

**NORTH BRANCH INDEPENDENT SCHOOL DISTRICT NO. 138  
 NORTH BRANCH AREA EDUCATION CENTER, BOARD ROOM, ROOM C120  
 38705 GRAND AVENUE  
 NORTH BRANCH, MN 55056  
 REGULAR SCHOOL BOARD MEETING  
 DECEMBER 14, 2023  
 5:30 PM**

**AGENDA**

- I. Call to Order
- II. Roll Call
- III. Pledge of Allegiance
- IV. Approval of Agenda
- V. School Board Recognition
  - A. Fall Sport Recipients 5  
 Watch the videos at the following link:  
[www.isd138.org/article/1382527](http://www.isd138.org/article/1382527)
- VI. Superintendent’s Report 7
- VII. Removal of Consent Items for Discussion
- VIII. Approval of Consent Items
  - A. Minutes of November 2, 2023 Regular School Board Meeting 15
  - B. Minutes of November 30, 2023 Work Session 22
  - C. Authorization of Payments, Transfers, and Investment Activity 24
  - D. Personnel
    - 1. Cindy Paulson, retirement effective November 30, 2023, as Building Behavior Technician at Sunrise River Elementary School
    - 2. Laurie Erkkila, resignation effective December 8, 2023, as SPED Teacher at North Branch Area High School
    - 3. Samantha Hoffman, resignation effective January 5, 2024, as School Age Care Adult Assistant at North Branch Area Education Center
    - 4. Katerina Nagle, resignation effective November 21, 2023, as School Age Care Adult Assistant and Early Childhood Assistant at North Branch Area Education Center
    - 5. Shauna Poorker, resignation effective November 3, 2023, as SPED Assistant at Life Work Center
    - 6. Ronda Santine, resignation effective November 30, 2023, as Lunchroom/Playground Assistant at Sunrise River Elementary School
    - 7. Damita Steagald, resignation effective November 15, 2023, as Schoolkeeper at North Branch Area Public Schools
    - 8. Jessica Weilage, resignation effective November 20, 2023, as Early Childhood Assistant at North Branch Area Education Center
    - 9. June Babcock, extension of leave request effective November 20, 2023, through January 15, 2024, as SPED Assistant at North Branch Area Middle School

10. Juliane Bartel, extension of leave request effective November 9, 2023 through December 3, 2023, as SPED Assistant at North Branch Area Education Center
11. Cheryl Becker, leave request effective January 18, 2024 through February 28, 2024, as SPED Teacher at North Branch Area High School
12. Brittany George, leave request effective February 5, 2024 through March 17, 2024, as Central Printing Operator at North Branch Area Public Schools
13. Britney Heisick, leave request effective December 5, 2023 through January 7, 2024, as Spanish Teacher at North Branch Area Middle School
14. Jon Griffith, BS, Step 1, effective December 18, 2023 through June 7, 2024, for a Tier I License, as SPED Teacher at North Branch Area High School
15. Shuani Anderson, employment effective October 30, 2023, as Schoolkeeper at North Branch Area Public Schools
16. Laura Bourgoïn, employment effective October 25, 2023 as SPED Assistant at Life Work Center
17. Taylor Braatz, employment effective November 13, 2023, as Building and Grounds/Technology Secretary at North Branch Area Public Schools
18. Sarah Buchholz, employment effective October 31, 2023, as SPED Assistant at North Branch Area High School
19. Julie Johnson, employment effective October 30, 2023, as EL Assistant at North Branch Area Public Schools
20. Brandon Persaud, employment effective November 27, 2023, as Schoolkeeper at North Branch Area Public Schools
21. Angela Peterson, employment effective November 21, 2023, as SPED Assistant at Life Work Center
22. Shauna Poorker, employment effective October 30, 2023, as SPED Assistant at Life Work Center
23. Brianna Smith-Sheppard, employment effective October 10, 2023, as Lunchroom Assistant at North Branch Area Middle School
24. Melinda Williams, employment effective October 16, 2023, as Lunchroom/Playground Assistant at Sunrise River Elementary School
25. Kelly Beckwith, position change effective December 11, 2023, from Senior Adult School Age Care Assistant at North Branch Area Education Center to Behavior Interventionist at Sunrise River Elementary School
26. Monica Thompson, termination effective November 3, 2023, as SPED Assistant at North Branch Area High School
27. 2023-24 Extra Curricular Winter Coach Positions
  - a. Todd Default, Class 1, Step 7, as Head Coach for Boys Basketball
  - b. Josh Beaver, Class 3, Step 2, as Assistant Coach for Boys Basketball
  - c. Shane Ray, Class 3, Step 5, as Assistant Coach for Boys Basketball
  - d. Hunter Brandel, Class 3, Step 1, as Assistant Coach for Girls Basketball
  - e. Chris Johnson, Class 2, Step 10, as Head Coach for Gymnastics
  - f. Norm Nagel, Class 4, Step 4, as Assistant Coach for Gymnastics
  - g. Bobbi Disrud, Class 3, Step 10, as Head Coach for Dance
  - h. Gina Scott, Class 5, Step 6, as Assistant Coach for Dance
  - i. Norm Nagel, Class 9, Step 10, as Weightroom Supervisor (Winter Season)
28. 2023-24 Activity Advisor Positions
  - a. James Pope, Class 8, Step 10, as Advisor for High School Pep Band

- b. Elizabeth Budahn, Class 4, Step 6, as Advisor for Extra-Curricular Vocals (Harmonaires)
- c. James Pope, Class 4, Step 10, as Advisor for High School Jazz Band
- d. Jonny Bodell, Class 7, Step 1, as Advisor for Yearbook
- e. Max Anderson, Class 4, Step 1, as Head Coach for Speech
- f. Brittany Ahner, Class 6, Step 8, as Assistant Coach for Speech
- g. Samantha Weiss, Class 8, Step 3, as Knowledge Bowl Advisor
- h. Gavin Lien, Class 9, Step 1, as Knowledge Bowl Assistant Advisor
- i. Stan Rosen, Class 6, Step 10, as Advisor for DECA
- j. Kindra Helin, Class 6, Step 4, as 0.5 FTE Student Council Co-Advisor
- k. Clint Link, Class 6, Step 4, as 0.5 FTE Student Council Co-Advisor
- l. Nathan Korkowski, Class 6, Step 3, as 0.5 FTE 10-12 FRC Robotics Coach
- m. Becky Leuer, Class 6, Step 5, as 7-9 FTC Robotics Coordinator
- n. Laura Long, Class 7, Step 5, as One Act Director
- o. Laura Long, Class 3, Step 6, as Auditorium Coordinator/Tech Club Advisor
- p. Ben Paro, Class 10, Step 5, as Advisor for Middle School Jazz Band
- q. Elizabeth Budahn, Class 10, Step 6, as Advisor for Middle School Show Choir
- r. Pam Newbauer, Class 9, Step 10, as Advisor for Middle School Knowledge Bowl
- s. Jessica Thelander, Class 9, Step 1, as 0.1 FTE Advisor for Middle School Knowledge Bowl
- t. Jessica Richter, Class 7, Step 7, as Advisor for Middle School Yearbook
- u. Melissa Kleschult, Class 7, Step 2, as 0.5 FTE Advisor for Elementary Yearbook
- v. Juli Summer, Class 7, Step 2, as 0.5 FTE Advisor for Elementary Yearbook

E. Acceptance of Donations

25

Minnesota Statute 123B.02 permits school boards to "...receive, for the benefit of the district, bequests, donations, or gifts for any proper purpose and apply the same to the purpose designated. In that behalf, the board may act as trustee of any trust created for the benefit of the district, and for the benefit of pupils thereof."

Therefore, the Superintendent recommends the following resolution:

BE IT RESOLVED by the School Board of Independent School District No. 138 that the School Board accept with appreciation the following contributions and permit their use as designated by the donors.

- IX. **Open Mic:** Open mic is a time for public comment. However, it is not a means to have issues added to this evening's agenda. It is also not a means to discuss specific individuals negatively in public, either by name or position. If you would like district follow up to comments, please leave appropriate contact information on the open mic sign-in sheet. Please limit your comments to three minutes.
- X. Old Business
  - A. Consider Second Reading<sup>3</sup> of the Following Policies

	1. Policy 618 - Assessment of Student Achievement (MSBA changes)	26
	2. Policy 621 - Literacy and the Read Act (New MSBA policy)	32
XI.	New Business	
	A. Consider Acceptance of Audit Report for FY2023	40
	B. Consider Certification of Property Tax Levy 2023, Payable 2024 in the Amount of \$10,144,705.47	188
	C. Consider First Reading of the 2024-25 Draft School Calendar	200
	D. Consider Resolution Establishing Combined Polling Places for Multiple Precincts and Designating Hours During Which the Polling Places will Remain Open for Voting for School District Elections Not Held on the Day of a Statewide Election	201
XII.	Addendum	
XIII.	Information	
XIV.	Board Requests	
XV.	Committee Reports	
XVI.	Dates to Remember	
	A. Thursday, January 4, 2024, Negotiations Committee Meeting, 8:00 am, North Branch Area Education Center	
	B. Thursday, January 4, 2024, NBEA Mediation Session, 9:00 am, North Branch Area Education Center	
	C. Thursday, January 11, 2024 Policy Committee Meeting, 4:30 pm, North Branch Area Education Center, Conference Room, B122	
	D. Thursday, January 11, 2024 Organizational Meeting, 5:30 pm, North Branch Area Education Center, Boardroom, C120	
	E. Thursday, January 11, 2024 Regular School Board Meeting, immediately following the Organizational Meeting, North Branch Area Education Center, Boardroom, C120	
	F. Thursday, January 25, 2024, School Board Work Session, 5:30 pm, North Branch Area Middle School, FTLA Room, #816	
XVII.	Adjournment	

First Name	Last Name	Sport	All Conference	AC Honorable Mention	Academic AC	All State
Ethan	Kester	Boys Cross Country			AAC	
Jordan	Stumm	Boys Cross Country	AC		AAC	
Andrew	Witkowski	Boys Cross Country			AAC	
Jack	Baker	Boys Soccer			AAC	
Drew	Detzler	Boys Soccer	AC			
Chase	Disrud	Boys Soccer			AAC	
Jacob	Edmonds	Boys Soccer		ACHM	AAC	
Chazz	Johnson	Boys Soccer			AAC	
Bryce	Rehm	Boys Soccer		ACHM		
Carson	Weber	Boys Soccer		ACHM	AAC	
	NONE	Girls Cross Country				
Summer	Fruth	Girls Soccer		ACHM		
Danna	Garcia Velazquez	Girls Soccer	AC			
Sharis	Garcia Velazquez	Girls Soccer		ACHM	AAC	
Ava	Gerten	Girls Soccer	AC		AAC	
Mary	Jennrich	Girls Soccer			AAC	
Olivia	Lorge	Girls Soccer			AAC	
Ava	Mohs	Girls Soccer	AC			
Drew	Moryn	Girls Soccer			AAC	
Hannah	Bernier	Girls Tennis			AAC	
Ashley	Bistodeau	Girls Tennis		ACHM	AAC	
Maggie	Hunter	Girls Tennis			AAC	
Katelyn	Money	Girls Tennis			AAC	All State Academic
Grace	Okuku	Girls Tennis			AAC	All State Academic
Abigail	Pfeifer	Girls Tennis			AAC	
Paulina	Rossini	Girls Tennis		ACHM		
Nora	Touissant	Girls Tennis		ACHM		
Austin	Anderson	Football	AD			All Section
Brody	Beaver	Football				All Section HM
Joseph	Donahue	Football	AD			All Section
Carter	Drill	Football	AD			All Section HM
Ty	Ellsworth	Football				All Section HM
Matthew	Fenton	Football		ADHM		All Section

First Name	Last Name	Sport	All Conference	AC Honorable Mention	Academic AC	All State
Aaron	Goeltl	Football			AAD	
Tyler	Hendricks	Football				All Section
Jacob	Knoespel	Football			AAD	
Owen	Link	Football				All Section HM
Tyler	Minke	Football		ADHM	AAD	All Section
Moses	Ochoa	Football				All Section HM
Jacob	Robillard	Football	AD		AAD	All Section
Jayden	Roske	Football				All Section HM
Patrick	Spinler	Football			AAD	
Everett	Thomsen	Football			AAD	
Jacob	Tiegen	Football	AD		AAD	All Section, All State Academic
Magnus	Toussaint	Football		ADHM		All Section HM
Nolen	Volner	Football	AD			
Johanna	Bartkey	Volleyball		ACHM	AAC	
Sophia	Benedict	Volleyball	AC			
Derrian	Dick	Volleyball			AAC	
Dakota	Esget	Volleyball	AC		AAC	
Brooke	Giese	Volleyball			AAC	
Heidi	Hedberg	Volleyball			AAC	
Sarah	Hedberg	Volleyball			AAC	
Jade	Knoespel	Volleyball			AAC	
Jenna	Minke	Volleyball	AC			
Hailey	Notebaart	Volleyball			AAC	
Avery	Smith	Volleyball		ACHM		

# Superintendent Update

December 14, 2023



# At the forefront of educational excellence



## **WHAT WE INTEND TO CREATE**

*Inspire dreams,  
build integrity and  
instill hope*

*in our students, our staff, our families and our communities.*

## **OUR PURPOSE**

Partner with students, staff, families and communities  
to challenge all students  
to achieve their greatest potential and  
become informed and engaged citizens.

# Proud to be a Viking: Forward Together in Action





## High School receives Computer Science grant

NBAHS was awarded a \$68,000 STEM grant from the Minnesota Department of Education to add Computer Science to our high school course offerings. Only 28% of Minnesota high schools offer computer science courses, and this grant helps us begin offering computer science next year.

Computer Science is a piece of the puzzle as part of our emerging Engineering career pathway. It also strengthens are existing IT Pathway.

I am thankful to the remarkable Viking team of Director of Teaching and Learning David Treichel, High School Principal Clint Link, Assistant Principal Andrea Thiner, and teachers Rebecca Springman and Sherri Keller for collaborating to incorporate computer science into our career pathways!

## Honoring one honors many

In mid-November Cook was awarded the Minnesota Farm Bureau Federation's (MFBF) Young Farmers & Ranchers Excellence in Agriculture competition, and will now be entered into the national contest.

Representatives of the Minnesota Farm Bureau will be at the middle school tomorrow- Friday, Dec. 15, to take video of teacher Amanda Cook working in her 8th grade AGmazing class.

Honor teacher Amanda Cook honors our staff, students and partners that are energized by the learning opportunities that the field of agriculture provides.

SKOL! Vikings!



# Winter Solstice, Storytelling, Drum & Dance Night



- Roughly 100 people in attendance
- Two Native authors, James Vukelich and Linda LeGarde Grover, shared traditional stories and teachings.
- After storytelling, there was a drum and dance exhibition including some North Branch students learning how to dance.
- Ben Paro: “This event is helping us meet our goals of building a positive self-image of American Indian students and developing intercultural awareness among pupils, parents, and staff.”



## Dec. 15 Patron Tour

Nine people are signed up to attend our Patron Tour tomorrow. The majority of participants expressed interest in their Family Satisfaction Survey responses.

Patron Tours run from 7:45 am to 12:30 pm. Patron Tours start with a visit with Supt. Paul and morning refreshments (coffee, donuts, etc.) and then proceeds on a tour of all the district facilities. Along the way attendees get to talk with building leaders, be in classrooms to see learning happening, and see many of the facilities improvements made since 2017. The tour concludes with a lunch with high school students and food created and served by our students in the ProStart culinary program.





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**NORTH BRANCH INDEPENDENT SCHOOL DISTRICT NO. 138  
REGULAR SCHOOL BOARD MEETING  
NORTH BRANCH AREA EDUCATION CENTER, BOARDROOM  
NOVEMBER 2, 2023**

The School Board of Independent School District 138 met in regular session on Thursday, November 2, 2023, at 5:30 p.m. in the Boardroom at the North Branch Area Education Center.

Chair MacMillan called the meeting to order.

Roll Call: Tim MacMillan, Sarah Grovender, Jesse LaValla, Adam Trampe, Shelly Johnson, and Superintendent Paul

Absent: Heather Naegele

Others in Attendance:  
John Wagner, Todd Tetzlaff, Pat Tepoorten, and Arle Chambers

The Pledge of Allegiance was said by all.

Approval of Agenda:  
Moved by Trampe, seconded by Grovender and carried unanimously to approve the agenda.

**SUPERINTENDENT'S REPORT**

Superintendent Paul shared that she will be participating in the Fulbright Fellowship program, where she will be traveling to Germany in November for ten days. This program is funded through US Congress and is recognized as one of the most prestigious programs in the US.

Superintendent Paul reported on teacher apprenticeship opportunities, receiving a \$2,000 STEM Talent Pipeline grant, and the North Branch Area Hockey Association collaborating with NBAPS and the City of North Branch to upgrade the outdoor hockey rink located south of North Branch Area High School.

She mentioned upcoming activities, which include the Viking Challenge drill competition, football section finals, the Winter Sports meeting, the SpongeBob Musical, Arts Fest, and the Winter Solstice, Storytelling, Drum, & Dance Night.

**CONSENT ITEMS**

Moved by Grovender, seconded by Trampe and carried unanimously to approve the consent agenda.

A. Minutes of October 12, 2023 Policy Committee Meeting

B. Minutes of October 12, 2023 Regular School Board Meeting

C. Minutes of October 26, 2023 Special School Board Meeting

D. Authorization of Payments, Transfers, and Investment Activity

- Accounts Payable, Bank 07 – \$874,996.67
- Auxiliary, Bank 12 - \$4,085.00
- Payroll, Bank 13 - \$1,940,602.21
- Scholarship, Bank 18 - \$0.00
- High School Student Activities, Bank 31 - \$19,515.92
- Middle School Student Activities, Bank 32 - \$0.00

E. Personnel

1. Jodi Johnson, retirement effective at the end of the 2023-24 school year, as Second Grade Teacher at Sunrise River Elementary School
2. Kayla Heideman, resignation effective October 24, 2023, as SPED Assistant at Sunrise River Elementary School
3. Christopher Ward, resignation effective October 12, 2023, as Lunchroom Assistant at North Branch Area Middle School
4. Juliane Bartel, extension of leave request effective October 26, 2023 through November 8, 2023, as SPED Assistant at North Branch Area Education Center
5. Kathy Hischer, leave request effective September 7, 2023 through November 5, 2023, as Transition Job Coach at Life Work Center
6. Lynelle Jensen, extension of leave request effective November 2, 2023 through November 8, 2023, as First Grade Teacher at Sunrise River Elementary School
7. Victoria Klun, MEd, Step 13, LTS for Kristi Johnson, effective November 7, 2023 through January 12, 2024, as Kindergarten Teacher at North Branch Area Education Center
8. James Heilig, employment effective September 6, 2023, as Lunchroom/Playground Assistant at Sunrise River Elementary School
9. Tabitha Prouty, employment effective October 9, 2023, as Lunchroom/Playground Assistant at North Branch Area Education Center
10. Jessica M. Richter, employment effective September 26, 2023, as Lunchroom Assistant at North Branch Area Middle School

11. Damita Steagald, employment effective October 2, 2023, as Schoolkeeper at North Branch Area Public Schools
12. Monica Thompson, employment effective October 9, 2023, as SPED Assistant at North Branch Area High School
13. Kathleen Winters, employment effective October 9, 2023, as SPED Assistant at North Branch Area Middle School
14. Krystle Yarusso, employment effective October 10, 2023, as SPED Assistant at North Branch Area Middle School
15. 2023-24 Extra Curricular Winter Coach Positions
  - a. Jackson Marcussen, Class 9, Step 1, as Weightroom Supervisor (Fall Season)
  - b. Ryan Minke, Class 3, Step 10, as Assistant Coach for Boys Basketball
  - c. Joe Lattimore, Class 1, Step 6, as Head Coach for Girls Basketball
  - d. Kyle Groh, Class 3, Step 4, as Assistant Coach for Girls Basketball
  - e. Kyle Kahl, Class 1, Step 9, as Head Coach for Wrestling
  - f. David Kaiser, Class 3, Step 2, as Assistant Coach for Wrestling
  - g. Steve Christensen, Class 6, Step 10, as Coach for Middle School Girls Basketball
  - h. Jim VanEerden, Class 6, Step 10, as Coach for Middle School Girls Basketball
  - i. Jim VanEerden, Class 6, Step 10, as Coach for Middle School Boys Basketball
  - j. Justin Voss, Class 9, Step 10, as Weightroom Supervisor (Winter Season)
  - k. Brandon Hunter - Volunteer Coach for Girls Basketball
  - l. Justin Baker - Volunteer Coach for Wrestling
  - m. Ashton LaBelle - Volunteer Coach for Wrestling
  - n. Jackson Marcussen - Volunteer Coach for Wrestling
  - o. Lucas Nadeau - Volunteer Coach for Wrestling
  - p. Jorge Perales - Volunteer Coach for Wrestling

16.2023-24 Activity Advisor Positions

- a. Kevin Grote, Class 10, Step 7, as Advisor for Clay Target for Fall Season
- b. Jessica Konrad, Class 10, Step 2, as Advisor for Clay Target for Fall Season
- c. Hannah Rawleigh, Class 6, Step 5, as Advisor for ProStart
- d. Laura Rothe, Class 8, Step 8, as Advisor for National Honor Society
- e. Erin Theobald, Class 10, Step 5, as Advisor for Prom

F. Annual Assurance of Compliance Report

G. Acceptance of Donations

Date	Donation From	Donation To	Amount	Use
10/4/23	First State Bank of Wyoming – Wyoming, MN	NBHS	\$200.00	Firework Sponsor for Homecoming
10/4/23	Prism Design & Embroidery LLC – NB, MN	NBHS	\$300.00	Firework Sponsor for Homecoming
10/4/23	SSA Inc., Express Employment Professionals – Forest Lake, MN	NBHS	\$150.00	Firework Sponsor for Homecoming
10/4/23	Stacy Lions Club – Stacy, MN	NBHS	\$500.00	Firework Sponsor for Homecoming
10/10/23	Revive Chiropractic – NB, MN	NBHS Athletics	\$50.00	Football Program – Sports Physical Donation
10/18/23	Riehle Family Charities – Woodbury, MN	NBHS Athletics	\$100.00	Tennis Program
10/18/23	Lawrence Schlagel - NB, MN	NBHS Athletics	\$250.00	Tennis Program
10/19/23	Central Minnesota Manufacturers Assoc.-Elbow Lake, MN	NBHS	\$360.00	CMMA Tour/Busing Donation
		<b>TOTAL</b>	<b>\$1,910.00</b>	
Oct 2023	Shannon Champlin – NB, MN	NB Ed Center	Donated 21 pumpkins	

## **OPEN MIC**

No one signed up for open mic.

## **OLD BUSINESS**

A. Approval of David Pirrie, position change from 0.83 FTE to 1.0 FTE beginning on September 15, 2023, as DLA Teacher at North Branch Area Public Schools

Moved by Trampe, seconded by LaValla and carried unanimously to approve the position change for David Pirrie from 0.83 FTE to 1.0 FTE beginning on September 15, 2023, as DLA Teacher at North Branch Area Public Schools.

B. Approval of Second Reading of the Following Policies

Moved by Grovender, seconded by LaValla and carried unanimously to approve the following policies for a second reading:

1. Policy 418 - Drug-Free WorkPlace/Drug-Free School (MSBA changes)
2. Policy 419 - Tobacco-Free Environment; Possession and Use of Tobacco, Tobacco-Related Devices, and Electronic Delivery Devices; Vaping Awareness and Prevention Instruction (MSBA changes)
3. Policy 424 - License Status (MSBA changes)
4. Policy 509 - Enrollment of Nonresident Students (MSBA changes)
5. Policy 513 - Student Promotion, Retention, and Program Design (MSBA changes)
6. Policy 602 - Organization of School Calendar and School Day (MSBA changes)

## **NEW BUSINESS**

A. Approval of Preliminary Financial Statement Report

Todd Tetzlaff, Director of Finance and Human Resources, presented the school board with preliminary financial statements, which show the fund balance in our unassigned general fund within the school board's established fund balance according to their fund balance policy.

Moved by Trampe, seconded by LaValla and carried unanimously to approve the preliminary financial statement report.

B. Approval of First Reading of the Following Policies

Moved by Grovender, seconded by LaValla and carried unanimously to approve the following policies for a first reading:

1. Policy 618 - Assessment of Student Achievement (MSBA changes)
2. Policy 621 - Literacy and the Read Act (New MSBA policy)

C. Approval of Level II Grievance

A grievance was brought forward to the Personnel Committee on October 31. Upon the conclusion of the Personnel Committee hearing, the Grievant proposed settlement language, which was agreed upon by the Grievant and Personnel Committee. Moved by Grovender to approve the settlement agreement. There was a lack of a second. Discussion followed. After discussion, moved by Grovender, seconded by Trampe and carried unanimously to approve the settlement agreement.

D. Approval of Resolution of Governing Board Supporting Form A Application to Minnesota State High School League Foundation

Moved by Grovender, seconded by LaValla and carried unanimously to approve the resolution of school board supporting Form A application to Minnesota State High School League Foundation.

**FORM A**

**RESOLUTION OF GOVERNING BOARD SUPPORTING  
FORM A APPLICATION TO MINNESOTA  
STATE HIGH SCHOOL LEAGUE FOUNDATION**

WHEREAS, the Minnesota State High School League Foundation was formed to provide support for Minnesota's high school youth to participate in athletics and fine arts;

WHEREAS, the Governing Board of North Branch Area High School recognizes the value of student participation in extracurricular activities; and

WHEREAS, the MSHSL Foundation is offering grants and funding to assist schools in recognizing, promoting and funding extracurricular participation by high school students in athletic and fine arts programs.

THEREFORE, BE IT RESOLVED, that the Governing Board of North Branch Area High School supports the school's application to the Minnesota State High School League Foundation for a FORM A grant to offset student activity fees.

E. Approval of Resolution of School Board/Governing Board Supporting Form B Application to Minnesota State High School League Foundation

Moved by Grovender, seconded by LaValla and carried unanimously to approve the resolution of school board/governing board supporting Form B application to Minnesota State High School League Foundation.

**FORM B**

**RESOLUTION OF SCHOOL BOARD/GOVERNING BOARD SUPPORTING  
FORM B APPLICATION TO MINNESOTA STATE HIGH SCHOOL LEAGUE  
FOUNDATION**

WHEREAS, the Minnesota State High School League Foundation was formed to provide support for Minnesota's high school youth to participate in athletics and fine arts;

WHEREAS, the Governing Board of North Branch Area High School recognizes the value of student participation in extracurricular activities; and

WHEREAS, the MSHSL Foundation is offering grants and funding to assist schools to provide seminars/training opportunities or support for specific school functions for students/faculty members/officials and others who are involved in athletic and fine arts programs.

THEREFORE, BE IT RESOLVED, that the Governing Board of North Branch Area High School supports the school's application to the Minnesota State High School League Foundation for a **FORM B** grant.

### **INFORMATION**

The board reviewed the fundraising reports for Early Childhood, Sunrise River Elementary School, North Branch Area Middle School, and the North Branch Area High School Activities from May 1, 2023 through October 31, 2023.

### **BOARD REQUESTS**

Superintendent Paul relayed that Board Member Trampe's request for the responses from the family survey will be provided in the weekly update to the board.

### **COMMITTEE REPORTS**

Board Member LaValla reported on the Community Ed Advisory Council meeting he attended on October 16.

Board Member MacMillan reported on the SEE meeting he attended on October 12.

### **DATES TO REMEMBER**

- A. Thursday, November 30, 2023, School Board Work Session, 5:30 pm, North Branch Area Education Center, Boardroom, C120
- B. Thursday, December 14, 2023, Policy Committee Meeting, 4:30 pm, North Branch Area Education Center, Conference Room, B122
- C. Thursday, December 14, 2023, Regular School Board Meeting, 5:30 pm, North Branch Area Education Center, Boardroom, Room C120

### **Adjournment**

Moved by Grovender, seconded by LaValla and carried unanimously to adjourn the regular meeting at 7:10 pm.

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Heather Naegele, Clerk  
(Unapproved)

**NORTH BRANCH INDEPENDENT SCHOOL DISTRICT NO. 138  
NORTH BRANCH AREA EDUCATION CENTER, BOARDROOM  
SCHOOL BOARD WORKING SESSION  
November 30, 2023**

The School Board of Independent School District 138 met in a Working Session on Thursday, November 30, 2023, at 5:30 p.m. in the Boardroom at the North Branch Area Education Center.

Chair MacMillan called the meeting to order.

Roll Call: Tim MacMillan, Sarah Grovender, Heather Naegele, Adam Trampe, Shelly Johnson, and Superintendent Paul

Absent: Jesse LaValla

Others in Attendance:

Denise Martin, Erica Bjerketvedt, Dave Gryte, Juli Summer, Krista Coddington, Lynn Kozar-Gryte, Katelyn Hanna, Amy Kahl, Johannah Gillquist, Jen McCann, Charley Klopp, Todd Tetzlaff, David Treichel, Pat Tepoorten, and Arle Chambers

The Pledge of Allegiance was said by all.

Work Session Topics

Superintendent's Report

Superintendent Paul reported on her 10-day trip to Germany from November 4-14 for the Fulbright Leaders for Global Schools Program. The itinerary included visiting five schools, three state entities, four federal entities, and four cultural experiences.

She also talked about the teacher apprenticeship program, the 2023-24 American Indian Parent Advisory Committee and American Indian Education Plan, and the Winter Solstice, Storytelling, Drum, & Dance Night, which is being held on December 4, 2023.

Community Education Update

Erica Bjerketvedt, Director of Early Learning and Community Education, gave an update on adult enrichment/recreation, youth enrichment/recreation, early childhood programming, community engagement/special events, Youth Connections, and facility use. She also reported on the 2024-25 timeline for kindergarten recruitment and enrollment.

World's Best Workforce Report

David Treichel, Director of Teaching and Learning, gave a presentation on the 2022-23 World's Best Workforce report.

Chair MacMillan adjourned the meeting at 6:52 pm.

