils and State aid.

Restricted for Community Service - This amount represents available resources available for community services. Revenues are derived from tax levies and local and county sources and expenditures are primarily for salaries, benefits, purchased services supplies and materials.

Restricted for Swimming Pool - This amount represents available resources dedicated exclusively for operating the swimming pool. Revenues are derived from tax levies and local and county sources and expenditures are primarily for salaries, benefits, purchased services supplies and materials.

Restricted for Building Project - This amount represents resources available for future capital project expenditures identified by bond proceeds.

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

Note 4: Defined Benefit Pension Plans - Statewide

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

A. Teachers Retirement Association (TRA)

1. Plan Description

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

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

2. Benefits Provided

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

Independent School District No. 2895
 Jackson, Minnesota
 Notes to the Financial Statements
 June 30, 2023

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

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

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

With these provisions:

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

or

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

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

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

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

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2023

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

3. Contribution Rate

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

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

The District's contributions to TRA for the years ending June 30, 2023, 2022 and 2021 were \$588,685, \$576,440 and \$548,665, respectively. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

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

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

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

Independent School District No. 2895
 Jackson, Minnesota
 Notes to the Financial Statements
 June 30, 2023

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

4. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Valuation date	July 1, 2022
Experience study	June 30, 2022
	June 5, 2019 (demographic assumptions)*
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% thereafter
Projected salary increase	2.85 to 8.85% before July 1, 2028 and 3.5 to 9.25% thereafter
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually

Mortality Assumption

Pre-retirement	RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale.
Post-retirement	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability	RP-2014 disabled retiree mortality table, without adjustment.

*The assumptions prescribed are based on the experience study dated June 28, 2019. For GASB 67 purposes, the long-term rate of return assumptions is selected by TRA management in consultation with the actuary.

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2023

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

5. Long-term Rate of Return

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

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

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2023 is six years. The Difference between Expected and Actual Experience, Changes of Assumptions, and Changes in Proportion use the amortization period of six years in the schedule presented. The amortization period for Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments” is five years as required by GASB 68.

Changes in actuarial assumptions since the 2021 valuation:

- None

6. Discount Rate

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

7. Net Pension Liability

At June 30, 2023, the District reported a liability of \$8,952,353 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District.

Independent School District No. 2895
 Jackson, Minnesota
 Notes to the Financial Statements
 June 30, 2023

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

The District proportionate share was 0.1118 percent at the end of the measurement period and 0.1128 percent for the beginning of the year.

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

District's Proportionate Share of Net Pension Liability	\$ 8,952,353
State's Proportionate Share of Net Pension Liability Associated with the District	663,997

For the year ended June 30, 2023, the District recognized negative pension expense of \$2,514,054. It also recognized \$92,112 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 133,345	\$ 80,680
Changes in Actuarial Assumptions	1,447,029	1,996,321
Net Difference Between Projected and Actual Earnings on Plan Investments	228,633	-
Changes in Proportion	-	84,136
Contributions to TRA Subsequent to the Measurement Date	588,685	-
 Total	 \$ 2,397,692	 \$ 2,161,137

Deferred outflows of resources totaling \$588,685 related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

2024	\$ (1,961,596)
2025	24,293
2026	(88,383)
2027	1,008,370
2028	659,921
Thereafter	5,265

Independent School District No. 2895
 Jackson, Minnesota
 Notes to the Financial Statements
 June 30, 2023

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

8. Pension Liability Sensitivity

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

District Proportionate Share of NPL		
1 Percent Decrease (6.00%)	Current (7.00%)	1 Percent Increase (8.00%)
\$ 14,112,896	\$ 8,952,353	\$ 4,722,316

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

9. Pension Plan Fiduciary Net Position

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

B. Public Employees Retirement Association (PERA)

1. Plan Description

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

General Employees Retirement Plan

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

2. Benefits Provided

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

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2023

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

General Employee Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

3. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ending June 30, 2023, 2022 and 2021 were \$165,988, \$165,366 and \$160,025, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

4. Pension Costs

General Employee Fund Pension Costs

At June 30, 2023, the District reported a liability of \$2,328,490 for its proportionate share of the General Employee Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$68,350. 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 of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022 relative to the total employer contributions received from all of PERA's participating employers. The District's proportion was 0.0294 percent at the end of the measurement period and 0.0296 percent at the beginning of the period.

Independent School District No. 2895
 Jackson, Minnesota
 Notes to the Financial Statements
 June 30, 2023

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

For the year ended June 30, 2023, the District recognized pension expense of \$294,552 for its proportionate share of General Employees Plan's pension expense. In addition, the District recognized an additional \$10,213 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 19,449	\$ 25,013
Changes in Actuarial Assumptions	530,456	9,406
Net Difference Between Projected and Actual Earnings on Plan Investments	33,854	-
Changes in Proportion	-	20,164
Contributions paid to PERA Subsequent to the Measurement Date	165,988	-
Total	\$ 749,747	\$ 54,583

The \$165,988 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 inflows of resources related to pensions will be recognized in pension expense as follows:

2024	\$ 182,883
2025	211,942
2026	(76,221)
2027	210,572

5. Long-term Expected Return on Investment

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

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2023

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

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

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

6. Actuarial Assumptions

The total pension liability in the June 30, 2023 actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

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

Actuarial assumptions used in the June 30, 2023 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employee Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2023

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

7. Discount Rate

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

8. Pension Liability Sensitivity

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

District Proportionate Share of NPL		
1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
\$ 3,677,971	\$ 2,328,490	\$ 1,221,706

9. Pension Plan Fiduciary Net Position

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

Note 5: Postemployment Benefits Other Than Pensions

A. Plan Description

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

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

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	8
Active Plan Members	185
	<hr/>
Total Plan Members	193
	<hr/> <hr/>

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2023

Note 5: Postemployment Benefits Other Than Pensions (Continued)

B. Funding Policy

The District has historically funded these liabilities on a pay-as-you-go basis. Contribution requirements are negotiated between the District and union representatives on a per contract basis. At the present time, no retiree benefits are provided except the allowance to continue health insurance that is mandated by Minnesota Law. The District does not contribute any of the cost of current-year premiums for eligible retired plan members or their spouses. For fiscal year 2023, the District contributed \$45,447 to the plan. Plan members receiving benefits contribute 100 percent of their premium costs.

C. Actuarial Methods and Assumptions

The District's total OPEB liability of \$529,285 was measured as of July 1, 2021 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of July 1, 2021, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of July 1, 2021. Roll forward procedures were used to roll forward the total OPEB liability to the measurement date and the Plan's fiscal year end.

