

Annual Organizational Meeting

Tuesday, January 2, 2024 5:30 PM

Board Assembly Room, 1250 West Broadway Avenue, Minneapolis, Minnesota 55411

1) **Call to Order and Roll Call**

2) **Adoption of the Agenda**

3) **Election of 2024 Officers**

4) **Recess**

5) **Annual Organizational Items**

5)a. Approving 2024 Committee Assignments and Appointments

5)b. Resolution Approving the 2024 School Board Regular Meeting Schedule (2024-0004)

5)c. Resolution Approving 2024 Organizational Matters (2024-0001)

5)d. Financial Authorizations

5)d.1. Resolution Delegating Contracting, Purchasing, and Grant-Seeking Authority to the Superintendent (2024-0005)

5)d.2. Resolution Appointing the Deputy Treasurer and Assistant Deputy Treasurer (2024-0006)

5)d.3. Resolution Authorizing Facsimile Signatures (2024-0007)

5)d.4. Resolution Authorizing Electronic Funds Transfers (2024-0008)

5)d.5. Resolution Designating Depositories (2024-0009)

5)d.6. Resolution Regarding Banking Authority for Minnesota School District Liquid Asset Fund (2024-0010)

5)d.7. Resolution Regarding Banking Authority for US Bank National Association (2024-0011)

5)d.8. Resolution Regarding Banking Authority for Wells Fargo Bank, N.A. (2024-0012)

6) **Other Business**

6)a. Fiscal Year 2022-2023 Financial Audit

6)b. Resolution Acknowledging Receipt of the Fiscal Year 2022-2023 Financial Audit (2024-0014)

7) **Adjournment**

MEMO

To: MPS School Board

From: Ryan Strack, Assistant to the Superintendent and Board

Date: 12/27/2023

Re: 1/2/2024 Annual Organizational Meeting Agenda Background

Pursuant to [Minnesota Statutes section 123B.14, subdivision 1](#), *“On the first Monday of January of each year, or as soon thereafter as practicable, the board must meet and organize by selecting a chair, clerk, and a treasurer, who shall hold their offices for one year and until their successors are selected and qualify”*. Most school boards, including the MPS School Board, generally conduct additional organizational and other business during this meeting. The purpose of this memo is to provide background information on the proposed agenda for the January 2, 2024, annual organizational meeting.

Please let me know if there are any questions about the meeting or the proposed agenda.

Election of 2024 Officers

The first order of business is to determine the 2024 board officer positions (chair, vice-chair, clerk, and treasurer), following the process established in [Policy 8140 \(Board Officers\)](#).

Recess

A brief recess following the election of officers is built into the agenda in the case that a different chair is elected and seats need to be exchanged.

Approving 2024 Committee Assignments and Appointments

The next agenda item will determine internal board committee membership and to appoint board members to various external committees and positions. Board members have identified their interest in advance, which has been published with the meeting agenda. Any contested positions will be determined by vote between those interested, if necessary, and then a vote will be taken on the overall slate of committee assignments and appointments.

Resolution Approving the 2024 School Board Regular Meeting Schedule (2024-0004)

The next item will be to set the board's regular meeting schedule for the year. As noted in the resolution, the meeting schedule of committees will be determined by the respective committee chairs, however, they are expected to meet on Tuesday evenings. Resolution 2024-0004 focuses on the regularly scheduled meetings of the board. Special meetings may be called in accordance with board policy and applicable notice requirements.

Resolution Approving 2024 Organizational Matters (2024-0001)

Resolution 2024-0001 covers some of the annual organizational business matters that do not fall within a financial authorization or otherwise, as well as a place to affirm practices for documentation purposes.

- **Resolved Item 1: Official Newspaper**

School boards and other local government entities must declare an official newspaper for posting requirements including but not limited to certain public hearings and bids. Finance & Commerce is the official newspaper for the City of Minneapolis and several other local government entities.

- **Resolved Item 2: Fix Board Compensation**

Board member stipend is set at \$20,000 annually with the chair and

vice-chair each receiving an additional \$2,000. The student board representative stipend rate is \$5,000 per student for the one-year term.

- **Resolved Item 3: Designate Legal Counsel**

This item designates the District's legal counsel and stipulates that engagement with external attorneys must be coordinated through the Office of General Counsel. This item also designates a staff person authorized to accept service of process paperwork on behalf of the District and School Board in the absence of an attorney.

- **Resolved Items 4 and 5: Identified Official with Authority for Education Identity Access Management**

This item provides the necessary authority for Interim Superintendent Cox and incoming Superintendent Dr. Sayles-Adams to serve as the Minnesota Department of Education's (MDE) Identified Official with Authority for Education Identity Access Management, for the purposes of assigning respective staff to file reports and other business with MDE.

- **Resolved Item 6: Contracting and Purchasing Board Approval Process Review**

This item directs the Board's policy and finance committees to review and make recommendations regarding the District's policies and processes on contracting and purchasing delegation of authority relative to Board approval of contracts and amendments.

- **Resolved Item 7: Policy Review and Audit**

This item directs the policy committee to work with the Minnesota School Boards Association (MSBA) to conduct a policy review and audit to inform recommendations.

Financial Authorizations (Resolutions 2024-0002 to 2024-0012)

The final action item of the organizational portion of the meeting will be to approve a slate of financial authorizations, explained below.

- **Resolution Delegating Contracting, Purchasing, and Grant-Seeking Authority to the Superintendent (2024-0005)**

This resolution delegates purchasing, contracting, and grant-seeking authority to the superintendent of schools within the parameters of board-approved budget and any requirements within board policy, law, or regulation.

- **Resolution Appointing the Deputy Treasurer and Assistant Deputy Treasurer (2024-0006)**

This resolution appoints the staff in the senior officer of finance and operations and the director of finance positions as deputy treasurer and assistant deputy treasurer for the district so they can execute financial processes.

- **Resolution Authorizing Facsimile Signatures (2024-0007)**

This resolution authorizes the use of facsimile signatures for the checks and other orders related to banking.

- **Resolution Authorizing Electronic Funds Transfers (2024-0008)**

This resolution allows the use of electronic funds transfers for the purposes of payment of an investment, payment of bond principal and interest, payment of anticipation certificates, contributions to pension or retirement funds, imprest payroll, or vendor payments.

- **Resolution Designating Depositories (2024-0009)**

This resolution designates the financial institutions to be used as depositories for payroll and general accounts.

- **Resolutions Regarding Banking Authority (2023-0009 to 2023-0012)**

These three resolutions establish banking authority at the financial institutions used by the school district: Minnesota School District Liquid Asset Fund (2024-0010), US Bank National Association (2024-0011), and Wells Fargo Bank, N.A. (2024-0012).

Other Business

As a special meeting, additional topics are allowed on the agenda provided they are noticed in advance.

- **Fiscal Year 2022-2023 Financial Audit**

The fiscal year 2022-2023 financial audit, which is conducted by an external audit firm, is complete and ready to be presented to the Board.

- **Resolution Acknowledging Receipt of the Fiscal Year 2022-2023 Financial Audit (2024-0014)**

Following the presentation of the fiscal year 2022-2023 financial audit by the external auditors, the Board will act on a resolution acknowledging the audit was conducted and the results shared with the Board. Following the presentation of the audit and adoption on resolution 2024-0014, the necessary reports will be filed with MDE.

2024 Committee and Appointment Assignments

Board Committees

Policy	Finance	Supt. Eval	ELL Caucus
(4 plus Chair)	(4 plus Chair)	(4 plus Chair)	(N/A)
Norvell	Jourdain	Abdi	Abdi
Cerrillo	Ellison	Feerayarre	Cerrillo
El-Amin	Abdi	Beachy	Feerayarre
Feerayarre	Emerick	Cerrillo	
Beachy	Beachy	El-Amin	



Appointments

AchieveMpls Alternate (Chair is appointee)	Council of Great City Schools (CGCS) Representative	CGCS Alternate	City of Mpls Planning Commission	Metropolitan Urban Indian Directors (MUID)/Phillips Indian Educators (PIE) Representative
(1 slot)	(1 slot)	(1 slot)	(1 slot)	(1 slot)
Abdi	Jourdain	El-Amin	Emerick	Cerrillo

Appointments

Association of Metropolitan School Districts (AMSD) Representative	AMSD Alternate	City of Mpls Neighborhood Revitalization Program (NRP) Policy Board	MUID/PIE Alternate	Youth Coordinating Board (YCB)
(1 slot)	(1 slot)	(1 slot)	(1 slot)	(2 slots)
Jourdain			Emerick	Emerick
				Norvell

Appointments

MN School Board Association (MSBA) Delegates	MSBA Board	World's Best Workforce Advisory (WBWF) Committee Liaison
(5 slots)	(1 slot)	(1 slot)
Abdi	Jourdain	Cerrillo
Ellison		
Jourdain		
Norvell		
Beachy		



**Special School District Number 1
Board of Education Resolution**



Resolution No. 2024-0004

January 2, 2024

Resolution Approving the 2024 School Board Regular Meeting Schedule

WHEREAS, School Board regular business meetings will typically be held on the second Tuesday of each month from 5:30 p.m. until adjournment, and will take place in the Board Room at the Davis Center (1250 West Broadway Avenue, Minneapolis, MN 55411) per the schedule below unless otherwise noticed:

- January 9, 2024
- February 13, 2024
- March 12, 2024
- April 16, 2024 (3rd Tuesday to accommodate board member schedules)
- May 14, 2024
- June 18, 2024 (3rd Tuesday to accommodate graduation ceremonies)
- August 6, 2024 (1st Tuesday due to Primary Election Day)
- September 10, 2024
- October 8, 2024
- November 12, 2024 (includes canvassing of the General Election results)
- December 10, 2024 (starts at 6:00 p.m. and includes Truth-in-Taxation meeting); and