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Heather Naegele, Clerk  
(Unapproved)

**ELECTRONIC FUND TRANSFERS  
NOVEMBER 2023**

Direct Dep Cks			\$985,848.71
ACHS			<u>\$14,786.33</u>
			<b>\$1,000,635.04</b>
Other Electronic Fund Transfers:		11/6/2023	\$61,365.48
Federal/FICA Taxes		11/6/2023	\$94,281.36
(Also reflected in P/R info)		11/20/2023	\$67,631.72
		11/20/2023	<u>\$100,963.79</u>
			<b>\$324,242.35</b>
Minnesota Withholding Taxes		11/7/2023	\$9,680.75
(Also reflected in P/R info)		11/7/2023	\$16,351.86
		11/21/2023	\$10,285.73
		11/21/2023	<u>\$17,517.41</u>
			<b>\$53,835.75</b>
Economic Service (EBC)		11/6/2023	\$2,448.98
(Also reflected in P/R info)		11/6/2023	\$5,643.10
		11/20/2023	\$2,440.78
		11/20/2023	<u>\$5,793.10</u>
			<b>\$16,325.96</b>
MII LIFE-F S A	PEIP	11/14/2023	\$208.42
	PEIP	11/20/2023	\$30.00
	PEIP	11/21/2023	\$132.65
	PEIP Admin Inv	11/24/2023	<u>\$432.00</u>
			<b>\$803.07</b>
MII LIFE-M S A		11/6/2023	\$15,449.87
		11/6/2023	\$20,517.20
		11/20/2023	\$11,449.87
		11/20/2023	<u>\$20,581.37</u>
			<b>\$67,998.31</b>
Minnesota Teachers Retirement		11/3/2023	\$9,648.20
		11/3/2023	\$70,866.65
		11/17/2023	\$9,648.20
		11/17/2023	<u>\$75,750.44</u>
			<b>\$165,913.49</b>
PERA		11/3/2023	\$31,154.96
		11/17/2023	<u>\$33,693.03</u>
			<b>\$64,847.99</b>
Delta Dental Plan		11/21/2023	<b>\$19,082.27</b>
MN Sales Tax		11/17/2023	<b>\$422.00</b>
Neopost Annual Fee		11/2/2023	\$50.00
Neopost Advance		11/10/2023	<u>\$5,000.00</u>
			<b>\$5,050.00</b>

NOVEMBER 2023

DATE	DONATION FROM	DONATION TO	AMOUNT	USE
11/9/23	Anonymous	NBHS Athletics	\$100.00	FTC Robotics Program Donation
11/9/23	Lions Club of North Branch, P.O. Box 172, North Branch, MN 55056	NBHS Athletics	\$1,500.00	Gymnastics Program Donation
11/9/23	Forest Lake Lions Club, P.O. Box 543, Forest Lake, MN 55025	NBHS Athletics	\$750.00	Gymnastics Program Donation
11/9/23	Dr. Mike Wilcox, 310 1st Ave NW, New Prague, MN 56071	NBHS Scholarship A/C	\$5,000.00	Scholarship Donation
11/22/23	Friends of Wild River State Park	NBHS Athletics	\$50.00	Wrestling Program Donation
11/22/23	Alex Streater, P.O. Box 566, North Branch, MN 55056	NBHS Scholarship A/C	\$1,000.00	Scholarship Donation
11/24/23	NB Area Hockey Association, Inc., P.O. Box 541, North Branch, MN 55056	NBHS	\$6,626.86	Hockey Rink Materials Donation
11/29/23	Anonymous-Arts Fest Tables	NBHS Athletics	\$203.00	FTC Robotics Program Donation
11/29/23	First State Bank of Wyoming, P.O. Box 308, Wyoming, MN 55092	NBHS Scholarship A/C	\$1,000.00	Scholarship Donation
11/29/23	Joyce Hansen or Katie Roderick, 6758 401st Street, North Branch, MN 55056	NBHS Athletics	\$500.00	JROTC Program Donation
11/29/23	North Branch Dental, P.O. Box 220, North Branch, MN 55056	NBHS Scholarship A/C	\$1,000.00	Scholarship Donation
11/29/23	Stacy Lent VFD Relief Association, P.O. Box 123, Stacy, MN 55079	NBHS Scholarship A/C	\$10,000.00	Scholarship Donation
11/30/23	Shaan Hilber, 37687 Elk Ave, North Branch, MN 55056	NBHS	\$330.00	Music 50/50 split (Band & Choir) Department Donation
			<b>\$28,059.86</b>	

Adopted: \_\_\_\_\_

MSBA/MASA Model Policy 618

Orig. 1998

Revised: \_\_\_\_\_

Rev. 2023

## 618 ASSESSMENT OF STUDENT ACHIEVEMENT

### I. PURPOSE

The purpose of this policy is to institute a process for the establishment and revision of assessments to measure achievement toward meeting the Minnesota Academic Standards, track academic progress over time, and provide Minnesota graduates information related to career and college readiness.

### II. GENERAL STATEMENT OF POLICY

The school district has established a procedure by which students shall complete Graduation Requirements. This procedure includes the adoption of performance assessment methods to be used in measuring student performance. The school district strives to continually enhance student achievement of Graduation Requirements.

### III. DEFINITIONS

~~A. "Above-grade level" test items contain subject area content that is above the grade level of the student taking the assessment and is considered aligned with state academic standards to the extent it is aligned with content represented in state academic standards above the grade level of the student taking the assessment. Notwithstanding the student's grade level, administering above-grade level test items to a student does not violate the requirement that state assessments must be aligned with state standards.~~

A. "Academic standard" means a summary description of student learning in a required content area or elective content area.

~~"Below-grade level" test items contain subject area content that is below the grade level of the student taking the test and is considered aligned with state academic standards to the extent it is aligned with content represented in state academic standards below the student's current grade level. Notwithstanding the student's grade level, administering below-grade level test items to a student does not violate the requirement that state assessments must be aligned with state standards.~~

B. "Benchmark" means the specific knowledge or skill that a student must master to complete part of an academic standard by the end of the grade level or grade band.

C. "Career and college ready," for purposes of statewide accountability, means a high school graduate has the knowledge, skills, and competencies to successfully pursue a career pathway, including postsecondary credit leading to a degree, diploma, certificate, or industry-recognized credential and employment. Students who are career and college ready are able to successfully complete credit-bearing coursework at a two- or four-year college or university or other credit-bearing postsecondary program without need for remediation.

~~"Computer-adaptive assessments" means fully adaptive assessments.~~

D. "Cultural competence," for purposes of statewide accountability, means the ability and will to interact effectively with people of different cultures, native languages, and socioeconomic backgrounds.

E. "Elective standards" means a locally adopted expectation for student learning in career

and technical education and world languages.

- F. "Experiential learning" means learning for students that includes career exploration through a specific class or course or through work-based experiences such as job shadowing, mentoring, entrepreneurship, service learning, volunteering, internships, or other cooperative work experience, youth apprenticeship, or employment.
- J. ~~"Fully adaptive assessments" include on-grade level test items and items that may be above or below a student's grade level. [Note: Fully adaptive mathematics and reading assessments must be used for grades 3 through 7 beginning in the 2015-2016 school year and later.]~~
- K. ~~"On-grade level" test items contain subject area content that is aligned to state academic standards for the grade level of the student taking the assessment.~~
- GL. "Required standard" means (1) a statewide adopted expectation for student learning in the content areas of ~~English~~ language arts, mathematics, science, social studies, physical education, and the arts, ~~and/or~~ (2) a locally adopted expectation for student learning in health ~~or the arts~~.

#### IV. ESTABLISHMENT OF CRITERIA FOR ASSESSMENT

- A. The Director of Teaching and Learning shall establish criteria by which student performance of local academic standards and elective standards are to be evaluated and approved. The criteria will be submitted to the school board for approval. Upon approval by the school board, the criteria shall be deemed part of this policy.
- B. The superintendent shall ensure that students and parents or guardians are provided with notice of the process by which academic standards will be assessed.
- C. Staff members will be expected to utilize staff development opportunities to the extent necessary to ensure effective implementation and continued improvement of the implementation of assessments under the Minnesota Academic Standards.

#### V. STANDARDS FOR MINNESOTA ACADEMIC STANDARDS PERFORMANCE ASSESSMENTS

- A. Benchmarks

The school district will offer and students must achieve all benchmarks for an academic standard to satisfactorily complete that state standard. These benchmarks will be used by the school district and its staff in developing tests to measure student academic knowledge and skills.
- B. Statewide Academic Standards Testing
  - 1. The school district will utilize statewide assessments developed from and aligned with the state's required academic standards as these tests become available to evaluate student progress toward career and college readiness in the context of the state's academic standards.
  - 2. The school district will administer annually, in accordance with the process determined by the Minnesota Department of Education, the state-constructed tests aligned with state standards to all students in grades 3 through 8 and at the high school level as follows:
    - a. computer-adaptive reading and mathematics assessments in grades 3 through 8;

- b. high school reading in grade 10, mathematics in grade 11, and a high school writing test, when it becomes available; and
  - c. science assessments in one grade in the grades 3 through 5 span, the grades 6 through 8 span, and a life science assessment in the grades 9 through 12 span (a passing score on high school science assessments is not a condition of receiving a diploma).
3. The school district will develop and administer locally constructed tests in social studies, health and physical education, and the arts to determine if a student has met the required academic standards in these areas.
  4. The school district may use a student's performance on a statewide assessment as one of the multiple criteria to determine grade promotion or retention. The school district also may use a high school student's performance on a statewide assessment as a percentage of the student's final grade in a course, or place a student's assessment score on the student's transcript.
  5. For students in grade 8 in the 2012-2013 school year and later, the school district must record on the high school transcript a student's progress toward career and college readiness. For other students, this record of progress must be made as soon as practicable. In addition, the school district may include a notation of high achievement on the high school diplomas of those graduating seniors who, according to established school board criteria, demonstrate exemplary academic achievement during high school.
  6. Students who do not meet or exceed the Minnesota Academic Standards, as measured by the Minnesota Comprehensive Assessments administered in high school, must be informed that admission to a public school is free and available to any resident under 21 years of age. The school district will determine how this notice is given.

C. Student Participation

1. The Minnesota Commissioner of Education must create and publish a form for parents and guardians that:
  - a. explains the need for state academic standards;
  - b. identifies the state assessments that are aligned with state standards;
  - c. identifies the consequences, if any, the school or student may face if a student does not participate in state or locally required standardized assessments;
  - d. states that students who receive a college ready benchmark on the high school Minnesota Comprehensive Assessment are not required to take a remedial, noncredit course at a Minnesota state college or university in the corresponding subject area;
  - e. summarizes the provisions in Minnesota Statutes section 120B.301(a) and (c); and
  - f. notifies a parent of the right to not have the parent's child participate in the state and locally required assessments and asks a parent that chooses to not have a child participate in the assessments the basis for

the decision.

2. The school district must post the form created by the Commissioner on the school district website and include it in the school district's student handbook.

## **VI. RIGOROUS COURSE OF STUDY WAIVER**

- A. Upon receiving a student's application signed by the student's parent or guardian, the school district must declare that a student meets or exceeds a specific academic standard required for graduation if the school board determines that the student:
  1. is participating in a course of study, including an advanced placement or international baccalaureate course or program; a learning opportunity outside the curriculum of the school district; or an approved preparatory program for employment or post-secondary education that is equally or more rigorous than the corresponding state or local academic standard required by the school district;
  2. would be precluded from participating in the rigorous course of study, learning opportunity, or preparatory employment or post-secondary education program if the student were required to achieve the academic standard to be waived; and
  3. satisfactorily completes the requirements for the rigorous course of study, learning opportunity, or preparatory employment or post-secondary education program.
- B. The school board also may formally determine other circumstances in which to declare that a student meets or exceeds a specific academic standard that the site requires for graduation under this section.
- C. A student who satisfactorily completes a post-secondary enrollment options course or program or an advanced placement or international baccalaureate course or program is not required to complete other requirements of the academic standards corresponding to that specific rigorous course of study.

## **VII. CAREER EXPLORATION ASSESSMENT**

- A. Student assessments, in alignment with state academic standards, shall include clearly defined career and college readiness benchmarks and satisfy Minnesota's postsecondary admissions requirements. Achievement and career and college readiness in mathematics, reading, and writing must also be assessed. When administering formative or summative assessments used to measure the academic progress, including the oral academic development, of English learners and inform their instruction, schools must ensure that the assessments are accessible to the students and students have the modifications and supports they need to sufficiently understand the assessments.
- B. On an annual basis, the school district must use the career exploration elements in these assessments, beginning no later than grade 9, to help students and their families explore and plan for postsecondary education or careers based on the students' interests, aptitudes, and aspirations. The school district must use timely regional labor market information and partnerships, among other resources, to help students and their families successfully develop, pursue, review, and revise an individualized plan for postsecondary education or a career. This process must help increase students' engagement in and connection to school, improve students' knowledge and skills, and deepen students' understanding of career pathways as a sequence of academic and career courses that lead to an industry-recognized credential, an associate's degree, or

a bachelor's degree and are available to all students, whatever their interests and career goals.

- C. All students, except those eligible for alternative assessments, will be encouraged to participate in a nationally normed college entrance exam in grade 11 or 12. A student under this paragraph who demonstrates attainment of required state academic standards on these assessments, which include career and college readiness benchmarks, is academically ready for a career or college and is encouraged to participate in courses awarding college credit to high school students. Such courses and programs may include sequential courses of study within broad career areas and technical skill assessments that extend beyond course grades.

To the extent state funding for college entrance exam fees is available, the school district will pay the cost, one time, for an interested student in grade 11 or 12, who is eligible for a free or reduced-priced meal, to take a nationally recognized college entrance exam before graduating. The school district may require a student who is not eligible for a free or reduced-priced meal to pay the cost of taking a nationally recognized college entrance exam. The school district will waive the cost for a student who is unable to pay.

- D. As appropriate, students through grade 12 must continue to participate in targeted instruction, intervention, or remediation and be encouraged to participate in courses awarding college credit to high school students.
- E. In developing, supporting, and improving students' academic readiness for a career or college, the school district must have a continuum of empirically derived, clearly defined benchmarks focused on students' attainment of knowledge and skills so that students, their parents, and teachers know how well students must perform to have a reasonable chance to succeed in a career or college without need for postsecondary remediation.

**Legal References:** Minn. Stat. § 120B.018 (Definitions)  
Minn. Stat. § 120B.02 (Educational Expectations and Graduation Requirements for Minnesota's Students)  
Minn. Stat. § 120B.021 (Required Academic Standards)  
Minn. Stat. § 120B.022 (Elective Standards)  
Minn. Stat. § 120B.023 (Benchmarks)  
Minn. Stat. § 120B.11 (School District Process for Reviewing Curriculum, Instruction, and Student Achievement; Striving for the World's Best Workforce)  
Minn. Stat. § 120B.30 (Statewide Testing and Reporting System)  
Minn. Stat. § 120B.31 (System Accountability and Statistical Adjustments)  
Minn. Rules Parts 3501.0640-3501.0655 (Academic Standards for Language Arts)  
Minn. Rules Parts 3501.0700-3501.0745 (Academic Standards for Mathematics)  
Minn. Rules Parts 3501.3520 (Academic Standards for the Arts)  
Minn. Rules Parts 3501.0900-3501.0960 (Academic Standards in Science)  
Minn. Rules Parts 3501.1300-3501.1345 (Academic Standards for Social Studies)  
Minn. Rules Parts 3501.1400-3501.1410 (Academic Standards for Physical Education)  
20 U.S.C. § 6301, *et seq.* (Every Student Succeeds Act)

**Cross References:** MSBA/MASA Model Policy 104 (School District Mission Statement)  
MSBA/MASA Model Policy 601 (School District Curriculum and Instruction Goals)  
MSBA/MASA Model Policy 613 (Graduation Requirements)

MSBA/MASA Model Policy 614 (School District Testing Plan and Procedure)  
MSBA/MASA Model Policy 615 (Testing Accommodations, Modifications, and  
Exemptions for IEPs, Section 504 Plans, and LEP Students)  
MSBA/MASA Model Policy 616 (School District System Accountability)

Adopted: \_\_\_\_\_

MSBA/MASA Model Policy 621  
Orig. 2023

Revised: \_\_\_\_\_

## **621 LITERACY AND THE READ ACT**

### **I. PURPOSE**

This policy aligns with Minnesota law established in the Read Act and on other topics related to reading.

### **II. GENERAL STATEMENT OF POLICY**

The school district recognizes the centrality of reading in a student's educational experience.

### **III. DEFINITIONS**

- A. "Evidence-based" means the instruction or item described is based on reliable, trustworthy, and valid evidence and has demonstrated a record of success in increasing students' reading competency in the areas of phonological and phonemic awareness, phonics, vocabulary development, reading fluency, and reading comprehension. Evidence-based literacy instruction is explicit, systematic, and includes phonological and phonemic awareness, phonics and decoding, spelling, fluency, vocabulary, oral language, and comprehension that can be differentiated to meet the needs of individual students. Evidence-based instruction does not include the three-cueing system, as defined in subdivision 16.
- B. "Fluency" means the ability of students to read text accurately, automatically, and with proper expression.
- C. "Foundational reading skills" includes phonological and phonemic awareness, phonics and decoding, and fluency. Foundational reading skills appropriate to each grade level must be mastered in kindergarten, grade 1, grade 2, and grade 3. Struggling readers in grades 4 and above who do not demonstrate mastery of grade-level foundational reading skills must continue to receive explicit, systematic instruction to reach mastery.
- D. "Literacy specialist" means a person licensed by the Professional Educator Licensing and Standards Board as a teacher of reading, a special education teacher, or a kindergarten through grade 6 teacher, who has completed professional development approved by the Minnesota Department of Education (MDE) in structured literacy. A literacy specialist employed by the department under Minnesota Statutes, section 120B.123, subdivision 7, or by a district as a literacy lead, is not required to complete the approved training before August 30, 2025.
- E. "Literacy lead" means a literacy specialist with expertise in working with educators as adult learners. A district literacy lead must support the district's implementation of the Read Act; provide support to school-based coaches; support the implementation of structured literacy, interventions, curriculum delivery, and teacher training; assist with the development of personal learning plans; and train paraprofessionals and other support staff to support classroom literacy instruction. A literacy lead may be employed by one district, jointly by two or more districts, or may provide services to districts through a partnership with the regional service cooperatives or another district.
- F. "Multitiered system of support" or "MTSS" means a systemic, continuous improvement

framework for ensuring positive social, emotional, behavioral, developmental, and academic outcomes for every student. The MTSS framework provides access to layered tiers of culturally and linguistically responsive, evidence-based practices and relies on the understanding and belief that every student can learn and thrive. Through a MTSS at the core (Tier 1), supplemental (Tier 2), and intensive (Tier 3) levels, educators provide high quality, evidence-based instruction and intervention that is matched to a student's needs; progress is monitored to inform instruction and set goals and data is used for educational decision making.

- G. "Oral language," also called "spoken language," includes speaking and listening, and consists of five components: phonology, morphology, syntax, semantics, and pragmatics.
- H. "Phonemic awareness" means the ability to notice, think about, and manipulate individual sounds in spoken syllables and words.
- I. "Phonics instruction" means the explicit, systematic, and direct instruction of the relationships between letters and the sounds they represent and the application of this knowledge in reading and spelling.
- J. "Progress monitoring" means using data collected to inform whether interventions are working. Progress monitoring involves ongoing monitoring of progress that quantifies rates of improvement and informs instructional practice and the development of individualized programs using state-approved screening that is reliable and valid for the intended purpose.
- K. "Reading comprehension" means a function of word recognition skills and language comprehension skills. It is an active process that requires intentional thinking during which meaning is constructed through interactions between the text and reader. Comprehension skills are taught explicitly by demonstrating, explaining, modeling, and implementing specific cognitive strategies to help beginning readers derive meaning through intentional, problem-solving thinking processes.
- L. "Structured literacy" means an approach to reading instruction in which teachers carefully structure important literacy skills, concepts, and the sequence of instruction to facilitate children's literacy learning and progress. Structured literacy is characterized by the provision of systematic, explicit, sequential, and diagnostic instruction in phonemic awareness, phonics, fluency, vocabulary and oral language development, and reading comprehension.
- M. "Three-cueing system," also known as "meaning structure visual (MSV)," means a method that teaches students to use meaning, structure and syntax, and visual cues when attempting to read an unknown word.
- N. "Vocabulary development" means the process of acquiring new words. A robust vocabulary improves all areas of communication, including listening, speaking, reading, and writing. Vocabulary growth is directly related to school achievement and is a strong predictor for reading success.

#### **IV. READING SCREENER; PARENT NOTIFICATION AND INVOLVEMENT**

- A. The school district must administer an approved evidence-based reading screener to students in kindergarten through grade 3 within the first six weeks of the school year, and again within the last six weeks of the school year. The screener must be one of the

screening tools approved by the Minnesota Department of Education (MDE).

- B. The school district must identify any screener it uses in the district's annual literacy plan, and submit screening data with the annual literacy plan by June 15.
- C. Schools, at least biannually after administering each screener, must give the parent of each student who is not reading at or above grade level timely information about:
  - 1. the student's reading proficiency as measured by a screener approved by MDE;
  - 2. reading-related services currently being provided to the student and the student's progress; and
  - 3. strategies for parents to use at home in helping their student succeed in becoming grade-level proficient in reading in English and in their native language.
- D. The school district may not use this section to deny a student's right to a special education evaluation.

#### **V. IDENTIFICATION AND REPORT**

- A. Students enrolled in kindergarten, grade 1, grade 2, and grade 3, including multilingual learners and students receiving special education services, must be universally screened for mastery of foundational reading skills, including phonemic awareness, phonics, decoding, fluency, oral language, and for characteristics of dyslexia as measured by a screening tool approved by MDE. The screening for characteristics of dyslexia may be integrated with universal screening for mastery of foundational skills and oral language.
- B. The school district must submit data on student performance in kindergarten, grade 1, grade 2, and grade 3 on foundational reading skills, including phonemic awareness, phonics, decoding, fluency, and oral language to MDE in the annual local literacy plan submission due on June 15.
- C. Students in grades 4 and above, including multilingual learners and students receiving special education services, who do not demonstrate mastery of foundational reading skills, including phonemic awareness, phonics, decoding, fluency, and oral language, must be screened using a screening tool approved by MDE for characteristics of dyslexia and must continue to receive evidence-based instruction, interventions, and progress monitoring until the students achieve grade-level proficiency. A parent, in consultation with a teacher, may opt a student out of the literacy screener if the parent and teacher decide that continuing to screen would not be beneficial to the student. In such limited cases, the student must continue to receive progress monitoring and literacy interventions.
- D. Reading screeners in English, and in the predominant languages of school district students where practicable, must identify and evaluate students' areas of academic need related to literacy. The school district also must monitor the progress and provide reading instruction appropriate to the specific needs of multilingual learners. The school district must use an approved, developmentally appropriate, and culturally responsive screener and annually report summary screener results to the MDE Commissioner by June 15 in the form and manner determined by the MDE Commissioner.

- E. The school district must include in its literacy plan a summary of the district's efforts to screen, identify, and provide interventions to students who demonstrate characteristics of dyslexia as measured by a screening tool approved by MDE. With respect to students screened or identified under paragraph (a), the report must include:
1. a summary of the school district's efforts to screen for dyslexia;
  2. the number of students universally screened for that reporting year;
  3. the number of students demonstrating characteristics of dyslexia for that year; and
  4. an explanation of how students identified under this subdivision are provided with alternate instruction and interventions under Minnesota Statutes, section 125A.56, subdivision 1.

## **VI. INTERVENTION**

- A. For each student identified under the screening identification process, the school district shall provide reading intervention to accelerate student growth and reach the goal of reading at or above grade level by the end of the current grade and school year.
- B. The school district must implement progress monitoring, as defined in Minnesota Statutes, section 120B.1118, for a student not reading at grade level.
- C. The school district must use evidence-based curriculum and intervention materials at each grade level that are designed to ensure student mastery of phonemic awareness, phonics, vocabulary development, reading fluency, and reading comprehension. Starting July 1, 2023, if the school district purchases new literacy curriculum, or literacy intervention or supplementary materials, the curriculum or materials must be evidence-based as defined in Minnesota Statutes, section 120B.1118.
- D. If a student does not read at or above grade level by the end of the current school year, the school district must continue to provide reading intervention until the student reads at grade level. School district intervention methods shall encourage family engagement and, where possible, collaboration with appropriate school and community programs that specialize in evidence-based instructional practices and measure mastery of foundational reading skills, including phonemic awareness, phonics, decoding, fluency, and oral language.
- E. By the 2025-2026 school year, intervention programs must be taught by an intervention teacher or special education teacher who has successfully completed training in evidence-based reading instruction approved by MDE. Intervention may include but is not limited to requiring student attendance in summer school, intensified reading instruction that may require that the student be removed from the regular classroom for part of the school day, extended-day programs, or programs that strengthen students' cultural connections.
- F. The school district must determine the format of the personal learning plan in collaboration with the student's educators and other appropriate professionals. The school must develop the learning plan in consultation with the student's parent or guardian. The personal learning plan must include targeted instruction that is evidence-based and ongoing progress monitoring, and address knowledge gaps and skill deficiencies through strategies such as specific exercises and practices during and

outside of the regular school day, group interventions, periodic assessments or screeners, and reasonable timelines. The personal learning plan may include grade retention, if it is in the student's best interest; a student may not be retained solely due to delays in literacy or not demonstrating grade-level proficiency. A school must maintain and regularly update and modify the personal learning plan until the student reads at grade level. This paragraph does not apply to a student under an individualized education program.

## **VII. LOCAL LITERACY PLAN**

- A. The school district must adopt a local literacy plan to have every child reading at or above grade level every year beginning in kindergarten and to support multilingual learners and students receiving special education services in achieving their individualized reading goals. The school district must update and submit the plan to the Commissioner of MDE by June 15 each year. The plan must be consistent with the Read Act, and include the following:
1. a process to assess students' foundational reading skills, oral language, and level of reading proficiency and the screeners used, by school site and grade level, under Minnesota Statutes, section 120B.123;
  2. a process to notify and involve parents;
  3. a description of how schools in the school district will determine the targeted reading instruction that is evidence-based and includes an intervention strategy for a student and the process for intensifying or modifying the reading strategy in order to obtain measurable reading progress;
  4. evidence-based intervention methods for students who are not reading at or above grade level and progress monitoring to provide information on the effectiveness of the intervention;
  5. identification of staff development needs, including a plan to meet those needs;
  6. the curricula used by school site and grade level;
  7. a statement of whether the school district has adopted a MTSS framework;
  8. student data using the measures of foundational literacy skills and mastery identified by MDE for the following students:
    - a. students in kindergarten through grade 3;
    - b. students who demonstrate characteristics of dyslexia; and
    - c. students in grades 4 to 12 who are identified as not reading at grade level; and
  9. the number of teachers and other staff that have completed training approved by the department.

- B. The school district must post its literacy plan on the official school district website and submit it to the Commissioner of MDE using the template developed by the Commissioner beginning June 15, 2024.

**VIII. STAFF TRAINING**

- A. Beginning July 1, 2024, a school district must provide access to the training required under Minnesota Statutes, section 120B.123, subdivision 5, to:
  - 1. intervention teachers working with students in kindergarten through grade 12;
  - 2. all classroom teachers of students in kindergarten through grade 3 and children in prekindergarten programs;
  - 3. special education teachers;
  - 4. curriculum directors;
  - 5. instructional support staff who provide reading instruction; and
  - 6. employees who select literacy instructional materials for a district.
- B. The school district must provide training from a menu of approved evidence-based training programs to all reading intervention teachers, literacy specialists, and other teachers and staff identified in Minnesota Statutes, section 120B.12, subdivision 1, paragraph (b), by July 1, 2025; and by July 1, 2027, to other teachers in the school district, prioritizing teachers who work with students with disabilities, English learners, and students who qualify for the graduation incentives program under Minnesota Statutes, section 124D.68. The Commissioner of MDE may grant a school district an extension to these deadlines.
- C. By August 30, 2025, the school district must employ or contract with a literacy lead, or be actively supporting a designated literacy specialist through the process of becoming a literacy lead. The school board may satisfy the requirements of this subdivision by contracting with another school board or cooperative unit under Minnesota Statutes, section 123A.24 for the services of a literacy lead by August 30, 2025. The school district literacy lead must collaborate with school district administrators and staff to support the school district's implementation of requirements under the Read Act.

**IX. STAFF DEVELOPMENT**

- A. The school district must provide training programs on evidence-based reading instruction to teachers and instructional staff in accordance with subdivision 1, paragraph (b). The training must include teaching in the areas of phonemic awareness, phonics, vocabulary development, reading fluency, reading comprehension, and culturally and linguistically responsive pedagogy.
- B. The school district shall use the data under Article V. above to identify the staff development needs so that:
  - 1. elementary teachers are able to implement explicit, systematic, evidence-based instruction in the five reading areas of phonemic awareness, phonics, fluency, vocabulary, and comprehension with emphasis on mastery of

foundational reading skills as defined in Minnesota Statutes, section 120B.1118 and other literacy-related areas including writing until the student achieves grade-level reading and writing proficiency;

2. elementary teachers have sufficient training to provide students with evidence-based reading and oral language instruction that meets students' developmental, linguistic, and literacy needs using the intervention methods or programs selected by the school district for the identified students;
  3. licensed teachers employed by the school district have regular opportunities to improve reading and writing instruction;
  4. licensed teachers recognize students' diverse needs in cross-cultural settings and are able to serve the oral language and linguistic needs of students who are multilingual learners by maximizing strengths in their native languages in order to cultivate students' English language development, including oral academic language development, and build academic literacy; and
  5. licensed teachers are well trained in culturally responsive pedagogy that enables students to master content, develop skills to access content, and build relationships.
- C. The school district must provide staff in early childhood programs sufficient training to provide children in early childhood programs with explicit, systematic instruction in phonological and phonemic awareness; oral language, including listening comprehension; vocabulary; and letter-sound correspondence.

**X. LITERACY INCENTIVE AID USES**

The school district must use its literacy incentive aid to support implementation of evidence-based reading instruction. The following are eligible uses of literacy incentive aid:

1. training for kindergarten through grade 3 teachers, early childhood educators, special education teachers, reading intervention teachers working with students in kindergarten through grade 12, curriculum directors, and instructional support staff that provide reading instruction, on using evidence-based screening and progress monitoring tools;
2. evidence-based training using a training program approved by MDE;
3. employing or contracting with a literacy lead, as defined in Minnesota Statutes, section 120B.1118;
4. materials, training, and ongoing coaching to ensure reading interventions under Minnesota Statutes, section 125A.56, subdivision 1, are evidence-based; and costs of substitute teachers to allow teachers to complete required training during the teachers' contract day.

**Legal References:** Minn. Stat. § 120B.1118 (Read Act Definitions)  
Minn. Stat. § 120B.12 (Read Act Goal and Interventions)  
Minn. Stat. § 120B.123 (Read Act Implementation)  
Minn. Stat. § 123A.24 (Withdrawing from a Cooperative Unit; Appealing Denial of Membership)

Minn. Stat. §124D.68 (Graduation Incentives Program)  
Minn. Stat. § 124D.98 (Literacy Incentive Aid)  
Minn. Stat. § 125A.56 (Alternate Instruction Required before Assessment Referral)

**Cross References:** None



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**CLAconnect.com**

November 27, 2023

Board of Education  
North Branch Public Schools  
Independent School District No. 138  
North Branch, Minnesota

This Executive Audit Summary and Management Report presents information which we believe is important to you as members of the School Board. We encourage you to review the sections of this report, the audited financial statements and the auditors' reports.

We would be pleased to furnish additional information with respect to these suggestions and discuss this memorandum with you at your convenience. We wish to express our appreciation to the District for the courtesies, cooperation and assistance extended to us during the course of our work.

**CliftonLarsonAllen LLP**

A handwritten signature in cursive script that reads "Mary Reedy".

Mary Reedy, CPA, CGFM  
Principal

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138**

**EXECUTIVE AUDIT SUMMARY (EAS)  
AND MANAGEMENT REPORT**

**JUNE 30, 2023**



**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
TABLE OF CONTENTS  
JUNE 30, 2023**

<b>EXECUTIVE AUDIT SUMMARY AND MANAGEMENT REPORT</b>	
<b>AUDIT FINDINGS AND RESULTS</b>	<b>1</b>
<b>FINANCIAL RESULTS</b>	
<b>FUND BALANCES</b>	<b>2</b>
<b>STUDENTS SERVED</b>	<b>4</b>
<b>OTHER KEY TOPICS</b>	
<b>GASB REPORTING MODEL</b>	<b>5</b>
<b>STATEMENT OF NET POSITION</b>	<b>5</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>6</b>
<b>APPENDIX A</b>	
<b>FINANCIAL TRENDS OF YOUR DISTRICT</b>	<b>7</b>
<b>APPENDIX B</b>	
<b>STATEWIDE SCHOOL DISTRICT FINANCIAL POSITION</b>	<b>14</b>
<b>APPENDIX C</b>	
<b>TECHNICAL UPDATE</b>	<b>15</b>
<b>APPENDIX D</b>	
<b>FORMAL REQUIRED COMMUNICATIONS</b>	<b>16</b>

**EXECUTIVE AUDIT SUMMARY (EAS)  
AND MANAGEMENT REPORT  
FOR  
NORTH BRANCH PUBLIC SCHOOLS  
YEAR ENDED JUNE 30, 2023**

**Audit Findings and Results**

We prepared this Executive Audit Summary and Management Report in conjunction with our audit of North Branch Public Schools' (the District) financial records for the year ended June 30, 2023.