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

Discount Rate	2.10%
20-Year Municipal Bond Yield	2.10%
Inflation Rate	2.00%
Salary Increases	Service graded
Medical Trend Rate	6.25% decreasing to 5.00%, then grading to 4.00% over 5 years
Dental Trend Rate	N/A

The discount rate used to measure the total OPEB liability was 2.10 percent. Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.

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

D. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2022	\$ 524,865
Changes for the Year	
Service Cost	36,684
Interest	11,337
Benefit Payments	(43,601)
Net Changes	4,420
Balance at June 30, 2023	\$ 529,285

Independent School District No. 2895
 Jackson, Minnesota
 Notes to the Financial Statements
 June 30, 2023

Note 5: Postemployment Benefits Other Than Pensions (Continued)

Since the prior measurement date, the following assumptions changed:

- None

Since the prior measurement date, there have been no changes in benefits.

E. Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.10 percent) or 1-percentage-point higher 3.10 percent) than the current discount rate:

1 Percent Decrease (1.10%)	Current (2.10%)	1 Percent Increase (3.10%)
\$ 556,243	\$ 529,285	\$ 502,872

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is 1-percentage point lower (5.50 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.50 percent increasing to 6.00 percent) than the current Healthcare Cost Trend rate:

1 Percent Decrease (5.25% Decreasing to 4%)	Healthcare Cost Trend Rates (6.25% Decreasing to 5.00%)	1 Percent Increase (7.25% Decreasing to 6%)
\$ 479,808	\$ 529,285	\$ 587,867

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

For the year ended June 30, 2023, the District recognized negative OPEB expense of (\$11,248). At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ 72,255
Changes in Actuarial Assumptions	26,316	2,710
Contributions Subsequent to the Measurement Date	49,696	-
Total	\$ 76,012	\$ 74,965

Independent School District No. 2895
Jackson, Minnesota
Notes to the Financial Statements
June 30, 2023

Note 5: Postemployment Benefits Other Than Pensions (Continued)

Deferred outflows of resources totaling \$49,696 related to OPEB resulting from the District's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2024.

Year Ended June 30:

2024	\$	(9,573)
2025		(9,573)
2026		(9,573)
2027		(9,573)
2028		(9,573)
Thereafter		(784)

Note 6: Other Information

A. 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; and natural disasters for which the District carries insurance. Settled claims have not exceeded this coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The District's management is not aware of any incurred but not reported claims.

The Southwest/West Central Services Cooperative Health Insurance Fund was formed under a joint powers agreement. The agreement is to provide a cooperative program of group funding and risk management of employee health and medical claims for the employees of the member school districts. The fund is not intended to function as an insurance company for the districts. Rather, it is a means of combining the administration of claims and of obtaining lower insurance rates. Although premiums billed to the districts are determined on an actuarial basis, the districts' liability for claims is limited to the amount of premiums paid.

B. 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 fund. 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.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 2895
JACKSON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

Independent School District No. 2895

Jackson, Minnesota

Required Supplementary Information

For the Year Ended June 30, 2023

Schedule of Employer's Share of TRA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/22	0.1118 %	\$ 8,952,353	\$ 663,997	\$ 9,616,350	\$ 6,911,756	129.5 %	76.2 %
06/30/21	0.1128	4,936,465	416,290	5,352,755	6,748,648	73.1	86.6
06/30/20	0.1145	8,459,413	708,949	9,168,362	6,476,518	130.6	75.5
06/30/19	0.1178	7,508,597	664,359	8,172,956	6,598,396	113.8	78.2
06/30/18	0.1178	7,399,509	695,326	8,094,835	6,508,837	113.7	78.1
06/30/17	0.1253	25,012,153	2,417,627	27,429,780	6,747,438	370.7	51.6
06/30/16	0.1216	29,004,501	2,911,176	31,915,677	6,323,947	458.6	44.9
06/30/15	0.1170	7,237,607	888,092	8,125,699	5,936,107	121.9	76.8
06/30/14	0.1228	5,658,536	397,953	6,056,489	261,187	2,166.5	81.1

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

Schedule of Employer's TRA Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
06/30/23	\$ 588,685	\$ 588,685	\$ -	\$ 6,885,208	8.55 %
06/30/22	576,440	576,440	-	6,911,756	8.34
06/30/21	548,665	548,665	-	6,748,648	8.13
06/30/20	512,940	512,940	-	6,476,518	7.92
06/30/19	508,736	508,736	-	6,598,396	7.71
06/30/18	488,163	488,163	-	6,508,837	7.50
06/30/17	506,058	506,058	-	6,747,438	7.50
06/30/16	474,296	474,296	-	6,323,947	7.50
06/30/15	445,208	445,208	-	5,936,107	7.50

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

Independent School District No. 2895
Jackson, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2023

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

2022 - No Changes noted.

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

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

2019 - No changes noted.

2018 - The investment The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028. Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt. The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated. Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt. Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018. The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2018 - 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 Accrued Liability (UAAL) was reset to June 30, 2048 (30 years). A mechanism in the law that provided the TRA Board with some authority to set contribution rates was eliminated.

2017 - The Cost of Living Adjustment 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 non-vested inactive load increased from 4.0% to 9.0%

2016 - The assumed investment return was changed from 8.0 percent to 4.66 percent using the Single Equivalent Interest Rate calculation. The single discount rate was changed from 8.0 percent to 4.66 percent. The assumed future salary increases, payroll growth and inflation were changed by a 0.25 percent decrease for price inflation, a 0.50 percent increase for wage inflation and a 2.50 percent decrease in maximum salary increases based on years of service. Mortality assumptions were updated using the RP-2014 tables.

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

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

Independent School District No. 2895
Jackson, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2023

Notes to the Required Supplementary Information – TRA (Continued)

2015 - The assumed post-retirement benefit increase rate was changed from 2.0 percent per year through 2034 and 2.5 percent per year thereafter to 2.0 percent per year for all future years. The assumed investment return was changed from 8.25 percent to 8.0 percent. The single discount rate was changed from 8.25 percent to 8.0 percent.

Changes in Plan Provisions

2022 - No changes noted.

2021 - No changes noted.

2020 - No changes noted.

2019 - No changes noted.

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

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 - No changes noted.

2016 - No changes noted.