WHEREAS, School Board regular committee of the whole (discussion) meetings will typically be held on the fourth Tuesday of each month from 6:00 p.m. until 8:00 p.m., on topics determined by the Board Chair in consultation with the Superintendent, and will take place in the Board Room at the Davis Center (1250 West Broadway Avenue, Minneapolis, MN 55411) per the schedule below unless otherwise noticed; and

- January 23, 2024
- February 20, 2024 (3rd Tuesday due to Precinct Caucuses)
- March 26, 2024
- April 23, 2024
- May 28, 2024
- August 27, 2024
- September 24, 2024
- October 22, 2024
- November 26, 2024; and

WHEREAS, School Board regular executive session meetings, which are closed to the public in accordance with applicable laws, will be held at 4:00 p.m. and will take place at the at the Davis Center (1250 West Broadway Avenue, Minneapolis, MN 55411) per the schedule below unless otherwise noticed; and

- January 9, 2024
- February 13, 2024
- March 12, 2024
- April 16, 2024
- May 14, 2024
- June 11, 2024
- August 6, 2024
- September 10, 2024
- October 8, 2024
- November 12, 2024
- December 10, 2024

WHEREAS, School Board special meetings, which are open to the public, will be held at 6:30 p.m. and will take place in the Board Room at the Davis Center (1250 West Broadway Avenue, Minneapolis, MN 55411) per the schedule below unless otherwise noticed; and

- August 20, 2024 (canvassing of Primary Election Results); and

WHEREAS, School Board committees will determine their own meeting schedules, which shall be posted, duly noticed, and will typically occur on Tuesdays; and

WHEREAS, additional special meetings, retreats, emergency meetings, and meetings closed to the public may be separately posted and duly noticed in accordance with applicable policies and laws.

NOW THEREFORE BE IT RESOLVED, that the Board of Directors of Special School District No. 1 (Minneapolis Public Schools) hereby adopts the abovementioned 2024 schedule of regular board meetings.

FURTHER BE IT RESOLVED, that the Board Chair, in consultation with the Superintendent and in accordance with all applicable meeting noticing and publishing requirements, may modify dates and times as needed to adjust for unforeseen circumstances.

ADOPTED this 2nd day of January 2024.

Chair

Clerk

RECORD OF BOARD VOTE (2024-0004)				
DIRECTOR	AYE	NAY	ABSTAIN	ABSENT
Abdi				
El-Amin				
Feerayarre				
Cerrillo				
Norvell				
Jourdain				
Beachy				
Ellison				
Emerick				

**Special School District Number 1
Board of Education Resolution**



Resolution No. 2024-0001

January 2, 2024

Resolution Approving 2024 Organizational Matters

WHEREAS, in accordance with Minnesota Statutes Section 123B.14, an annual organizational meeting must be held organize for the year.

NOW THEREFORE BE IT RESOLVED, that the Board of Directors of Special School District No. 1 (Minneapolis Public Schools) hereby enacts and authorizes the following, effective for the 2024 calendar year:

1. Designate Finance & Commerce as the District's official newspaper for statutorily required notices and postings.
2. Fix the compensation of board members at the continued annual rate of \$20,000 for directors and \$22,000 for chair and vice-chair, and the board student representative stipend at the continued rate of \$5,000 per student for a one-year term.
3. Designate General Counsel, Lee Atakpu, as the District's chief legal officer and lead counsel. Prohibit District staff from contacting or engaging with outside legal representation regarding official District matters, except after consultation with the Office of General Counsel. In the absence of an attorney representing the district, Assistant to the Superintendent and Board, Ryan Strack, is authorized to accept service on behalf of the District and School Board.
4. Through February 4, 2024, designate Interim Superintendent Rochelle Cox as MPS's Identified Official with Authority for Education Identity Access Management for Minnesota Department of Education and authorize the board chair to execute required documentation.
5. Beginning February 5, 2024, designate Superintendent Lisa Sayles-Adams as MPS's Identified Official with Authority for Education Identity Access Management for Minnesota Department of Education and authorize the board chair to execute required documentation.
6. Direct the Finance and Policy Committees to review and make recommendations regarding the District's policies and processes on contracting and purchasing delegation of authority relative to Board approval of contracts and amendments.
7. Direct the Policy Committee to engage with the Minnesota School Boards Association (MSBA) to conduct a policy review and audit to inform recommendations.

ADOPTED this 2nd day of January 2024.

Chair

Clerk

RECORD OF BOARD VOTE (2024-0001)				
DIRECTOR	AYE	NAY	ABSTAIN	ABSENT
Abdi				
El-Amin				
Feerayarre				
Cerrillo				
Norvell				
Jourdain				
Beachy				
Ellison				
Emerick				

**Special School District Number 1
Board of Education Resolution**



Resolution No. 2024-0005
January 2, 2024

Resolution Delegating Contracting, Purchasing, and Grant-Seeking Authority to the Superintendent

WHEREAS, in accordance with Minnesota law and Board Policy 2100, a superintendent is responsible for the academic and business administration, coordination, and supervision of the school district; and

WHEREAS, Minnesota law allows school boards to grant superintendents authorization to lease, purchase, and contract for goods and services within the budget as approved by the board; and

WHEREAS, the current statutory limit on the delegated contracting authority under Minnesota law is \$175,000; and

WHEREAS, Rochelle Cox has been appointed as interim superintendent through February 4, 2024; and

WHEREAS, Dr. Lisa Sayles-Adams has been appointed as superintendent beginning February 5, 2024; and

NOW THEREFORE BE IT RESOLVED, that the Board of Directors of Special School District No. 1 (Minneapolis Public Schools) hereby delegates to the superintendent of schools, or a designated alternative qualified representative acting in the superintendent's absence, all applicable authority granted in district policy, law and rules, and in the superintendent employment contract; and

FURTHER BE IT RESOLVED that the Board authorizes the superintendent, in accordance with all applicable laws, policies, and regulations, to lease, purchase, and contract for goods and services not to exceed \$100,000 that are within the budget the Board has approved; and

FURTHER BE IT RESOLVED that the Board authorizes the superintendent to delegate authority to their staff up to the superintendent's delegated authority; and

FINALLY BE IT RESOLVED that the Board authorizes the superintendent, in accordance with all applicable laws, policies, and regulations, to apply for, accept, and administer public and private grants.

ADOPTED this 2nd day of January 2024.

Chair

Clerk

RECORD OF BOARD VOTE (2024-0005)				
DIRECTOR	AYE	NAY	ABSTAIN	ABSENT
Abdi				
El-Amin				
Feerayarre				
Cerrillo				
Norvell				
Jourdain				
Beachy				
Ellison				
Emerick				

**Special School District Number 1
Board of Education Resolution**



Resolution No. 2024-0006
January 2, 2024

Resolution Appointing the Deputy Treasurer and Assistant Deputy Treasurer

WHEREAS, at its annual meeting each year, the Minneapolis Public Schools Board of Education Annual Meeting, makes a recommendation on the appointment of Deputy Treasurer and Assistant Deputy Treasurer; and

WHEREAS, the Superintendent of Schools supports the recommendation of such appointments.

NOW THEREFORE BE IT RESOLVED, that the Board of Directors of Special School District No. 1 (Minneapolis Public Schools) hereby appoints Ibrahima Diop (Senior Officer of Finance and Operations) as Deputy Treasurer, and Aaron Gilbert (Director, Finance-Controller) as Assistant Deputy to the Board of Education of Special School District No. 1 for the 2024 calendar year.

ADOPTED this 2nd day of January 2024.

Chair

Clerk

RECORD OF BOARD VOTE (2024-0006)				
DIRECTOR	AYE	NAY	ABSTAIN	ABSENT
Abdi				
El-Amin				
Feerayarre				
Cerrillo				
Norvell				
Jourdain				
Beachy				
Ellison				
Emerick				

**Special School District Number 1
Board of Education Resolution**



Resolution No. 2024-0007
January 2, 2024

Resolution Authorizing Facsimile Signatures

WHEREAS, Minnesota Statutes Section 47.41 permits the depositories approved at the annual meeting of the Board of Education be authorized to accept facsimile signatures of the Chair, Clerk, and Treasurer for checks and other orders on funds on deposit; and

WHEREAS, the Senior Officer of Finance and Operations recommends the authorization.

NOW THEREFORE BE IT RESOLVED, that the Board of Directors of Special School District No. 1 (Minneapolis Public Schools) hereby adopt the attached “Corporate Resolutions for Facsimile Signatures” for each institution designated as a depositor at this meeting of the Board of Education.

ADOPTED this 2nd day of January 2024.

Chair

Clerk

RECORD OF BOARD VOTE (2024-0007)				
DIRECTOR	AYE	NAY	ABSTAIN	ABSENT
Abdi				
El-Amin				
Feerayarre				
Cerrillo				
Norvell				
Jourdain				
Beachy				
Ellison				
Emerick				

CORPORATE RESOLUTION
for
FACSIMILE SIGNATURES

This is to certify: That at a meeting of the Board of Education of the Special School District No. 1, Minneapolis, MN duly called and held January 2, 2024, the following resolution was adopted:

RESOLVED, That US Bank National Association, as a designated depository of this Corporation, be and it is hereby requested, authorized and directed to honor all checks, drafts, or other orders for the payment of money drawn in this corporation's name, including those drawn to the individual order of any person or persons whose name or names appear thereon as signer or signers thereof, when bearing or purporting to bear the facsimile signature(s) of any three of the following:

Chair

Clerk

Treasurer

and said bank shall be entitled to honor and to charge this Corporation for all such checks, drafts or other orders without liability to determine whether the person or persons affixing the facsimile signature or signatures thereon have or had authority to do so and regardless of by whom or by what means the facsimile signature or signatures resemble the facsimile specimens from time to time furnished to or filed with said bank by the Secretary or any other officer of this Corporation.