**Audit Opinion** – The financial statements are fairly stated. We issued what is known as a “clean” audit report.

**Yellow Book Compliance** – No compliance issues were noted in our review of laws, regulations, contracts and grants that could have significant financial implications to the District.

**Internal Controls** – Three “material weaknesses” in internal controls was noted related to the auditors’ drafting of the District’s financial statements, segregation of duties, and material audit adjustments. One “significant deficiency” in internal controls was noted related to lack of proper approval of disbursements.

**Single Audit** – Our audit did not disclose any matters required to be reported in accordance with 2 CRF 200.516(a).

**Legal Compliance** – No compliance issues were reported with respect to Minnesota Statutes.

**Enrollment** – For fiscal 2022-23, the District had an adjusted average daily membership of 2,606.38 (or 2,865.69 adjusted pupil units). For fiscal 2021-22, North Branch Public Schools had an estimated total adjusted average daily membership of 2,541.85 (or 2,801.98 adjusted pupil units).

**Fund Balance** – The District’s General Fund unassigned fund balance decreased by \$468,017 during fiscal year 2022-23, decreasing from \$4,110,062 to \$3,642,045. Total fund balance of the General Fund increased by \$1,307,806, ending at \$8,129,067 as of June 30, 2023. A District’s fund balance is an important aspect in considering the District’s financial well-being since a healthy fund balance represents things such as cash flow, as a cushion against unanticipated expenditures, enrollment variances, funding deficiencies and aid prorations at the state level and similar problems.

**Budget to Actual** – Total revenues on a net basis in the General Fund were \$817,657 (or 2.40%) higher than the budgeted amount while total expenditures were \$1,164,792 (or 3.35%) lower than the budgeted amount. The net effect, after also considering other financing sources, was a change in total fund balance that was \$1,972,282 more than had been reflected in the District’s final amended budget.

# FINANCIAL RESULTS

## Fund Balances

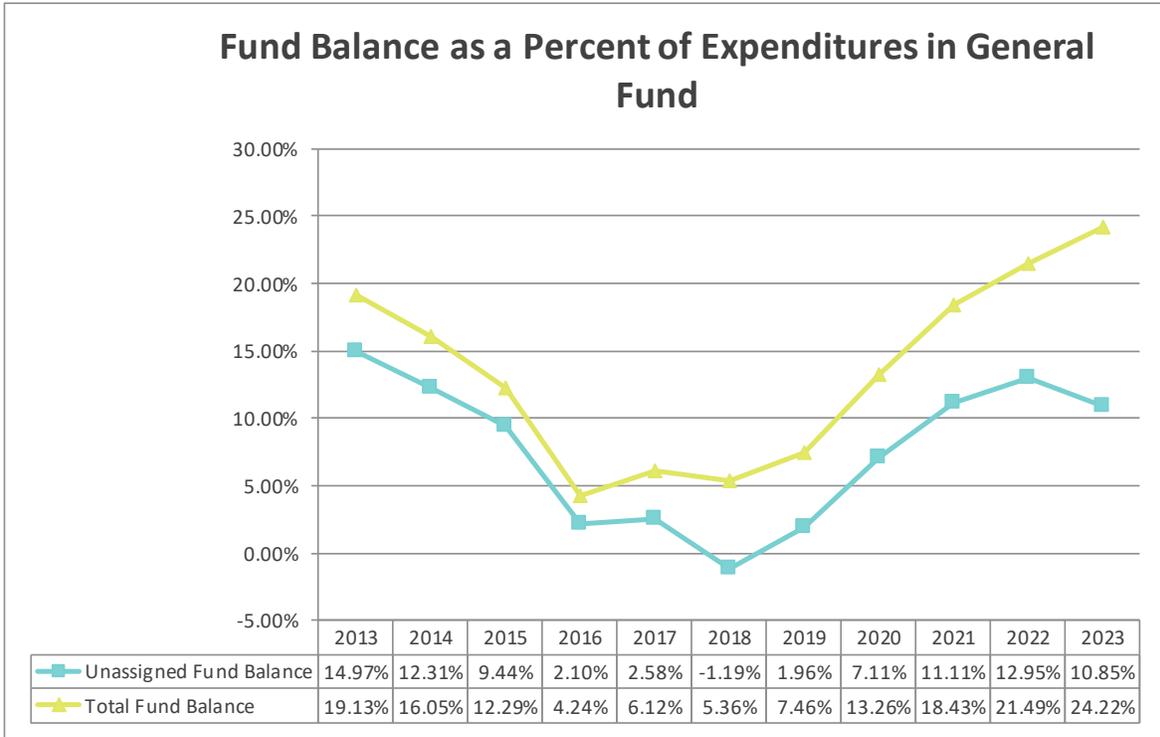
### NORTH BRANCH ISD #138 AUDITED FUND BALANCES THROUGH JUNE 30, 2023

FUND DESCRIPTION	6/30/2022 AUDITED BALANCE	2022-23 AUDITED REVENUES	TRANSFERS INTO FUNDS	2022-23 AUDITED EXPENDITURES	TRANSFERS OUT OF FUNDS	6/30/2023 AUDITED BALANCE
<b>GENERAL FUND</b>						
<b>A. UNASSIGNED - OPERATING</b>	\$ 4,110,062	\$ 30,230,377	-	\$ 30,698,394	-	\$ 3,642,045
As a percentage of current year expenditures	12.95%					10.85%
<b>B. NONSPENDABLE FOR</b>						
INVENTORY	\$ 13,456	\$ 47,459	-	\$ 13,456	-	\$ 47,459
PREPAIDS	\$ 29,894	\$ 294,078	-	\$ 29,894	-	\$ 294,078
TOTAL NONSPENDABLE	\$ 43,350	\$ 341,537	-	\$ 43,350	-	\$ 341,537
<b>C. ASSIGNED FOR</b>						
CAPITAL OUTLAY	\$ 500,000	\$ 1,025,000	-	-	-	\$ 1,525,000
<b>D. COMMITTED FOR</b>						
SEPARATION/RETIREMENT BENEFITS	-	-	-	-	-	-
<b>E. RESTRICTED FOR</b>						
STUDENT ACTIVITIES	\$ 178,016	\$ 198,227	-	\$ 175,299	-	\$ 200,944
SCHOLARSHIP	\$ 92,808	\$ 145,279	-	\$ 136,718	-	\$ 101,369
STAFF DEVELOPMENT	\$ 257,781	\$ 393,531	-	\$ 403,990	-	\$ 247,322
LTFM	\$ 1,018,089	\$ 190,793	-	\$ 112,692	-	\$ 1,096,190
CAPITAL PROJECTS LEVY	\$ 51,184	\$ 500,000	-	\$ 413,644	-	\$ 137,540
MEDICAL ASSISTANCE	\$ 115,681	\$ 142,603	-	\$ 31,339	-	\$ 226,945
OPERATING CAPITAL	\$ 407,467	\$ 490,351	-	\$ 434,762	-	\$ 463,056
BASIC SKILLS - EXT TIME	\$ 46,823	\$ 18,909	-	-	-	\$ 65,732
LEARNING AND DEVELOPMENT	-	\$ 551,732	-	\$ 551,732	-	-
GIFTED AND TALENTED	-	\$ 37,272	-	\$ 37,272	-	-
BASIC SKILLS	-	\$ 278,818	-	\$ 278,818	-	-
CAREER AND TECHNICAL	-	\$ 146,572	-	\$ 146,572	-	-
SAFE SCHOOLS	-	\$ 100,263	-	\$ 100,263	-	-
RESTRICTED	-	\$ 81,387	-	-	-	\$ 81,387
TOTAL RESTRICTED	\$ 1,695,997	\$ 3,275,737	-	\$ 2,823,101	-	\$ 2,620,485
<b>TOTAL GENERAL FUND</b>	<b>\$ 6,821,261</b>	<b>\$ 34,872,651</b>	<b>-</b>	<b>\$ 33,564,845</b>	<b>-</b>	<b>\$ 8,129,067</b>
BUDGET	-	\$ 34,065,161	-	\$ 34,729,637	-	\$ 6,156,785
DIFFERENCE	\$ 1,183,942	-	-	\$ 807,490	-	\$ 1,972,282
% VARIANCE	-	2.37%	-	-3.35%	-	-
<b>FOOD SERVICE</b>						
NONSPENDABLE FOR INVENTORY	\$ 16,147	\$ 14,519	-	\$ 16,147	-	\$ 14,519
RESTRICTED FOR FOOD SERVICE PROG	\$ 504,272	\$ 1,632,930	-	\$ 1,697,368	-	\$ 439,834
BUDGET	-	\$ 1,677,941	-	\$ 1,476,360	-	\$ 722,000
DIFFERENCE	\$ 236,904	\$ (30,492)	-	\$ 237,155	-	\$ (267,647)
% VARIANCE	-	-1.82%	-	16.06%	-	-
<b>TOTAL FOOD SERVICE</b>	<b>\$ 520,419</b>	<b>\$ 1,647,449</b>	<b>-</b>	<b>\$ 1,713,515</b>	<b>-</b>	<b>\$ 454,353</b>
<b>COMMUNITY EDUCATION</b>						
<b>A. NONSPENDABLE FOR</b>						
PREPAIDS	\$ 7,691	\$ 2,070	-	\$ 7,691	-	\$ 2,070
INVENTORY	-	-	-	-	-	-
TOTAL NONSPENDABLE	\$ 7,691	\$ 2,070	-	\$ 7,691	-	\$ 2,070
<b>B. RESTRICTED FOR</b>						
COMMUNITY EDUCATION PROGRAMS	\$ 327,809	\$ 1,164,401	-	\$ 993,177	-	\$ 499,033
ECFE PROGRAMS	\$ 297,360	\$ 213,369	-	\$ 116,281	-	\$ 394,448
SCHOOL READINESS	\$ (50,479)	\$ 146,375	-	\$ 214,330	\$ 118,434	-
OTHER PURPOSES	\$ 153,016	\$ 393,569	-	\$ 325,074	\$ (118,434)	\$ 103,077
BUDGET	-	\$ 1,613,837	-	\$ 1,486,656	-	\$ 862,578
DIFFERENCE	\$ 735,397	\$ 1,919,784	-	\$ 1,656,553	-	\$ 998,628
% VARIANCE	\$ 299,350	\$ 305,947	-	\$ 169,897	-	\$ 136,050
% VARIANCE	-	18.96%	-	11.43%	-	-
<b>TOTAL COMMUNITY EDUCATION</b>	<b>\$ 735,397</b>	<b>\$ 1,919,784</b>	<b>-</b>	<b>\$ 1,656,553</b>	<b>-</b>	<b>\$ 998,628</b>
<b>CAPITAL PROJECTS-BUILDING CONSTRUCTION</b>						
LTFM	-	-	-	-	-	-
OTHER PURPOSES	\$ 498,913	\$ 3,606	-	\$ 269,758	-	\$ 232,761
BUDGET	-	\$ 9,755	-	\$ 693,869	-	\$ (185,201)
DIFFERENCE	\$ 498,913	\$ 3,606	-	\$ 269,758	-	\$ 232,761
% VARIANCE	\$ (25,859)	\$ (6,149)	-	\$ (424,111)	-	\$ 417,962
% VARIANCE	-	-63.03%	-	-61.12%	-	-
<b>TOTAL BUILDING FUND</b>	<b>\$ 498,913</b>	<b>\$ 3,606</b>	<b>-</b>	<b>\$ 269,758</b>	<b>-</b>	<b>\$ 232,761</b>
<b>DEBT SERVICE</b>						
OTHER PURPOSES	\$ 823,997	\$ 5,961,068	-	\$ 5,704,752	-	\$ 1,080,313
REFUNDING BONDS	-	-	-	-	-	-
BUDGET	-	\$ 5,958,292	-	\$ 5,565,978	-	\$ 1,216,311
DIFFERENCE	\$ 823,997	\$ 5,961,068	-	\$ 5,704,752	-	\$ 1,080,313
% VARIANCE	\$ (502,671)	\$ 2,776	-	\$ 138,774	-	\$ (135,998)
% VARIANCE	-	0.05%	-	2.49%	-	-
<b>TOTAL DEBT SERVICE</b>	<b>\$ 823,997</b>	<b>\$ 5,961,068</b>	<b>-</b>	<b>\$ 5,704,752</b>	<b>-</b>	<b>\$ 1,080,313</b>
<b>PROPRIETARY AND FIDUCIARY FUNDS</b>						
OPEB TRUST FUND	\$ 2,730,061	\$ 168,489	-	\$ 366,427	-	\$ 2,532,123
SCHOLARSHIP TRUST FUND	-	-	-	-	-	-
INTERNAL SERVICE - SELF INS FUND	\$ 672,736	\$ 279,567	-	\$ 213,249	-	\$ 739,054
BUDGET	-	-	-	-	-	-
DIFFERENCE	\$ 3,402,797	\$ 448,056	-	\$ 579,676	-	\$ 3,271,177
% VARIANCE	-	-	-	-	-	-
<b>TOTAL PROPRIETARY</b>	<b>\$ 3,402,797</b>	<b>\$ 448,056</b>	<b>-</b>	<b>\$ 579,676</b>	<b>-</b>	<b>\$ 3,271,177</b>
<b>TOTAL</b>	<b>\$ 12,802,784</b>	<b>\$ 44,852,614</b>	<b>-</b>	<b>\$ 43,489,099</b>	<b>-</b>	<b>\$ 14,166,299</b>

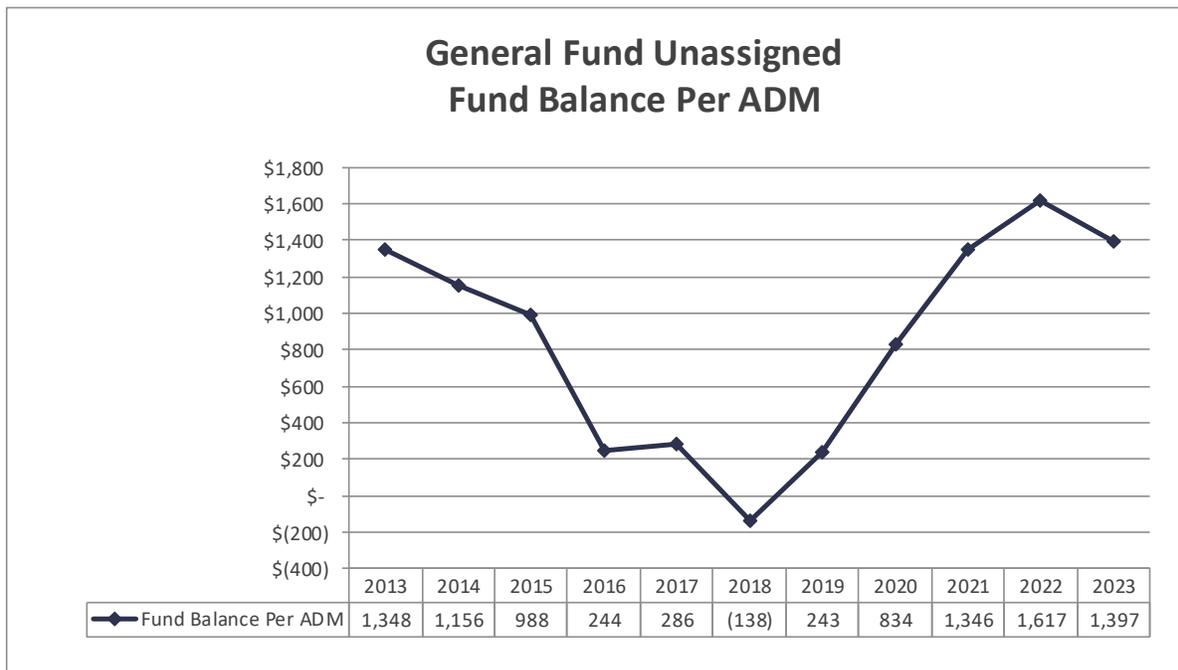
**FINANCIAL RESULTS (CONTINUED)**

**Fund Balances (Continued)**

As a percentage of annual expenditures:

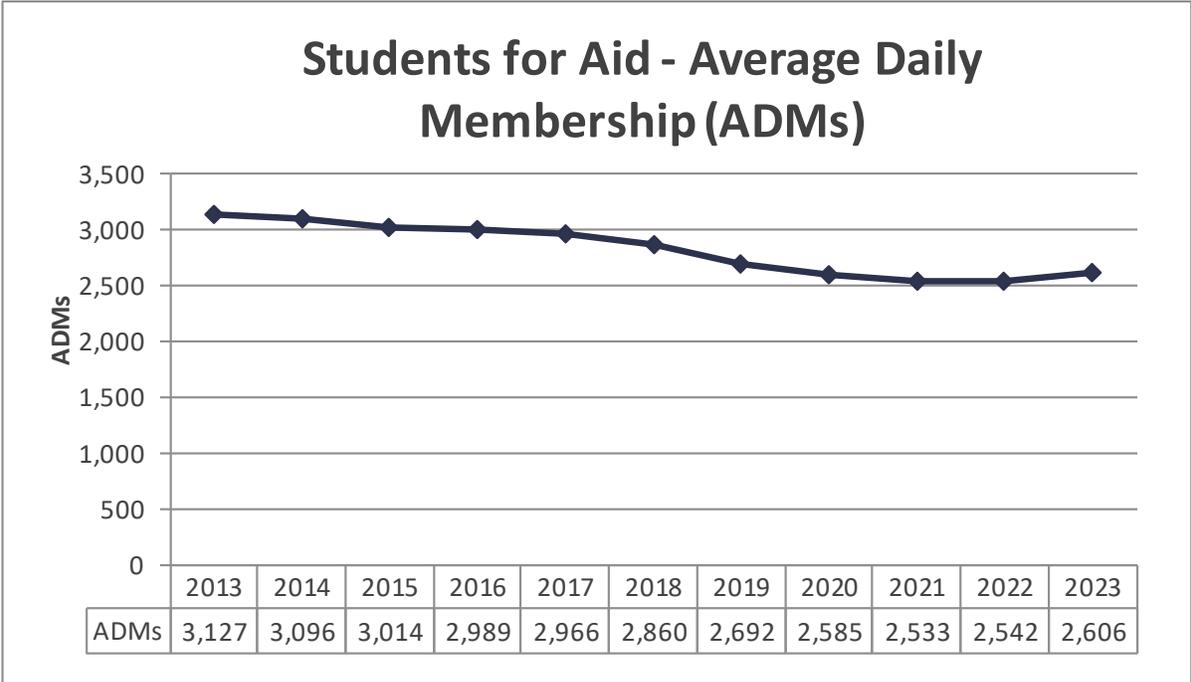


Per student served.



**FINANCIAL RESULTS (CONTINUED)**

**Students Served**



## OTHER KEY TOPICS

### GASB Reporting Model

#### Statement of Net Position

The Statement of Net Position essentially tells you what your District owns and owes at a given point in time, the last day of the fiscal year. Theoretically, net position represents the resources the District has leftover to use for providing services after its debts are settled. However, those resources are not always in expendable form, or there may be restrictions on how some of those resources can be used. Therefore, the statement divides the net position into three components: net investment in capital assets, restricted net position, and unrestricted net position. The following table presents components of the District's net position at year-end, along with a simplified reconciliation of the difference between the governmental fund balances and total net position:

	As of June 30,	
	<u>2023</u>	<u>2022</u>
Total Fund Balance for Governmental Funds	\$ 10,895,122	\$ 9,399,987
Capital Assets, Less Accumulated Depreciation	86,180,758	91,821,136
Net Prepaid OPEB Asset	738,255	666,576
Long-Term Liabilities	(74,288,008)	(77,923,812)
Net Pension Liability	(21,225,169)	(26,892,531)
Other - Net	<u>(202,673)</u>	<u>(302,804)</u>
Total Net Position - Governmental Activities	<u>\$ 2,098,285</u>	<u>\$ (3,231,448)</u>
Net Position:		
Net Investment in Capital Assets	\$ 13,433,993	\$ 15,891,402
Restricted	5,150,813	4,846,957
Unrestricted	<u>(16,486,521)</u>	<u>(23,969,807)</u>
Total Net Position - Governmental Activities	<u>\$ 2,098,285</u>	<u>\$ (3,231,448)</u>

Most of the District's fund balances translate into restricted net position by virtue of external restrictions (statutory reserves) or by the nature of the fund they are in (e.g., restricted food service fund balance can only be spent for food service program costs). The unrestricted net position category consists mainly of the General Fund unassigned fund balance, offset against non-capital long-term obligations such as vacation or severance payable and beginning in fiscal 2016, the District's estimated share of the unfunded portion of statewide pension plans. Consequently, many Minnesota school districts have accumulated deficits in this component of net position.

## OTHER KEY TOPICS (CONTINUED)

### Statement of Activities

The Statement of Activities tracks the District's yearly revenues and expenses, as well as any other transactions that increase or reduce total net position. These amounts represent the full cost of providing education. This statement provides a more comprehensive measure than just the amount of cash that changed hands, as reflected in the fund-based financial statements. This statement includes the cost of supplies used, depreciation of long-lived capital assets, and other accrual-based expenses. The following table presents a simplified reconciliation of the change in the District's governmental fund balances to the change in total net position for fiscal years 2023 and 2022:

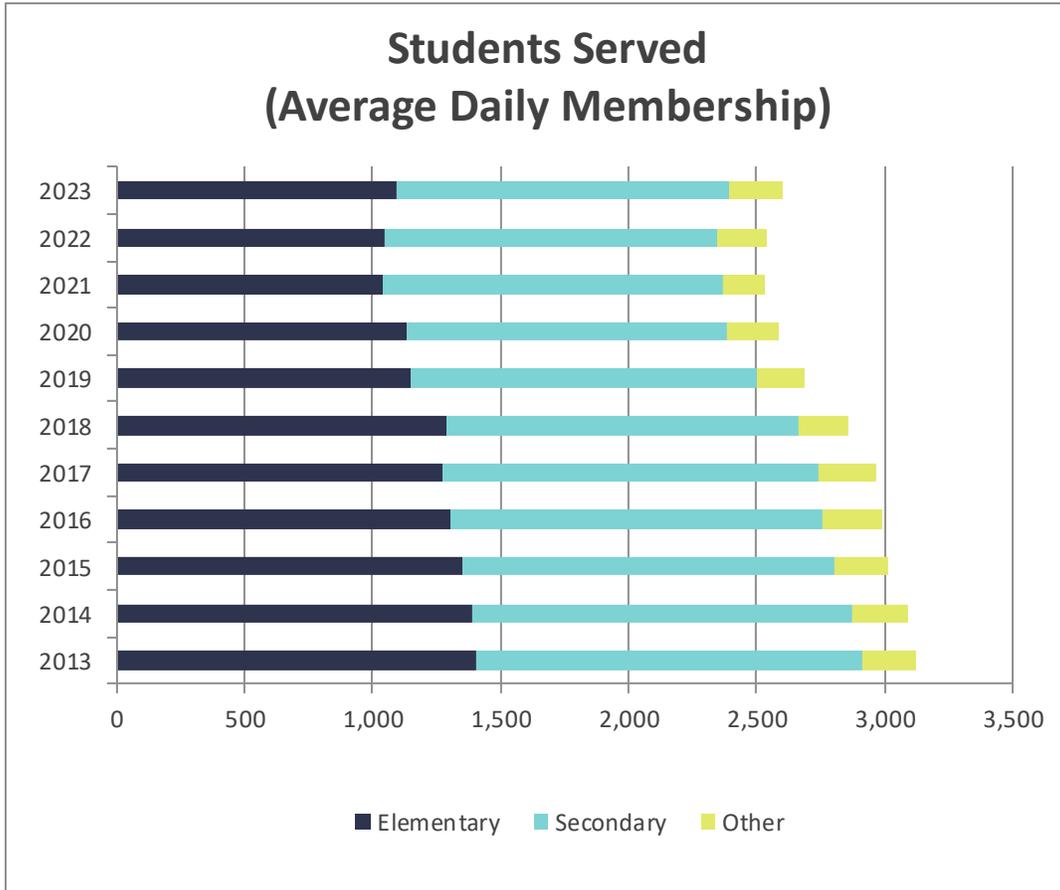
	Year Ended June 30,	
	2023	2022
Net Change in Fund Balance - Total Governmental Funds	\$ 1,495,135	\$ 921,481
Capital Asset Purchases	425,925	343,741
Depreciation	(5,969,678)	(6,084,389)
Change in Net Prepaid OPEB Asset	71,679	69,724
Repayment of Debt	3,080,000	2,970,000
Change in Net Pension Liability	5,667,362	2,676,801
Other - Net	559,310	1,412,636
Change in Net Position - Governmental Activities	<u>\$ 5,329,733</u>	<u>\$ 2,309,994</u>

# APPENDIX A

## FINANCIAL TRENDS OF YOUR DISTRICT

### Average Daily Membership and Pupil Units

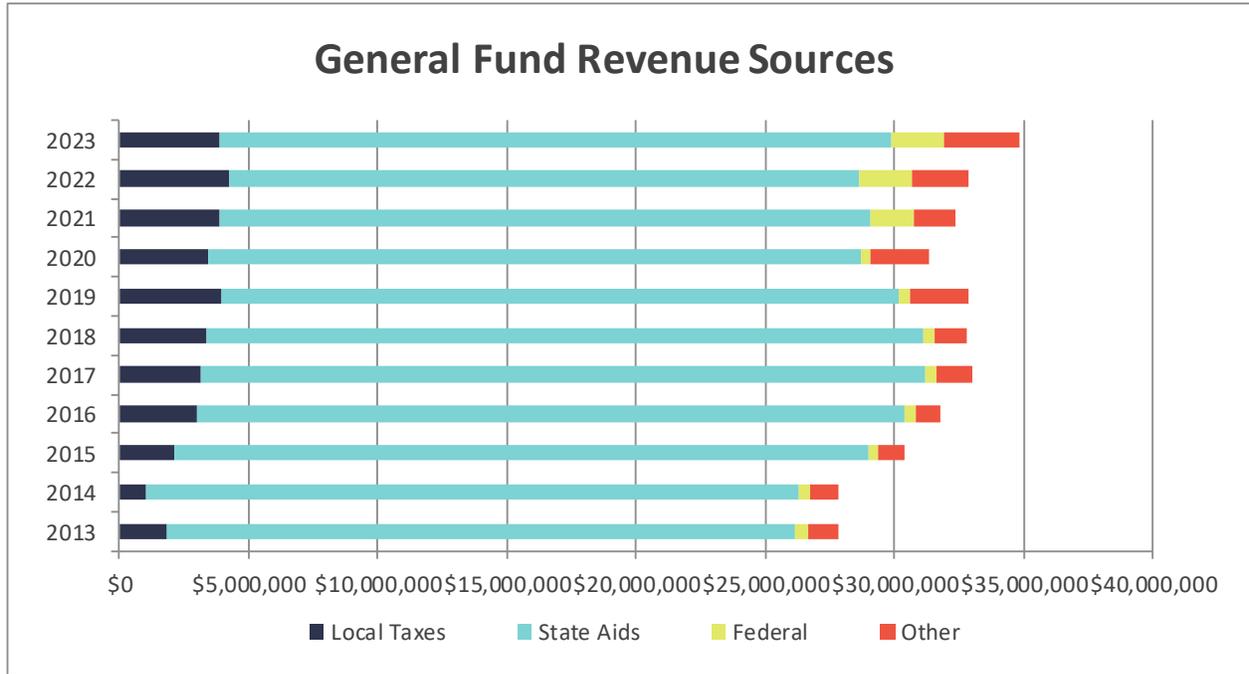
The following graph summarizes average daily membership of Independent School District No. 138 over the past 11 years ended June 30:



The District's average daily membership (ADM) for the 2023 fiscal year was 2,606 students, which represents an increase of 0.03% over the previous year. In the past 10 fiscal years, the District's enrollment has increased by 0.17%.

## General Fund Revenue

The following table and graph summarizes the District's General Fund revenue sources for the last 11 years:



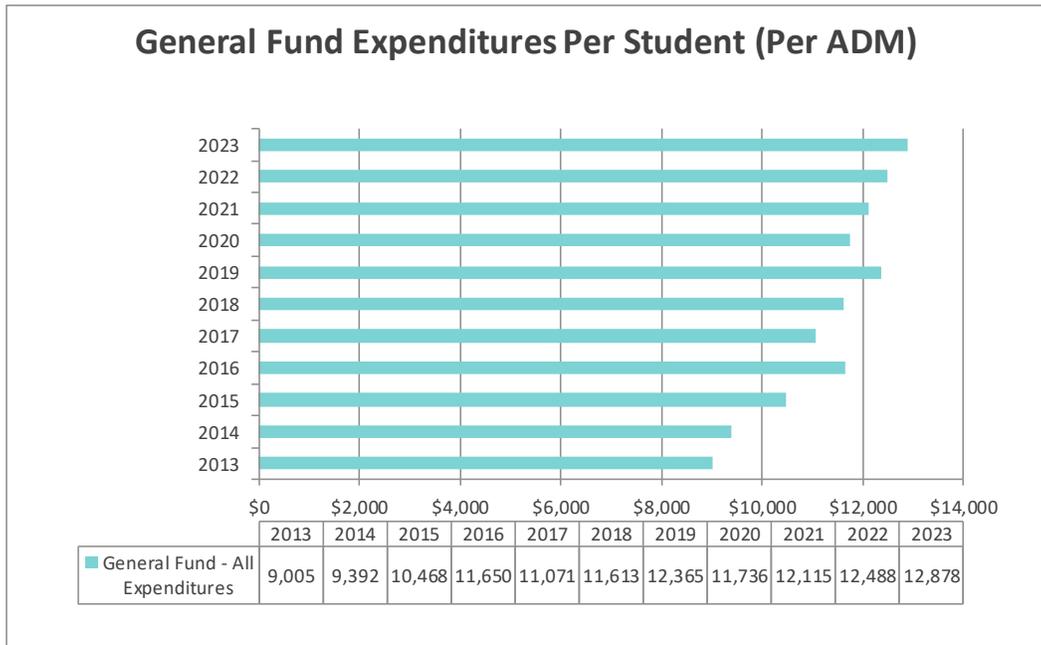
The table above illustrates the fluctuation that occurs between the taxes and state aid categories based on legislative activity. The Legislature determines what portion of the general education funding formula will be paid by local taxpayers. In addition, when the tax shift percentage changes or the state provides property tax relief such as the education homestead credit aid, this only impacts the mix between state aids and taxes and does not change total revenue.

The table below illustrates the fluctuation that occurs between the taxes and state aid categories based on legislative activity. The Legislature determines what portion of the general education funding formula will be paid by local taxpayers. In addition, when the tax shift percentage changes or the state provides property tax relief, this only impacts the mix between state aids and taxes and does not change total revenue. For example, in fiscal 2014, the Legislature repaid a total of approximately \$670,000 of property tax shift buydown for the General and Community Service Funds, which gives the appearance of a significant decrease in taxes for 2014. For this and other reasons, school finance in Minnesota continues to be a very difficult subject to explain to the general public.