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

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

Independent School District No. 2895
 Jackson, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended June 30, 2023

Schedule of Employer's Share of PERA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/22	0.0294 %	\$ 2,328,490	\$ 68,350	\$ 2,396,840	\$ 2,204,880	105.6 %	76.7 %
06/30/21	0.0296	1,264,053	38,597	1,302,650	2,133,666	59.2	87.0
06/30/20	0.0292	1,750,673	53,984	1,804,657	2,027,746	86.3	79.0
06/30/19	0.0305	1,686,277	52,498	1,738,775	2,161,201	78.0	80.2
06/30/18	0.0294	1,630,991	53,386	1,684,377	1,971,902	82.7	79.5
06/30/17	0.0312	1,991,787	25,015	2,016,802	2,007,560	99.2	75.9
06/30/16	0.0324	2,630,719	34,439	2,665,158	2,013,520	130.7	68.9
06/30/15	0.0314	1,627,311	-	1,627,311	1,813,493	89.7	78.2
06/30/14	0.0309	1,451,527	-	1,451,527	31,173	4,656.4	78.7

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

Schedule of Employer's PERA Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
06/30/23	\$ 165,988	\$ 165,988	\$ -	\$ 2,213,168	7.50 %
06/30/22	165,366	165,366	-	2,204,880	7.50
06/30/21	160,025	160,025	-	2,133,666	7.50
06/30/20	152,081	152,081	-	2,027,746	7.50
06/30/19	162,090	162,090	-	2,161,201	7.50
06/30/18	147,893	147,893	-	1,971,902	7.50
06/30/17	150,567	150,567	-	2,007,560	7.50
06/30/16	151,014	151,014	-	2,013,520	7.50
06/30/15	136,012	136,012	-	1,813,493	7.50

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

Independent School District No. 2895
Jackson, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2023

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

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

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

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

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

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

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

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

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

Independent School District No. 2895
Jackson, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2023

Notes to the Required Supplementary Information – PERA (Continued)

Changes in Plan Provisions

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

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

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

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

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

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

2016 - No changes noted.

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Independent School District No. 2895
 Jackson, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended June 30, 2023

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

	2023	2022	2021	2020	2019
Total OPEB Liability					
Service cost	\$ 36,684	\$ 35,616	\$ 34,715	\$ 33,704	\$ 40,655
Interest	11,337	18,068	17,819	19,870	19,516
Differences between expected and actual experience	-	(88,240)	-	(14,183)	-
Changes in assumptions	-	35,090	-	(6,323)	-
Benefit payments	(43,601)	(45,447)	(45,345)	(42,052)	(43,515)
Net Change in Total OPEB Liability	4,420	(44,913)	7,189	(8,984)	16,656
Total OPEB Liability - Beginning	524,865	569,778	562,589	571,573	554,917
Total OPEB Liability - Ending	<u>\$ 529,285</u>	<u>\$ 524,865</u>	<u>\$ 569,778</u>	<u>\$ 562,589</u>	<u>\$ 571,573</u>
Covered - Employee Payroll	\$ 8,677,603	\$ 8,564,591	\$ 8,315,137	\$ 8,238,226	\$ 8,238,226
Districts's Total OPEB Liability as a Percentage of Covered Employee Payroll	6.10 %	6.13 %	6.85 %	6.83 %	6.94 %

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

Changes in Benefits

2022 - No changes noted.

2021 - No changes noted.

2020 - No changes noted.

2019 - No changes noted.

Changes in Assumptions

2022 - The health care trend rates, mortality tables, salary increase rates for non-teachers, withdrawal rates, and retire plan participation percentages were updated. The inflation rate was changed from 2.50% to 2.00%. The discount rate was changed from 3.10% to 2.10%.

2021 - No changes noted.

2020 - The health care trend rates, mortality tables, and salary increase assumptions were updated. The discount rate changed from 3.40% to 3.10%.

2019 - No changes noted.

Changes in Method

2022 - No changes noted.

2021 - No changes noted.

2020 - No changes noted.

2019 - No changes noted.

COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS, SCHEDULES AND TABLE

INDEPENDENT SCHOOL DISTRICT NO. 2895
JACKSON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

Independent School District No. 2895

Jackson, Minnesota

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2023

	Special Revenue		Total
	Food Service	Community Service	
Assets			
Cash and temporary investments	\$ 354,644	\$ 203,875	\$ 558,519
Receivables			
Taxes			
Current	-	47,763	47,763
Delinquent	-	2,990	2,990
Accounts and interest	-	11,065	11,065
Intergovernmental	7,256	22,693	29,949
Inventories	7,063	-	7,063
Total Assets	\$ 368,963	\$ 288,386	\$ 657,349
Liabilities			
Salaries and wages payable	\$ 1,181	\$ 45,464	\$ 46,645
Accounts and other payables	20,859	3,424	24,283
Due to other governments	-	3,496	3,496
Unearned revenue	14,962	-	14,962
Total Liabilities	37,002	52,384	89,386
Deferred Inflows of Resources			
Property taxes levied for subsequent year	-	114,987	114,987
Unavailable revenue			
Delinquent property taxes	-	2,990	2,990
Total Deferred Inflows of Resources	-	117,977	117,977
Fund Balances			
Nonspendable			
Inventories	7,063	-	7,063
Restricted			
Community education	-	146,970	146,970
Early childhood family education	-	2,610	2,610
Community service	-	3,361	3,361
Swimming pool	-	52,538	52,538
Food service	324,898	-	324,898
Unassigned	-	(87,454)	(87,454)
Total Fund Balances	331,961	118,025	449,986
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 368,963	\$ 288,386	\$ 657,349

Independent School District No. 2895
 Jackson, Minnesota
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended June 30, 2023

	Special Revenue		Total
	Food Service	Community Service	
Revenues			
Local property tax levies	\$ -	\$ 111,539	\$ 111,539
Other local and county revenue	16,742	661,426	678,168
Interest earned on investments	12,057	5,237	17,294
Revenue from state sources	57,158	82,226	139,384
Revenue from federal sources	456,128	26,950	483,078
Sales and other conversion of assets	233,523	-	233,523
Total Revenues	<u>775,608</u>	<u>887,378</u>	<u>1,662,986</u>
Expenditures			
Current			
Elementary and secondary regular instruction	-	26,719	26,719
Community education and services	-	852,415	852,415
Pupil support services	984,874	13,630	998,504
Total Expenditures	<u>984,874</u>	<u>892,764</u>	<u>1,877,638</u>
Net Change In Fund Balances	(209,266)	(5,386)	(214,652)
Fund Balances, July 1	<u>541,227</u>	<u>123,411</u>	<u>664,638</u>
Fund Balances, June 30	<u>\$ 331,961</u>	<u>\$ 118,025</u>	<u>\$ 449,986</u>