BE IT FURTHER RESOLVED, That any and all resolutions heretofore adopted by the Board of Education of this Corporation and certified to said bank as governing the operation of this Corporation's account(s) with it, be and are hereby continued in full force and effect, except as the same may be supplemented or modified by the foregoing part of this resolution.

In Witness Whereof, I have hereunto affixed my name as Clerk and have caused the corporate seal of said Corporation to be hereto affixed this 3rd day of January 2024.

Clerk

CORPORATE RESOLUTION
for
FACSIMILE SIGNATURES

This is to certify: That at a meeting of the Board of Education of the Special School District No. 1, Minneapolis, MN duly called and held January 2, 2024, the following resolution was adopted:

RESOLVED, That Minnesota School District Liquid Asset Fund, as a designated depository of this Corporation, be and it is hereby requested, authorized and directed to honor all checks, drafts, or other orders for the payment of money drawn in this corporation's name, including those drawn to the individual order of any person or persons whose name or names appear thereon as signer or signers thereof, when bearing or purporting to bear the facsimile signature(s) of any three of the following:

Chair

Clerk

Treasurer

and said bank shall be entitled to honor and to charge this Corporation for all such checks, drafts or other orders without liability to determine whether the person or persons affixing the facsimile signature or signatures thereon have or had authority to do so and regardless of by whom or by what means the facsimile signature or signatures resemble the facsimile specimens from time to time furnished to or filed with said bank by the Secretary or any other officer of this Corporation.

BE IT FURTHER RESOLVED, That any and all resolutions heretofore adopted by the Board of Education of this Corporation and certified to said bank as governing the operation of this Corporation's account(s) with it, be and are hereby continued in full force and effect, except as the same may be supplemented or modified by the foregoing part of this resolution.

In Witness Whereof, I have hereunto affixed my name as Clerk and have caused the corporate seal of said Corporation to be hereto affixed this 2nd day of January 2024.

Clerk

CORPORATE RESOLUTION
for
FACSIMILE SIGNATURES

This is to certify: That at a meeting of the Board of Education of the Special School District No. 1, Minneapolis, MN duly called and held January 2, 2024, the following resolution was adopted:

RESOLVED, That Wells Fargo Bank, N.A., as a designated depository of this Corporation, be and it is hereby requested, authorized and directed to honor all checks, drafts, or other orders for the payment of money drawn in this corporation's name, including those drawn to the individual order of any person or persons whose name or names appear thereon as signer or signers thereof, when bearing or purporting to bear the facsimile signature(s) of any three of the following:

Chair

Clerk

Treasurer

and said bank shall be entitled to honor and to charge this Corporation for all such checks, drafts or other orders without liability to determine whether the person or persons affixing the facsimile signature or signatures thereon have or had authority to do so and regardless of by whom or by what means the facsimile signature or signatures resemble the facsimile specimens from time to time furnished to or filed with said bank by the Secretary or any other officer of this Corporation.

BE IT FURTHER RESOLVED, That any and all resolutions heretofore adopted by the Board of Education of this Corporation and certified to said bank as governing the operation of this Corporation's account(s) with it, be and are hereby continued in full force and effect, except as the same may be supplemented or modified by the foregoing part of this resolution.

In Witness Whereof, I have hereunto affixed my name as Clerk and have caused the corporate seal of said Corporation to be hereto affixed this 2nd day of January 2024.

Clerk

**Special School District Number 1
Board of Education Resolution**



Resolution No. 2024-0008

January 4, 2024

Resolution Authorizing Electronic Funds Transfers

WHEREAS, Electronic Funds transfer is the banking process of value exchange by mechanical means without the use of checks, drafts, or similar negotiable instruments; and

WHEREAS, a school district may make an electronic funds transfer from its bank account for the payment of an investment, payment of bond principal and interest, payment of anticipation certificates, contributions to pension or retirement funds, imprest payroll, or vendor payments; and

WHEREAS, a written confirmation is made a day after the transaction and is used in lieu of a check, draft, or warrant to support the transaction; and

WHEREAS, Minnesota Statutes Section 471.38 subd. 3(a) requires that the school board annually delegate the authority to make electronic funds transfers to designated business representatives and that the disbursing bank keep on file a certified copy of the delegation of authority; and

WHEREAS, the Senior Officer of Finance and Operations recommends that the Board designate certain Finance Department staff members as representatives to make electronic funds transfers with the disbursing banks.

NOW THEREFORE BE IT RESOLVED, that the Board of Directors of Special School District No. 1 (Minneapolis Public Schools) hereby authorizes Aaron Gilbert and Duke Fokuo as designated representatives to make electronic funds transfers for the district and the execution of appropriate resolutions and documents with US Bank, Minneapolis, Minnesota School District Liquid Asset Fund, Bremer Bank, and Wells Fargo bank, N.A.

ADOPTED this 2nd day of January 2024.

Chair

Clerk

RECORD OF BOARD VOTE (2024-0008)				
DIRECTOR	AYE	NAY	ABSTAIN	ABSENT
Abdi				
El-Amin				
Feerayarre				
Cerrillo				
Norvell				
Jourdain				
Beachy				
Ellison				
Emerick				

**Special School District Number 1
Board of Education Resolution**



Resolution No. 2024-0009
January 2, 2024

Resolution Designating Depositories

WHEREAS, Minnesota Statutes Section 118A.02 requires the designation of depositories at the annual meeting of the Board of Education. It is recommended that the following institutions be appointed as depositories for 2024; and

WHEREAS, the Senior Officer of Finance and Operations recommends the designation of depositories.

NOW THEREFORE BE IT RESOLVED, that the Board of Directors of Special School District No. 1 (Minneapolis Public Schools) hereby designates the following as official depositories for funds of Special School District No. 1 for 2024:

Payroll Account:

US Bank National Association
Minnesota School District Liquid Asset Fund

General Accounts:

Wells Fargo Bank, N.A.
US Bank National Association
Minnesota School District Liquid Asset Fund

ADOPTED this 2nd day of January 2024.

Chair

Clerk

RECORD OF BOARD VOTE (2024-0009)				
DIRECTOR	AYE	NAY	ABSTAIN	ABSENT
Abdi				
El-Amin				
Feerayarre				
Cerrillo				
Norvell				
Jourdain				
Beachy				
Ellison				
Emerick				

**Special School District Number 1
Board of Education Resolution**



Resolution No. 2024-0010

January 2, 2024

Resolution Regarding Banking Authority for Minnesota School District Liquid Asset Fund

BE IT RESOLVED, that Minnesota School District Liquid Asset Fund (herein called the “Bank”) be and is hereby designated as a depository of Special School District No. 1, Minneapolis, Minnesota (Federal Tax Identification Number 41-0851980) (Herein called the “District”) with authority to accept or receive at any time for the credit of the District deposits by whomsoever made of funds and other property in whatever form or manner transferred or endorsed, whether made as demand deposits, savings deposits, or time deposits; and

FURTHER BE IT RESOLVED, that the person or persons from time to time holding the following offices of the District be designated “Authorized Signer(s)”:

- Senior Officer of Finance and Operations
- Executive Director of Finance
- Assistant Deputy Treasurer

FINALLY BE IT RESOLVED, that the Board of Directors of Special School District No. 1 (Minneapolis Public Schools) hereby authorizes that checks, drafts or other orders for the payment, transfer or withdrawal of any of the funds or property of the District on deposit with the Bank shall be binding on the District when signed, manually, or by use of a facsimile or mechanical signature or signatures may have been placed thereon, or otherwise authorized, by any ONE (1) Authorized Signer, or, any person or person designated, on an account by account basis, as “Additional Signer(s)” in a written certificate signed by any Authorized Signer, which certificate may further specify the number of Additional Signers which may be required. In particular, and not in limitation of the foregoing, Additional Signer(s) may authorize payment, transfer or withdrawal by written, telephonic, electronic, or oral instructions to the Bank complying with such rules and regulations relating to such authorization as the Bank may communicate to the District from time to time, of funds of the District on deposit with the Bank, by wire or otherwise, without any written order for the payment of money being issued with respect to such transfer, and, for and on behalf of the District, an Authorized Signer may enter into such agreements with the Bank with respect to any such transfer(s) as such Authorized Signer deems advisable. If any such payment, transfer or withdrawal authorization requires communication to the Bank by the Requester of a code, and such code is communicated, any such payment, transfer or withdrawal so effected shall be binding on the District regardless of who communicates the request.

ADOPTED this 2nd day of January 2024.