Year	Taxes		State		Federal		Other		Total	%
	Amount	%	Amount	%	Amount	%	Amount	%		
2013	\$ 1,820,666	7	\$ 24,328,290	87	\$ 495,542	2	\$ 1,212,637	4	\$ 27,857,135	100
2014	1,024,187	4	25,269,170	91	420,224	2	1,113,990	4	27,827,571	100
2015	2,157,852	7	26,825,382	88	416,198	1	964,476	3	30,363,908	100
2016	2,992,225	9	27,364,333	86	443,477	1	971,966	3	31,772,001	100
2017	3,141,271	10	28,056,588	85	436,213	1	1,358,807	4	32,992,879	100
2018	3,390,375	10	27,757,305	85	420,542	1	1,218,875	4	32,787,097	100
2019	3,932,413	12	26,250,261	80	454,330	1	2,238,645	7	32,875,649	100
2020	3,435,715	11	25,272,420	81	383,992	1	2,225,676	7	31,317,803	100
2021	3,839,645	12	25,231,598	78	1,702,613	5	1,571,294	5	32,345,150	100
2022	4,215,634	13	24,398,147	74	2,056,445	6	2,220,251	7	32,890,477	100
2023	3,877,782	11	26,010,208	75	2,024,437	6	2,960,224	8	34,872,651	100

## Expenditures Per Student

Expenditures per student (average daily membership) are summarized in the following graph:



General Fund expenditures for fiscal 2023 were \$33,564,845 which represents an increase of \$1,821,358 over fiscal 2022.

The following schedule shows total expenditures of the General Fund by object type:

	2023				2022
	Budget	Actual	Over (Under) Budget	%	Actual
Salaries	\$ 18,274,339	\$ 18,294,943	\$ 20,604	0.1 %	\$ 17,559,865
Employee Benefits	5,582,150	5,504,127	(78,023)	(1.4)	5,318,697
Purchased Services	7,413,822	6,644,883	(768,939)	(10.4)	6,203,111
Supplies and Materials	2,348,461	2,082,321	(266,140)	(11.3)	1,548,272
Capital Expenditures	603,171	429,855	(173,316)	(28.7)	555,732
Other Expenditures	507,694	608,716	101,022	19.9	557,810
<b>Total Expenditures</b>	<b>\$ 34,729,637</b>	<b>\$ 33,564,845</b>	<b>\$ (1,164,792)</b>	<b>(3.4)</b>	<b>\$ 31,743,487</b>

On a net basis, total expenditures were 3.40% lower than reflected than the final amended budget amount.

## General Fund Operations and Financial Position

The following table presents five years of comparative operating results for the District's General Fund:

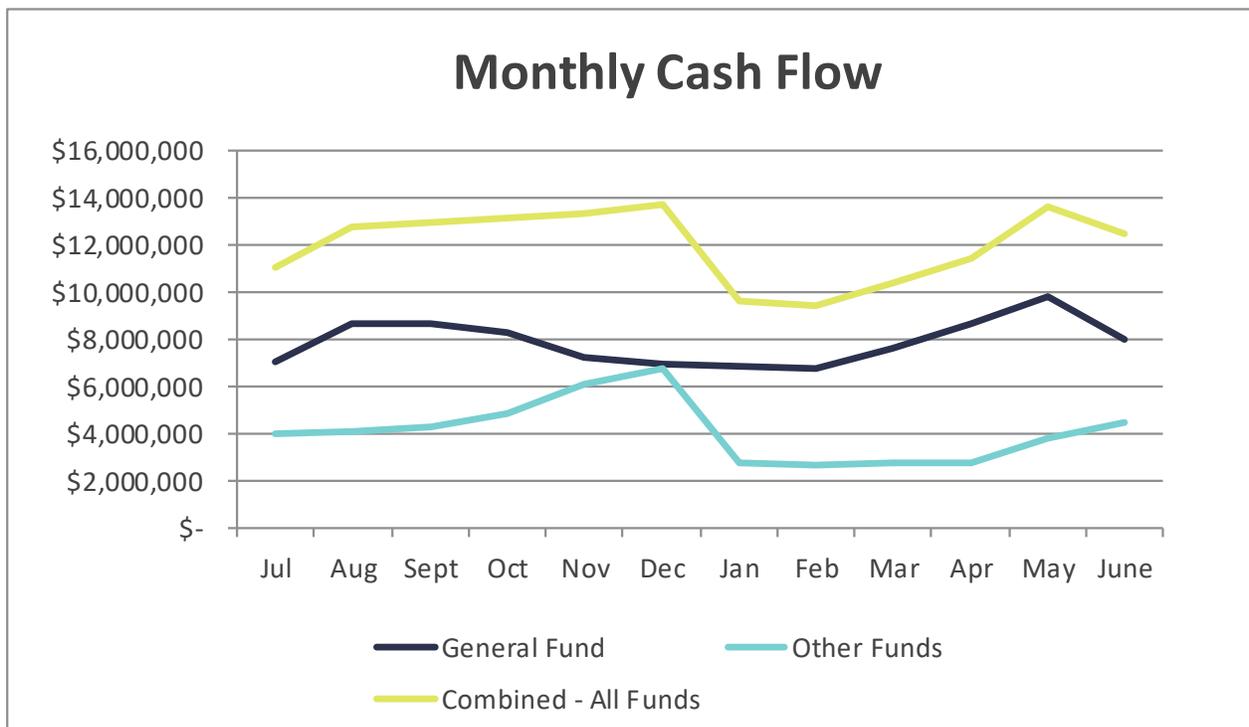
	Year Ended June 30,				
	2019	2020	2021	2022	2023
Revenues	\$ 32,875,649	\$ 31,317,803	\$ 32,345,150	\$ 32,890,477	\$ 34,872,651
Expenditures	33,285,367	30,336,579	30,693,641	31,743,487	33,564,845
Excess (Deficiency) of Revenues Over (Under) Expenditures	(409,718)	981,224	1,651,509	1,146,990	1,307,806
Other Financing Sources (Uses):					
Insurance Recovery Proceeds	93,874	90,667	28,846	16,325	-
Proceeds from Sale of Assets	-	-	20,849	-	-
Proceeds from Sale of Real Property	165,025	1,560	-	-	-
Capital Lease Proceeds	854,394	263,836	-	-	-
Transfer Out	-	(124,253)	(65,905)	-	-
Total Other Financing Sources (Uses)	1,113,293	231,810	(16,210)	16,325	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	703,575	1,213,034	1,635,299	1,163,315	1,307,806
Fund Balance:					
Beginning of Year	1,781,092	2,484,667	4,022,647	5,657,946	6,821,261
Change in Accounting Principle	-	324,946	-	-	-
End of Year	<u>\$ 2,484,667</u>	<u>\$ 4,022,647</u>	<u>\$ 5,657,946</u>	<u>\$ 6,821,261</u>	<u>\$ 8,129,067</u>
Nonspendable Fund Balance	\$ 97,416	\$ 28,431	\$ 51,116	\$ 43,350	\$ 341,537
Restricted/Committed Fund Balance	1,578,713	1,734,781	1,695,997	2,167,849	2,620,485
Assigned Fund Balance	155,430	102,918	500,000	500,000	1,525,000
Unassigned Fund Balance	653,108	2,156,517	3,410,833	4,110,062	3,642,045
Total Fund Balance	<u>\$ 2,484,667</u>	<u>\$ 4,022,647</u>	<u>\$ 5,657,946</u>	<u>\$ 6,821,261</u>	<u>\$ 8,129,067</u>
Unassigned Fund Balance as a Percentage of Expenditures	<u>1.96%</u>	<u>7.11%</u>	<u>11.11%</u>	<u>12.95%</u>	<u>10.85%</u>
Total Fund Balance as a Percentage of Expenditures	<u>7.46%</u>	<u>13.26%</u>	<u>18.43%</u>	<u>21.49%</u>	<u>24.22%</u>

**General Fund Operations and Financial Position (Continued)**

The District’s General Fund had an excess of revenues over expenditures of \$1,307,806 for fiscal 2023, increasing total fund balance to \$8,129,067 at June 30, 2023. Total fund balance includes a net of \$4,487,022 in nonspendable/restricted/committed/assigned accounts as prescribed by state statute. The remainder is an unassigned fund balance of \$3,642,045 at year-end.

Total General Fund revenues were higher than the budgeted amount for fiscal 2023 by \$817,657 (or 2.40%). Total General Fund expenditures were under budget by \$1,164,792 (or 3.35%). The net combined outcome of the budget variances was an increase to the ending fund balance that was \$1,972,282 more than had been reflected in the budget.

Some of the primary reasons it is essential for a district to maintain an adequate fund balance in the General Fund are to provide cash flow and to provide some cushion against unanticipated variances such as in enrollment estimates, special education tuition costs, and other similar variables. Due to the timing in which the District receives its tax settlements and state aid payments, there are times during the year when the District must depend on its cash reserves to finance operations. The following graph summarizes the monthly level of cash and investments during fiscal year 2023:



## Food Service Fund

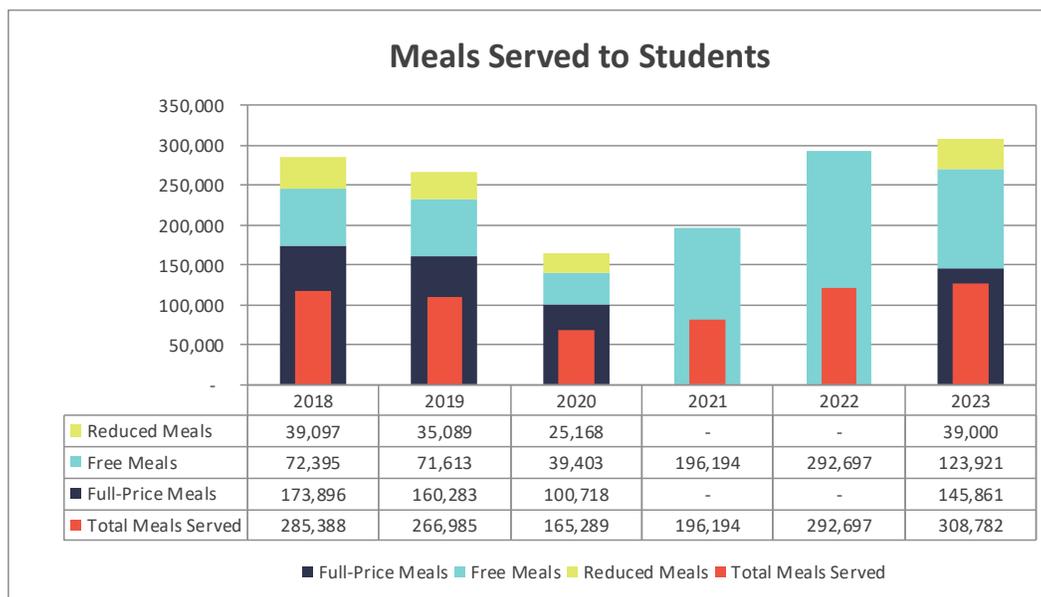
The following chart reflects the growth of the Food Service program over the past five years:

	Year Ended June 30,				
	2019	2020	2021	2022	2023
Revenues	\$ 1,560,271	\$ 1,380,450	\$ 1,242,570	\$ 2,092,805	\$ 1,647,449
Expenditures	1,559,713	1,359,985	1,184,055	1,732,821	1,713,515
Excess (Deficiency) of Revenues Over (Under) Expenditures	558	20,465	58,515	359,984	(66,066)
Other Financing Sources (Uses):					
Transfer In	-	12,913	-	-	-
Fund Balance:					
Beginning of Year	67,984	68,542	101,920	160,435	520,419
End of Year	68,542	101,920	160,435	520,419	454,353
Lunches Served to Students	266,985	165,289	196,194	292,697	308,782
Revenue per Lunch Served	\$ 5.84	\$ 8.35	\$ 6.33	\$ 7.15	\$ 5.34

In terms of revenue growth, the District's food service program has increased by 5.59% since 2019 (from total revenues of \$1,560,271 for fiscal 2019 to \$1,647,449 for fiscal year 2023).

Total expenditures exceeded total revenues by \$66,066 in the District's Food Service Fund for 2023, leaving a remaining fund balance of \$454,353 at June 30, 2023. This result was approximately \$267,647 lower than had been reflected in the District's budget.

The following chart reflects the growth of the food service program over the past six years:



## Community Service Fund

The following table presents five years of comparative operating results for the District's Community Service Fund:

	Year Ended June 30,				
	2019	2020	2021	2022	2023
Revenues	\$ 1,635,937	\$ 1,488,091	\$ 1,305,287	\$ 1,858,658	\$ 1,919,784
Expenditures	1,708,519	1,651,205	1,146,885	1,405,933	1,656,553
Excess (Deficiency) of Revenues Over (Under) Expenditures	(72,582)	(163,114)	158,402	452,725	263,231
Other Financing Sources Transfer In	-	111,340	65,905	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(72,582)	(51,774)	224,307	452,725	263,231
Fund Balance:					
Beginning of Year	182,721	110,139	58,365	282,672	735,397
End of Year	\$ 110,139	\$ 58,365	\$ 282,672	\$ 735,397	\$ 998,628
Fund Balance:					
Nonspendable	\$ 6,042	\$ 2,277	\$ 954	\$ 7,691	\$ 2,070
Restricted for ECFE	132,061	100,956	205,977	297,360	394,448
Restricted for Community Ed	(27,588)	-	92,369	327,809	499,033
Restricted for School Readiness	8,358	-	8,412	-	-
Other Restricted	-	-	-	153,016	103,077
Unassigned	(8,734)	(44,868)	(25,040)	(50,479)	-
Total Fund Balance	\$ 110,139	\$ 58,365	\$ 282,672	\$ 735,397	\$ 998,628

The District's Community Service Fund had an excess of revenues over expenditures and other financing sources of \$263,231 for fiscal year 2023, bringing the combined fund balance to \$998,628 at June 30, 2023.

Total revenues of the District's Community Service Fund for 2023 were \$305,947 more than the budgeted amount while total expenditures were over budget by \$169,897. As a result, total fund balance increased by \$263,231 more than had been reflected in the budget. It is important that the District continue to exercise tight control over the costs of these programs and the fees being charged in order to ensure that programs continue to be self-sustaining.

# APPENDIX B

## STATEWIDE SCHOOL DISTRICT FINANCIAL POSITION

The table below reflects the comparative data available from the Minnesota Department of Education for all expenditures incurred for the benefit of pre-elementary through secondary education, except building construction and expendable trust fund activity.

### Expenditures Per Student (ADM) Served

	Enrollment		ISD No. 138 North Branch		
	Statewide	2,000 to 3,999	2021	North Branch	
	2022	2022		2022	2023
District and School Administration	\$ 693	\$ 610	\$ 601	\$ 637	\$ 675
District Support Services	557	504	594	587	666
Regular Instruction (including Co- & Extra-Curricular)	6,083	5,737	4,660	4,858	4,938
Vocational Instruction (Career and Technical)	210	182	168	206	222
Special Education Instruction	2,724	2,507	2,367	2,482	2,374
Instructional Support Services	816	707	651	736	887
Pupil Support Services (including Transportation)	1,429	1,376	1,197	1,354	1,421
Operations and Maintenance and Other	1,113	1,103	2,064	1,291	1,408
Total General Fund Operations	<u>13,625</u>	<u>12,726</u>	<u>12,302</u>	<u>12,151</u>	<u>12,591</u>
Food Service	670	637	467	682	657
Community Service	689	673	453	553	636
Capital Expenditure	876	827	1,702	504	236
Debt Service	1,599	1,415	2,473	2,363	2,304
Total Pre-K - 12 Operating Expenditures, including OPEB	<u>\$ 17,459</u>	<u>\$ 16,278</u>	<u>\$ 17,397</u>	<u>\$ 16,253</u>	<u>\$ 16,424</u>
Percent Change from Prior Year			-26.34%	-6.58%	1.05%

Source of Statewide Data: School District Profiles published by the Minnesota Department of Education.

District and School Admin - all costs related to providing administration to the District (Board of Education, Superintendent, Principals, Line administrators, etc.).

District support services - all activities provided by central office administrators (Business Services, Human Resources, Legal, Data processing, other district-wide support activities).

Regular Instruction - includes all activities dealing directly with the teaching of pupils including co-curricular and extra-curricular activities excluding exceptional, vocational and community education instruction).

Vocational Instruction - consists of costs related to career exploration, job-entry skills, job upgrading, and occupational training.

Special Education Instruction - consists of activities to provide learning experiences for pupils of any age with atypical characteristics or conditions.

Instructional Support Services - activities to assist instructional staff with content & process of learning experiences for pupils in K-12 (curriculum, staff dev, etc.).

Pupil Support Services - services to pupils not classified as instructional (transportation, counseling/guidance, health services, psychological services, social work, etc.).

Operations and Maintenance - activities related to the operation, maintenance, repair and remodeling of all physical plant, facilities and grounds of the District.

Food Service - all non-capital costs of the Food Service Fund.

Community Service - all non-capital costs of the Community Service Fund.

Capital Expenditures - all capital expenditures charged to operating funds.

Debt Service - all Debt Service Fund costs (principal, interest and fiscal agent costs--excluding bond refunding payments).

As the above table reflects, the North Branch School District has fewer resources available to it to expend on educational programs but the costs incurred are proportional to the statewide averages.

# APPENDIX C

## TECHNICAL UPDATE

### **GASB Statement No. 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans**

This statement clarifies how the absence of a governing board should be considered in determining whether a primary government is financially accountable for purposes of evaluating potential component units. It also modifies the applicability of certain component unit criteria as they relate to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans. The statement also establishes accounting and financial reporting requirements for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans and modifies the investment valuation requirements for all Section 457 plans. The requirements related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. Requirements relating to the applicability of certain component unit criteria as they relate to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans are effective immediately.

### **GASB Statement No. 100 – Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62**

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period.

### **GASB Statement No. 101 – Compensated Absences**

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave.



## APPENDIX D

### FORMAL REQUIRED COMMUNICATIONS

Board of Education  
North Branch Public Schools  
Independent School District No. 138  
North Branch, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 138 (the District) as of and for the year ended June 30, 2023, and have issued our report thereon dated November 27, 2023. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

#### **Significant audit findings**

##### **Qualitative aspects of accounting practices**

###### Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the school are described in Note 1 to the financial statements.

As described in Note 1, the District changed accounting policies related to subscription-based information technology arrangements by adopting Statement of Governmental Accounting Standards Board (GASB Statement) No. 96, *Subscription-Based Information Technology Arrangements*, effective July 1, 2022. Accordingly, the cumulative effect of the accounting change has been applied as of the beginning of the period of adoption.

We noted no transactions entered into by the school during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

###### Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Due from Minnesota Department of Education
- Due from other Minnesota school districts
- Due from federal through the Minnesota Department of Education
- Estimated useful lives of depreciable capital assets
- Prefunded Other Postemployment Benefits Obligation
- Severance Obligation
- Net Pension Liability

Management's estimate of the due from Minnesota Department of Education is based on amounts anticipated to be received from the state for various aid entitlements for fiscal 2023. The most significant of these is the aid portion of general education revenue. General education revenue and certain other revenues are computed by applying an allowance per student to the number of students served by the school. Student attendance is accumulated in a statewide database, Minnesota Automated Reporting Student System (MARSS). Because of the complexity of student accounting and because of certain enrollment options, student information is input by other school districts and the MARSS data for fiscal year 2023 is not finalized until well into the next fiscal year. Management expects any differences between estimated and actual data will be insignificant.

Management's estimate of due from other Minnesota school districts is based on amounts that have been billed to other school districts under the excess special education cost tuition billing system. The school has made a good faith effort to accurately calculate such amounts billed, but until the resident school district has an opportunity to review such underlying details as membership days, disability codes, and rates, it will not be known whether such amounts will be collected or not. Management expects any difference between amounts billed and amounts ultimately collected will be insignificant.

Management's estimate of due from federal through the Minnesota Department of Education is based on amounts anticipated to be received through the state for various federal aid entitlements for fiscal 2023. Many federal entitlements require that supporting financial reporting information be provided both in the Uniform Financial Accounting and Reporting Standards (UFARS) accounting system and also the Electronic Data Reporting System (EDRS) reporting system. To the extent that these two separate systems are not in agreement and reported in a timely manner, the estimated aid entitlement may be adversely affected. Management expects any differences between estimated and actual data will be insignificant.

Management's estimate of the useful lives for depreciable capital assets is based on guidance recommended by the Minnesota Department of Education and other sources. The useful life of a depreciable capital asset determines the amount of depreciation that will be recorded in any given reporting period as well as the amount of accumulated depreciation that is reported at the end of a reporting period.

Management's estimate of prefunded other postemployment benefits obligation and severance obligation is based on an actuarially determined calculation, less an actuarially determined estimate of implicit rate subsidy, which is the estimated increased cost of premiums due to inclusion of retirees in the same plan as the District's active employees.

Management's estimate of severance obligation is based on an actuarially determined calculation.

Management's estimate of the pension liability is based on management's expected salary increases, inflation, estimated life expectancy and actual required contributions upon meeting the eligibility requirements. We reviewed the key assumptions used to estimate the liability in determining that they are reasonable in relation to the financial statements taken as a whole.

We reviewed and tested management's procedures and underlying supporting documentation in the areas discussed above and evaluated the key factors and assumptions used to develop the estimates noted above in determining that they are reasonable in relation to the financial statements taken as a whole. We concluded that the accounting estimates and management judgments appeared to consider all significant factors and resulted in appropriate accounting recognition.

#### Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

#### **Difficulties encountered in performing the audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### **Uncorrected misstatements**

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

#### **Corrected misstatements**

The following material misstatements detected as a result of audit procedures were corrected by management:

- Tax revenues and receivables were adjusted
- Capital asset was added after audit review
- State revenues and receivables were adjusted

#### **Disagreements with management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

#### **Management representations**

We have requested certain representations from management that are included in the management representation letter dated November 27, 2023.

**Management consultations with other independent accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the school’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Other audit findings or issues***

We have provided a separate communication to you dated November 27, 2023, communicating internal control related matters identified during the audit.

**Significant issues discussed with management prior to engagement**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the school’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

**Required supplementary information**

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management’s responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

**Supplementary information in relation to the financial statements as a whole**

With respect to the schedule of expenditures of federal awards (SEFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA to determine that the SEFA complies with the requirements of the Uniform Guidance, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated November 27, 2023.

With respect to the uniform financial accounting and reporting standards compliance table (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated November 27, 2023.

The uniform financial accounting and reporting standards compliance table accompanying the financial statements, which is the responsibility of management, was prepared for purposes of additional analysis and is not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we did not express an opinion or provide any assurance on it

**Other information included in annual reports**

Other information (financial or nonfinancial information other than the financial statements and our auditors' report thereon) is being included in your annual report and is comprised of the introductory section and bond schedules. Our responsibility for other information included in your annual report does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in your annual report. We are required by professional standards to read the other information included in your annual report and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. 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. Our auditors' report on the financial statements includes a separate section, "Other Information," which states we do not express an opinion or any form of assurance on the other information included in the annual report. We did not identify any material inconsistencies between the other information and the audited financial statements

\* \* \*

This communication is intended solely for the information and use of the Board of Education and management of the school and is not intended to be, and should not be, used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
November 27, 2023



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**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2023**



**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2023**

**INTRODUCTORY SECTION**

<b>SCHOOL BOARD AND ADMINISTRATION</b>	<b>1</b>
--	----------

**FINANCIAL SECTION**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>2</b>
-------------------------------------	----------

**REQUIRED SUPPLEMENTARY INFORMATION**

<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>6</b>
---	----------

**BASIC FINANCIAL STATEMENTS**

<b>STATEMENT OF NET POSITION</b>	<b>18</b>
----------------------------------	-----------

<b>STATEMENT OF ACTIVITIES</b>	<b>19</b>
--------------------------------	-----------

<b>GOVERNMENTAL FUNDS – BALANCE SHEET</b>	<b>20</b>
---	-----------

<b>GOVERNMENTAL FUNDS – RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES</b>	<b>22</b>
--	-----------

<b>GOVERNMENTAL FUNDS –STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE</b>	<b>23</b>
--	-----------

<b>GOVERNMENTAL FUNDS – RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES TO STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES</b>	<b>25</b>
---	-----------

<b>PROPRIETARY FUND – INTERNAL SERVICE FUND – STATEMENT OF NET POSITION</b>	<b>26</b>
---	-----------

<b>PROPRIETARY FUND – INTERNAL SERVICE FUND – STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION</b>	<b>27</b>
---	-----------

<b>PROPRIETARY FUND – INTERNAL SERVICE FUND – STATEMENT OF CASH FLOWS</b>	<b>28</b>
---	-----------

<b>STATEMENT OF FIDUCIARY NET POSITION</b>	<b>29</b>
--	-----------

<b>STATEMENT OF CHANGES IN FIDUCIARY NET POSITION</b>	<b>29</b>
---	-----------

<b>NOTES TO BASIC FINANCIAL STATEMENTS</b>	<b>30</b>
--	-----------

**REQUIRED SUPPLEMENTARY INFORMATION**

<b>GENERAL FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL</b>	<b>71</b>
--	-----------

<b>MAJOR FOOD SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL</b>	<b>72</b>
---	-----------

<b>MAJOR COMMUNITY SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL</b>	<b>73</b>
--	-----------

<b>SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY (ASSET) AND RELATED RATIOS</b>	<b>74</b>
--	-----------

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2023**

<b>SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN ON OPEB PLAN ASSETS</b>	<b>75</b>
<b>SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY</b>	<b>76</b>
<b>SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS</b>	<b>77</b>
<b>NOTES TO REQUIRED SUPPLEMENTARY INFORMATION</b>	<b>78</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE</b>	<b>89</b>
<b>OTHER INFORMATION</b>	
<b>BOND SCHEDULES</b>	<b>90</b>

## **INTRODUCTORY SECTION**

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
SCHOOL BOARD AND ADMINISTRATION  
JUNE 30, 2023**

**BOARD OF EDUCATION**

<b>NAME</b>	<b>TERM ON BOARD EXPIRES</b>	<b>BOARD POSITION</b>
Tim MacMillan	01/02/25	Chairperson
Sarah Grovender	01/02/27	Vice Chairperson
Heather Naegele	01/02/25	Clerk
Jesse LaValla	01/02/27	Treasurer
Shelly Johnson	01/02/25	Director
Adam Trampe	01/02/27	Director

**ADMINISTRATION**

Sara Paul	Superintendent
Todd Tetzlaff	Director of Finance and Human Resources
Jenna Battaglia	District Accountant
District Offices:	Independent School District No. 138 North Branch Public Schools 38705 Grand Ave. North Branch, MN 55056 (651) 674-1000

## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

Board of Education  
North Branch Public Schools  
Independent School District No. 138  
North Branch, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 138 (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

### **Basis for Opinions**

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

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

***Required Supplementary Information***

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

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The uniform financial accounting and reporting standards compliance table is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the uniform financial accounting and reporting standards compliance table is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

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

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

**Report on Summarized Comparative Information**

We have previously audited the District's 2022 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 5, 2022. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 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.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
November 27, 2023

## **REQUIRED SUPPLEMENTARY INFORMATION**

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

This section of North Branch Schools – Independent School District No. 138's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2023. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

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

- Net position increased from District operations, by \$5,329,733 as compared to June 30, 2022.
- Overall General Fund revenues were \$34,872,651 as compared to \$33,564,845 of expenditures.
- The ending fund balance of the General Fund increased \$1,307,806 from the prior year. Revenues increased 6.0% over the prior year, and expenditures increased 5.7% over the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

**District-Wide Statements**

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

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

**District-Wide Statements (Continued)**

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

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

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

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

**Fund Financial Statements**

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

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

The District has three kinds of funds:

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

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

**Fund Financial Statements (Continued)**

- *Fiduciary Funds* – The District is the trustee, or *fiduciary*, for assets that belong to others, The District currently has one trust fund, for postemployment benefits. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position**

The District's *combined* net position was \$2,098,285 on June 30, 2023. This was an increase of \$5,329,733 from the prior year (see Table A-1).

**Table A-1  
The District's Net Position**

	Governmental Activities		Percentage Change
	2023	2022	
Current and Other Assets	\$ 24,901,560	\$ 24,181,184	2.98 %
Capital and Noncurrent Assets	86,180,758	91,821,136	(6.14)
<b>Total Assets</b>	<u>111,082,318</u>	<u>116,002,320</u>	(4.24)
Deferred Outflows of Resources	7,340,046	6,814,096	7.72
Current Liabilities	7,074,607	7,939,723	(10.90)
Long-Term Liabilities	92,773,802	86,127,305	7.72
<b>Total Liabilities</b>	<u>99,848,409</u>	<u>94,067,028</u>	6.15
Deferred Inflows of Resources	<u>16,475,670</u>	<u>31,980,836</u>	(48.48)
<b>Net Position</b>			
Net Investment in Capital Assets	13,433,993	15,891,402	(15.46)
Restricted	5,150,813	4,846,957	6.27
Unrestricted	(16,486,521)	(23,969,807)	(31.22)
<b>Total Net Position</b>	<u><u>\$ 2,098,285</u></u>	<u><u>\$ (3,231,448)</u></u>	

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

**Changes in Net Position**

The District's total revenues were \$44,236,781 for the year ended June 30, 2023. Property taxes and unrestricted state formula aid accounted for 68.2% of total revenue for the year. Another 6.5% came from federal sources, and the remainder from investment earnings, other general revenues and program revenues.