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Independent School District No. 2895
 Jackson, Minnesota
 General Fund
 Comparative Balance Sheets
 June 30, 2023 and 2022

	2023	2022
Assets		
Cash and temporary investments	\$ 4,691,391	\$ 4,566,705
Receivables		
Taxes		
Current	872,243	868,405
Delinquent	31,809	29,088
Accounts	13,452	854
Intergovernmental	1,395,226	1,781,437
Inventories	15,567	11,654
Prepaid items	35,211	46,205
	<u>\$ 7,054,899</u>	<u>\$ 7,304,348</u>
Liabilities		
Salaries payable	\$ 604,010	\$ 610,233
Accounts and other payables	99,352	71,559
Due to other school districts	36,907	178,006
Due to other governments	29,639	26,985
Accrued expenses	692,566	783,532
Total Liabilities	<u>1,462,474</u>	<u>1,670,315</u>
Deferred Inflows of Resources		
Property taxes levied for subsequent year	2,032,789	2,050,284
Unavailable revenue		
Delinquent property taxes	31,809	29,088
Total Deferred Inflows of Resources	<u>2,064,598</u>	<u>2,079,372</u>
Fund Balances		
Nonspendable		
Inventories	15,567	11,654
Prepaid items	35,211	46,205
Restricted		
Staff development	53,582	53,183
Operating capital	389,595	360,286
Learning and development	7,503	8,525
Gifted and talented	6,276	4,350
Basic skills	-	247
Basic skills extended time	16,031	16,031
Safe schools	71,817	36,362
Long term facility maintenance	486,617	488,763
Medical assistance	99,491	63,489
Lakefield Fields Project	23,794	42,953
Strength and Conditioning	17,312	23,521
Husky Wrestling Capital Improvement Project	183	183
Student activities	42,732	34,979
Scholarships	1,372	1,622
Career pathways	7,169	40,907
Unassigned	2,253,575	2,321,401
Total Fund Balances	<u>3,527,827</u>	<u>3,554,661</u>
	<u>\$ 7,054,899</u>	<u>\$ 7,304,348</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,054,899</u>	<u>\$ 7,304,348</u>

Independent School District No. 2895
 Jackson, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 For the Year Ended June 30, 2023
 (With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023			Variance with Final Budget	2022
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Local property tax levies	\$ 2,159,130	\$ 2,148,605	\$ 2,151,530	\$ 2,925	\$ 2,066,475
Other local and county revenue	288,090	357,928	462,398	104,470	522,084
Interest earned on investments	4,000	40,000	108,579	68,579	8,134
Revenue from state sources	11,198,210	11,460,720	11,383,814	(76,906)	11,330,030
Revenue from federal sources	1,164,440	1,301,608	1,389,986	88,378	1,528,614
Total Revenues	<u>14,813,870</u>	<u>15,308,861</u>	<u>15,496,307</u>	<u>187,446</u>	<u>15,455,337</u>
Expenditures					
Current					
Administration					
Salaries	710,730	689,336	690,928	(1,592)	700,621
Employee benefits	240,250	229,455	230,332	(877)	232,763
Purchased services	71,950	75,900	75,461	439	69,931
Supplies and materials	3,700	3,000	4,062	(1,062)	3,043
Other expenditures	15,100	13,600	13,144	456	8,769
Total administration	<u>1,041,730</u>	<u>1,011,291</u>	<u>1,013,927</u>	<u>(2,636)</u>	<u>1,015,127</u>
District support services					
Salaries	251,200	249,850	254,749	(4,899)	225,881
Employee benefits	83,320	66,985	66,502	483	64,362
Purchased services	84,800	88,593	84,487	4,106	73,189
Supplies and materials	58,600	63,500	62,697	803	82,493
Other expenditures	650	620	660	(40)	520
Total district support services	<u>478,570</u>	<u>469,548</u>	<u>469,095</u>	<u>453</u>	<u>446,445</u>
Elementary and secondary regular instruction					
Salaries	4,827,980	4,743,450	4,689,835	53,615	4,798,081
Employee benefits	1,358,400	1,314,733	1,291,918	22,815	1,298,105
Purchased services	610,930	700,260	684,700	15,560	694,494
Supplies and materials	331,120	361,660	348,351	13,309	409,128
Other expenditures	2,000	2,000	2,000	-	2,000
Total elementary and secondary regular instruction	<u>7,130,430</u>	<u>7,122,103</u>	<u>7,016,804</u>	<u>105,299</u>	<u>7,201,808</u>
Vocational education instruction					
Salaries	188,750	188,750	187,840	910	183,224
Employee benefits	45,720	45,765	46,239	(474)	43,960
Purchased services	12,000	14,000	9,733	4,267	18,474
Supplies and materials	15,000	15,000	23,147	(8,147)	17,700
Total vocational education instruction	<u>261,470</u>	<u>263,515</u>	<u>266,959</u>	<u>(3,444)</u>	<u>263,358</u>
Special education instruction					
Salaries	1,839,870	1,843,730	1,744,213	99,517	1,701,309
Employee benefits	452,670	433,604	401,591	32,013	405,528
Purchased services	173,700	193,550	188,922	4,628	225,726
Supplies and materials	17,550	16,300	18,984	(2,684)	25,315
Total special education instruction	<u>2,483,790</u>	<u>2,487,184</u>	<u>2,353,710</u>	<u>133,474</u>	<u>2,357,878</u>