Chair

Clerk

RECORD OF BOARD VOTE (2024-0010)				
DIRECTOR	AYE	NAY	ABSTAIN	ABSENT
Abdi				
El-Amin				
Feerayarre				
Cerrillo				
Norvell				
Jourdain				
Beachy				
Ellison				
Emerick				

**Special School District Number 1
Board of Education Resolution**



Resolution No. 2024-0011

January 2, 2024

Resolution Regarding Banking Authority for US Bank National Association

BE IT RESOLVED, that US Bank National Association (herein called the “Bank”) be and is hereby designated as a depository of Special School District No. 1, Minneapolis, Minnesota (Federal Tax Identification Number 41-0851980) (Herein called the “District”) with authority to accept or receive at any time for the credit of the District deposits by whomsoever made of funds and other property in whatever form or manner transferred or endorsed, whether made as demand deposits, savings deposits, or time deposits; and

FURTHER BE IT RESOLVED, that the person or persons from time to time holding the following offices of the District be designated “Authorized Signer(s)”:

- Senior Officer of Finance and Operations
- Executive Director of Finance
- Assistant Deputy Treasurer

FINALLY BE IT RESOLVED, that the Board of Directors of Special School District No. 1 (Minneapolis Public Schools) hereby authorizes that checks, drafts or other orders for the payment, transfer or withdrawal of any of the funds or property of the District on deposit with the Bank shall be binding on the District when signed, manually, or by use of a facsimile or mechanical signature or signatures may have been placed thereon, or otherwise authorized, by any ONE (1) Authorized Signer, or, any person or person designated, on an account by account basis, as “Additional Signer(s)” in a written certificate signed by any Authorized Signer, which certificate may further specify the number of Additional Signers which may be required. In particular, and not in limitation of the foregoing, Additional Signer(s) may authorize payment, transfer or withdrawal by written, telephonic, electronic, or oral instructions to the Bank complying with such rules and regulations relating to such authorization as the Bank may communicate to the District from time to time, of funds of the District on deposit with the Bank, by wire or otherwise, without any written order for the payment of money being issued with respect to such transfer, and, for and on behalf of the District, an Authorized Signer may enter into such agreements with the Bank with respect to any such transfer(s) as such Authorized Signer deems advisable. If any such payment, transfer or withdrawal authorization requires communication to the Bank by the Requester of a code, and such code is communicated, any such payment, transfer or withdrawal so effected shall be binding on the District regardless of who communicates the request.

Resolution 2024-0011

Page 1 of 2

ADOPTED this 2nd day of January 2024.

Chair

Clerk

RECORD OF BOARD VOTE (2024-0011)				
DIRECTOR	AYE	NAY	ABSTAIN	ABSENT
Abdi				
El-Amin				
Feerayarre				
Cerrillo				
Norvell				
Jourdain				
Beachy				
Ellison				
Emerick				

**Special School District Number 1
Board of Education Resolution**



Resolution No. 2024-0012

January 2, 2024

Resolution Regarding Banking Authority for Wells Fargo Bank, N.A.

BE IT RESOLVED, that Wells Fargo Bank, N.A. (herein called the “Bank”) be and is hereby designated as a depository of Special School District No. 1, Minneapolis, Minnesota (Federal Tax Identification Number 41-0851980) (Herein called the “District”) with authority to accept or receive at any time for the credit of the District deposits by whomsoever made of funds and other property in whatever form or manner transferred or endorsed, whether made as demand deposits, savings deposits, or time deposits; and

FURTHER BE IT RESOLVED, that the person or persons from time to time holding the following offices of the District be designated “Authorized Signer(s)”:

- Senior Officer of Finance and Operations
- Executive Director of Finance
- Assistant Deputy Treasurer

FINALLY BE IT RESOLVED, that the Board of Directors of Special School District No. 1 (Minneapolis Public Schools) hereby authorizes that checks, drafts or other orders for the payment, transfer or withdrawal of any of the funds or property of the District on deposit with the Bank shall be binding on the District when signed, manually, or by use of a facsimile or mechanical signature or signatures may have been placed thereon, or otherwise authorized, by any ONE (1) Authorized Signer, or, any person or person designated, on an account by account basis, as “Additional Signer(s)” in a written certificate signed by any Authorized Signer, which certificate may further specify the number of Additional Signers which may be required. In particular, and not in limitation of the foregoing, Additional Signer(s) may authorize payment, transfer or withdrawal by written, telephonic, electronic, or oral instructions to the Bank complying with such rules and regulations relating to such authorization as the Bank may communicate to the District from time to time, of funds of the District on deposit with the Bank, by wire or otherwise, without any written order for the payment of money being issued with respect to such transfer, and, for and on behalf of the District, an Authorized Signer may enter into such agreements with the Bank with respect to any such transfer(s) as such Authorized Signer deems advisable. If any such payment, transfer or withdrawal authorization requires communication to the Bank by the Requester of a code, and such code is communicated, any such payment, transfer or withdrawal so effected shall be binding on the District regardless of who communicates the request.

Resolution 2024-0012

Page 1 of 2

ADOPTED this 2nd day of January 2024.

Chair

Clerk

RECORD OF BOARD VOTE (2024-0012)				
DIRECTOR	AYE	NAY	ABSTAIN	ABSENT
Abdi				
El-Amin				
Feerayarre				
Cerrillo				
Norvell				
Jourdain				
Beachy				
Ellison				
Emerick				

**DO
MORE.**

Special School District No. 1
Minneapolis, MN

Audited Financial Statements

June 30, 2023

Components of the Audit

- Independent Auditor's Report - Unmodified Opinion on the District's Financial Statements for the year ended June 30 ,2023
- Report on the result of an audit performed in accordance with *Government Auditing Standards*
 - Material Weaknesses: Segregation of Accounting Duties, Material Audit Adjustment
 - Significant Deficiencies: Payroll Process, Budget Reporting Process
- Unmodified Opinion on Compliance over Major Federal Programs in accordance with Uniform Guidance – Material Weakness Finding related to the Special Education Cluster, Significant Deficiency and Compliance Finding related to the Education Stabilization Funds.
- Report on Minnesota Legal Compliance – Finding related to Prompt Payment of Local Government Bills

General Fund

Budget to Actual

Budget:

- General Fund Revenue budgeted at \$ 642.1 million
- General Fund Expenditures budgeted at \$ 668.9 million
- \$ 26.8 million decrease in fund balance budgeted

Actual:

- General Fund Revenues actually \$ 629.7 million; \$ 12.4 million under budget (1.9%) – Main factor is revenue from federal sources offset by better than anticipated local sources
- General Fund Expenditures actually \$ 640.9 million; \$ 28.0 million under budget (4.4%) – Main factor was unfilled vacant positions
- Fund Balance decreased \$ 1.7 million to \$ 143.3 million
- Unassigned Fund Balance decreased \$ 6.4 million to \$ 60.0 million

General Education Aid Formula

Formula Allowance

Year	General Education Aid Formula Allowance	
	Amount	Percent Increase
2014	\$ 5,302	1.5%
2015*	5,831	1.9%
2016	5,948	2.0%
2017	6,067	2.0%
2018	6,188	2.0%
2019	6,312	2.0%
2020	6,438	2.0%
2021	6,567	2.0%
2022	6,728	2.5%
2023	6,863	2.0%
2024	7,138	4.0%
2025	7,281	2.0%

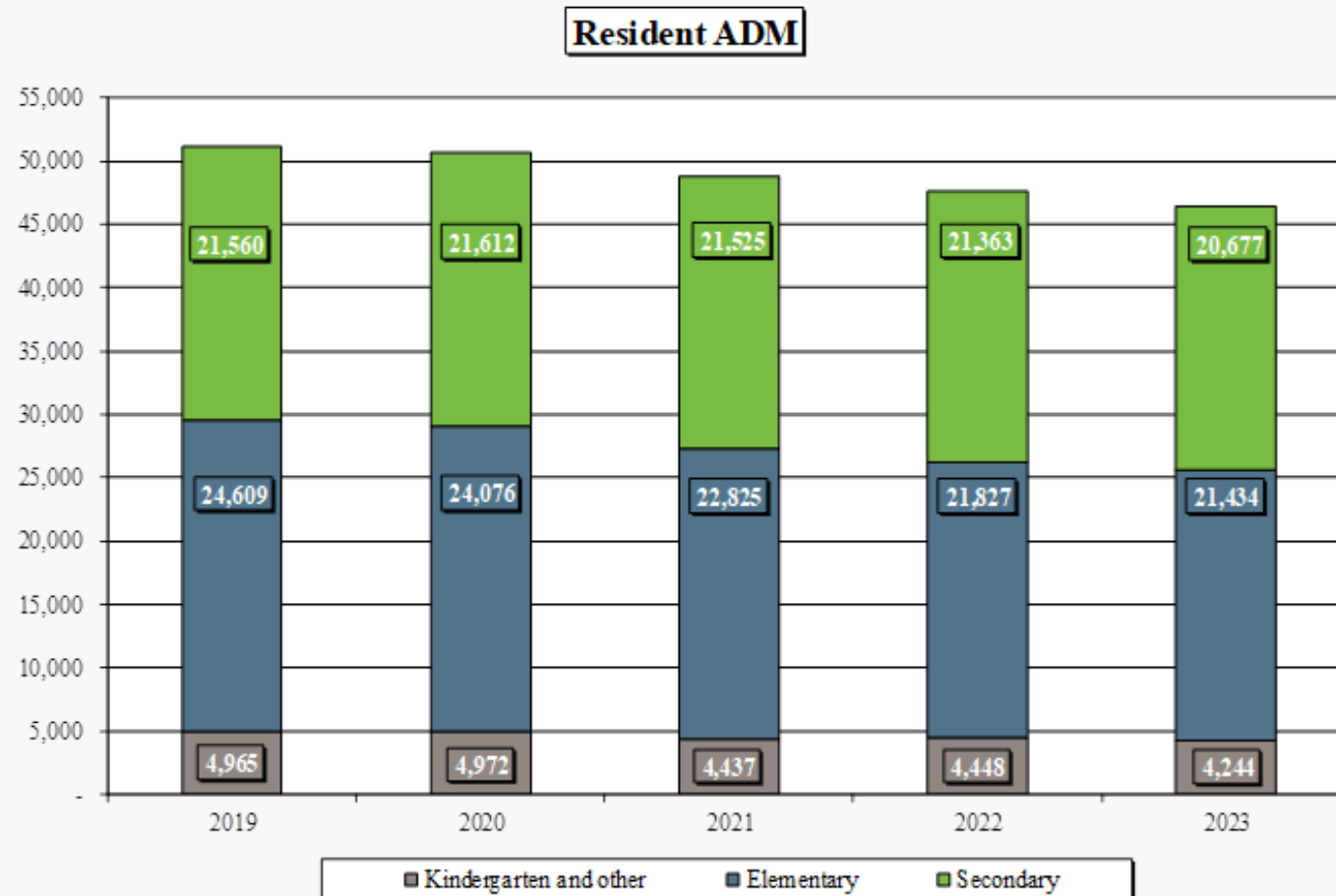
* General Education Aid - Of the \$529 increase over 2014, \$105 is for inflation at 1.9%; the remaining \$424 is a shifting of revenue to adjust for pupil weight changes, pension adjustments changes and other restructuring.