	Governmental Activities for the Fiscal Year Ended June 30,		Percentage Change
	<u>2023</u>	<u>2022</u>	
<b>Revenues</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 4,142,313	\$ 3,367,334	23.01 %
Operating Grants and Contributions	8,690,089	8,644,150	0.53
Capital Grants and Contributions	402,546	407,468	(1.21)
<u>General Revenues</u>			
Property Taxes	9,582,811	9,343,264	2.56
Unrestricted State Aid	20,588,032	20,231,466	1.76
Investment Earnings	474,668	17,951	2544.24
Other	356,322	304,376	17.07
Total Revenues	<u>44,236,781</u>	<u>42,316,009</u>	4.54
<b>Expenses</b>			
Administration	1,339,218	1,516,773	(11.71)
District Support Services	1,723,123	1,354,338	27.23
Regular Instruction	14,623,182	16,451,592	(11.11)
Vocational Education Instruction	422,644	89,701	371.17
Special Education Instruction	5,004,708	5,886,509	(14.98)
Instructional Support Services	2,171,137	1,973,370	10.02
Pupil Support Services	3,790,901	3,563,987	6.37
Sites and Buildings	3,929,188	4,256,162	(7.68)
Fiscal and Other Fixed Cost Programs	380,224	305,698	24.38
Food Service	1,713,515	1,732,821	(1.11)
Community Service	1,484,452	971,178	52.85
Interest and Fiscal Charges on Long-Term Liabilities	2,324,756	1,903,886	22.11
Total Expenses	<u>38,907,048</u>	<u>40,006,015</u>	(2.75)
<b>Increase (Decrease) in Net Position</b>	5,329,733	2,309,994	
Net Position - Beginning of Year	<u>(3,231,448)</u>	<u>(5,541,442)</u>	
Net Position - End of Year	<u>\$ 2,098,285</u>	<u>\$ (3,231,448)</u>	

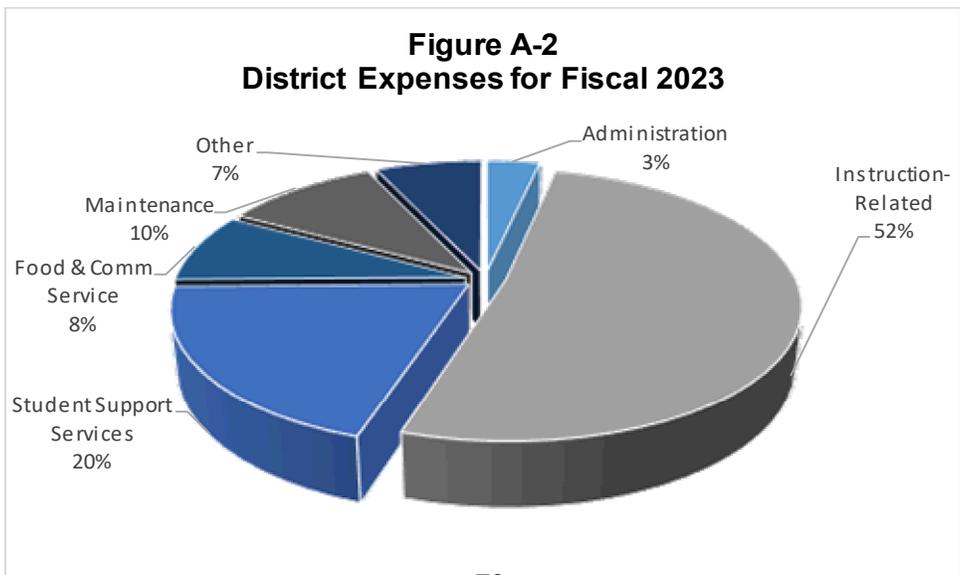
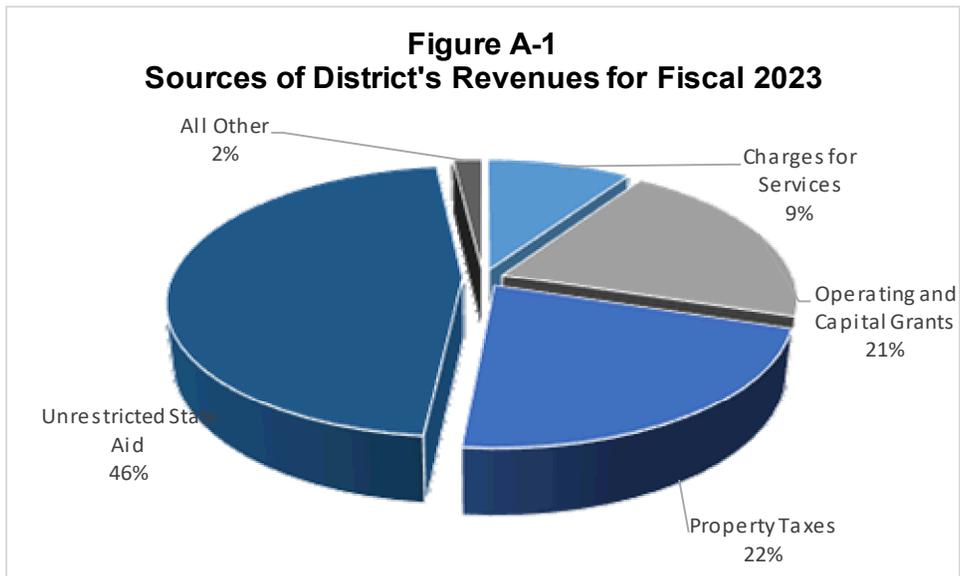
The total cost of all programs and services including interest and fiscal charges, was \$38,907,048. Total revenues exceeded expenses, increasing net position by \$5,329,733 over last year. The increase in charges for services is due to more participation for community service programs and investment earnings.

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

**Changes in Net Position (Continued)**

The cost of all *governmental* activities this year was \$38,907,048.

- Some of the cost was paid by the users of the District's programs (\$4,142,313).
- The federal and state governments subsidized certain programs with operating and capital grants and contributions (\$9,092,635).
- Most of the District's costs, however, were paid for by District taxpayers and the taxpayers of our state.
- This portion of governmental activities was paid for with \$9,582,811 in property taxes, \$20,588,032 of state aid based on the statewide education aid formula, and \$830,990 with investment earnings and other general revenues.



**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

**Changes in Net Position (Continued)**

Typically, the District does not include in an analysis of all governmental funds a breakout of expenses as depicted in Figure A-2. To do so distorts the latitude available to the District to allocate resources to instruction. All governmental funds includes not only funds received for the general operation of the District, which are used for classroom instruction, but also includes resources from the entrepreneurial-type funds of Food Service and Community Education, and from resources for fiscal service transactions. Funding for the general operation of the District is controlled by the state and the District does not have the latitude to allocate money received in Food Service or Community Education or for fiscal services to enhance classroom instruction resources. The District cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction. The preceding graph, by pooling all expenses, implies that the District does have equal access to all funds to impact classroom instruction. In Minnesota, that is simply not an option. Therefore, a more accurate analysis of resources allocated to instruction should be limited to an analysis of resources received for the general operation of the District and that analysis would show that 55.8% of those resources are spent on instruction.

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

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2023	2022		2023	2022	
Administration	\$ 1,339,218	\$ 1,516,773	(11.71)%	\$ 1,249,087	\$ 1,412,842	(11.59)%
District Support Services	1,723,123	1,354,338	27.23	1,705,779	1,352,489	26.12
Regular Instruction	14,623,182	16,451,592	(11.11)	11,343,169	13,010,826	(12.82)
Vocational Education Instruction	422,644	89,701	371.17	417,373	83,199	401.66
Special Education Instruction	5,004,708	5,886,509	(14.98)	526,535	2,276,540	(76.87)
Instructional Support Services	2,171,137	1,973,370	10.02	1,022,288	1,193,161	(14.32)
Pupil Support Services	3,790,901	3,563,987	6.37	3,064,185	2,948,045	(3.94)
Sites and Buildings	3,929,188	4,256,162	(7.68)	3,611,622	3,980,643	(9.27)
Fiscal and Other Fixed Cost Programs	380,224	305,698	24.38	380,224	305,698	24.38
Food Service	1,713,515	1,732,821	(1.11)	101,314	(343,069)	129.53
Community Service	1,484,452	971,178	52.85	(74,232)	(530,707)	(86.01)
Interest and Fiscal Charges on Long-Term Liabilities	2,324,756	1,903,886	22.11	2,324,756	1,903,886	22.11
Total	<u>\$ 38,907,048</u>	<u>\$ 40,006,015</u>	(2.75)	<u>\$ 25,672,100</u>	<u>\$ 27,593,553</u>	(6.96)

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of \$10,895,122 which is \$1,495,135 higher last year's ending fund balance of \$9,399,987. Revenues and other financing sources for the District's governmental funds were \$44,404,558 while total expenditures and other financing uses were \$42,909,423. Other financing sources and uses included transfers and other miscellaneous items.

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

**GENERAL FUND**

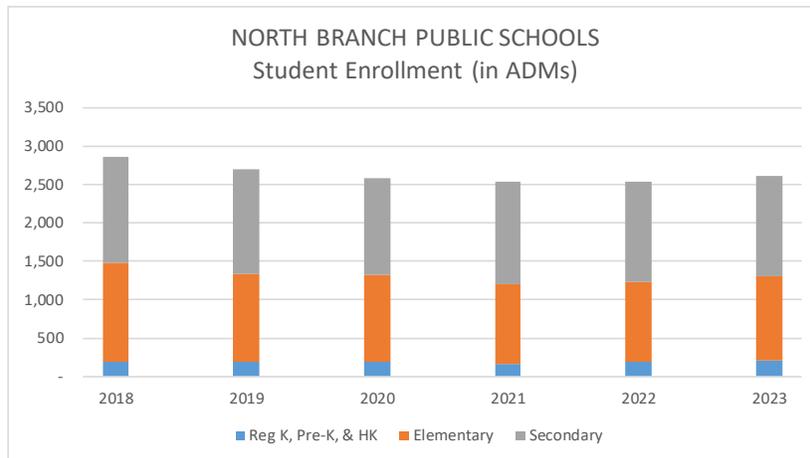
The General Fund includes the primary operations of the District in providing educational services to students from kindergarten through grade 12 including pupil transportation activities and capital outlay projects. Approximately 80.7% of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model providing approximately 50% of related expenditures. Other state formulas then determine what portion of the revenue will be provided by property taxes and what portion will come from state aid.

**ENROLLMENT**

Enrollment is a critical factor in determining revenue with approximately 63.6% of General Fund revenue being determined by enrollment. The following chart shows that the number of students has decreased over the last several years.

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

	2018	2019	2020	2021	2022	2023
Reg K, Pre-K, & HK	198	191	197	166	192	213
Elementary	1,288	1,150	1,130	1,038	1,049	1,097
Secondary	1,374	1,352	1,258	1,330	1,301	1,296
<b>Total Students for Aid</b>	<b>2,860</b>	<b>2,693</b>	<b>2,585</b>	<b>2,534</b>	<b>2,542</b>	<b>2,606</b>
Percent Change	-3.61%	-5.84%	-4.01%	-1.97%	0.32%	2.52%



In 2023, the District experienced an increase in enrollment of 64 students. Enrollment has declined over the last 10 years.

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

The following schedule presents a summary of General Fund revenues.

**Table A-5  
General Fund Revenues**

Fund	Year Ended		Change	
	June 30, 2023	June 30, 2022	Increase (Decrease)	Percent
Local Sources:				
Property Taxes	\$ 3,877,782	\$ 4,215,634	\$ (337,852)	(8.0)%
Earnings on Investments	471,062	17,526	453,536	2587.8
Other	2,489,162	2,202,725	286,437	13.0
State Sources	26,010,208	24,398,147	1,612,061	6.6
Federal Sources	2,024,437	2,056,445	(32,008)	(1.6)
Total General Fund Revenues	<u>\$ 34,872,651</u>	<u>\$ 32,890,477</u>	<u>\$ 1,982,174</u>	6.0

Total General Fund revenue increased by \$1,982,174 or 6.0% from the previous year. The increase in state sources is due to additional funding sources for the current year. Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in total revenue. The state basic general education revenue formula per student decreased compared to the prior year.

The following schedule presents a summary of General Fund expenditures.

**Table A-6  
General Fund Expenditures**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2023	June 30, 2022		
Salaries	\$ 18,294,943	\$ 17,559,865	\$ 735,078	4.2 %
Employee Benefits	5,504,127	5,318,697	185,430	3.5
Purchased Services	6,644,883	6,203,111	441,772	7.1
Supplies and Materials	2,082,321	1,548,272	534,049	34.5
Capital Expenditures	429,855	555,732	(125,877)	(22.7)
Other Expenditures	608,716	557,810	50,906	9.1
Total Expenditures	<u>\$ 33,564,845</u>	<u>\$ 31,743,487</u>	<u>\$ 1,821,358</u>	5.7

Total General Fund expenditures increased \$1,821,358 or 5.7% from the previous year. Increases in salaries and employee benefits occurred as a result of additional staff and overall salary increases.

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

In 2022-2023, General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$1,307,806. Therefore, total fund balance increased to \$8,129,067 at June 30, 2023. After deducting statutory restrictions, the unassigned fund balance decreased from \$4,110,062 at June 30, 2022 to \$3,642,045 at June 30, 2023 due to increasing the assigned fund balance for capital outlay. Unassigned fund balance is the single best measure of overall financial health.

**General Fund Budgetary Highlights**

Following approval of the budget prior to the beginning of the fiscal year, the District revises the annual operating budget in mid-year. The Board was presented with and adopted a revised General Fund budget in February 2023 and was presented with and adopted a revised budget for all funds in June 2023. These budget amendments typically fall into two categories:

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating unexpended funds being carried over, and budgeting for clearing accounts.
- Legislation passed subsequent to budget adoption, changes necessitated by collective bargaining agreements, changes in student enrollments, staffing changes, and increases in appropriations for significant unbudgeted costs.

In the case of either budget amendments, depending on how actual revenue and expenditures items are tracking against the preliminary budget amounts, adjustments are proposed to specific categories for review and approval by the school board.

Actual revenues were \$817,657 higher than expected, mainly due to higher than expected earnings on investments and other revenue.

The actual expenditures were \$1,164,792 lower than budget, mainly due to a decrease in expected special education costs.

While the District's final budget for the General Fund anticipated a decrease in fund balance of \$664,476, the actual results for the year show an increase of \$1,307,806, so the ending fund balance was more than budget by \$1,972,282. The majority of the fund balance in this area consists of Long-Term Facility Maintenance Funds and are allocated to projects related to construction.

**DEBT SERVICE FUND**

The Debt Service Fund revenue exceeded expenditures by \$256,316 in 2022-2023. The remaining fund balance of \$1,080,313 is restricted at June 30, 2023.

**OTHER MAJOR FUNDS**

Expenditures exceeded revenues in the Food Service Fund by \$66,066, leaving a fund balance of \$454,353.

The total fund balance of the Community Service Fund increased by \$263,231. The increase related to increased participation in various programs during the current fiscal year.

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

**OTHER MAJOR FUNDS (CONTINUED)**

From the standpoint of maintaining current operating expenditures within the range of annual revenue and maintaining a sound fund balance, both the Community Service and Food Service Funds continue to operate on a sound financial basis. The District utilizes price increases and expenditure reductions as necessary to bring expenditures and revenues in these funds into balance.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2023, the District had invested about \$148,594,000 in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and school buses (see Table A-7). (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year was approximately \$5,970,000.

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

	2023	2022	Percentage Change
Land	\$ 509,000	\$ 509,000	-
Construction in Progress	-	129,021	(100.0)
Land Improvements	10,484,593	10,476,618	0.1
Buildings and Improvements	121,242,375	120,918,871	0.3
Equipment	16,358,015	17,604,333	(7.1)
Less: Accumulated Depreciation	(62,413,225)	(57,816,707)	8.0
Total	<u>\$ 86,180,758</u>	<u>\$ 91,821,136</u>	(6.1)

**Long-Term Liabilities**

At year-end, the District had \$71,075,000 in general obligation bonds outstanding – a decrease of 7.8% from last year – as shown in Note 6 to the financial statements.

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

	2023	2022	Percentage Change
General Obligation Bonds	\$ 71,075,000	\$ 77,125,000	(7.8)%
Net Bond Premium and (Discount)	2,337,074	3,349,313	(30.2)
Finance Purchase Obligations	129,691	695,324	(81.3)
Compensated Absences	950,289	1,227,833	
Total	<u>\$ 74,492,054</u>	<u>\$ 82,397,470</u>	(9.6)
Long-Term Liabilities:			
Due Within One Year	\$ 3,543,737	\$ 3,474,833	
Due in More Than One Year	70,948,317	78,922,637	
Total	<u>\$ 74,492,054</u>	<u>\$ 82,397,470</u>	

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

**Bond Ratings**

The District's bonds presently carry a Moody's "A1" underlying rating with an Enhanced rating of "Aa2".

**Limitations on Debt**

The state limits the amount of general obligation debt the District can issue to 15% of the assessed value of all taxable property within the District's corporate limits. Our outstanding debt is significantly below this limit – which is currently \$254 million.

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

North Branch Area Public Schools is dependent on the State of Minnesota for its revenue authority. The District has been unsuccessful in attempts to gain voter approval for an excess operating referendum, and so remains at the basic state funding level. The School Board is committed to maintaining a balanced budget and maintaining the unassigned General Fund balance within the School Board fund balance target. Revenue has not kept pace with inflation, which has posed a persistent challenge to the school district's budgets. That is especially true with the current inflationary increases in the cost of food, fuel, energy, supplies, and employee obligations.

The School Board revised its fund balance policy from a target of between 5% and 10% to a targeted fund balance policy in our unassigned general fund of between 10% and 15% in July 2021. This was revised to assure the District is not in a position that requires cash-flow borrowing while operating within the school boards' established target. Recent increases in interest rates add to the cost of cash-flow borrowing and that added cost can be avoided when the District is able to maintain a fund balance within our established target. The audited fund balance in the unassigned general fund has improved from a low of -1.19% in 2018 to 12.95% in 2022 and to 11.71% in 2023 based on the preliminary financial statements. This improved fund balance positions the school district within the established fund balance target. The District will continue striving to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

After several years of enrollment decline, the District has increased enrollment for each of the past two years. Two factors are leading to improved student enrollment; housing starts in the community and an increase in families choosing to enroll in the school district who were previously enrolled elsewhere. The school district will continue to communicate the high-quality education services available to students and remains committed to continuous improvement efforts to ensure continued growth into the future.

Additional federal revenue dedicated to COVID-related expenses was utilized during the 2022 – 2023 school year for items such as, but not limited to; staffing for Distance Learning Academy, staffing to reduce class sizes to improve safety by providing for greater social distancing, digital curriculum, technology for students and staff to connect virtually, intervention support for students after school and in the summer and transporting students at reduced capacity. In FY23, the school district spent \$1,116,215 in federal funds to address these needs. The school district will continue accessing available federal funds until they are fully spent or through September 2024.

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

**FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)**

A demographic study completed in 2009 concluded that growth in the District stopped due to a downturn in the economy, particularly the mortgage market. The study concluded that the District will experience continued enrollment declines in the near future. It further suggested that once the economy recovers, enrollment growth is likely to return provided that the development of new residential properties is part of the recovery. Housing starts have increased for each of the past three years and there is a level of optimism regarding reversing the trend of enrollment decline, and continuing to experience increases in enrollment in the near future. Growth potential exists because of the geographic proximity to the Minneapolis/St. Paul metropolitan area on a major interstate corridor. In addition, birth rates within the District have historically been higher than the state average. Enrollment growth will depend on the level of residential development in the District. The District will continue to review these trends closely.

**Construction and Facilities Maintenance**

The District continually monitors enrollments to plan for needed capacity. Current projections suggest that building capacity District-wide should be adequate for at least the next decade and until significant new residential development occurs in the District. A facilities and recommissioning study was completed in the 2013-2014 fiscal year, which identified deferred maintenance needs too large to be addressed with annual maintenance revenues. A successful election was held in May 2017 to authorize bonds of \$70,165,000 for deferred maintenance and improvements. The process of making significant capital improvements to existing facilities was very active in FY21 and concluded during FY22. Updates to mechanical systems, electrical systems, and HVAC have significantly improved the functioning and efficiency of the building sites and the majority of spaces have new furniture. An expanded fitness center and gym space were added to the high school and Kindergarten classrooms were added to the Education Center.

Long Term Facilities Maintenance bonds were sold during the construction process to direct more revenue to the construction process while bond work was underway. Those resources were efficiently and effectively applied during construction and the District will service those bonds through 2029 using Long Term Facilities Maintenance funds. However, deferred maintenance projects remain that need to be addressed and funds have been assigned to assure the necessary funds are available to meet District needs in the absence of available Long Term Facilities Maintenance revenue.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District 138, District Office, 38705 Grand Ave., North Branch, Minnesota 55056.

## **BASIC FINANCIAL STATEMENTS**

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
STATEMENT OF NET POSITION  
JUNE 30, 2023  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2022)**

	Governmental Activities	
	2023	2022
<b>ASSETS</b>		
Cash and Investments	\$ 13,754,018	\$ 13,939,369
Receivables:		
Property Taxes	6,640,828	6,289,051
Other Governments	3,255,373	2,433,600
Other	151,236	250,459
Lease Receivable	-	297,273
Prepaid Items	296,148	21,147
Inventory	61,978	46,041
Net OPEB Asset	741,979	904,244
Capital Assets:		
Land	509,000	509,000
Construction in Progress	-	129,021
Other Capital Assets, Net of Depreciation	85,671,758	91,183,115
Total Assets	<u>111,082,318</u>	<u>116,002,320</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Related	6,909,896	6,621,267
OPEB Related	430,150	192,829
Total Deferred Outflows of Resources	<u>7,340,046</u>	<u>6,814,096</u>
<b>LIABILITIES</b>		
Salaries Payable and Other Payroll Related Items	1,687,528	2,187,446
Accounts, Contracts, and Claims Payable	596,964	941,959
Accrued Interest	1,041,533	1,102,734
Due to Other Governmental Units	78,542	123,003
Unearned Revenue	126,303	109,883
Long-Term Liabilities:		
Net Pension Liability	21,825,485	11,510,779
Portion Due Within One Year	3,543,737	3,474,698
Portion Due in More Than One Year	70,948,317	74,616,526
Total Liabilities	<u>99,848,409</u>	<u>94,067,028</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension Related	6,309,580	22,003,019
OPEB Related	433,874	430,497
Property Taxes Levied for Subsequent Year	9,732,216	9,261,156
Lease Receivable	-	286,164
Total Deferred Inflows of Resources	<u>16,475,670</u>	<u>31,980,836</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	13,433,993	15,891,402
Restricted for:		
General Fund Operating Capital Purposes	463,056	407,467
General Fund State-Mandated Reserves	2,076,042	1,760,382
General Fund Grant Restricted	81,387	-
Food Service	454,353	520,419
Community Service	1,001,201	738,644
Other Postemployment Benefits	741,979	904,244
Debt Service	100,034	-
Capital Projects - Building Construction	232,761	515,801
Unrestricted	(16,486,521)	(23,969,807)
Total Net Position	<u>\$ 2,098,285</u>	<u>\$ (3,231,448)</u>

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023  
(WITH SUMMARIZED FINANCIAL STATEMENT INFORMATION FOR YEAR ENDED JUNE 30, 2022)**

Functions	2023				2022	
	Expenses	Program Revenues			Net (Expense)	Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and	Revenue and
					Changes in Net Position	Changes in Net Position
				Total Governmental Activities	Total Governmental Activities	
<b>Governmental Activities</b>						
Administration	\$ 1,339,218	\$ -	\$ 90,131	\$ -	\$ (1,249,087)	\$ (1,412,842)
District Support Services	1,723,123	-	-	17,344	(1,705,779)	(1,352,489)
Regular Instruction	14,623,182	672,635	2,517,932	89,446	(11,343,169)	(13,010,826)
Vocational Education Instruction	422,644	-	5,271	-	(417,373)	(83,199)
Special Education Instruction	5,004,708	773,296	3,704,877	-	(526,535)	(2,276,540)
Instructional Support Services	2,171,137	58,087	1,077,933	12,829	(1,022,288)	(1,193,161)
Pupil Support Services	3,790,901	598,729	127,987	-	(3,064,185)	(2,948,045)
Sites and Buildings	3,929,188	34,639	-	282,927	(3,611,622)	(3,980,643)
Fiscal and Other Fixed Cost Programs	380,224	-	-	-	(380,224)	(305,698)
Food Service	1,713,515	684,490	927,711	-	(101,314)	343,069
Community Service	1,484,452	1,320,437	238,247	-	74,232	530,707
Interest and Fiscal Charges on Long-Term Liabilities	2,324,756	-	-	-	(2,324,756)	(1,903,886)
<b>Total School District</b>	<b>\$ 38,907,048</b>	<b>\$ 4,142,313</b>	<b>\$ 8,690,089</b>	<b>\$ 402,546</b>	<b>(25,672,100)</b>	<b>(27,593,553)</b>
<b>General Revenues</b>						
Property Taxes Levied for:						
General Purposes					3,859,148	4,207,067
Community Service					234,174	224,497
Debt Service					5,489,489	4,911,700
State Aid Not Restricted to Specific Purposes					20,588,032	20,231,466
Earnings on Investments					474,668	17,951
Miscellaneous					356,322	310,866
Total General Revenues					31,001,833	29,903,547
<b>CHANGE IN NET POSITION</b>					5,329,733	2,309,994
Net Position - Beginning of Year					(3,231,448)	(5,541,442)
<b>NET POSITION - END OF YEAR</b>					<b>\$ 2,098,285</b>	<b>\$ (3,231,448)</b>

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2023  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2022)**

	Major Funds		
	General	Food Service	Community Service
<b>ASSETS</b>			
Cash and Investments	\$ 8,054,682	\$ 541,135	\$ 1,199,102
Receivables:			
Current Property Taxes	2,658,182	-	152,769
Delinquent Property Taxes	77,328	-	4,938
Due from Other Minnesota School Districts	131,556	-	-
Due from Minnesota Department of Education	2,221,639	2,504	32,924
Due from Federal through Minnesota Department of Education	637,572	25,580	-
Due from Other Governmental Units	157,168	-	40
Lease Receivable	-	-	-
Other Receivables	145,763	-	5,473
Prepaid Items	294,078	-	2,070
Inventory	47,459	14,519	-
<b>Total Assets</b>	<b>\$ 14,425,427</b>	<b>\$ 583,738</b>	<b>\$ 1,397,316</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>			
Liabilities:			
Salaries Payable	\$ 1,842,335	\$ 778	\$ 48,461
Accounts and Contracts Payable	461,686	101,605	7,576
Due to Other Governmental Units	78,542	-	-
Unearned Revenue	-	27,002	99,301
<b>Total Liabilities</b>	<b>2,382,563</b>	<b>129,385</b>	<b>155,338</b>
Deferred Inflows of Resources:			
Property Taxes Levied for Subsequent Year	3,877,818	-	240,777
Unavailable Revenue - Delinquent Taxes	35,979	-	2,573
Lease Receivable	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>3,913,797</b>	<b>-</b>	<b>243,350</b>
Fund Balance:			
Nonspendable:			
Prepaid Items	294,078	-	2,070
Inventory	47,459	14,519	-
Restricted:			
Student Activities	200,944	-	-
Scholarships	101,369	-	-
Staff Development	247,322	-	-
Capital Projects Levy	137,540	-	-
Operating Capital	463,056	-	-
Community Education Programs	-	-	499,033
Early Childhood and Family Educations Programs	-	-	394,448
Basic Skills Ext Time	65,732	-	-
Long-Term Facilities Maintenance	1,096,190	-	-
Medical Assistance	226,945	-	-
Other Restricted	81,387	439,834	103,077
Assigned:			
Capital Outlay	1,525,000	-	-
Unassigned	3,642,045	-	-
<b>Total Fund Balance</b>	<b>8,129,067</b>	<b>454,353</b>	<b>998,628</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 14,425,427</b>	<b>\$ 583,738</b>	<b>\$ 1,397,316</b>

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
GOVERNMENTAL FUNDS  
BALANCE SHEET (CONTINUED)  
JUNE 30, 2023  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2022)**

Capital Projects	Debt Service	Total Governmental Funds	
		2023	2022
\$ 232,761	\$ 2,961,187	\$ 12,988,867	\$ 13,243,025
-	3,633,138	6,444,089	6,103,461
-	114,473	196,739	185,590
-	-	131,556	168,065
-	46,390	2,303,457	1,730,244
-	-	663,152	376,305
-	-	157,208	158,986
-	-	-	297,273
-	-	151,236	250,459
-	-	296,148	21,147
-	-	61,978	46,041
<u>\$ 232,761</u>	<u>\$ 6,755,188</u>	<u>\$ 23,394,430</u>	<u>\$ 22,580,596</u>
\$ -	\$ -	\$ 1,891,574	2,354,858
-	-	570,867	918,351
-	-	78,542	123,003
-	-	126,303	109,883
-	-	2,667,286	3,506,095
-	5,613,621	9,732,216	9,261,156
-	61,254	99,806	127,194
-	-	-	286,164
-	5,674,875	9,832,022	9,674,514
-	-	296,148	21,147
-	-	61,978	46,041
-	-	200,944	178,016
-	-	101,369	92,808
-	-	247,322	257,781
-	-	137,540	51,184
-	-	463,056	407,467
-	-	499,033	327,809
-	-	394,448	297,360
-	-	65,732	46,823
232,761	-	1,328,951	1,517,002
-	-	226,945	115,681
-	1,080,313	1,704,611	1,481,285
-	-	1,525,000	500,000
-	-	3,642,045	4,059,583
<u>232,761</u>	<u>1,080,313</u>	<u>10,895,122</u>	<u>9,399,987</u>
<u>\$ 232,761</u>	<u>\$ 6,755,188</u>	<u>\$ 23,394,430</u>	<u>\$ 22,580,596</u>

See accompanying Notes to Basic Financial Statements.