Independent School District No. 2895
 Jackson, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual (Continued)
 For the Year Ended June 30, 2023
 (With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023			Variance with Final Budget	2022
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Instructional support services					
Salaries	\$ 362,000	\$ 388,710	\$ 376,253	\$ 12,457	\$ 295,315
Employee benefits	126,410	118,093	117,579	514	98,371
Purchased services	47,800	36,000	29,754	6,246	51,929
Supplies and materials	(32,900)	80,645	73,561	7,084	76,412
Total instructional support services	<u>503,310</u>	<u>623,448</u>	<u>597,147</u>	<u>26,301</u>	<u>522,027</u>
Pupil support services					
Salaries	411,260	395,367	380,227	15,140	398,062
Employee benefits	106,230	98,735	95,344	3,391	99,278
Purchased services	789,300	1,078,535	1,105,609	(27,074)	892,001
Supplies and materials	12,000	31,170	24,592	6,578	31,427
Total pupil support services	<u>1,318,790</u>	<u>1,603,807</u>	<u>1,605,772</u>	<u>(1,965)</u>	<u>1,420,768</u>
Sites and buildings					
Salaries	500,000	525,864	492,935	32,929	472,575
Employee benefits	146,290	148,370	135,426	12,944	136,210
Purchased services	640,500	689,000	669,451	19,549	652,097
Supplies and materials	257,500	269,150	295,706	(26,556)	235,546
Other expenditures	(40,000)	(40,000)	(40,000)	-	(45,000)
Total sites and buildings	<u>1,504,290</u>	<u>1,592,384</u>	<u>1,553,518</u>	<u>38,866</u>	<u>1,451,428</u>
Fiscal and other fixed cost programs					
Employee benefits	250	250	250	-	250
Purchased services	96,000	111,200	102,008	9,192	83,105
Total fiscal and other fixed cost programs	<u>96,250</u>	<u>111,450</u>	<u>102,258</u>	<u>9,192</u>	<u>83,355</u>
Total current	<u>14,818,630</u>	<u>15,284,730</u>	<u>14,979,190</u>	<u>305,540</u>	<u>14,762,194</u>
Capital outlay					
Administration	-	-	-	-	445
District support services	-	-	7,697	(7,697)	14,822
Elementary and secondary regular instruction	75,000	162,710	200,888	(38,178)	168,051
Vocational education instruction	-	-	-	-	2,309
Special education instruction	2,000	2,000	1,825	175	-
Instructional support services	10,000	90,550	104,013	(13,463)	20,109
Pupil support services	40,000	58,800	6,729	52,071	69,224
Sites and buildings	324,000	202,000	232,161	(30,161)	93,986
Total capital outlay	<u>451,000</u>	<u>516,060</u>	<u>553,313</u>	<u>(37,253)</u>	<u>368,946</u>
Total Expenditures	<u>15,269,630</u>	<u>15,800,790</u>	<u>15,532,503</u>	<u>268,287</u>	<u>15,131,140</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(455,760)</u>	<u>(491,929)</u>	<u>(36,196)</u>	<u>455,733</u>	<u>324,197</u>
Other Financing Sources (Uses)					
Sale of capital assets	-	9,300	9,362	62	6,063
Insurance recovery	-	-	-	-	5,187
Total Other Financing Sources (Uses)	<u>-</u>	<u>9,300</u>	<u>9,362</u>	<u>62</u>	<u>11,250</u>
Net Change In Fund Balances	<u>(455,760)</u>	<u>(482,629)</u>	<u>(26,834)</u>	<u>455,795</u>	<u>335,447</u>
Fund Balances, July 1	<u>3,554,661</u>	<u>3,554,661</u>	<u>3,554,661</u>	<u>-</u>	<u>3,219,214</u>
Fund Balances, June 30	<u>\$ 3,098,901</u>	<u>\$ 3,072,032</u>	<u>\$ 3,527,827</u>	<u>\$ 455,795</u>	<u>\$ 3,554,661</u>

Independent School District No. 2895
 Jackson, Minnesota
 Food Service Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 For the Year Ended June 30, 2023
 (With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023			Variance with Final Budget	2022
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Other local and county revenues	\$ 11,900	\$ 18,000	\$ 16,742	\$ (1,258)	\$ 15,760
Interest earned on investments	200	500	12,057	11,557	1,032
Revenue from state sources	58,500	47,100	57,158	10,058	36,386
Revenue from federal sources	390,400	408,615	456,128	47,513	1,003,580
Sales and other conversion of assets	239,000	244,000	233,523	(10,477)	39,825
Total Revenues	<u>700,000</u>	<u>718,215</u>	<u>775,608</u>	<u>57,393</u>	<u>1,096,583</u>
Expenditures					
Current					
Pupil support services					
Salaries	279,200	286,155	255,067	31,088	248,882
Employee benefits	54,450	57,370	54,511	2,859	47,918
Purchased services	7,500	11,000	7,493	3,507	10,309
Supplies and materials	428,750	565,500	627,803	(62,303)	604,744
Other expenditures	40,000	40,000	40,000	-	45,000
Total Expenditures	<u>809,900</u>	<u>960,025</u>	<u>984,874</u>	<u>(24,849)</u>	<u>956,853</u>
Net Change In Fund Balances	(109,900)	(241,810)	(209,266)	32,544	139,730
Fund Balances, July 1	<u>541,227</u>	<u>541,227</u>	<u>541,227</u>	-	<u>401,497</u>
Fund Balances, June 30	<u>\$ 431,327</u>	<u>\$ 299,417</u>	<u>\$ 331,961</u>	<u>\$ 32,544</u>	<u>\$ 541,227</u>

Independent School District No. 2895
 Jackson, Minnesota
 Community Service Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 For the Year Ended June 30, 2023
 (With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Local property tax levies	\$ 112,630	\$ 112,430	\$ 111,539	\$ (891)	\$ 108,191
Other local and county revenue	606,200	636,620	661,426	24,806	677,227
Interest earned on investments	-	-	5,237	5,237	435
Revenue from state sources	70,690	75,100	82,226	7,126	76,606
Revenue from federal sources	26,400	13,200	26,950	13,750	13,200
Total revenues	815,920	837,350	887,378	50,028	875,659
Expenditures					
Current					
Elementary and secondary regular instruction					
Salaries	4,000	8,000	12,161	(4,161)	12,149
Employee benefits	640	1,450	2,128	(678)	2,375
Supplies and materials	1,000	3,750	12,430	(8,680)	13,144
Total elementary and secondary regular instruction	5,640	13,200	26,719	(13,519)	27,668
Community education and services					
Salaries	451,600	522,580	517,974	4,606	476,492
Employee benefits	114,470	119,585	112,712	6,873	120,005
Purchased services	80,660	75,300	63,055	12,245	64,463
Supplies and materials	162,850	167,650	158,674	8,976	176,185
Total community education and services	809,580	885,115	852,415	32,700	837,145
Pupil support services					
Salaries	11,800	10,300	10,691	(391)	6,608
Employee benefits	3,350	3,135	2,939	196	2,148
Total pupil support services	15,150	13,435	13,630	(195)	8,756
Total current	830,370	911,750	892,764	18,986	873,569
Capital outlay					
Community education and services	-	-	-	-	10,063
Total Expenditures	830,370	911,750	892,764	18,986	883,632
Net Change in Fund Balances	(14,450)	(74,400)	(5,386)	69,014	(7,973)
Fund Balances, July 1	123,411	123,411	123,411	-	131,384
Fund Balances, June 30	<u>\$ 108,961</u>	<u>\$ 49,011</u>	<u>\$ 118,025</u>	<u>\$ 69,014</u>	<u>\$ 123,411</u>