Average Daily Membership Students (Resident ADM)

Students (Resident ADM)	2019	2020	2021	2022	2023
Kindergarten and other	4,965	4,972	4,437	4,448	4,244
Elementary	24,609	24,076	22,825	21,827	21,434
Secondary	21,560	21,612	21,525	21,363	20,677
Total Students (Resident ADM)	51,133	50,660	48,788	47,638	46,356

Average Daily Membership

Resident ADM

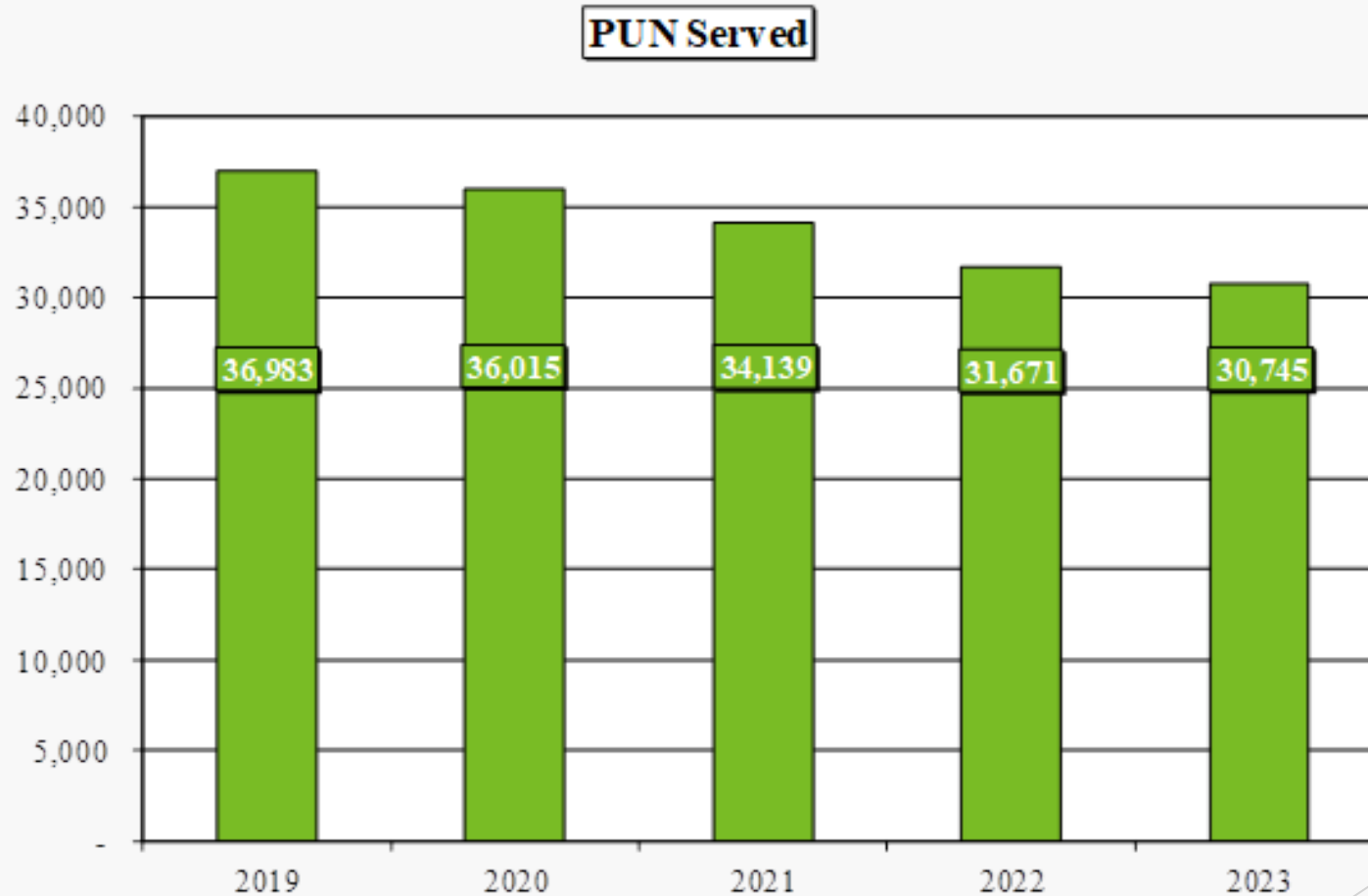


Average Daily Membership Weighting and Adjusted PUN

	Pre-Kindergarten and Handicapped Kindergarten	Kindergarten	Grades 1-3	Grades 4-6	Secondary
Year 2019-2023	1.000	1.000	1.000	1.000	1.200
Adjusted PUN	2019	2020	2021	2022	2023
Residents	55,444	54,982	53,092	51,910	50,491
PUN gain	1,483	1,417	1,871	815	1,382
PUN loss	(19,944)	(20,383)	(20,825)	(21,054)	(21,127)
Total Adjusted PUN	36,983	36,015	34,139	31,671	30,745