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
GOVERNMENTAL FUNDS  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
JUNE 30, 2023  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2022)**

	2023	2022
<b>Total Fund Balance for Governmental Funds</b>	<b>\$ 10,895,122</b>	<b>\$ 9,399,987</b>
Total fund balance reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	509,000	509,000
Construction in Progress	-	129,021
Land Improvements, Net of Accumulated Depreciation	5,202,744	5,664,991
Buildings and Improvements, Net of Accumulated Depreciation	71,841,485	76,009,203
Equipment, Net of Accumulated Depreciation	8,627,529	9,508,921
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are reported as deferred inflows of resources in the funds. resources in the funds.		
	99,806	127,194
The District's Net Pension Liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:		
Net Pension Liability	(21,825,485)	(11,510,779)
Deferred Inflows of Resources - Pension Related	(6,309,580)	(22,003,019)
Deferred Outflows of Resources - Pension Contributions	6,909,896	6,621,267
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
	(1,041,533)	(1,102,734)
The District's Net OPEB Asset and related deferred inflows and outflows are recorded only on the statement of net position. Balances year-end are:		
Net OPEB Asset	741,979	904,244
Deferred Inflows of Resources - OPEB Related	(433,874)	(430,497)
Deferred Outflows of Resources - OPEB Related	430,150	192,829
Internal service funds are used by management to charge the costs of dental insurance services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. Internal service fund net position at year-end is:		
	739,054	672,736
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:		
year-end are:		
Bonds Payable	(71,075,000)	(74,155,000)
Unamortized Premiums	(2,337,074)	(2,575,869)
Finance Purchase Obligations	(129,691)	(356,977)
Compensated Absences Payable	(746,243)	(835,966)
<b>Total Net Position of Governmental Activities</b>	<b>\$ 2,098,285</b>	<b>\$ (3,231,448)</b>

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
YEAR ENDED JUNE 30, 2023  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2022)**

	Major Funds		
	General	Food Service	Community Service
<b>REVENUES</b>			
Local Sources:			
Property Taxes	\$ 3,877,782	\$ -	\$ 234,848
Earnings on Investments	471,062	-	-
Other	2,489,162	719,738	1,320,437
State Sources	26,010,208	69,469	364,499
Federal Sources	2,024,437	858,242	-
Total Revenues	<u>34,872,651</u>	<u>1,647,449</u>	<u>1,919,784</u>
<b>EXPENDITURES</b>			
Current:			
Administration	1,759,576	-	-
District Support Services	1,735,230	-	-
Regular Instruction	12,974,478	-	-
Vocational Education Instruction	578,535	-	-
Special Education Instruction	6,186,832	-	-
Instructional Support Services	2,312,918	-	-
Pupil Support Services	3,702,581	-	-
Sites and Buildings	3,203,717	-	-
Fiscal and Other Fixed Cost Programs	380,224	-	-
Food Service	-	1,711,174	-
Community Service	-	-	1,656,553
Capital Projects	-	-	-
Capital Outlay	470,564	2,341	-
Debt Service:			
Principal	227,286	-	-
Interest and Fiscal Charges	32,904	-	-
Total Expenditures	<u>33,564,845</u>	<u>1,713,515</u>	<u>1,656,553</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,307,806	(66,066)	263,231
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of Equipment	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	1,307,806	(66,066)	263,231
Fund Balances - Beginning of Year	<u>6,821,261</u>	<u>520,419</u>	<u>735,397</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 8,129,067</u>	<u>\$ 454,353</u>	<u>\$ 998,628</u>

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE (CONTINUED)  
YEAR ENDED JUNE 30, 2023  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2022)**

Capital Projects	Debt Service	Total Governmental Funds	
		2023	2022
\$ -	\$ 5,497,569	\$ 9,610,199	\$ 9,381,514
3,606	-	474,668	17,951
-	-	4,529,337	3,650,918
-	463,499	26,907,675	25,241,496
-	-	2,882,679	3,925,536
<u>3,606</u>	<u>5,961,068</u>	<u>44,404,558</u>	<u>42,217,415</u>
-	-	1,759,576	1,620,309
-	-	1,735,230	1,492,523
-	-	12,974,478	12,347,356
-	-	578,535	523,791
-	-	6,186,832	6,309,590
-	-	2,312,918	1,870,282
-	-	3,702,581	3,440,924
-	-	3,203,717	2,973,726
-	-	380,224	305,698
-	-	1,711,174	1,732,821
-	-	1,656,553	1,405,236
86,861	-	86,861	1,800
182,897	-	655,802	1,281,006
-	3,080,000	3,307,286	3,233,447
-	2,624,752	2,657,656	2,773,750
<u>269,758</u>	<u>5,704,752</u>	<u>42,909,423</u>	<u>41,312,259</u>
(266,152)	256,316	1,495,135	905,156
-	-	-	16,325
(266,152)	256,316	1,495,135	921,481
<u>498,913</u>	<u>823,997</u>	<u>9,399,987</u>	<u>8,478,506</u>
<u>\$ 232,761</u>	<u>\$ 1,080,313</u>	<u>\$ 10,895,122</u>	<u>\$ 9,399,987</u>

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
GOVERNMENTAL FUNDS – RECONCILIATION OF THE STATEMENT  
OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES  
TO STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES  
YEAR ENDED JUNE 30, 2023  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2022)**

	2023	2022
<b>Net Change in Fund Balance - Total Governmental Funds</b>	<b>\$ 1,495,135</b>	<b>\$ 921,481</b>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
Capital Outlays	425,925	343,741
Gain (Loss) on Disposal of Capital Assets	(96,625)	(6,490)
Depreciation Expense	(5,969,678)	(6,084,389)
<p>Some capital asset additions are financed through finance purchase obligations. In governmental funds, a finance purchase obligation is considered a source of financing, but in the statement of net position, the finance purchase obligation is reported as a liability. Repayment of finance purchase obligation principal is an expenditure in the governmental funds, but repayment reduces the finance purchase obligation in the statement of net position.</p>		
Principal Payments - Finance Purchase Obligations	227,286	338,347
<p>Payment of OPEB benefits are recognized as expenditures at the fund level while the change in the net OPEB asset is recognized in the statement of activities.</p>		
	71,679	69,724
<p>Pension expenditures on the governmental funds are measured by current year employee contributions. Pension expenses on the Statement of Activities are measured by the change in Net Pension Liability and the related deferred inflows and outflows of resources.</p>		
	5,667,362	2,676,801
<p>The governmental funds report bond proceeds as financing sources, while repayment of of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities repayment of principal reduces the liability. Also, governmental funds report the effect of bond discounts and premiums when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:</p>		
Repayment of Bond Principal	3,080,000	2,970,000
Change in Accrued Interest Expense - General Obligation Bonds	61,201	56,311
Amortization of Bond Premium	238,795	773,444
<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>		
	(27,388)	(38,250)
<p>In the statement of activities, certain operating expenses - severance benefits and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).</p>		
	89,723	225,381
<p>Internal service funds are used by the District to charge the costs of employee health and dental benefits to individual funds. The net revenue of the internal service funds is reported with governmental activities.</p>		
	66,318	63,893
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 5,329,733</u></b>	<b><u>\$ 2,309,994</u></b>

**NORTH BRANCH PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. 138**  
**PROPRIETARY FUND**  
**INTERNAL SERVICE FUND**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2022)

	Governmental Activities - Internal Service Funds	
	2023	2022
<b>ASSETS</b>		
Current Assets:		
Cash and Investments	\$ 765,151	\$ 696,344
<b>LIABILITIES</b>		
Current Liabilities:		
Claims Payable for Dental Benefits	26,097	23,608
<b>NET POSITION</b>		
Unrestricted	\$ 739,054	\$ 672,736

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
PROPRIETARY FUND  
INTERNAL SERVICE FUND  
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION  
YEAR ENDED JUNE 30, 2023  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2022)**

	Governmental Activities - Internal Service Funds	
	2023	2022
<b>OPERATING REVENUES</b>		
Charges for Services	\$ 279,567	\$ 268,544
<b>OPERATING EXPENSES</b>		
Dental Claims	213,249	204,651
<b>OPERATING INCOME</b>	66,318	63,893
Total Net Position - Beginning of Year	672,736	608,843
<b>TOTAL NET POSITION - END OF YEAR</b>	\$ 739,054	\$ 672,736

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
PROPRIETARY FUND  
INTERNAL SERVICE FUND  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2023  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2022)**

	Governmental Activities - Internal Service Funds	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Interfund Services Provided	\$ 279,567	\$ 268,544
Payments for Dental Fees and Insurance Claims	(210,760)	(202,575)
Net Cash Provided by Operating Activities	68,807	65,969
Cash and Cash Equivalents - Beginning of Year	696,344	630,375
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 765,151	\$ 696,344
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH  PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income	\$ 66,318	\$ 63,893
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Increase (Decrease) in Claims Payable	2,489	2,076
Net Cash Provided by Operating Activities	\$ 68,807	\$ 65,969

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2023**

	<u>Postemployment Benefits Irrevocable Trust Fund</u>
<b>ASSETS</b>	
Cash and Deposits	\$ 49,915
Investments:	
Equities	1,133,733
Fixed Income	1,126,577
Real Assets	221,898
Total Assets	<u>2,532,123</u>
 <b>NET POSITION</b>	
Restricted for Postemployment Benefits Other Than Pensions	<u>\$ 2,532,123</u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2023**

	<u>Postemployment Benefits Irrevocable Trust Fund</u>
<b>ADDITIONS</b>	
Investment Income:	
Net Increase (Decrease) in Fair Value of Investments	\$ 143,923
Interest and Dividends	62,687
Less: Investment Expense	<u>(38,121)</u>
Total Additions	168,489
 <b>DEDUCTIONS</b>	
Benefit Payments	328,306
Administrative Expense	<u>38,121</u>
Total Deductions	<u>366,427</u>
 Change in Net Position	(197,938)
 Net Position - Beginning of Year	<u>2,730,061</u>
 Net Position - End of Year	<u>\$ 2,532,123</u>

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The financial statements of Independent School District No. 138 (the District) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. This financial report has been prepared in conformity with GASB Statement No. 34.

**B. Financial Reporting Entity**

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

GAAP require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separate from the District. In addition, the District's financial statements are to include all component units – entities for which the District is financially accountable.

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

**C. Basic Financial Statement Presentation**

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

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

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basic Financial Statement Presentation (Continued)**

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

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The fiduciary fund, postemployment benefits irrevocable trust fund, is presented in the fiduciary fund financial statements. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, this fund is excluded from the District-wide statements.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service fund is charges for service in the form of insurance premiums. Operating expenses for the internal service fund include the cost of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Measurement Focus and Basis of Accounting**

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

**1. Revenue Recognition**

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

**2. Recording of Expenditures**

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

Description of Funds

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

*Major Governmental Funds*

General Fund

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

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Measurement Focus and Basis of Accounting (Continued)**

*Major Governmental Funds (Continued)*

Food Service Special Revenue Fund

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

Community Service Special Revenue Fund

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

Capital Projects Fund

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

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general long-term obligation bond principal, interest, and related costs. The regular debt service account is used for all general obligation bond and energy conservation loan debt service.

*Proprietary Fund*

Internal Service Fund

The Internal Service Fund accounts for financing of services provided by one department to other departments of the District on a cost-reimbursement basis. The District's Internal Service Fund includes its self-insured dental insurance plan for its employees.

*Fiduciary Fund*

Postemployment Benefits Irrevocable Trust Fund

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

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgeting**

Budgets presented in this report for comparison to actual amounts are presented in accordance with GAAP. Each June, the Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper. Reported budget amounts represent the amended budget as adopted by the Board. Legal budgetary control is at the fund level.

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

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

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

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

**F. Cash and Investments**

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

Money market investments are short-term, highly liquid debt instruments including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations.

**G. Accounts Receivable**

Represents amounts receivable from individuals and governments for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Inventories**

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

**I. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

**J. Property Taxes**

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

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

In accordance with state law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy (frozen at \$124,195) for the District. Certain other portions of the District's 2022 Pay 2023 levy, normally revenue for the 2023-2024 fiscal year, are also advance recognized at June 30, 2023, as required by state statute to match revenue with the same fiscal year as the related expenditures.

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Property Taxes (Continued)**

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

**K. Capital Assets**

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The District maintains a threshold level of \$2,500 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the District-wide financial statement, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

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

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

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. Leases**

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

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

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

The District has elected to recognize payments received for short-term leases with a lease term of 12 months or less as revenue as the payments are received, and these leases are not included as lease receivables or deferred inflows of resources on the statements of net position and fund financial statements.

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

**M. Deferred Outflows of Resources**

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

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Long-Term Obligations**

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, 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.

**O. Accrued Employee Benefits**

Sick Pay

Substantially all district employees are entitled to sick leave at various rates. Unused sick leave is a factor in the calculation of an employee's severance pay upon retirement. Sick pay is generally liquidated by the General Fund.

Severance and Health Benefits

Severance and health benefits consist of lump sum early retirement incentive payments and post-employment health care benefits. Accounting policies for severance and health benefits are described below. Severance and Health Benefits are generally liquidated by the General Fund.

**1. Early Retirement Incentive and Convertible Sick Leave**

The District maintains various early retirement incentive payment plans for its employee groups. Each employee group plan contains benefit formulas based on years of service and/or minimum age requirements. No employee can receive early retirement incentive payments exceeding one year's salary. In addition, certain bargaining unit members are eligible to be compensated for unused accumulated sick leave upon termination subject to certain conditions. If early retirement incentive or convertible sick leave payments are owed at year-end, an accrual is made in the governmental fund incurring the liability. The amount of early retirement incentive payment that is based on years of service is not considered vested or recorded as long-term until actual turnover occurs. The amount of early retirement incentive payment that is based on convertible sick leave is recorded as a liability in the long-term debt as it is earned and when it becomes probable that it will vest at some point in the future.

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Accrued Employee Benefits (Continued)**

Severance and Health Benefits (Continued)

**1. Early Retirement Incentive and Convertible Sick Leave (Continued)**

The District provides a longevity benefit to its principal employee group which begins with 10 or more years of administrative experience with the District. Beginning with the school year in which an administrator reaches the age of 40, the principal is entitled to payment of unused sick leave up to specified maximums. The percentage of unused sick leave that a principal is entitled to payment for increases incrementally from age 40 up to age 55, at which point the principal is entitled to 100% of the specified maximum. The maximum benefit is equal to the administrator's annual salary and is payable in two equal installments upon separation from the District. If early retirement incentive and administrator longevity benefits are owed at year-end based on an event which has occurred prior to year-end, an accrual is made in the governmental fund incurring the liability. The long-term portion of early retirement incentive and administrator experience benefits are recognized as part of severance and health benefits payable. These benefits have been sunset in employment agreements.

**2. Postemployment Health Care Benefits**

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

**P. Deferred Inflows of Resources**

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

**Q. Unearned Revenue**

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

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**R. Pensions**

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

**S. Statement of Cash Flows**

For purposes of the statement of cash flows, the District considers all highly liquid investments with an original maturity from the time of purchase by the District of three months or less to be cash equivalents. The Proprietary Fund's equity in the District-wide cash and investment management pool is considered to be cash equivalents.

**T. Fund Balance**

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

The Board of Education passed a resolution authorizing the Superintendent and Director of Business and Human Resources to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

It is also the District's policy to strive to maintain a minimum unassigned fund balance of the General Fund equal to 10% of expenditures. The District considers a balance of less than 5% to be cause for concern, barring unusual or deliberate circumstances. If unassigned fund balance is projected to fall below 5%, the Superintendent will develop a recommendation to the Board to address fund balance as part of the annual budget process.

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**U. Net Position**

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

**V. Comparative Data**

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

**W. Adoption of New Accounting Standards**

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

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

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 STEWARDSHIP AND ACCOUNTABILITY**

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

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Fund:			
Food Service Fund	\$ 1,476,360	\$ 1,713,515	\$ 237,155
Community Service Fund	1,486,656	1,656,553	169,897

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

**NOTE 3 DEPOSITS AND INVESTMENTS**

**A. Deposits**

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

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

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

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments**

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

- Direct obligations or obligations guaranteed by the United States or its agencies
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less
- General obligations rated "A" or better; revenue obligations rated "AA" or better
- General obligations of the Minnesota Housing Finance Agency rate "A" or better
- Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less.
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories
- Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers

At June 30, 2023, the District had the following investments:

	Amount
MN Trust Investment Shares	\$ 11,266,456
U.S. Treasury	2,037,633
<b>OPEB Trust</b>	
Money Markets	49,538
Government Agency	708,569
Corporate Bonds	399,200
Equities	1,133,733
Mortgage Backed Securities	18,808
Alternative Investments	221,899
Total Investments	\$ 15,835,836

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

MN Trust is an external investment pool (Pool). The Pool is regulated by Minnesota statutes and is not registered with the Securities and Exchange Commission (SEC) as an investment company. The MN Trust Investment Series and Term Series is managed to maintain a dollar-weighted average portfolio maturity of no greater than 60 days and seeks to maintain a constant net asset value (NAV) per share of \$1.00. The Pool elects to measure its investments at amortized cost in accordance with accounting statements issued by the Governmental Accounting Standards Board. The MN Trust Term Series withdrawals requires a seven-day notice of redemption and would likely carry a penalty. The MN Trust Investment Series withdrawals may only be made on the third Wednesday of each month upon advance written notice, with no penalties assessed.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities to meet cash requirements for ongoing operations. Information about the sensitivity of the fair values of the District’s investments to market interest rate risk fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity:

Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
MN Trust Investment Shares	\$ 11,266,456	\$ 11,266,456	\$ -	\$ -	\$ -
U.S. Treasury	2,037,633	2,037,633	-	-	-
<b>OPEB Trust</b>					
Money Markets	49,538	49,538	-	-	-
Government Agency	708,569	-	19,038	65,640	623,891
Corporate Bonds	399,200	14,686	33,848	132,661	218,005
Equities	1,133,733	1,133,733	-	-	-
Mortgage Backed Securities	18,808	-	-	-	18,808
Alternative Investments	221,899	221,899	-	-	-
Total	<u>\$ 15,835,836</u>	<u>\$ 14,723,945</u>	<u>\$ 52,886</u>	<u>\$ 198,301</u>	<u>\$ 860,704</u>

Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following chart summarizes year-end ratings for the District’s investments as rated by Moody’s Investors Service:

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

<u>Type</u>	<u>Credit Quality Rating</u>	<u>Amount</u>
MN Trust Investment Shares	NR	\$ 11,266,456
U.S. Treasury	Aaa/AA+	2,037,633
<b>OPEB Trust</b>		
Money Markets	NR	49,538
Government Agency	AAA/AA+	708,569
Corporate Bonds	AAA-BBB	399,200
Equities	NR	1,133,733
Mortgage Backed Securities	AAA	18,808
Alternative Investments	NR	221,899
Total		<u>\$ 15,835,836</u>

Custodial Credit Risk – For an investment, custodial risk is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District’s bond documents require insurance of all balances held with each investment account. As of June 30, 2023, the investment balances were fully covered by insurance.

Concentration of Credit Risk – The District places no limit on the amount the District may invest in any one issuer. For the year ended June 30, 2023, none of the individual investments held by the District were over the 5% threshold.

The deposits and investments are made up of the following:

Deposits	\$ 449,929
OPEB Trust Deposits	376
Investments	13,304,089
OPEB Trust Investments	2,531,747
Total Cash and Investments	<u>\$ 16,286,141</u>

The deposits and investments are presented in the financial statements as follows:

Cash and Investments - Statement of Net Position	\$ 13,754,018
Cash and Investments - Statement of Fiduciary	
Fund Net Position	2,532,123
Total Cash and Investments	<u>\$ 16,286,141</u>

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**C. Other Postemployment Benefit Trust Account**

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

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

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

**D. Fair Value Measurements**

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

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

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**D. Fair Value Measurements (Continued)**

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

- Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.
- Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. These inputs include similarly traded investments valued by a pricing service that uses matrix pricing and valuation multiples.
- Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants and would use in pricing the asset.

Assets measured at fair value on a recurring basis:

Type	Level 1	Level 2	Level 3	Total
Government/Agency Obligations	\$ 708,569	\$ -	\$ -	\$ 708,569
Mortgage Backed Securities	-	18,808	-	18,808
Corporate Bonds	399,200	-	-	399,200
U.S. Treasury	-	2,037,633	-	2,037,633
Equity Securities	1,133,733	-	-	1,133,733
Alternative Investments	13,968	207,931	-	221,899
Total	<u>\$ 2,255,470</u>	<u>\$ 2,264,372</u>	<u>\$ -</u>	<u>\$ 4,519,842</u>

Investments measured at the net asset value (NAV):	<u>\$11,315,994</u>
Total Investments	<u><u>\$15,835,836</u></u>

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 4 CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 509,000	\$ -	\$ -	\$ 509,000
Construction in Progress	129,021	26,035	(155,056)	-
Total Capital Assets, Not Being Depreciated	<u>638,021</u>	<u>26,035</u>	<u>(155,056)</u>	<u>509,000</u>
Capital Assets, Being Depreciated:				
Land Improvements	10,476,618	7,975	-	10,484,593
Buildings and Improvements	120,918,871	323,504	-	121,242,375
Equipment	17,604,333	223,467	(1,469,785)	16,358,015
Total Capital Assets, Being Depreciated	<u>148,999,822</u>	<u>554,946</u>	<u>(1,469,785)</u>	<u>148,084,983</u>
Accumulated Depreciation for:				
Land Improvements	(4,811,627)	(470,222)	-	(5,281,849)
Buildings and Improvements	(44,909,668)	(4,491,222)	-	(49,400,890)
Equipment	(8,095,412)	(1,008,234)	1,373,160	(7,730,486)
Total Accumulated Depreciation	<u>(57,816,707)</u>	<u>(5,969,678)</u>	<u>1,373,160</u>	<u>(62,413,225)</u>
Total Capital Assets, Being Depreciated, Net	<u>91,183,115</u>	<u>(5,414,732)</u>	<u>(96,625)</u>	<u>85,671,758</u>
Governmental Activities Capital Assets, Net	<u>\$ 91,821,136</u>	<u>\$ (5,388,697)</u>	<u>\$ (251,681)</u>	<u>\$ 86,180,758</u>

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

<b>Governmental Activities</b>	
Administration	\$ 12,868
Regular Instruction	5,462,912
Instructional Support Services	168,956
Pupil Support Services	168,032
Sites and Buildings	156,910
Total Depreciation Expense, Governmental Activities	<u>\$ 5,969,678</u>

**NOTE 5 LONG-TERM LEASE RECEIVABLES**

The District, acting as lessor, leases buses to a company to transport the District's students under long-term, non-cancelable lease agreements. The lease was paid off during fiscal year 2023.

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 5 LONG-TERM LEASE RECEIVABLES (CONTINUED)**

Changes in the lease receivable for the year is as follows:

	June 30, 2022 as Restated	Additions	Retirements	June 30, 2023
School Buses	\$ 297,273	\$ -	\$ (297,273)	\$ -

**NOTE 6 LONG-TERM LIABILITIES**

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

**A. Components of Long-Term Debt**

Issue Date	Net Interest Rate	Original Issue	Final Maturity	Principal Outstanding	
				Due Within One Year	Total
11/16/2016	2.00% - 2.25%	\$ 1,770,000	2/1/2031	\$ 125,000	\$ 1,075,000
11/9/2017	2.00% - 3.25%	67,590,000	2/1/2043	2,070,000	65,155,000
11/9/2017	1.79% - 2.64%	2,260,000	2/1/2025	390,000	795,000
7/19/2018	3.00%	6,385,000	2/1/2029	625,000	4,050,000
Total General Obligation Bonds				3,210,000	71,075,000
Bond Premium - Net				-	2,337,074
Finance Purchase Obligations:					
Building Improvements				69,369	69,369
Scoreboard Lease				60,322	60,322
Total Finance Purchase Obligations				129,691	129,691
Compensated Absences Payable				204,046	950,289
				<u>\$ 3,543,737</u>	<u>\$ 74,492,054</u>

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 6 LONG-TERM LIABILITIES (CONTINUED)**

**B. Minimum Debt Payments**

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

<u>Year Ending June 30.</u>	General Obligation Bonds Payable		Finance Purchase Obligations	
	Principal	Interest	Principal	Interest
2024	\$ 3,210,000	\$ 2,488,798	\$ 129,691	\$ 6,342
2025	3,345,000	2,354,159	-	-
2026	3,205,000	2,213,217	-	-
2027	3,350,000	2,070,167	-	-
2028	3,495,000	1,920,417	-	-
2029 - 2033	16,220,000	7,573,858	-	-
2034 - 2038	17,665,000	4,935,034	-	-
2039 - 2043	20,585,000	2,021,602	-	-
Total	<u>\$ 71,075,000</u>	<u>\$ 25,577,252</u>	<u>\$ 129,691</u>	<u>\$ 6,342</u>

**C. Description of Long-Term Debt**

**1. General Obligation School Building Bonds**

These bonds were issued to finance acquisition and/or construction/improvement of capital facilities. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies are dedicated for the retirement of these bonds. Total deferred tax levies available to retire bond principal and interest payable at June 30, 2023 are \$101,484,861. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota Statute.

**2. General Obligation Taxable OPEB Bonds**

On November 9, 2017, the District issued \$2,260,000 General Obligation OPEB Refunding Bonds, Series 2017B to refund the General Obligation Taxable OPEB Bond, Series 2009A. The interest rates on the new bonds range from 1.79% to 2.64%, compared with rates of 2.00% to 5.25% on the 2009A Bonds.

**3. Finance Purchase Obligations**

On September 30, 2008, the District entered into a finance purchase obligation for building improvements. The finance purchase obligation is in the amount of \$1,403,094. The finance purchase obligation requires semiannual payments of \$71,197 for 15 years.

On December 1, 2017, the District entered into a finance purchase obligation with Loffler for copier and printer equipment. The finance purchase obligation was in the amount of \$315,787 bearing interest at 8.26%. The finance purchase obligation requires monthly payments of \$6,442 for five years.

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 6 LONG-TERM LIABILITIES (CONTINUED)**

**C. Description of Long-Term Debt (Continued)**

**3. Finance Purchase Obligations (Continued)**

On November 11, 2018, the District entered into a finance purchase obligation with Lease Finance Group, Inc. for a scoreboard. The finance purchase obligation is in the amount of \$327,286 bearing interest at 7.5%. The finance purchase obligation requires annual payments of \$64,833 for six years.

**D. Changes in Long-Term Debt**

	June 30, 2022	Additions	Retirements	June 30, 2023
Bonds Payable	\$ 74,155,000	\$ -	\$ 3,080,000	\$ 71,075,000
Bond Premium	2,575,869	-	238,795	2,337,074
Finance Purchase Obligations	356,977	-	227,286	129,691
Compensated Absences Payable - Net	1,003,378	209,524	262,613	950,289
Total	<u>\$ 78,091,224</u>	<u>\$ 209,524</u>	<u>\$ 3,808,694</u>	<u>\$ 74,492,054</u>

**NOTE 7 RESTRICTED, COMMITTED, AND ASSIGNED FUND BALANCE**

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. In addition, certain portions of fund balance have been committed and assigned by the District for specific purposes.

**A. Restricted for Student Activities**

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

**B. Restricted for Scholarships**

The fund balance restriction represents accumulated resources available to provide scholarships for students.

**C. Restricted for Staff Development**

In accordance with state statute, represents available resources dedicated exclusively for staff development.

**D. Restricted for Capital Projects Levy**

Represents tax levies to be used for capital projects.

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 7 RESTRICTED, COMMITTED, AND ASSIGNED FUND BALANCE (CONTINUED)**

**E. Restricted for Operating Capital**

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

**F. Restricted for Community Education Programs**

The fund balance restriction represents accumulated resources available to provide general community education programming.

**G. Restricted for Early Childhood and Family Education Programs**

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

**H. Restricted for Basic Skills Ext Time**

Represents resources to be used for extended time activities according to state statute.

**I. Restricted for Long-Term Facilities Maintenance (LTFM)**

This restriction represents available resources to be used for LTFM projects in accordance with the 10 year capital plan.

**J. Restricted for Medical Assistance**

Represents available resources to be used for Medical Assistance expenditures.

**K. Restricted for Other Purposes**

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

Other Restricted:

Restricted for Grant Related Costs	\$	81,387
Restricted for Food Service		439,834
Restricted for Community Service		103,077
Restricted for Debt Service		1,080,313
Total Other Restricted	\$	1,704,611

**L. Assigned for Capital Outlay**

This assignment represents resources to support expenditures for the future capital outlay.

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 8 PENSION PLANS**

**A. Plan Description**

**1. General Employees Retirement Plan (General Employees Plan)**

The District participates in the following cost-sharing multiple-employer 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.

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

**2. Teachers Retirement Fund (TRA)**

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

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

**B. Benefits Provided**

**1. General Employees Plan Benefits**

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

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 8 PENSION PLANS (CONTINUED)**

**B. Benefits Provided (Continued)**

**1. General Employees Plan Benefits (Continued)**

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

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

**2. TRA Benefits**

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

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

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 8 PENSION PLANS (CONTINUED)**

**B. Benefits Provided (Continued)**

**2. TRA Benefits (Continued)**

*Tier I Benefits*

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

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) 3.0% per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

*Tier II Benefits*

For years of service prior to July 1, 2006, a level formula of 1.7% per year for Coordinated members and 2.7% per year for Basic members. For years of service July 1, 2006 and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. Beginning July 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 eligible for a refund of their employee contributions plus interest.

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 8 PENSION PLANS (CONTINUED)**

**C. Contributions**

**1. General Employees Plan Contributions**

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature. Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2023 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Plan for the Plan's fiscal year ended June 30, 2023, were \$410,194. The District's contributions were equal to the required contributions for each year as set by state statute.

**2. TRA Contributions**

Per Minnesota Statutes, Chapter 354 rates for the fiscal year 2023 coordinated were 7.50% for the employee and 8.55% for the employer. Basic rates were 11.00% for the employee and 12.55% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2023, were \$1,161,101. The District's contributions were equal to the required contributions for each year as set by state statute.

**D. Pension Costs**

**1. General Employees Plan Pension Costs**

At June 30, 2023, the District reported a liability of \$5,338,102 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million. The state of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the District totaled \$156,326, for a total of \$5,494,428 associated with the District. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0674% at the end of the measurement period and 0.0651% for the beginning of the period.

For the year ended June 30, 2023, the District recognized pension expense of \$339,657 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized \$23,359 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.

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 8 PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**1. General Employees Plan Pension Costs (Continued)**

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 44,588	\$ 57,024
Changes in Actuarial Assumptions	1,208,109	21,711
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	92,592	-
Changes in Proportion	95,916	230,093
District Contributions Subsequent to the Measurement Date	410,194	-
Total	<u>\$ 1,851,399</u>	<u>\$ 308,828</u>

The \$410,194 reported as deferred outflows of resources related to pensions resulting from District contributions to General Employees Plan 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 General Employees Plan pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2024	\$ 344,463
2025	443,304
2026	(138,142)
2027	482,752

**2. TRA Pension Costs**

At June 30, 2023, the District reported a liability of \$16,487,383 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was .2059% at the end of the measurement period and .1995% for the beginning of the period.

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 8 PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**2. TRA Pension Costs (Continued)**

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

Description	Amount
District's Proportionate Share of the TRA Net Pension Liability	\$ 16,487,383
State's Proportionate Share of TRA's Net Pension Liability Associated with the District	1,222,685
Total	<u>\$ 17,710,068</u>

For the year ended June 30, 2023, the District recognized pension expense of (\$4,460,419) for its proportionate share of the TRA's pension expense. In addition, the District recognized (\$346,682) as an increase to pension expense and grant revenue for the support provided by direct aid.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 241,162	\$ 144,862
Changes in Actuarial Assumptions	2,641,236	3,489,064
Net Difference Between Projected and Actual Investment Earnings	460,560	-
Changes in Proportion	554,438	2,366,826
District Contributions Subsequent to the Measurement Date	1,161,101	-
Total	<u>\$ 5,058,497</u>	<u>\$ 6,000,752</u>

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 8 PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**2. TRA Pension Costs (Continued)**

The \$1,161,101 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Pension Expense Amount</u>
2024	\$ (3,927,394)
2025	(185,485)
2026	(261,755)
2027	2,148,770
2025	122,508

**3. Summary**

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

	<u>General Employees Fund</u>	<u>Teachers Retirement Fund</u>	<u>Total</u>
Net Pension Liability	\$ 5,338,102	\$ 16,487,383	\$ 21,825,485
Deferred Outflows of Resources	1,851,399	5,058,497	6,909,896
Deferred Inflows of Resources	308,828	6,000,752	6,309,580
Pension (Revenue) Expense	363,016	(4,807,101)	(4,444,085)

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 8 PENSION PLANS (CONTINUED)**

**E. Long-Term Expected Return on Investment**

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

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

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

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

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 8 PENSION PLANS (CONTINUED)**

**F. Actuarial Methods and Assumptions**

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

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

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

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

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

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

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

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

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 8 PENSION PLANS (CONTINUED)**

**F. Actuarial Methods and Assumptions (Continued)**

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

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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

- There have been no changes since the prior valuation.

**G. Discount Rate**

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

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

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 8 PENSION PLANS (CONTINUED)**

**H. Pension Liability Sensitivity**

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

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
<u>General Employees Plan Discount Rate</u>	5.50%	6.50%	7.50%
District's Proportionate Share of the General Employees Plan Net Pension Liability	\$ 8,431,812	\$ 5,338,102	\$ 2,800,783
<u>TRA Discount Rate</u>	6.00%	7.00%	8.00%
District's Proportionate Share of the TRA Net Pension Liability	\$ 25,991,461	\$ 16,487,383	\$ 8,697,002

**I. Pension Plan Fiduciary Net Position**

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

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

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN**

**A. Plan Description**

The District operates and administers a single-employer defined benefit plan (the Plan) that provides health and dental insurance to eligible retired employees and their spouses through the District's health insurance plan. There are 293 active participants, 6 spouse participants and 24 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report. The Plan does not have a separate board other than the board of education.

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**B. Funding Policy**

The District has assets in a qualified irrevocable trust which is included as a fiduciary fund in these financial statements. The District's investment policy is to follow state statutes as listed in Note 3. The District is assumed to make no future contributions to the trust. Benefit payments equal to the annual direct subsidy plus implicit subsidy are assumed to be made from the trust. Contribution requirements are negotiated between the District and union representatives. For fiscal year 2023, the District made no contributions to the plan. All current year benefits were paid from the District's OPEB Trust Fund.

**C. Net OPEB Liability (Asset) of the District**

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

Total OPEB Liability	\$	1,790,144
Plan Fiduciary Net Position		2,532,123
District's Net OPEB Liability (Asset)	<u>\$</u>	<u>(741,979)</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)		141%

**D. Actuarial Methods and Assumptions**

The long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that (1) the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and (2) OPEB plan assets are expected to be invested using a strategy to achieve that return, and a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), to the extent that the conditions above are not met.