Independent School District No. 2895
 Jackson, Minnesota
 Building Construction Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 For the Year Ended June 30, 2023
 (With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Other local and county revenue	\$ 100,000	\$ 100,000	\$ 146,007	\$ 46,007	\$ 280,904
Interest earned on investments	100,000	100,000	277,474	177,474	(26,971)
Insurance recovery	-	30,000	30,475	475	-
Total revenues	<u>200,000</u>	<u>230,000</u>	<u>453,956</u>	<u>223,956</u>	<u>253,933</u>
Expenditures					
Debt service					
Interest and other charges	-	10,000	72,200	(62,200)	24,141
Capital outlay					
Community education and services	-	-	-	-	30,058
Sites and buildings	10,521,000	12,252,700	10,057,371	2,195,329	18,344,612
Total Expenditures	<u>10,521,000</u>	<u>12,262,700</u>	<u>10,129,571</u>	<u>2,133,129</u>	<u>18,398,811</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures					
	<u>(10,321,000)</u>	<u>(12,032,700)</u>	<u>(9,675,615)</u>	<u>2,357,085</u>	<u>(18,144,878)</u>
Other Financing Sources (Uses)					
Bonds issued	-	-	1,365,000	(1,365,000)	-
Premium on bonds issued	-	-	26,151	(26,151)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,391,151</u>	<u>(1,391,151)</u>	<u>-</u>
Net Change in Fund Balances	<u>(10,321,000)</u>	<u>(12,032,700)</u>	<u>(8,284,464)</u>	<u>3,748,236</u>	<u>(18,144,878)</u>
Fund Balances, July 1	<u>10,878,349</u>	<u>10,878,349</u>	<u>10,878,349</u>	<u>-</u>	<u>29,023,227</u>
Fund Balances, June 30	<u>\$ 557,349</u>	<u>\$ (1,154,351)</u>	<u>\$ 2,593,885</u>	<u>\$ 3,748,236</u>	<u>\$ 10,878,349</u>

Independent School District No. 2895
 Jackson, Minnesota
 Debt Service Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 For the Year Ended June 30, 2023
 (With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023			Variance with Final Budget	2022
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			Amounts
Revenues					
Local property tax levies	\$ 1,264,930	\$ 1,240,000	\$ 1,237,500	\$ (2,500)	\$ 1,442,416
Other local and county revenues	350	500	535	35	352
Interest earned on investments	720	720	24,995	24,275	2,094
Revenue from state sources	869,000	893,820	893,912	92	918,549
Total Revenues	<u>2,135,000</u>	<u>2,135,040</u>	<u>2,156,942</u>	<u>21,902</u>	<u>2,363,411</u>
Expenditures					
Debt service					
Principal	1,145,000	1,631,738	1,145,000	486,738	1,360,000
Interest and other charges	978,000	490,738	977,101	(486,363)	1,017,988
Total Expenditures	<u>2,123,000</u>	<u>2,122,476</u>	<u>2,122,101</u>	<u>375</u>	<u>2,377,988</u>
Net Change in Fund Balances	12,000	12,564	34,841	22,277	(14,577)
Fund Balances, July 1	<u>418,351</u>	<u>418,351</u>	<u>418,351</u>	-	<u>432,928</u>
Fund Balances, June 30	<u>\$ 430,351</u>	<u>\$ 430,915</u>	<u>\$ 453,192</u>	<u>\$ 22,277</u>	<u>\$ 418,351</u>

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Independent School District No. 2895
 Jackson, Minnesota
 Schedules of Tax Capacity, Tax Levy and Tax Rates
 For the Years Ended June 30, 2023 and 2022

	2023	2022
Tax Capacity		
Agricultural	\$ 16,068,209	\$ 12,825,361
Nonagricultural	5,923,024	5,192,949
Total	\$ 21,991,233	\$ 18,018,310
Tax Levy		
General	\$ 2,168,358	\$ 2,208,166
Community Service	115,001	117,252
Debt Service	2,398,697	2,133,934
Total	\$ 4,682,056	\$ 4,459,352
Tax Capacity Rates		
General	3.553	4.650
Community Service	0.486	0.598
Debt Service	10.137	10.887
Total	14.176	16.135

