

December 11, 2023

To: Dr. Josh Swanson
From: Business Office
Re: FY22-23 Annual Financial Audit

We are pleased to present the year-end financial results for the fiscal year 2023. There are three documents included in this package: Management Report, Special Purpose Audit Report, and the Annual Comprehensive Financial Report. The financial reports will be available on the district website for the community following this board meeting.

The District hired Malloy Montague Karnowski Radosevich & Co., P.A. (MMKR), an independent audit firm, to conduct the financial audit. The auditors have issued a clean unmodified opinion on the audit report, the highest opinion they can provide, indicating the financial statements are fairly stated. The auditors identified three findings, which you can find on pages 10-12 of the Special Purpose Audit Report.

The Annual Financial Statement contains the Management's Discussion and Analysis (pages 4-15) which provides a narrative overview and analysis of the financial activities during the fiscal year. The Management Report is designed to communicate information relevant to the financing of public education in Minnesota and to provide comments resulting from the audit process. I would encourage you to focus on these pages of the report which provide a great summary of the district's current financial condition.

This presentation also doubles as our year-end financial report to the school board. The general fund finished with an unassigned fund balance of \$17,090,264, which represents 13.9% of our annual expenditures and a decrease of \$550,189 from the prior year.

Here are some important takeaways from the audit presentation:

- The District utilized an additional \$3.7 million of coronavirus relief and education stabilization funds recognized in the 2022-23 fiscal year.
- Food Service fund continued to grow by \$180,000 during fiscal year 2022-23, while the Community Education fund continued to experience high participation during 2022-23, which drove increases to fund balance.
- The Self-Funded Medical fund recognized a \$195,945 decrease in fund balance. This represents the first decrease in the Self-Funded Medical fund balance since the 2016-17 fiscal year.
- The Other Post-Employment Benefits (OPEB) trust recognized investment income of \$1,096,512 and paid \$1,274,529 in benefits in 2022-23, representing a slight decrease of \$178,016. As of June 30, 2023, the District still holds a fund balance at 1.67 times that of the District's estimated OPEB Liability.

We are pleased with the year-end results in all funds across the district and continue to meet our financial targets as expected. The updated 5-year financial projection will be presented to the board in January 2024 and will reflect these audited financial numbers.