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

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**D. Actuarial Methods and Assumptions (Continued)**

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

Inflation	2.50%
Salary Increases	Service Graded Table
Investment Rate of Return	6.10%
Health Care Trend Rates	6.25% Decreasing to 5.00% over 6 years then to 4.00% over the next 48 years

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale and other adjustments.

Economic assumptions are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

For the year ended June 30, 2023, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan expenditures, was 4.80%. The money-weighted rate of return expresses investment performance, net of investment expenditures, adjusted for the changing amounts actually invested.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Class Return</u>
Equities	36.00 %	7.90 %
Fixed Income	46.00	4.10
International Equity	12.00	7.30
Real Estate	6.00	8.10
Total	<u>100.00 %</u>	
Net Assumed Investment Return (Weighted Avg, Rounded to 1/4%)		<u>6.10 %</u>

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**D. Actuarial Methods and Assumptions (Continued)**

The discount rate used to measure the total OPEB liability was 6.10%. The projection of cash flows and OPEB trust assets used to determine the discount rate were based on recent employer contribution history and their stated funding policy. The OPEB trust's long-term assumed investment return was used to discount projected benefit payments for as long as projected trust assets are available to fund OPEB payments. Once projected trust assets are exhausted, the municipal bond index rate was applied to the remaining expected benefit payments.

The expected employer asset return is based on plan's target investment allocation along with long-term return expectations by asset class. Where there is sufficient historical evidence of market outperformance, historical average returns may be considered.

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

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.
- The expected long-term investment return was changed from 4.40% to 6.10%.
- The discount rate was changed from 4.30% to 6.10%.

**E. Changes in the Net OPEB Liability (Asset)**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2022	\$ 1,825,817	\$ 2,730,061	\$ (904,244)
Changes for the Year:			
Service Cost	69,376	-	69,376
Interest	74,509	-	74,509
Assumption Changes	(135,531)	-	(135,531)
Differences Between Expected and Actual Experience	284,279	(36,166)	320,445
Net Investment Return	-	166,534	(166,534)
Benefit Payments	(328,306)	(328,306)	-
Net Changes	<u>(35,673)</u>	<u>(197,938)</u>	<u>162,265</u>
Balances at June 30, 2023	<u>\$ 1,790,144</u>	<u>\$ 2,532,123</u>	<u>\$ (741,979)</u>

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**E. Changes in the Net OPEB Liability (Asset) (Continued)**

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

	1% Decrease (5.10%)	Discount Rate (6.10%)	1% Increase (7.10%)
Net OPEB Liability (Asset)	\$ (653,405)	\$ (741,979)	\$ (827,885)

The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1% lower (5.25% decreasing to 4.00% over six years then 3.00% over the next 48 years) or 1% higher (7.25% decreasing to 6.00% over six years then 5.00% over the next 48 years) than the current healthcare cost trend rates:

	Healthcare Cost		
	1% Decrease 5.25% Decreasing to 4.00% then 3.00%	Current Trend Rates 6.25% Decreasing to 5.00% then 4.00%	1% Increase 7.25% Decreasing to 6.00% then 5.00%
Medical Trend Rate			
Net OPEB Liability (Asset)	\$ (817,240)	\$ (741,979)	\$ (657,221)

For the year ended June 30, 2023, the District recognized OPEB revenue of \$71,679. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Liability	\$ 239,556	\$ 255,058
Change of Assumptions	28,212	178,816
Net Difference Between Projected and Actual Investment Earnings	162,382	-
Total	\$ 430,150	\$ 433,874

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

Year Ended June 30,	Future Recognition
2024	\$ (47,339)
2025	(46,256)
2026	83,662
2027	(19,665)
2028	25,874
Total	\$ (3,724)

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 10 FLEXIBLE BENEFIT PLAN**

The District has a flexible benefit plan which is classified as a “cafeteria plan” under Section 125 of the Internal Revenue Code. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the plan for health care and dependent care benefits.

Before the beginning of the plan year, which is October 1 to September 30, each participant designates a total amount of pre-tax dollars to be contributed to the plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants’ annual contributions to the plan, whether or not such contributions have been made.

Payments of insurance premiums (health and dental) are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General Fund.

Amounts withheld for medical reimbursement and dependent care are held for the benefit of the flexible benefit plan. All assets of the plan are administered by an employee of the District. Payments are made by the District to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the participant. The medical reimbursement and dependent care activity is included in the financial statements in the General Fund.

All plan property and income attributable to that property is solely the property of the District, subject to the claims of the District’s general creditors. Participants’ rights under the plan are equal to those of general creditors of the District in an amount equal to eligible health care and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

**NOTE 11 DEFINED CONTRIBUTION PLAN**

The District provides eligible employees future retirement benefits through the District’s 403(b) Plan (the Plan). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. Contributions are invested in tax-deferred annuities selected and owned by Plan participants. The District contributions for the year ended June 30, 2023 was \$220,415.

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 12 COMMITMENTS AND CONTINGENCIES**

**Federal and State Programs**

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

**NOTE 13 DENTAL SELF-INSURANCE PLAN**

The District maintains an Internal Service Fund to account for and finance a self-insurance program for dental benefits. Accordingly, the District has not purchased outside insurance for the risks of losses to which it is exposed. District management believes it is more economical to manage its risks internally and set aside assets for claim settlement. The Internal Service Fund currently services all claims and risk of loss to which the District is exposed for dental expenses.

Participants in the program make premium payments to the fund based on the insurance premium. The excess amount received above current year claims is used to establish a reserve for future claims.

District liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing a claim liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. There is a possibility for loss if claims are in excess of the premiums collected. The District does not believe this occurrence would have a material financial effect on the District. The District held \$765,151 in cash and investments at June 30, 2023 for payment of claims.

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

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 13 DENTAL SELF-INSURANCE PLAN (CONTINUED)**

Changes in the balances of claim liabilities during fiscal year 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Beginning of Fiscal Year Liability - July 1,	\$ 23,608	\$ 21,532
Current Year Claims, Changes in Estimates and Other Charges	213,249	204,651
Payments to Dental Care Providers	<u>(210,760)</u>	<u>(202,575)</u>
End of Fiscal Year Liability - June 30,	<u>\$ 26,097</u>	<u>\$ 23,608</u>

**NOTE 14 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. The District purchases commercial insurance coverage for such risks. The District purchases workers compensation insurance from Employers Mutual Insurance Company. The District pays an annual premium to Employers Mutual Insurance Company for its insurance coverage.

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 3,672,862	\$ 3,851,883	\$ 3,877,782	\$ 25,899
Earnings on Investments	39,587	39,587	471,062	431,475
Other	1,842,753	2,013,099	2,489,162	476,063
State Sources	26,300,651	26,283,688	26,010,208	(273,480)
Federal Sources	1,564,577	1,866,737	2,024,437	157,700
Total Revenues	<u>33,420,430</u>	<u>34,054,994</u>	<u>34,872,651</u>	<u>817,657</u>
<b>EXPENDITURES</b>				
Current:				
Administration	1,688,003	1,700,697	1,759,576	58,879
District Support Services	1,820,644	1,751,344	1,735,230	(16,114)
Elementary and Secondary Regular Instruction	12,091,670	12,784,900	12,974,478	189,578
Vocational Education Instruction	512,616	535,291	578,535	43,244
Special Education Instruction	7,286,914	6,977,440	6,186,832	(790,608)
Instructional Support Services	1,890,477	2,818,820	2,312,918	(505,902)
Pupil Support Services	3,569,587	3,662,847	3,702,581	39,734
Sites and Buildings	3,373,878	3,327,766	3,203,717	(124,049)
Fiscal and Other Fixed Cost Programs	172,864	172,864	380,224	207,360
Capital Outlay	1,307,392	645,000	470,564	(174,436)
Debt Service:				
Principal	765,545	311,978	227,286	(84,692)
Interest and Fiscal Charges	40,690	40,690	32,904	(7,786)
Total Expenditures	<u>34,520,280</u>	<u>34,729,637</u>	<u>33,564,845</u>	<u>(1,164,792)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,099,850)	(674,643)	1,307,806	1,982,449
<b>OTHER FINANCING SOURCES</b>				
Sale of Equipment	10,167	10,167	-	(10,167)
Net Change in Fund Balance	<u>\$ (1,089,683)</u>	<u>\$ (664,476)</u>	1,307,806	<u>\$ 1,972,282</u>
<b>FUND BALANCE</b>				
Beginning of Year			6,821,261	
End of Year			<u>\$ 8,129,067</u>	

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
MAJOR FOOD SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sources:				
Other - Primarily Meal Sales	\$ 311,854	\$ 311,854	\$ 719,738	\$ 407,884
State Sources	69,161	69,161	69,469	308
Federal Sources	1,246,930	1,296,926	858,242	(438,684)
Total Revenues	<u>1,627,945</u>	<u>1,677,941</u>	<u>1,647,449</u>	<u>(30,492)</u>
<b>EXPENDITURES</b>				
Current:				
Food Service	1,550,011	1,474,815	1,711,174	236,359
Capital Outlay	-	1,545	2,341	796
Total Expenditures	<u>1,550,011</u>	<u>1,476,360</u>	<u>1,713,515</u>	<u>237,155</u>
Net Change in Fund Balance	<u>\$ 77,934</u>	<u>\$ 201,581</u>	(66,066)	<u>\$ (267,647)</u>
<b>FUND BALANCE</b>				
Beginning of Year			520,419	
End of Year			<u>\$ 454,353</u>	

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
MAJOR COMMUNITY SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 231,498	\$ 231,522	\$ 234,848	\$ 3,326
Other - Primarily Tuition and Fees	973,869	973,870	1,320,437	346,567
State Sources	288,510	355,322	364,499	9,177
Federal Sources	53,123	53,123	-	(53,123)
Total Revenues	<u>1,547,000</u>	<u>1,613,837</u>	<u>1,919,784</u>	<u>305,947</u>
<b>EXPENDITURES</b>				
Current:				
Community Service	1,435,961	1,485,055	1,656,553	171,498
Capital Outlay	-	1,601	-	(1,601)
Total Expenditures	<u>1,435,961</u>	<u>1,486,656</u>	<u>1,656,553</u>	<u>169,897</u>
Net Change in Fund Balance	<u>\$ 111,039</u>	<u>\$ 127,181</u>	263,231	<u>\$ 136,050</u>
<b>FUND BALANCE</b>				
Beginning of Year			735,397	
End of Year			<u>\$ 998,628</u>	

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY (ASSET) AND  
RELATED RATIOS  
JUNE 30, 2023**

	2023	2022	2021	2020	2019	2018	2017
<b>Total OPEB Liability</b>							
Service Cost	\$ 69,376	\$ 82,858	\$ 79,194	\$ 105,290	\$ 94,096	\$ 118,980	\$ 119,345
Interest	74,509	81,841	87,990	98,192	112,235	112,795	114,479
Differences Between Expected and Actual Experience	284,279	-	(262,087)	-	(368,529)	-	-
Changes of Assumptions	(135,531)	7,238	(107,301)	53,215	(2,896)	(26,138)	-
Benefit Payments	<u>(328,306)</u>	<u>(243,924)</u>	<u>(270,125)</u>	<u>(128,275)</u>	<u>(339,244)</u>	<u>(317,871)</u>	<u>(234,057)</u>
<b>Net Change in Total OPEB Liability</b>	<b>(35,673)</b>	<b>(71,987)</b>	<b>(472,329)</b>	<b>128,422</b>	<b>(504,338)</b>	<b>(112,234)</b>	<b>(233)</b>
<b>Total OPEB Liability - Beginning</b>	<b>1,825,817</b>	<b>1,897,804</b>	<b>2,370,133</b>	<b>2,241,711</b>	<b>2,746,049</b>	<b>2,858,283</b>	<b>2,858,516</b>
<b>Total OPEB Liability - Ending (a)</b>	<b>\$ 1,790,144</b>	<b>\$ 1,825,817</b>	<b>\$ 1,897,804</b>	<b>\$ 2,370,133</b>	<b>\$ 2,241,711</b>	<b>\$ 2,746,049</b>	<b>\$ 2,858,283</b>
<b>Plan Fiduciary Net Position</b>							
Contributions - Employer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,262
Net Investment Income	166,534	145,527	135,702	137,041	164,353	162,475	317,045
Differences Between Expected and Actual Experience	(36,166)	(435,660)	384,341	(13,293)	-	55,347	-
Benefit Payments	(328,306)	(243,924)	(270,125)	(128,275)	(339,244)	(317,871)	(234,057)
Administrative Expense	-	(43,315)	(26,624)	(25,906)	(27,052)	(40,352)	(16,546)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(197,938)</b>	<b>(577,372)</b>	<b>223,294</b>	<b>(30,433)</b>	<b>(201,943)</b>	<b>(140,401)</b>	<b>67,704</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>2,730,061</b>	<b>3,307,433</b>	<b>3,084,139</b>	<b>3,114,572</b>	<b>3,316,515</b>	<b>3,456,916</b>	<b>3,389,212</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 2,532,123</b>	<b>\$ 2,730,061</b>	<b>\$ 3,307,433</b>	<b>\$ 3,084,139</b>	<b>\$ 3,114,572</b>	<b>\$ 3,316,515</b>	<b>\$ 3,456,916</b>
<b>District's Net OPEB Asset - Ending (a) - (b)</b>	<b>\$ (741,979)</b>	<b>\$ (904,244)</b>	<b>\$ (1,409,629)</b>	<b>\$ (714,006)</b>	<b>\$ (872,861)</b>	<b>\$ (570,466)</b>	<b>\$ (598,633)</b>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Asset	141.45%	149.53%	174.28%	130.13%	138.94%	120.77%	120.94%
Covered-Employee Payroll	\$ 17,198,916	\$ 16,214,679	\$ 15,742,407	\$ 17,398,253	\$ 16,891,508	\$ 18,465,734	\$ 17,927,897
District's Net OPEB Asset as a Percentage of Covered Payroll	-4.31%	-5.58%	-8.95%	-4.10%	-5.17%	-3.09%	-3.34%

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

**NORTH BRANCH PUBLIC SCHOOLS  
 INDEPENDENT SCHOOL DISTRICT NO. 138  
 SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN ON OPEB PLAN ASSETS  
 JUNE 30, 2023**

<u>Year</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2023	4.80%
2022	-10.10%
2021	4.40%
2020	5.00%
2019	5.80%
2018	6.30%
2017	-1.40%

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

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
LAST NINE MEASUREMENT PERIODS**

	Measurement Date June 30, 2022	Measurement Date June 30, 2021	Measurement Date June 30, 2020	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015	Measurement Date June 30, 2014
<b>PERA</b>									
District's Proportion of the Net Pension Liability	0.0674%	0.0651%	0.0701%	0.0750%	0.0905%	0.0935%	0.0941%	0.0927%	0.0932%
District's Proportionate Share of the Net Pension Liability	\$ 5,338,102	\$ 2,780,062	\$ 4,202,815	\$ 4,146,582	\$ 5,020,569	\$ 5,968,978	\$ 7,640,453	\$ 4,804,195	\$ 4,378,069
State's Proportionate Share of the Net Pension Liability	156,326	84,786	129,669	128,828	164,739	75,020	99,757	-	-
District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability	<u>\$ 5,494,428</u>	<u>\$ 2,864,848</u>	<u>\$ 4,332,484</u>	<u>\$ 4,275,410</u>	<u>\$ 5,185,308</u>	<u>\$ 6,043,998</u>	<u>\$ 7,740,210</u>	<u>\$ 4,804,195</u>	<u>\$ 4,378,069</u>
District's Covered Payroll	\$ 5,076,013	\$ 4,744,347	\$ 5,006,787	\$ 5,300,213	\$ 6,089,760	\$ 6,026,107	\$ 5,871,013	\$ 5,355,413	\$ 4,890,875
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	105.16%	58.60%	83.94%	78.23%	82.44%	99.05%	130.14%	89.71%	89.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.70%	87.00%	79.10%	80.23%	79.53%	75.90%	68.91%	78.20%	78.75%
<b>TRA</b>									
District's Proportion of the Net Pension Liability	0.2059%	0.1995%	0.2060%	0.2301%	0.2430%	0.2565%	0.2574%	0.2587%	0.2514%
District's Proportionate Share of the Net Pension Liability	\$ 16,487,383	\$ 8,730,717	\$ 15,219,556	\$ 14,666,622	\$ 15,262,986	\$ 51,202,053	\$ 61,396,042	\$ 16,003,154	\$ 11,860,807
State's Proportionate Share of the Net Pension Liability Associated with District	1,222,685	736,339	1,275,652	1,298,143	1,434,000	4,949,626	6,162,560	1,962,723	834,368
Total of District's and State's Proportionate Share of the Net Pension Liability	<u>\$ 17,710,068</u>	<u>\$ 9,467,056</u>	<u>\$ 16,495,208</u>	<u>\$ 15,964,765</u>	<u>\$ 16,696,986</u>	<u>\$ 56,151,679</u>	<u>\$ 67,558,602</u>	<u>\$ 17,965,877</u>	<u>\$ 12,695,175</u>
District's Covered Payroll	\$ 13,070,683	\$ 12,668,499	\$ 12,132,260	\$ 13,315,383	\$ 13,668,027	\$ 13,700,893	\$ 13,387,387	\$ 13,129,392	\$ 11,744,179
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	126.14%	68.92%	125.45%	110.15%	111.67%	373.71%	458.61%	121.89%	100.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.17%	86.63%	75.48%	78.21%	78.07%	51.57%	44.88%	76.80%	81.50%

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

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
LAST TEN FISCAL YEARS**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>PERA</b>										
Contractually Required Contribution	\$ 410,194	\$ 380,701	\$ 355,826	\$ 375,509	\$ 397,516	\$ 456,732	\$ 451,958	\$ 440,326	\$ 401,656	\$ 354,588
Contributions in Relation to the Contractually Required Contribution	(410,194)	(380,701)	(355,826)	(375,509)	(397,516)	(456,732)	(451,958)	(440,326)	(401,656)	(354,588)
Contribution Deficiency (Excess)	<u>\$ -</u>									
District's Covered Payroll	5,469,253	5,076,013	\$ 4,744,347	\$ 5,006,787	\$ 5,300,213	\$ 6,089,760	\$ 6,026,107	\$ 5,871,013	\$ 5,355,413	\$ 4,890,875
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.25%
<b>TRA</b>										
Contractually Required Contribution	\$ 1,161,101	\$ 1,090,095	\$ 1,029,949	\$ 960,875	\$ 1,026,616	\$ 1,025,102	\$ 1,027,567	\$ 1,004,054	\$ 984,624	\$ 822,095
Contributions in Relation to the Contractually Required Contribution	(1,161,101)	(1,090,095)	(1,029,949)	(960,875)	(1,026,616)	(1,025,102)	(1,027,567)	(1,004,054)	(984,624)	(822,095)
Contribution Deficiency (Excess)	<u>\$ -</u>									
District's Covered Payroll	\$ 13,580,129	\$ 13,070,683	\$ 12,668,499	\$ 12,132,260	\$ 13,315,383	\$ 13,668,027	\$ 13,700,893	\$ 13,387,387	\$ 13,129,392	\$ 11,744,179
Contributions as a Percentage of Covered Payroll	8.55%	8.34%	8.13%	7.92%	7.71%	7.50%	7.50%	7.50%	7.50%	7.00%

149

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023**

**NOTE 1 COMPLIANCE – BUDGETS**

The budget and the actual amounts are both prepared on the modified accrual basis of accounting in accordance with GAAP.

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

	Budget	Expenditures	Excess
Special Revenue Fund:			
Food Service Fund	\$ 1,476,360	\$ 1,713,515	\$ 237,155
Community Service Fund	1,486,656	1,656,553	169,897

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

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

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

**2022**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2021**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023**

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

**2020**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023**

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

**2019**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2018**

Changes in Actuarial Assumption

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

Changes in Plan Provisions

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

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023**

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

**2017**

Changes in Actuarial Assumption

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

Changes in Plan Provisions

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

**2016**

Changes in Actuarial Assumptions

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

Changes in Actuarial Plan Provisions

- There have been no changes since the prior valuation.

**2015**

Changes in Actuarial Assumptions

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

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023**

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

**2015 (Continued)**

Changes in Plan Provisions:

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

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

**2022**

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2021**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023**

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

**2020**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2019**

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2018**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023**

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

**2018 (Continued)**

Changes in Plan Provisions (Continued)

- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 4 years, (7.92% in 2019, 8.13% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

**2017**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023**

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

**2016**

Changes in Actuarial Assumptions

- The cost of living adjustment was not assumed to increase (it remained at 2.0% for all future years).
- The price inflation assumption was lowered from 3.0% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes at some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 6 years, and female rates set back five years. Generational projection uses the MP-2015 scale.
- The post-retirement mortality assumption was changed to the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustments.
- Separate retirement assumptions for members hired before or after July 1, 1989 were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2015**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023**

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

**2014**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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

The following assumption changes were made for the measurement date June 30, 2023:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.
- The expected long-term investment return was changed from 4.40% to 6.10%.
- The discount rate was changed from 4.30% to 6.10%.

The following plan change was made for the measurement date June 30, 2023:

- None

The following assumption changes were made for the measurement date June 30, 2022:

- The discount rate was changed from 4.40% to 4.30%

The following plan change was made for the measurement date June 30, 2022:

- None

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023**

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

The following assumption changes were made for the measurement date June 30, 2021:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.0% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.80% to 4.40%.

The following plan change was made for the measurement date June 30, 2021:

- None

The following assumption change was made for the measurement date June 30, 2020:

- The discount rate was changed from 4.30% to 3.80%.
- The long-term expected return on assets was changed from 4.70% to 4.40%.

The following plan change was made for the measurement date June 30, 2020:

- None

The following assumption changes were made for the measurement date June 30, 2019:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 4.20% to 4.30%.

The following plan change was made for the measurement date June 30, 2019:

- None

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023**

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

The following assumption changes were made for the measurement date June 30, 2018:

- The discount rate was changed from 4.00% to 4.20%.

The following plan change was made for the measurement date June 30, 2018:

- None

## **SUPPLEMENTARY INFORMATION**

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS  
COMPLIANCE TABLE  
JUNE 30, 2023**

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION</b>			
Total Revenues	\$ 34,872,651	\$ 34,872,650	\$ 1	Total Revenues	\$ 3,606	\$ 3,606	\$ -
Total Expenditures	\$ 33,564,845	\$ 33,564,848	\$ (3)	Total Expenditures	\$ 269,758	\$ 269,757	\$ 1
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	\$ 341,537	\$ 341,537	\$ -	460 Nonspendable Fund Balance	\$ -	\$ -	\$ -
<i>Restricted/Reserved:</i>				<i>Restricted/Reserved:</i>			
401 Student Activities	\$ 200,944	\$ 200,944	\$ -	407 Capital Projects Levy	\$ -	\$ -	\$ -
402 Scholarships	\$ 101,369	\$ 101,369	\$ -	409 Alternative Fac. Program	\$ -	\$ -	\$ -
403 Staff Development	\$ 247,322	\$ 247,322	\$ -	461 LTFM	\$ 232,761	\$ 232,761	\$ -
407 Capital Project Levy	\$ 137,540	\$ 137,540	\$ -	<i>Restricted:</i>			
409 Alternative Facilities	\$ -	\$ -	\$ -	464 Restricted Fund Balance	\$ -	\$ -	\$ -
413 Projects Funded by COP/LP	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
414 Operating Debt	\$ -	\$ -	\$ -	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
416 Levy Reduction	\$ -	\$ -	\$ -	<b>07 DEBT SERVICE</b>			
417 Excess Taconite Building Maint. Fund	\$ -	\$ -	\$ -	Total Revenues	\$ 5,593,081	\$ 5,593,080	\$ 1
423 Certain Teacher Programs	\$ -	\$ -	\$ -	Total Expenditures	\$ 5,294,742	\$ 5,294,741	\$ 1
424 Operating Capital	\$ 463,056	\$ 463,056	\$ -	<i>Nonspendable:</i>			
426 \$25 Taconite	\$ -	\$ -	\$ -	460 Nonspendable Fund Balance	\$ -	\$ -	\$ -
427 Disabled Accessibility	\$ -	\$ -	\$ -	<i>Restricted/Reserved:</i>			
428 Learning & Development	\$ -	\$ -	\$ -	425 Bond Refundings	\$ -	\$ -	\$ -
434 Area Learning Center	\$ -	\$ -	\$ -	451 OZAB and QSCB Payments	\$ -	\$ -	\$ -
435 Contracted Alt. Programs	\$ -	\$ -	\$ -	<i>Restricted:</i>			
436 St. Approved Alt. Prog.	\$ -	\$ -	\$ -	464 Restricted	\$ 997,909	\$ 997,909	\$ -
438 Gifted & Talented	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
441 Basic Skills	\$ -	\$ -	\$ -	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
445 Career and Technical Programs	\$ -	\$ -	\$ -	<b>08 TRUST</b>			
449 Safe Schools Levy	\$ -	\$ -	\$ -	Total Revenues	\$ -	\$ -	\$ -
450 Pre-Kindergarten	\$ -	\$ -	\$ -	Total Expenditures	\$ -	\$ -	\$ -
451 QZAB and QSCB Payments	\$ -	\$ -	\$ -	422 Net Position	\$ -	\$ -	\$ -
452 OPEB Liab. Not in Trust	\$ -	\$ -	\$ -	<b>09 AGENCY</b>			
459 Basic Skills Ext Time	\$ 65,732	\$ 65,732	\$ -	<i>Unrestricted: Should Always Be -0-</i>			
467 LTFM	\$ 1,096,190	\$ 1,096,190	\$ -	422 Unassigned	\$ -	\$ -	\$ -
472 Medical Assistance	\$ 226,945	\$ 226,945	\$ -	<b>20 INTERNAL SERVICE</b>			
<i>Restricted:</i>				Total Revenues	\$ 279,567	\$ 279,567	\$ -
464 Restricted Fund Balance	\$ 81,387	\$ 81,387	\$ -	Total Expenditures	\$ 213,249	\$ 213,249	\$ -
<i>Committed:</i>				422 Net Position	\$ 739,054	\$ 739,054	\$ -
418 Committed for Separation	\$ -	\$ -	\$ -	<b>25 OPEB REVOCABLE TRUST</b>			
461 Committed Fund Balance	\$ -	\$ -	\$ -	Total Revenues	\$ -	\$ -	\$ -
<i>Assigned:</i>				Total Expenditures	\$ -	\$ -	\$ -
462 Assigned Fund Balance	\$ 1,525,000	\$ 1,525,000	\$ -	422 Net Position	\$ -	\$ -	\$ -
<i>Unassigned:</i>				<b>45 OPEB IRREVOCABLE TRUST</b>			
422 Unassigned	\$ 3,642,045	\$ 3,642,043	\$ 2	Total Revenues	\$ 168,489	\$ 168,489	\$ -
<b>02 FOOD SERVICE</b>				Total Expenditures	\$ 366,427	\$ 366,427	\$ -
Total Revenues	\$ 1,647,449	\$ 1,647,449	\$ -	422 Net Position	\$ 2,532,123	\$ 2,532,124	\$ (1)
Total Expenditures	\$ 1,713,515	\$ 1,713,514	\$ 1	<b>47 OPEB DEBT SERVICE</b>			
<i>Nonspendable:</i>				Total Revenues	\$ 367,987	\$ 367,987	\$ -
460 Nonspendable Fund Balance	\$ 14,519	\$ 14,519	\$ -	Total Expenditures	\$ 410,010	\$ 410,011	\$ (1)
<i>Restricted/Reserved:</i>				<i>Nonspendable:</i>			
452 OPEB Liab. Not in Trust	\$ -	\$ -	\$ -	460 Nonspendable Fund Balance	\$ -	\$ -	\$ -
464 Restricted Fund Balance	\$ 439,834	\$ 439,836	\$ (2)	<i>Restricted:</i>			
<i>Unassigned:</i>				425 Bond Refundings	\$ -	\$ -	\$ -
463 Unassigned Fund Balance	\$ -	\$ -	\$ -	464 Restricted Fund Balance	\$ 82,404	\$ 82,403	\$ 1
<b>04 COMMUNITY SERVICE</b>				<i>Unassigned:</i>			
Total Revenues	\$ 1,919,784	\$ 1,919,784	\$ -	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
Total Expenditures	\$ 1,656,553	\$ 1,656,553	\$ -	<b>03 COMMUNITY SERVICE</b>			
<i>Nonspendable:</i>				Total Revenues	\$ 1,919,784	\$ 1,919,784	\$ -
460 Nonspendable Fund Balance	\$ 2,070	\$ 2,070	\$ -	Total Expenditures	\$ 1,656,553	\$ 1,656,553	\$ -
<i>Restricted/Reserved:</i>				<i>Nonspendable:</i>			
426 \$25 Taconite	\$ -	\$ -	\$ -	460 Nonspendable Fund Balance	\$ 2,070	\$ 2,070	\$ -
431 Community Education	\$ 499,033	\$ 499,033	\$ -	<i>Restricted/Reserved:</i>			
432 E.C.F.E.	\$ 394,448	\$ 394,448	\$ -	426 \$25 Taconite	\$ -	\$ -	\$ -
444 School Readiness	\$ -	\$ -	\$ -	431 Community Education	\$ 499,033	\$ 499,033	\$ -
447 Adult Basic Education	\$ -	\$ -	\$ -	432 E.C.F.E.	\$ 394,448	\$ 394,448	\$ -
452 OPEB Liab. Not in Trust	\$ -	\$ -	\$ -	444 School Readiness	\$ -	\$ -	\$ -
<i>Restricted:</i>				447 Adult Basic Education	\$ -	\$ -	\$ -
464 Restricted Fund Balance	\$ 103,077	\$ 103,076	\$ 1	452 OPEB Liab. Not in Trust	\$ -	\$ -	\$ -
<i>Unassigned:</i>				<i>Restricted:</i>			
463 Unassigned Fund Balance	\$ -	\$ -	\$ -	464 Restricted Fund Balance	\$ 103,077	\$ 103,076	\$ 1

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

**OTHER INFORMATION**

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
BOND SCHEDULES  
JUNE 30, 2023  
(UNAUDITED)**

\$1,770,000 G.O. Capital Facilities Bonds, Series 2016A, Issued 11/16/2016

<u>Due Date</u>	<u>Rate %</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Due</u>	<u>Deferred Tax Levy</u>
08/01/23		\$ -	\$ 11,281	\$ 11,281	
02/01/24	2.000	125,000	11,281	136,281	\$ 154,940
08/01/24		-	10,031	10,031	
02/01/25	2.000	125,000	10,031	135,031	152,315
08/01/25		-	8,781	8,781	
02/01/26	2.000	130,000	8,781	138,781	154,940
08/01/26		-	7,481	7,481	
02/01/27	2.000	135,000	7,481	142,481	157,460
08/01/27		-	6,131	6,131	
02/01/28	2.000	135,000	6,131	141,131	154,625
08/01/28		-	4,781	4,781	
02/01/29	2.250	140,000	4,781	144,781	157,040
08/01/29		-	3,206	3,206	
02/01/30	2.250	140,000	3,206	143,206	153,733
08/01/30		-	1,631	1,631	
02/01/31	2.250	145,000	1,631	146,631	155,675
Totals		<u>\$ 1,075,000</u>	<u>\$ 106,646</u>	<u>\$ 1,181,646</u>	<u>\$ 1,240,728</u>

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
BOND SCHEDULES (CONTINUED)  
JUNE 30, 2023  
(UNAUDITED)**