**Fiscal Compliance Report - 6/30/2023
District: JACKSON COUNTY CENTRAL (2895-1)**

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$15,496,307	<u>\$15,496,309</u>	(\$2)	Total Revenue	\$423,481	<u>\$423,480</u>	\$1
Total Expenditures	\$15,532,503	<u>\$15,532,505</u>	(\$2)	Total Expenditures	\$10,129,571	<u>\$10,129,570</u>	\$1
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$50,778	<u>\$50,778</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
<i>Restricted / Reserved:</i>				<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$42,732	<u>\$42,732</u>	\$0	4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0
4.02 Scholarships	\$1,372	<u>\$1,372</u>	\$0	4.13 Funded by COP/FP	\$0	<u>\$0</u>	\$0
4.03 Staff Development	\$53,582	<u>\$53,582</u>	\$0	4.67 LTFM	\$0	<u>\$0</u>	\$0
4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0	<i>Restricted:</i>			
4.08 Cooperative Revenue	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$2,593,885	<u>\$2,593,886</u>	(\$1)
4.13 Funded by COP/FP	\$0	<u>\$0</u>	\$0	<i>Unassigned:</i>			
4.14 Operating Debt	\$0	<u>\$0</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.16 Levy Reduction	\$0	<u>\$0</u>	\$0	07 DEBT SERVICE			
4.17 Taconite Building Maint	\$0	<u>\$0</u>	\$0	Total Revenue	\$2,156,942	<u>\$2,156,941</u>	\$1
4.24 Operating Capital	\$413,572	<u>\$413,573</u>	(\$1)	Total Expenditures	\$2,122,100	<u>\$2,122,100</u>	\$0
4.26 \$25 Taconite	\$0	<u>\$0</u>	\$0	<i>Non Spendable:</i>			
4.27 Disabled Accessibility	\$0	<u>\$0</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
4.28 Learning & Development	\$7,503	<u>\$7,502</u>	\$1	<i>Restricted / Reserved:</i>			
4.34 Area Learning Center	\$0	<u>\$0</u>	\$0	4.25 Bond Refundings	\$0	<u>\$0</u>	\$0
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	\$0	4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	\$0
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	\$0	4.51 QZAB Payments	\$0	<u>\$0</u>	\$0
4.38 Gifted & Talented	\$6,276	<u>\$6,277</u>	(\$1)	4.67 LTFM	\$0	<u>\$0</u>	\$0
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	\$0	<i>Restricted:</i>			
4.41 Basic Skills Programs	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$453,193	<u>\$453,192</u>	\$1
4.48 Achievement and Integration	\$0	<u>\$0</u>	\$0	<i>Unassigned:</i>			
4.49 Safe Schools Levy	\$71,817	<u>\$71,816</u>	\$1	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.51 QZAB Payments	\$0	<u>\$0</u>	\$0	08 TRUST			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
4.59 Basic Skills Extended Time	\$16,031	<u>\$16,032</u>	(\$1)	<i>Restricted / Reserved:</i>			
4.67 LTFM	\$486,617	<u>\$486,617</u>	\$0	4.01 Student Activities	\$0	<u>\$0</u>	\$0
4.72 Medical Assistance	\$99,491	<u>\$99,492</u>	(\$1)	4.02 Scholarships	\$0	<u>\$0</u>	\$0
<i>Restricted:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
4.64 Restricted Fund Balance	\$24,481	<u>\$24,482</u>	(\$1)	18 CUSTODIAL			
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
<i>Committed:</i>				<i>Restricted / Reserved:</i>			
4.18 Committed for Separation	\$0	<u>\$0</u>	\$0	4.01 Student Activities	\$0	<u>\$0</u>	\$0
4.61 Committed Fund Balance	\$0	<u>\$0</u>	\$0	4.02 Scholarships	\$0	<u>\$0</u>	\$0
<i>Assigned:</i>				4.48 Achievement and Integration	\$0	<u>\$0</u>	\$0
4.62 Assigned Fund Balance	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0
<i>Unassigned:</i>				20 INTERNAL SERVICE			
4.22 Unassigned Fund Balance	\$2,253,575	<u>\$2,253,573</u>	\$2	Total Revenue	\$0	<u>\$0</u>	\$0
02 FOOD SERVICES				Total Expenditures	\$0	<u>\$0</u>	\$0
Total Revenue	\$775,608	<u>\$775,610</u>	(\$2)	<i>Restricted / Reserved:</i>			
Total Expenditures	\$984,874	<u>\$984,876</u>	(\$2)	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
<i>Non Spendable:</i>				25 OPEB REVOCABLE TRUST			
4.60 Non Spendable Fund Balance	\$7,063	<u>\$7,063</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
<i>Restricted / Reserved:</i>							
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0				
<i>Restricted:</i>							
4.64 Restricted Fund Balance	\$324,898	<u>\$324,898</u>	\$0				

<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

04 COMMUNITY SERVICE

Total Revenue	\$887,378	<u>\$887,379</u>	<u>(\$1)</u>
Total Expenditures	\$892,764	<u>\$892,764</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.31 Community Education	\$146,970	<u>\$146,968</u>	<u>\$2</u>
4.32 E.C.F.E	\$2,610	<u>\$2,610</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	(\$87,454)	<u>(\$87,454)</u>	<u>\$0</u>
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$55,899	<u>\$55,900</u>	<u>(\$1)</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

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

45 OPEB IRREVOCABLE TRUST

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>

47 OPEB DEBT SERVICE

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

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OTHER REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 2895
JACKSON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

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**INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE**

Members of the School Board
Independent School District No. 2895
Jackson, 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 the Independent School District No. 2895, Jackson, Minnesota, (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Districts basic financial statements. and have issued our report thereon dated October 17, 2023.

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

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



Abdo
Mankato, Minnesota
October 17, 2023

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the School Board
Independent School District No. 2895
Jackson, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2895, Jackson, Minnesota, (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 17, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, 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. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the District's compliance with those requirements. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported in accordance with *Government Auditing Standards*.

Purpose of this Report

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



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Mankato, Minnesota
October 17, 2023



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FEDERAL FINANCIAL AWARD PROGRAMS
INDEPENDENT SCHOOL DISTRICT NO. 2895
JACKSON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

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

Members of the School Board
Independent School District No. 2895
Jackson, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Independent School District No. 2895, Jackson, Minnesota (the District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2023. The District's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the City 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 City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City'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 City'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

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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



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

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

Abdo

Abdo
Mankato, Minnesota
October 17, 2023



Independent School District No. 2895
 Jackson, Minnesota
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2023

Federal Funding Source	Administering Department	Program Name	Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Federal Program Clusters	Total Federal Expenditures
U.S. Department of Agriculture	Minnesota Department of Education	National School Lunch Program	10.555		\$ 291,653	
U.S. Department of Agriculture	Minnesota Department of Education	Supply Chain Assistance Funds	10.555C		38,378	
U.S. Department of Agriculture	Minnesota Department of Education	Noncash - Commodity Supplemental Food Program	10.555 *		68,568	
U.S. Department of Agriculture	Minnesota Department of Education	School Breakfast Program	10.553		45,899	
U.S. Department of Agriculture	Minnesota Department of Education	Special Milk Program for Children	10.556		390	
U.S. Department of Agriculture	Minnesota Department of Education	Summer Food Service Program for Children	10.559		<u>10,612</u>	
		Total Child Nutrition Cluster				\$ 455,500
U.S. Department of Education	SW/WC Service Cooperatives Flow Through Payments	Special Education Grants to States	84.027		32,976	
U.S. Department of Education	SW/WC Service Cooperatives Flow Through Payments	Special Education Preschool Grants	84.173		<u>3,000</u>	
		Total Special Education Cluster				35,976
U.S. Department of Treasury	Minnesota Department of Revenue	COVID-19 Coronavirus State and Local Fiscal Recovery Funds Summer Preschool Aid	21.027C		26,950	
U.S. Department of Treasury	Minnesota Department of Revenue	COVID-19 Coronavirus State and Local Fiscal Recovery Funds Pandemic Enrollment Loss	21.027C		<u>14,624</u>	
		Total Coronavirus State and Local Fiscal Recovery Funds Cluster				41,574
U.S. Department of Education	Minnesota Department of Education	Title I Grants to Local Educational Agencies	84.010			151,644
U.S. Department of Education	Minnesota Department of Education	Improving Teacher Quality State Grants	84.367			30,192
U.S. Department of Education	Minnesota Department of Education	Student Support and Academic Enrichment Program	84.424			11,194
U.S. Department of Education	Minnesota Department of Education	COVID-19 Education Stabilization Fund - Elementary and Secondary School Education Relief (ESSER) III	84.425UC			774,237
U.S. Department of Agriculture	Minnesota Department of Education	State Pandemic Electronic Benefit Transfer	10.649C			628
U.S. Department of Education	Minnesota Department of Education	COVID-19 Education Stabilization Fund - Expanded Summer Learning	84.425DC			6,340
U.S. Department of Education	Minnesota Department of Education	COVID-19 Learning Recovery - Lost Instructional Time	84.425UC			20,326
Federal Communications Commission	Direct	Emergency Connectivity Fund	32.009			52,963
U.S. Department of Health and Human Services	Minnesota Department of Health	Block Grants for Prevention and Treatment of Substance Abuse	93.959			183,880
U.S. Department of Health and Human Services	Minnesota Department of Health	Epidemiology and Laboratory Capacity for Infectious Diseases	93.323			21,745
U.S. Department of Health and Human Services	Minnesota Department of Health	State Actions to Improve Oral Health Outcomes and Partner Actions to Improve Oral Health Outcomes	93.366			<u>2,395</u>
		Total Federal Expenditures				<u>\$ 1,788,594</u>