Average Daily Membership

PUN Served

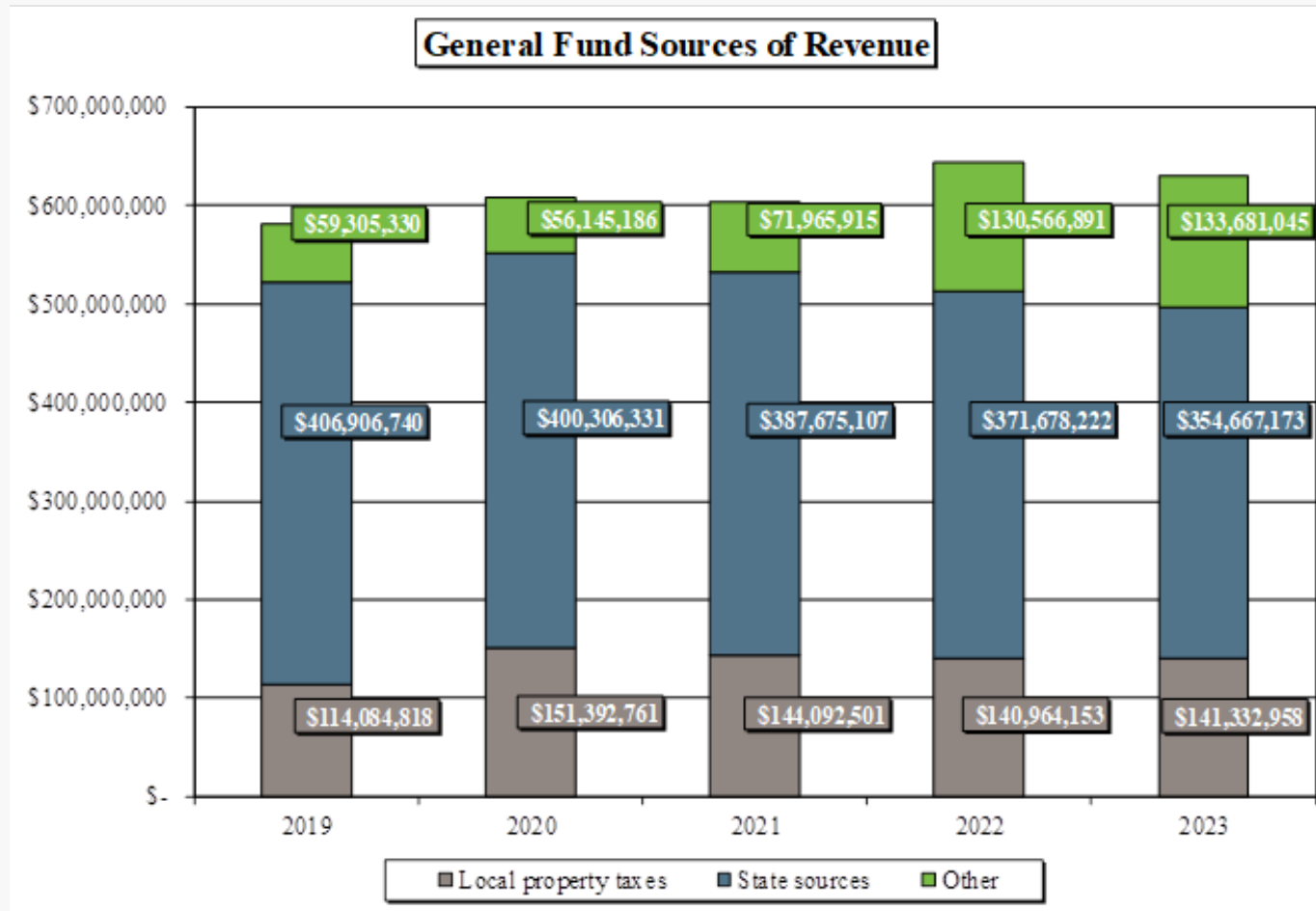


General Fund

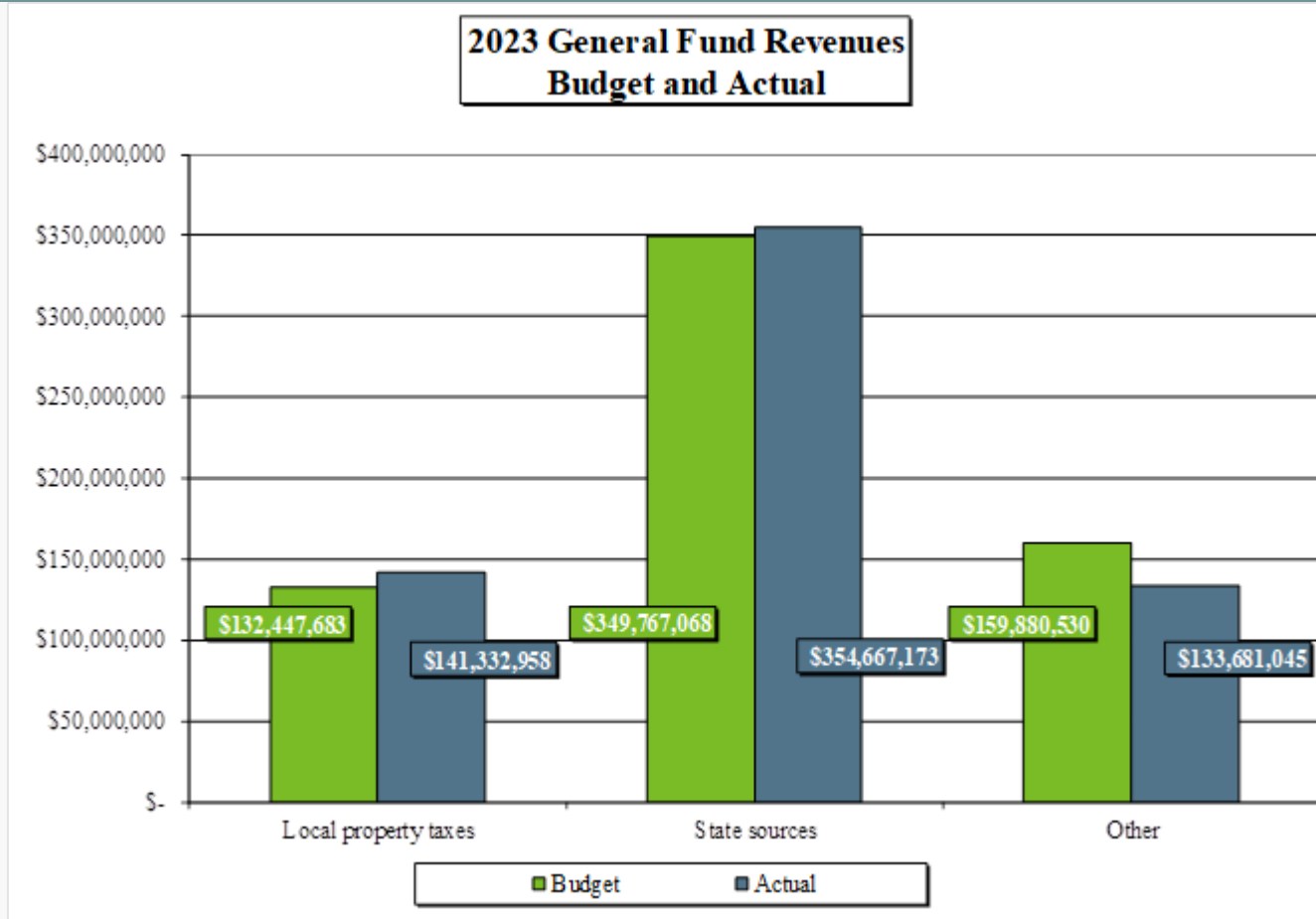
Sources of Revenue

For the Year Ended June 30,	2019	2020	2021	2022	2023
Local property taxes	\$ 114,084,818	\$ 151,392,761	\$ 144,092,501	\$ 140,964,153	\$ 141,332,958
State sources	406,906,740	400,306,331	387,675,107	371,678,222	354,667,173
Other	59,305,330	56,145,186	71,965,915	130,566,891	133,681,045
Total	\$ 580,296,888	\$ 607,844,278	\$ 603,733,523	\$ 643,209,266	\$ 629,681,176