\$67,590,000 G.O. School Building Bonds, Series 2017A, Issued 11/9/17

Due Date	Rate %	Principal	Interest	Total Due	Deferred Tax Levy
08/01/23		\$ -	\$ 1,162,127	\$ 1,162,127	
02/01/24	5.000	2,070,000	1,162,127	3,232,127	\$ 4,613,967
08/01/24		-	1,110,377	1,110,377	
02/01/25	5.000	2,170,000	1,110,377	3,280,377	4,610,292
08/01/25		-	1,056,127	1,056,127	
02/01/26	5.000	2,410,000	1,056,127	3,466,127	4,748,367
08/01/26		-	995,877	995,877	
02/01/27	5.000	2,530,000	995,877	3,525,877	4,747,842
08/01/27		-	932,627	932,627	
02/01/28	5.000	2,655,000	932,627	3,587,627	4,746,267
08/01/28		-	866,252	866,252	
02/01/29	4.000	2,790,000	866,252	3,656,252	4,748,629
08/01/29		-	810,452	810,452	
02/01/30	4.000	2,900,000	810,452	3,710,452	4,746,949
08/01/30		-	752,452	752,452	
02/01/31	4.000	3,015,000	752,452	3,767,452	4,745,899
08/01/31		-	692,152	692,152	
02/01/32	3.000	3,135,000	692,152	3,827,152	4,745,269
08/01/32		-	645,127	645,127	
02/01/33	3.000	3,230,000	645,127	3,875,127	4,746,267
08/01/33		-	596,677	596,677	
02/01/34	3.000	3,325,000	596,677	3,921,677	4,744,272
08/01/34		-	546,802	546,802	
02/01/35	3.000	3,425,000	546,802	3,971,802	4,744,534
08/01/35		-	495,427	495,427	
02/01/36	3.000	3,530,000	495,427	4,025,427	4,746,897
08/01/36		-	442,477	442,477	
02/01/37	3.100	3,635,000	442,477	4,077,477	4,745,952
08/01/37		-	386,134	386,134	
02/01/38	3.100	3,750,000	386,134	4,136,134	4,748,381
08/01/38		-	328,009	328,009	
02/01/39	3.125	3,865,000	328,009	4,193,009	4,747,069
08/01/39		-	267,619	267,619	
02/01/40	3.150	3,985,000	267,619	4,252,619	4,746,250
08/01/40		-	204,855	204,855	
02/01/41	3.200	4,110,000	204,855	4,314,855	4,745,696
08/01/41		-	139,095	139,095	
02/01/42	3.250	4,245,000	139,095	4,384,095	4,749,350
08/01/42		-	71,175	71,175	
02/01/43	3.250	4,380,000	71,175	4,451,175	4,748,468
<b>Totals</b>		<u>\$ 65,155,000</u>	<u>\$ 25,003,680</u>	<u>\$ 90,158,680</u>	<u>\$ 94,666,614</u>

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
BOND SCHEDULES (CONTINUED)  
JUNE 30, 2023  
(UNAUDITED)**

\$2,260,000 G.O. OPEB Refunding Bonds, Series 2017B, Issued 11/9/17

<u>Due Date</u>	<u>Rate %</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Due</u>	<u>Deferred Tax Levy</u>
08/01/23		\$ -	\$ 10,240	\$ 10,240	
02/01/24	2.510	390,000	10,240	400,240	\$ 431,004
08/01/24		-	5,346	5,346	
02/01/25	2.640	405,000	5,346	410,346	436,477
Totals		<u>\$ 795,000</u>	<u>\$ 31,172</u>	<u>\$ 826,172</u>	<u>\$ 867,481</u>

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
BOND SCHEDULES (CONTINUED)  
JUNE 30, 2023  
(UNAUDITED)**

\$6,385,000 G.O. Facilities Maintenance Bonds, Series 2018A, Issued 7/19/18

<u>Due Date</u>	<u>Rate %</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Due</u>	<u>Deferred Tax Levy</u>
08/01/23		\$ -	\$ 60,750	\$ 60,750	
02/01/24	3.000	625,000	60,750	685,750	\$ 783,825
08/01/24		-	51,375	51,375	
02/01/25	3.000	645,000	51,375	696,375	785,138
08/01/25		-	41,700	41,700	
02/01/26	3.000	665,000	41,700	706,700	785,820
08/01/26		-	31,725	31,725	
02/01/27	3.000	685,000	31,725	716,725	785,873
08/01/27		-	21,450	21,450	
02/01/28	3.000	705,000	21,450	726,450	785,295
08/01/28		-	10,875	10,875	
02/01/29	3.000	725,000	10,875	735,875	784,088
Totals		<u>\$ 4,050,000</u>	<u>\$ 435,750</u>	<u>\$ 4,485,750</u>	<u>\$ 4,710,038</u>



**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138**

**SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS AND OTHER REQUIRED REPORTS**

**JUNE 30, 2023**



**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
TABLE OF CONTENTS  
JUNE 30, 2023**

**SINGLE AUDIT AND OTHER REQUIRED REPORTS**

<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>1</b>
<b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE</b>	<b>3</b>
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	<b>6</b>
<b>NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	<b>8</b>
<b>INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE</b>	<b>9</b>
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	<b>10</b>

## **SINGLE AUDIT AND OTHER REQUIRED REPORTS**



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

Board of Education  
North Branch Public Schools  
Independent School District No. 138  
North Branch, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 138 (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 27, 2023.

***Report on Internal Control Over Financial Reporting***

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

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

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

We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-001 to 2023-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2023-004 to be a significant deficiency.

***Report on Compliance and Other Matters***

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

***The District's Response to Findings***

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

***Purpose of This Report***

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



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
November 27, 2023



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

Board of Education  
North Branch Public Schools  
Independent School District No. 138  
North Branch, Minnesota

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Independent School District No. 138's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

### ***Auditors' Responsibilities for the Audit of Compliance***

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

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

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

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

### ***Report on Internal Control Over Compliance***

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

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

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

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.

#### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of 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. We have issued our report thereon, dated November 27, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
November 27, 2023

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Pass-Through Minnesota Department of Education				
Noncash Assistance (Commodities):				
National School Lunch Program	10.555	# 1-0138-000	\$ 95,677	
Total Noncash Assistance			\$ 95,677	\$ -
Cash Assistance:				
National School Lunch Program	10.555	# 1-0138-000	571,367	
School Breakfast Program	10.553	# 1-0138-000	117,474	
COVID-19 - Supply Chain Assistance Funding	10.555	# 1-0138-000	73,724	
Total Cash Assistance			762,565	-
Total Child Nutrition Cluster			858,242	-
Total U.S. Department of Agriculture			858,242	-
U.S. Department of Treasury				
Pass-Through Minnesota Department of Education				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	42,007	-
COVID-19 - American Rescue Plan (ARP) Summer Academic Enrichment and Mental Health	21.027	N/A	91,788	-
Pass-Through Chisago County				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	107,715	-
Total U.S. Department of Treasury			241,510	-
Federal Communications Commission				
Direct				
COVID-19 - Emergency Connectivity Fund Program	32.009		128,000	-
U.S. Department of Education				
Pass-Through Minnesota Department of Education				
Title I - Grants to Local Education Agencies	84.010	S010A220023A	399,436	-
Carl Perkins Vocational Education	84.048	N/A	16,574	-
Title II, Part A - Supporting Effective Instruction State Grants	84.367	S367A220022	60,598	-
Education Stabilization Fund				
COVID-19 - Expanded Summer Learning for Elementary and Secondary School (ESSER II)	84.425D	* S425D220045	41,781	
COVID-19 - 90% Elementary and Secondary School Emergency Relief Fund (ESSER III)	84.425U	* S425U220045	844,941	
COVID-19 - Learning Loss for Elementary and Secondary School Emergency Relief Fund (ESSER III)	84.425U	* S425U220045	158,583	
Total Education Stabilization Fund			1,045,305	-
Pass-Through St. Croix River Education District				
Special Education Cluster				
Special Education Grants to States	84.027	@ H027A220087	31,576	
Special Education Preschool Grants	84.173	@ H173A220086	279	
Total Special Education Cluster			31,855	-
Total U.S. Department of Education			1,553,768	-

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services Passed Through Minnesota Department of Education COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	N/A	\$ 61,778	\$ -
Total Federal Expenditures			<u>\$ 2,843,298</u>	<u>\$ -</u>

# - Child Nutrition Cluster  
@ - Special Education Cluster  
\* - Education Stabilization Fund

The total of Assistance Listing No. 10.555 is \$740,768  
The total of Assistance Listing No. 84.425U is \$1,003,524

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2023**

**NOTE 1 GENERAL**

The accompanying schedule of expenditures of federal awards includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2023. The reporting entity is defined in Note 1 to the District's financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included on the schedule. The District did not pass any federal award money to subrecipients during the fiscal year. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**NOTE 2 BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 INDIRECT COST RATE**

The District has not elected to use the 10% de minimis in direct costs rate as allowed under Uniform Guidance.



## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education  
North Branch Public Schools  
Independent School District No. 138  
North Branch, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 138 (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 27, 2023.

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

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
November 27, 2023

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

**A. SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified?     X     yes            no
- Significant deficiency(ies) identified?     X     yes            none reported

Noncompliance material to financial statements noted?

           yes     X     no

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified?            yes     X     no
- Significant deficiency(ies) identified?            yes     X     none reported

Type of auditors' report issued on compliance for major programs:

*Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

           yes     X     no

Identification of major programs:

Assistance Listing Numbers  
84.425D and 84.425U  
21.027

Name of Federal Program or Cluster  
COVID-19 – Education Stabilization Fund  
COVID-19 – Coronavirus State and Local  
Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

           yes     X     no

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

**B. FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT**

**2023-001                      Financial Statement Preparation**

**Type of Finding:**      Material Weakness in Internal Control Over Financial Reporting

**Condition:** The Board and management share the ultimate responsibility for the District's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The District engages CliftonLarsonAllen (CLA) to assist in preparing the financial statements and accompanying disclosures. However, as independent auditors, CLA cannot be considered part of the District's internal control system. As part of its internal control over the preparation of its financial statements, including disclosures, the District has implemented a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of U.S. generally accepted accounting principles and knowledge of the District's activities and operations.

**Criteria or specific requirement:** Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of the financial statements including the related disclosures, in conformity with U.S. generally accepted accounting principles.

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

**Cause:** The District relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, management has reviewed and approved the annual financial statements and the related footnote disclosures.

**Repeat finding:** Yes – Finding 2022-001

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

**Views of responsible officials and planned corrective actions:** There is no disagreement with the audit finding and there is a planned corrective action in place.

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

**B. FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT (CONTINUED)**

**2023-002                      Segregation of Duties**

**Type of Finding:**        Material Weakness in Internal Control Over Financial Reporting

**Condition:** The District has limited number of office personnel and accordingly, does not have adequate internal controls in the review and reconciliation of capital assets, because of a lack of segregation of duties.

**Criteria or specific requirement:** A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

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

**Cause:** The District's resources did not allow for personnel to address this issue.

**Repeat finding:** Yes - 2022-002.

**Recommendation:** While we recognize that the District may not be large enough to permit complete segregation of duties in all material respects for an effective system of internal controls, the functions should be reviewed to determine if additional segregation of duties is feasible and to improve efficiency and effectiveness of financial management of the District.

**Views of responsible officials and planned corrective actions:** There is no disagreement with the audit finding and there is a planned corrective action in place.

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

**B. FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT (CONTINUED)**

**2023-003                      Material Audit Adjustments**

**Type of Finding:**      Material Weakness in Internal Control Over Financial Reporting

**Condition:** As part of the audit, we proposed material adjustments related to the net pension liability and related deferred inflows and outflows, direct aid, and reallocation of OPEB expenditures.

**Criteria or specific requirement:** Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair representation in the financial statements in accordance with U.S. GAAP. Management is responsible for the accuracy and completeness of all financial records and related information. Their responsibilities include adjusting the financial statement to correct material misstatements and produce accurate financial statements on a timely basis.

**Effect:** Errors in the preparation of year-end balances increases the risk related to financial statement misstatements. The amounts were, in our judgment, material to the financial statements and therefore, we concluded that a material weakness existed in the District’s control policies and procedures related to recording such adjustments, which are required to be reported under professional standards.

**Cause:** The District’s resources did not allow for personnel to address this issue in the current year.

**Repeat finding:** Yes - 2022-003.

**Recommendation:** We recommend that District management and financial personnel establish a process to ensure the recording of all related transactions to properly adjust financial statements at year-end.

**Views of responsible officials and planned corrective actions:** There is no disagreement with the audit finding and there is a planned corrective action in place.

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

**B. FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT (CONTINUED)**

**2023-004                      Lack of Proper Approval of Disbursements**

**Type of Finding:**      Significant Deficiency in Internal Control Over Financial Reporting

**Condition:** As part of the audit, we selected 25 disbursements to test for proper supporting documentation and approval. It was noted that 1 out of 25 disbursements was not properly reviewed and approved and therefore paid twice.

**Criteria or specific requirement:** Standard internal controls suggest that all disbursements have proper supporting documentation, review, and approval.

**Effect:** The design of the controls over the disbursement process would affect the ability to prevent or detect errors, fraud, or misappropriation of assets in a timely manner.

**Cause:** Lack of management oversight.

**Repeat finding:** No.

**Recommendation:** We recommend that District management and financial personnel establish a process to ensure all disbursements agree with supporting documents and paid for the correct amount.

**Views of responsible officials and planned corrective actions:** There is no disagreement with the audit finding and there is a planned corrective action in place.

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

Our audit did not disclose any matters required to be reported in accordance with 2 CRF 200.516(a).

**D. FINDINGS – MINNESOTA LEGAL COMPLIANCE**

**None reported.**



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See [CLAGlobal.com/disclaimer](http://CLAGlobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.



# *Property Tax Levy 2023*



**NORTH BRANCH**  
**AREA PUBLIC SCHOOLS**  
Inspire Dreams, Build Integrity, Instill Hope

*December 14, 2023*

# Topics

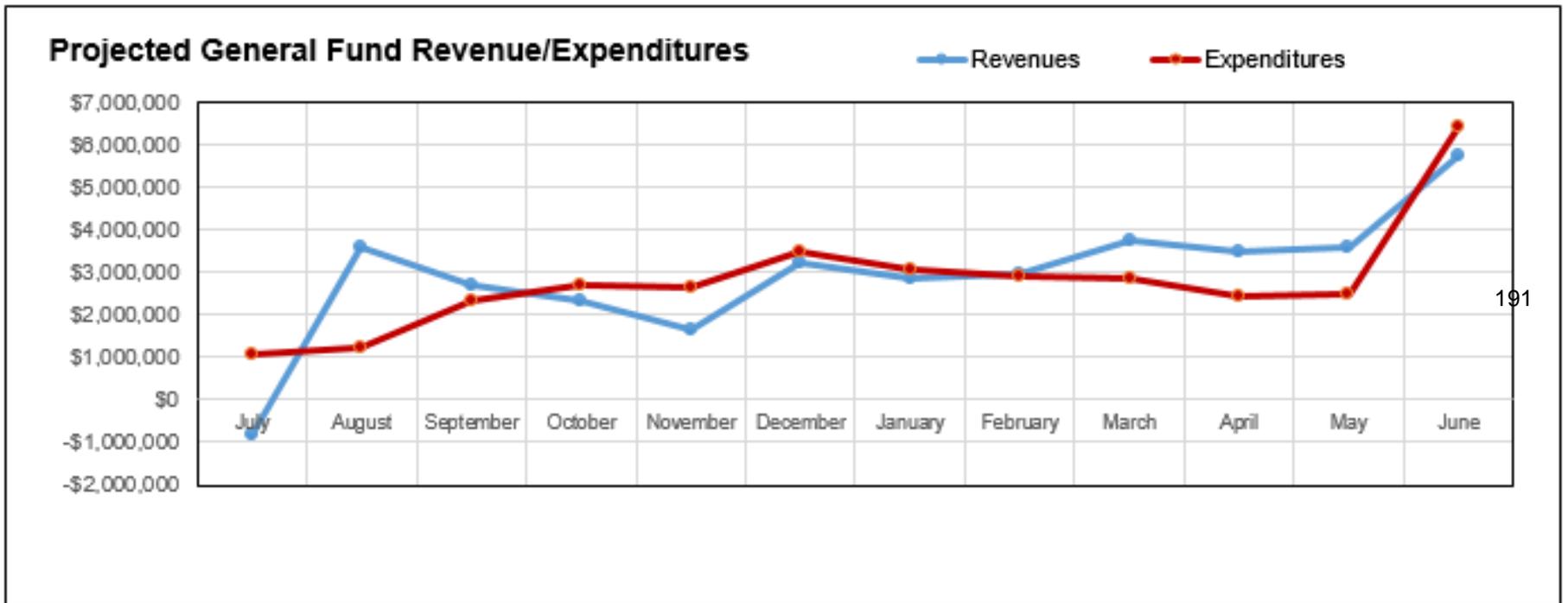
- Budget summary
- School district property tax levy information
- Public comment

# Budget Summary – General Fund

## NORTH BRANCH ISD #138 AUDITED FUND BALANCES THROUGH JUNE 30, 2023

FUND DESCRIPTION	6/30/2022 AUDITED BALANCE	2022-23 AUDITED REVENUES	TRANSFERS INTO FUNDS	2022-23 AUDITED EXPENDITURES	TRANSFERS OUT OF FUNDS	6/30/2023 AUDITED BALANCE
<b>GENERAL FUND</b>						
<b>A. UNASSIGNED - OPERATING</b>	\$ 4,110,062	\$ 30,230,377	\$ -	\$ 30,698,394	\$ -	\$ 3,642,045
As a percentage of current year expenditures	12.95%					10.85%
<b>B. NONSPENDABLE FOR</b>						
INVENTORY	\$ 13,456	\$ 47,459	\$ -	\$ 13,456	\$ -	\$ 47,459
PREPAIDS	\$ 29,894	\$ 294,078	\$ -	\$ 29,894	\$ -	\$ 294,078
<b>TOTAL NONSPENDABLE</b>	\$ 43,350	\$ 341,537	\$ -	\$ 43,350	\$ -	\$ 341,537
<b>C. ASSIGNED FOR</b>						
CAPITAL OUTLAY	\$ 500,000	\$ 1,025,000	\$ -	\$ -	\$ -	\$ 1,525,000
<b>D. COMMITTED FOR</b>						
SEPARATION/RETIREMENT BENEFITS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>E. RESTRICTED FOR</b>						
STUDENT ACTIVIITES	\$ 178,016	\$ 198,227	\$ -	\$ 175,299	\$ -	\$ 200,944
SCHOLARSHIP	\$ 92,808	\$ 145,279	\$ -	\$ 136,718	\$ -	\$ 101,369
STAFF DEVELOPMENT	\$ 257,781	\$ 393,531	\$ -	\$ 403,990	\$ -	\$ 247,322
LTFM	\$ 1,018,089	\$ 190,793	\$ -	\$ 112,692	\$ -	\$ 1,096,190
CAPITAL PROJECTS LEVY	\$ 51,184	\$ 500,000	\$ -	\$ 413,644	\$ -	\$ 137,540
MEDICAL ASSISTANCE	\$ 115,681	\$ 142,603	\$ -	\$ 31,339	\$ -	\$ 226,945
OPERATING CAPITAL	\$ 407,467	\$ 490,351	\$ -	\$ 434,762	\$ -	\$ 463,056
BASIC SKILLS - EXT TIME	\$ 46,823	\$ 18,909	\$ -	\$ -	\$ -	\$ 65,732
LEARNING AND DEVELOPMENT	\$ -	\$ 551,732	\$ -	\$ 551,732	\$ -	\$ -
GIFTED AND TALENTED	\$ -	\$ 37,272	\$ -	\$ 37,272	\$ -	\$ -
BASIC SKILLS	\$ -	\$ 278,818	\$ -	\$ 278,818	\$ -	\$ -
CAREER AND TECHNICAL	\$ -	\$ 146,572	\$ -	\$ 146,572	\$ -	\$ -
SAFE SCHOOLS	\$ -	\$ 100,263	\$ -	\$ 100,263	\$ -	\$ -
RESTRICTED	\$ -	\$ 81,387	\$ -	\$ -	\$ -	\$ 81,387
<b>TOTAL RESTRICTED</b>	\$ 1,695,997	\$ 3,275,737	\$ -	\$ 2,823,101	\$ -	\$ 2,620,485
<b>TOTAL GENERAL FUND</b>						
BUDGET	\$ -	\$ 34,065,161	\$ -	\$ 34,729,637	\$ -	\$ 6,156,785
<b>DIFFERENCE</b>	\$ 1,183,942	\$ 807,490	\$ -	\$ (1,164,792)	\$ -	\$ 1,972,282
<b>% VARIANCE</b>		2.37%		-3.35%		

# FY 23 Revenue, Expenses and Cash flow Pattern



# Budget Summary – Designated Funds

<b>FOOD SERVICE</b>										
NONSPENDABLE FOR INVENTORY	\$	16,147	\$	14,519	\$	-	\$	16,147	\$	14,519
RESTRICTED FOR FOOD SERVICE PROG	\$	504,272	\$	1,632,930	\$	-	\$	1,697,368	\$	439,834
	BUDGET	\$	1,677,941	\$	-	\$	1,476,360	\$	-	722,000
<b>TOTAL FOOD SERVICE</b>	<b>\$</b>	<b>520,419</b>	<b>\$</b>	<b>1,647,449</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>1,713,515</b>	<b>\$</b>	<b>454,353</b>
	DIFFERENCE	\$	236,904	\$	(30,492)	\$	-	\$	237,155	(267,647)
	% VARIANCE				-1.82%			16.06%		
<b>COMMUNITY EDUCATION</b>										
<b>A. NONSPENDABLE FOR</b>										
PREPAIDS	\$	7,691	\$	2,070	\$	-	\$	7,691	\$	2,070
INVENTORY	\$	-	\$	-	\$	-	\$	-	\$	-
<b>TOTAL NONSPENDABLE</b>	<b>\$</b>	<b>7,691</b>	<b>\$</b>	<b>2,070</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>7,691</b>	<b>\$</b>	<b>2,070</b>
<b>B. RESTRICTED FOR</b>										
COMMUNITY EDUCATION PROGRAMS	\$	327,809	\$	1,164,401	\$	-	\$	993,177	\$	499,033
ECFE PROGRAMS	\$	297,360	\$	213,369	\$	-	\$	116,281	\$	394,448
SCHOOL READINESS	\$	(50,479)	\$	146,375	\$	-	\$	214,330	\$	118,434
OTHER PURPOSES	\$	153,016	\$	393,569	\$	-	\$	325,074	\$	(118,434)
	BUDGET	\$	1,613,837	\$	-	\$	1,486,656	\$	-	862,578
<b>TOTAL COMMUNITY EDUCATION</b>	<b>\$</b>	<b>735,397</b>	<b>\$</b>	<b>1,919,784</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>1,656,553</b>	<b>\$</b>	<b>998,628</b>
	DIFFERENCE	\$	299,350	\$	305,947	\$	-	\$	169,897	136,050
	% VARIANCE				18.96%			11.43%		
<b>CAPITAL PROJECTS-BUILDING CONSTRUCTION</b>										
LTFM	\$	-	\$	-	\$	-	\$	-	\$	-
OTHER PURPOSES	\$	498,913	\$	3,606	\$	-	\$	269,758	\$	232,761
	BUDGET	\$	9,755	\$	-	\$	693,869	\$	-	192,95,201
<b>TOTAL BUILDING FUND</b>	<b>\$</b>	<b>498,913</b>	<b>\$</b>	<b>3,606</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>269,758</b>	<b>\$</b>	<b>232,761</b>
	DIFFERENCE	\$	(25,859)	\$	(6,149)	\$	-	\$	(424,111)	417,962
	% VARIANCE				-63.03%			-61.12%		
<b>DEBT SERVICE</b>										
OTHER PURPOSES	\$	823,997	\$	5,961,068	\$	-	\$	5,704,752	\$	1,080,313
REFUNDING BONDS	\$	-	\$	-	\$	-	\$	-	\$	-
	BUDGET	\$	5,958,292	\$	-	\$	5,565,978	\$	-	1,216,311
<b>TOTAL DEBT SERVICE</b>	<b>\$</b>	<b>823,997</b>	<b>\$</b>	<b>5,961,068</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>5,704,752</b>	<b>\$</b>	<b>1,080,313</b>
	DIFFERENCE	\$	(502,671)	\$	2,776	\$	-	\$	138,774	(135,998)
	% VARIANCE				0.05%			2.49%		
<b>PROPRIETARY AND FIDUCIARY FUNDS</b>										
OPEB TRUST FUND	\$	2,730,061	\$	168,489	\$	-	\$	366,427	\$	2,532,123
SCHOLARSHIP TRUST FUND	\$	-	\$	-	\$	-	\$	-	\$	-
INTERNAL SERVICE - SELF INS FUND	\$	672,736	\$	279,567	\$	-	\$	213,249	\$	739,054
<b>TOTAL PROPRIETARY</b>	<b>\$</b>	<b>3,402,797</b>	<b>\$</b>	<b>448,056</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>579,676</b>	<b>\$</b>	<b>3,271,177</b>
<b>TOTAL</b>	<b>\$</b>	<b>12,802,784</b>	<b>\$</b>	<b>44,852,614</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>43,489,099</b>	<b>\$</b>	<b>14,166,299</b>

# State of Minnesota Levy Components

- Levies
  - Formulas established by legislature
  - Formula changes impact levy amounts
- Adjustments for prior years
- Abatement adjustments

# Additional Factors Beyond School District Levy

- City/Townships Taxes
- County Taxes
- Changes to Property Valuation

# School District Property Tax Levy

Fund	Pay '24 Levy Limit	Increase (Decrease)	Percent Change
<b>General</b>	4,507,992	311,029	7.41%
<b>Community Education</b>	185,233	(55,544)	-23.07%
<b>General Debt Service</b>	5,031,789	(174,232)	-3.35%
<b>OPEB Debt Service</b>	419,692	12,091	2.97%
<b>TOTAL</b>	10,144,705	93,344	<b>.93%</b>

# Summary Statement

- The school district property tax increase is less than 1%
- Total levy for 2024 will to increase by \$93,344
- Impact on taxpayers varies

# Levy Timeline

- December
  - Certification by School Board before December 31

# Property Tax Levy

10

- Questions?

198

# Property Tax Levy

11

- Public Comment
- Contact school district for questions about school district levy
- Todd Tetzlaff, Director of Finance and Human Resources

[ttetzlaf@isd138.org](mailto:ttetzlaf@isd138.org)

651 674-1009

199

# NBAPS 2024-2025 CALENDAR - DRAFT 11.1.23

**August 21-22** New Teacher PD  
**August 23** New and 2nd Year Teacher PD  
**August 26, 27, and 29** No School - PD  
**August 28** Welcome Conferences K-8;  
 NBAHS Welcome Events; ALC/DLA Welcome Events  
 T=4 S=1

AUGUST 2024						
S	M	T	W	Th	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

FEBRUARY 2025						
S	M	T	W	Th	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	

**February 14** No School - PD  
**February 17** School Closed/Holiday  
 T=19 S=18

**September 2** School Closed/Holiday  
**September 3** Welcome Conferences K-8;  
 9th Grade Orientation; CCSLWC Orientation;  
 ALC/DLA Welcome Events  
**September 4** First Day of School K-12+;  
 CCSLWC in session  
**September 23** No School - PD  
 T= 20 S=19

SEPTEMBER 2024						
S	M	T	W	Th	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

MARCH 2025						
S	M	T	W	Th	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

**March 10-14** School Closed/Holiday  
**March 25 and 27** Conferences K-12+  
 3:30-7:00 pm  
**March 31** No School - Conferences K-12+  
 7:30-11:00 am; PD Noon-3:00 pm  
 T= 16 S=15

**October 17-18** School Closed/Holiday  
**October 21** No School - PD  
 T=21 S=20

OCTOBER 2024						
S	M	T	W	Th	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

APRIL 2025						
S	M	T	W	Th	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

**April 18** No School/Holiday  
**April 21** No School - PD  
 T=21 S=20

**November 25-26** Conferences K-12+  
 3:30-7:00 pm  
**November 27** No School - Conferences  
 K-12+ 7:30-11:00 am; PD Noon-3:00 pm  
**November 28-29** School Closed/Holiday  
 T=19 S=18

NOVEMBER 2024						
S	M	T	W	Th	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

MAY 2025						
S	M	T	W	Th	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

**May 19** No School - PD  
**May 26** No School/Holiday  
 T=21 S=20

**December 23** E-Learning Day  
**December 24-31** School Closed/Holiday  
 T=16 S=16

DECEMBER 2024						
S	M	T	W	Th	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

JUNE 2025						
S	M	T	W	Th	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

**June 6** Last Day of School K-12+; Last Day  
 for CCSLWC  
**June 8** Graduation  
**June 9** No School - PD  
 T=6 S=5

**January 1** School Closed/Holiday  
**January 16** End of Semester 1 (84 Days)  
**January 17** No School - PD  
**January 20** School Closed/Holiday  
 T= 21 S=20

JANUARY 2025						
S	M	T	W	Th	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

JULY 2025						
S	M	T	W	Th	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

**RESOLUTION ESTABLISHING COMBINED POLLING PLACES  
FOR MULTIPLE PRECINCTS AND  
DESIGNATING HOURS DURING WHICH THE POLLING  
PLACES WILL REMAIN OPEN FOR VOTING  
FOR SCHOOL DISTRICT ELECTIONS NOT HELD  
ON THE DAY OF A STATEWIDE ELECTION**

BE IT RESOLVED by the School Board of Independent School District No. 138, State of Minnesota, as follows:

1. Pursuant to Minnesota Statutes, Section 205A.11, the precincts and polling places for school district elections are those precincts or parts of precincts located within the boundaries of the school district which have been established by the cities or towns located in whole or in part within the school district. The board hereby confirms those precincts and polling places so established by those municipalities.

2. Pursuant to Minnesota Statutes, Section 205A.11, the board may establish a combined polling place for several precincts for school district elections not held on the day of a statewide election. **Each combined polling place must be a polling place that has been designated by a county or municipality.** The following combined polling places are established to serve the precincts specified for all school district special and general elections not held on the same day as a statewide election:

Combined Polling Place: Precinct B – Main Street Church, 6500 Main Street, North Branch, MN 55056  
Name and address of combined polling place

"This combined polling place serves all territory in Independent School District No. 138 located in located in the City of Harris, the City of Stacy and the City of North Branch, and Fish Lake, Sunrise, Amador, Chisago Lakes, Lent and Wyoming Townships, all in Chisago County, Minnesota; and North Branch and Oxford Townships in Isanti County, Minnesota.

3. Pursuant to Minnesota Statutes, Section 205A.09, the polling places will remain open for voting for school district elections not held on the same day as a statewide election between the hours of 7:00 o'clock a.m. and 8:00 o'clock p.m.

4. The clerk is directed to file a certified copy of this resolution with the county auditors of each of the counties in which the school district is located, in whole or in part, within thirty (30) days after its adoption.

5. As required by Minnesota Statutes, Section 204B.16, Subdivision 1a, the clerk is hereby authorized and directed to give written notice of new polling place locations to each affected household with at least one registered voter in the school district whose school district polling place location has been changed. The notice must be a nonforwardable notice mailed at least twenty-five (25) days before the date of the first election to which it will apply. A notice that is returned as undeliverable must be forwarded immediately to the appropriate county auditor, who shall change the registrant's status to "challenged" in the statewide registration system.