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

Independent School District No. 2895
Jackson, Minnesota
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Independent School District No. 2895, Jackson, Minnesota, (the District) for the year ended June 30, 2023. The District's reporting entity is defined in Note 1A to the District's financial statements. The information in this schedule is presented in accordance with the requirement of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. All Federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

Note 2: Summary of Significant Accounting Policies for Expenditures

Expenditures reported on this schedule are reported on the modified accrual basis of accounting.

Note 3: Pass-through Entity Identifying Numbers

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

Note 4: Subrecipients

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

Note 5: Indirect Cost Rate

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

Independent School District No. 2895
 Jackson, Minnesota
 Schedule of Findings, Responses and Questioned Costs
 For the Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

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

Identification of Clusters/Major Programs

	CFDA No.
Education Stabilization Fund	84.425
Dollar threshold used to distinguish between Type A and Type B Programs	\$750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

None

Section III - Major Federal Award Findings and Questioned Costs

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

Section IV - Corrective Action Plans

A Corrective Action Plan is not required because there were no findings required to be reported under the Federal Single Audit Act.

Section V - Schedule of Prior Year Audit Findings

There were prior year audit findings and they are included in the Schedule of Prior Year Audit Findings.

Independent School District No. 2895
Jackson, Minnesota
Schedule of Prior Year Findings, Responses and Questioned Costs
For the Year Ended June 30, 2023

<u>Findings</u>	<u>Description</u>
2022-001	Responsible Contractor
<i>Condition:</i>	Auditing for legal compliance requires a review of the District’s contracting and bidding. Our study indicated an instance of noncompliance that we believe is required to be remedied.
<i>Criteria:</i>	Minnesota statute §16C.285 Subd. 3 requires contractors doing public work to verify the minimum criteria for a “responsible contractor” as set forth in the statute if the contract exceeds \$50,000.
<i>Cause:</i>	We noted one contract where the District was not able to provide evidence that appropriate documentation was received.
<i>Effect:</i>	As a result, the District is not in compliance with the statute.
<i>Recommendation:</i>	We recommend the District review the statute and obtain such documentation on future contracts.
<i>Management Response:</i>	
	The District will pay more attention to projects that exceed the \$50,000 threshold to ensure responsible contractor documentation is obtained.
<i>Updates from Prior Year:</i>	
	The District has resolved this issue for the current fiscal year.

Independent School District No. 2895
Jackson, Minnesota
Schedule of Prior Year Findings, Responses and Questioned Costs (Continued)
For the Year Ended June 30, 2023

<u>Findings</u>	<u>Description</u>
2022-002	Excess Cash in the Food Service Fund
<i>Condition:</i>	Our legal compliance testing for limited net cash resources in the Food Service fund identified that net cash resources within the fund exceeds the allowable amount.
<i>Criteria:</i>	U.S. Department of Agriculture has established requirements for non-profit Food Service accounts that puts a "limitation" on Net Cash Resources, which is three months average food service expenditures during the year.
<i>Cause:</i>	The Food Service fund has a net cash resource balance of \$276,405 which exceeds the allowable three months average expenditures of \$256,283.
<i>Effect:</i>	The District's Food Service fund is not in compliance with the requirements for non-profit net cash resources required by the U.S. Department of Agriculture.
<i>Recommendation:</i>	We recommend that the District reviews the U.S. Department of Agriculture's list of allowable expenses to help reduce the excess funds, as well as notify the Department of Education with their plan to reduce these excess funds as required by the Department. Going forward, all activity within the fund and fees charged relating to the fund's services should be regularly reviewed to ensure the District's Food Service fund meets the requirements set by the U.S. Department of Agriculture.
<i>Management Response:</i>	
	The District has made improvements since last year and plans to continue to spend the cash resources on allowable expenses and will continue to monitor the activity within the fund to ensure it meets the requirement going forward.
<i>Updates from Prior Year:</i>	
	The District has resolved this issue for the current fiscal year.

Independent School District No. 2895
Jackson, Minnesota
Schedule of Prior Year Findings, Responses and Questioned Costs (Continued)
For the Year Ended June 30, 2023

<u>Findings</u>	<u>Description</u>
2022-003	Collateral Coverage
<i>Condition:</i>	Auditing of legal compliance requires a review of the District's deposits and investments. Our study indicated an instance of non-compliance that we believe is required to be remedied.
<i>Criteria:</i>	In accordance with Minnesota Statute, section 118A.03, the District is required to have pledged collateral equal to 110 percent of the deposit not covered with insurance.
<i>Cause:</i>	The District had \$40,562 of deposits uncollateralized on June 30, 2022 due to a wire deposit near fiscal year-end. The bank added additional coverage on July 1, 2022, however, the District was under collateralized at year-end.
<i>Effect:</i>	At year end, the District did not have sufficient collateral pledged and therefore was not in compliance with state statute.
<i>Recommendation:</i>	We recommend the District increase monthly collateral because of the timing of insurance payments may cause this issue in the future. Ultimately, it is the Districts responsibility to have adequate coverage regardless of the bank's process.
<i>Management Response:</i>	
	The Business Manager will review collateral and inform the bank that month-end transfers will be common with the new timing of insurance payments.
<i>Updates from Prior Year:</i>	
	The District has resolved this issue for the current fiscal year.