General Fund Sources of Revenue

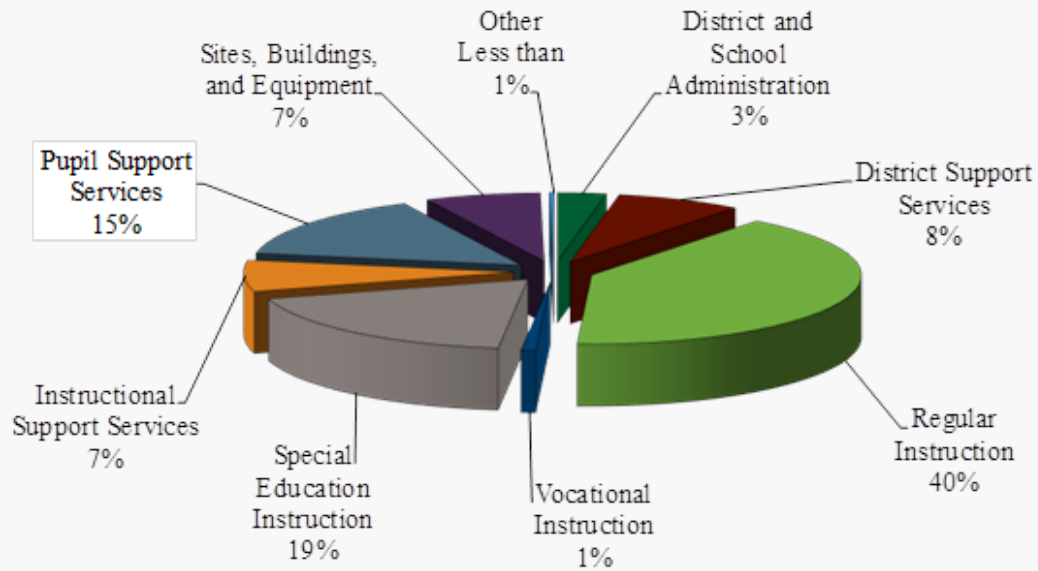


General Fund Revenues – Budget and Actual

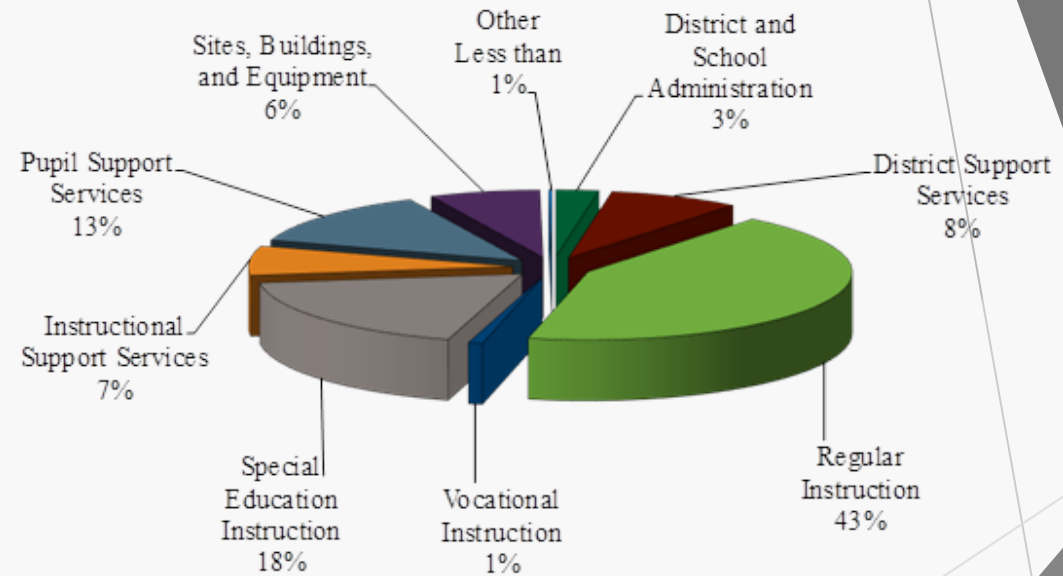


General Fund Expenditures

2023 General Fund Expenditures
\$640,898,978

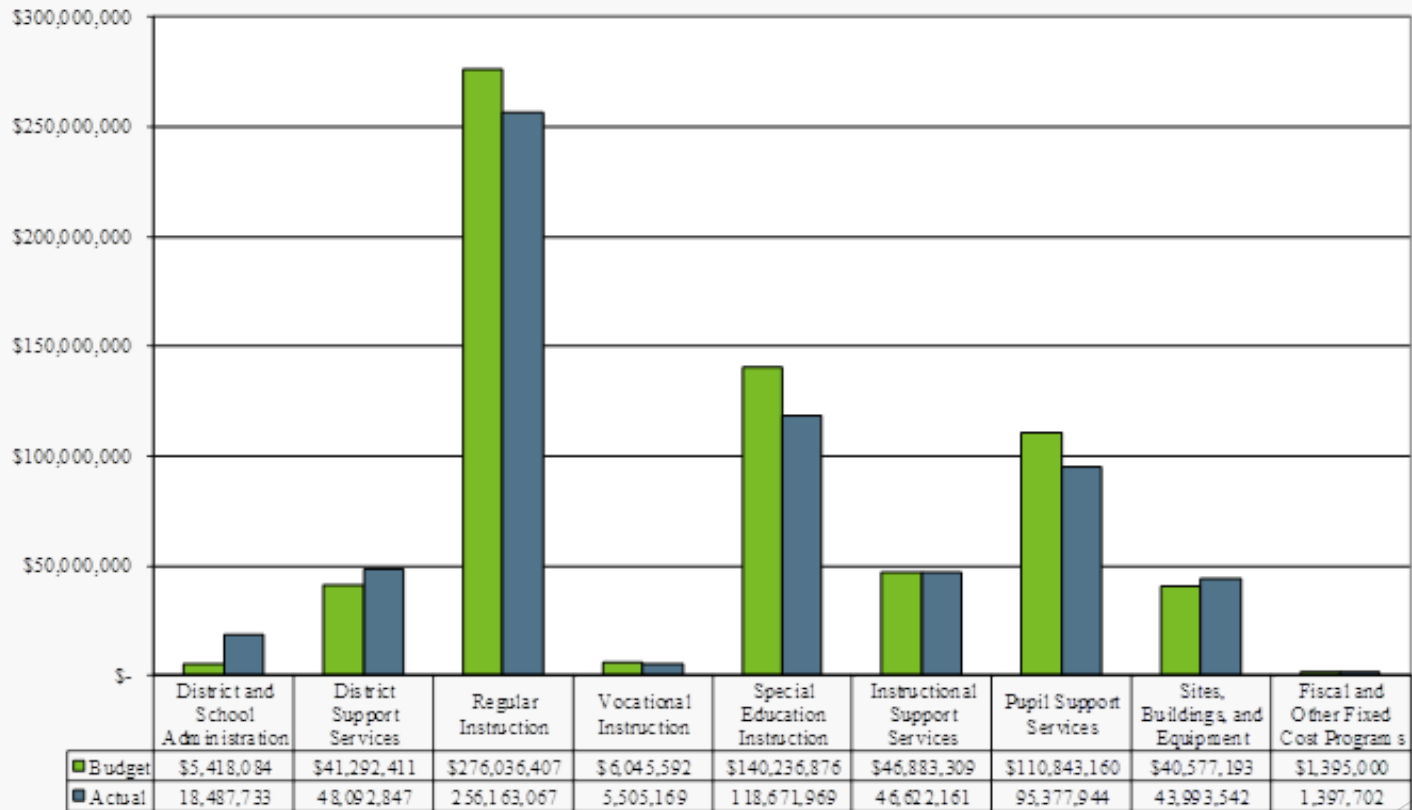


2022 General Fund Expenditures
\$648,092,852



General Fund Expenditures – Budget and Actual

**2023 General Fund Expenditures
Budget and Actual**



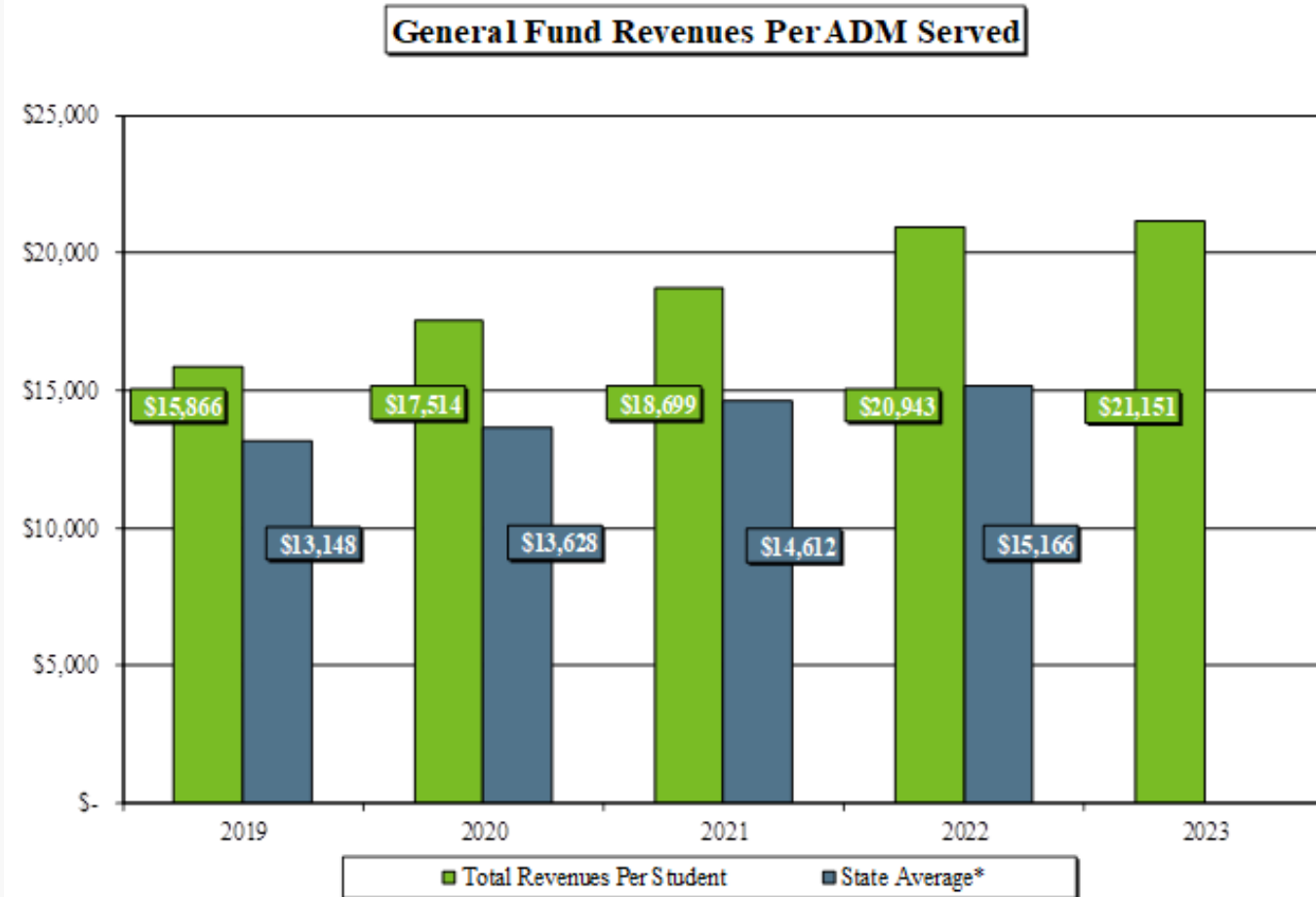
General Fund

Revenues Per ADM Served

Special District No. 1	2019	2020	2021	2022	2023
General Fund	\$ 15,866	\$ 17,514	\$ 18,699	\$ 20,943	\$ 21,151
Food Service Fund	607	684	665	692	605
Community Service Fund	876	822	841	972	1,196
Building Construction Fund	171	104	7	20	363
Debt Service Fund	2,604	2,690	2,903	2,919	3,448
Post Employment Debt Service Fund	65	68	74	76	-
Total Revenues Per Student	\$ 20,189	\$ 21,882	\$ 23,189	\$ 25,622	\$ 26,763

State Average*	2019	2020	2021	2022	2023
General Fund	\$ 13,148	\$ 13,628	\$ 14,612	\$ 15,166	N/A
Food Service Fund	553	548	569	791	N/A
Community Service Fund	638	595	571	685	N/A
Building Construction Fund	112	134	82	35	N/A
Debt Service Fund	1,146	1,229	1,398	1,393	N/A
Total Revenues Per Student	\$ 15,597	\$ 16,134	\$ 17,232	\$ 18,070	N/A

General Fund Revenues Per ADM Served



District

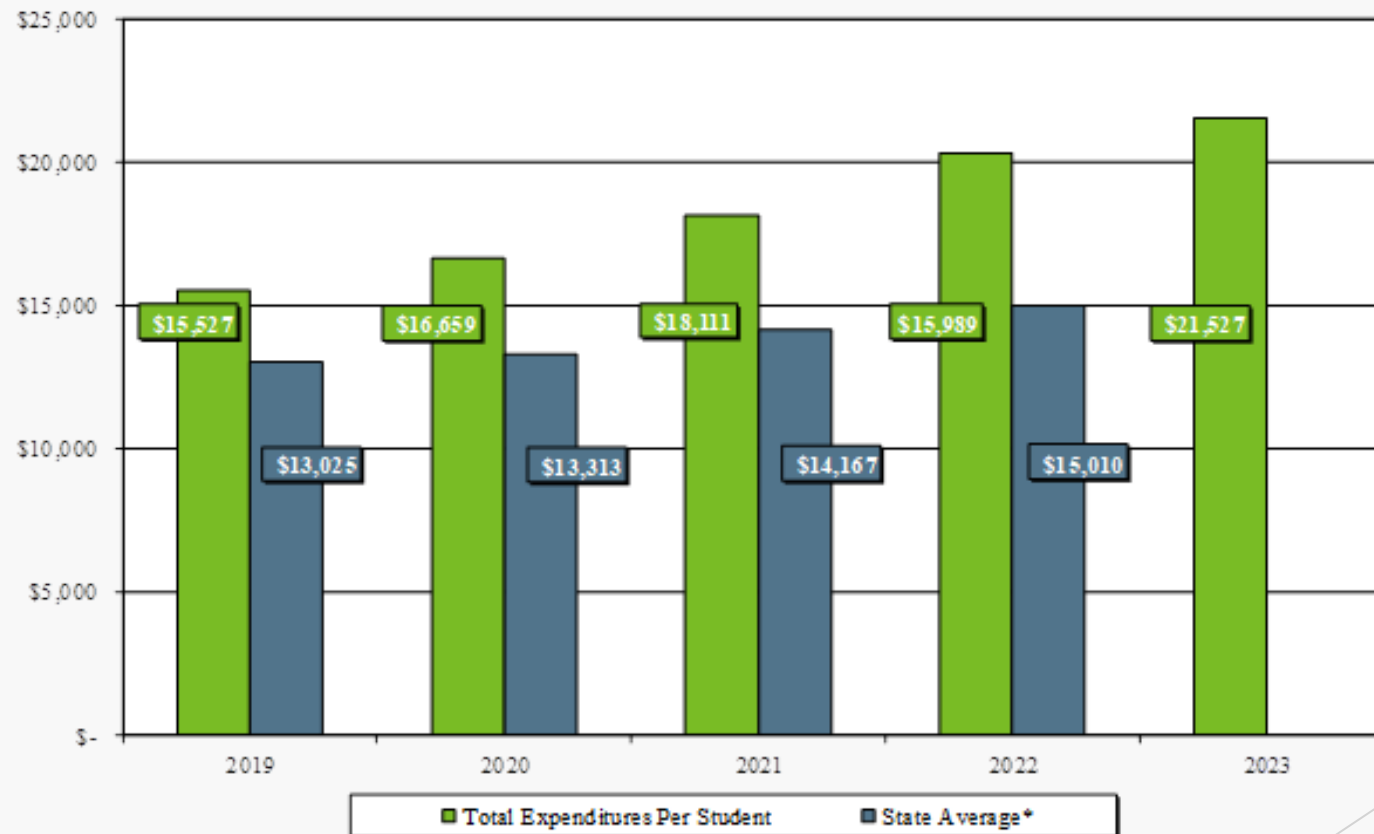
Expenditures Per ADM Served

Special District No. 1	2019	2020	2021	2022	2023
General Fund	\$ 15,527	\$ 16,659	\$ 18,111	\$ 20,325	\$ 21,527
Food Service Fund	622	662	598	825	803
Building Construction Fund	3,188	2,628	2,233	2,384	3,253
Community Service Fund	904	901	845	968	1,114
Debt Service Fund	2,357	2,563	2,905	3,081	3,340
Post Employment Debt Service Fund	62	65	-	74	-
Total Expenditures Per Student	\$ 22,660	\$ 23,479	\$ 24,692	\$ 27,657	\$ 30,037

State Average*	2019	2020	2021	2022	2023
General Fund	\$ 13,025	\$ 13,313	\$ 14,167	\$ 15,010	N/A
Food Service Fund	559	554	529	666	N/A
Community Service Fund	638	622	571	646	N/A
Building Construction Fund	1,642	2,085	2,008	1,773	N/A
Debt Service Fund	1,225	1,265	1,457	1,477	N/A
Total Expenditures Per Student	\$ 17,089	\$ 17,839	\$ 18,732	\$ 19,572	N/A

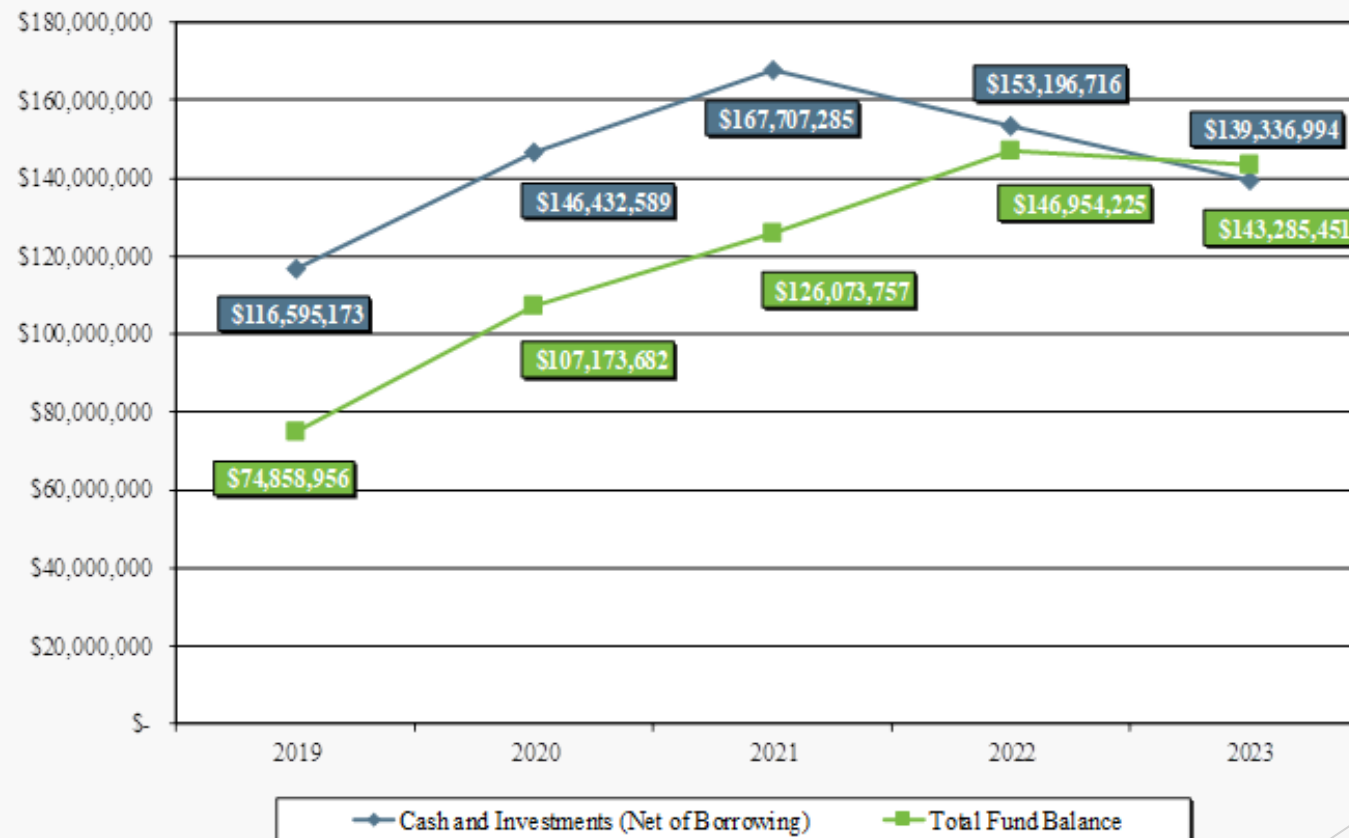
General Fund Expenditures Per ADM Served

General Fund Expenditures Per ADM Served



General Fund Operations – Financial Position

General Fund Financial Position



General Fund Operations

For the Year Ended June 30,	2019	2020	2021	2022	2023
Revenues	\$ 580,296,888	\$ 607,844,278	\$ 603,733,523	\$ 643,209,266	\$ 629,681,176
Expenditures	(567,963,106)	(577,344,220)	(584,833,448)	(648,092,852)	(640,898,978)
Excess of revenues over (under) expenditures	12,333,782	30,500,058	18,900,075	(4,883,586)	(11,217,802)
Proceeds from sale of equipment	9,765	18,765	-	-	32,105
Bond proceeds	-	1,100,000	-	-	-
Lease proceeds	-	-	-	23,707,892	8,928,669
Insurance recovery	-	-	-	56,162	86,338
Notes from direct borrowing	-	-	-	-	6,983,121
Transfer out	-	-	-	-	(6,481,205)
Fund balance, July 1	62,515,409	74,858,956	106,477,779	126,073,757	144,954,225
Change in accounting principle	-	-	695,903	-	-
Fund Balance, June 30	\$ 74,858,956	\$ 106,477,779	\$ 126,073,757	\$ 144,954,225	\$ 143,285,451

Components of Fund Balance					
For the Year Ended June 30,	2019	2020	2021	2022	2023
Nonspendable	\$ 1,227,627	\$ 1,269,376	\$ 1,414,679	\$ 5,294,596	\$ 5,957,921
Restricted for					
Area learning center	910,645	1,421,247	-	-	-
Student activities	-	725,174	572,832	570,515	543,356
Achievement and integration	-	2,927,601	-	-	-
Basic skills program	-	-	495,016	-	-
Community education programs	-	-	65,178	-	-
Operating capital	-	-	5,501,542	8,783,209	12,572,197
Contracted alternative programs	-	-	-	1,164,265	966,181
Gifted and talented	514,170	466,385	579,035	483,254	439,264
Health and safety	-	-	-	-	-
Basic skills extended time	1,235,892	2,792,710	4,610,186	6,306,894	7,631,978
Long-term facilities maintenance	(944)	160,765	156,383	156,383	-
Other	-	1,100,000	234,359	234,359	233,781
Capital projects	-	-	-	-	-
Assigned	32,138,104	43,737,399	57,295,506	68,347,003	54,915,232
Unassigned	38,833,462	52,573,025	55,149,041	53,613,747	60,025,541
Fund Balance, June 30	\$ 74,858,956	\$ 107,173,682	\$ 126,073,757	\$ 144,954,225	\$ 143,285,451

Food Service Fund

For the Year Ended June 30,	2019	2020	2021	2022	2023
Revenues	\$ 22,062,833	\$ 23,694,428	\$ 21,349,575	\$ 21,168,074	\$ 18,009,094
Expenditures	(22,624,251)	(22,955,476)	(19,211,722)	(25,223,498)	(23,904,788)
Excess of revenues over (under) expenditures	(561,418)	738,952	2,137,853	(4,055,424)	(5,895,694)
Proceeds from sale of equipment	-	-	-	-	-
Transfer in	-	-	-	-	6,481,205
Fund balance, July 1	3,125,293	2,563,875	3,302,827	5,440,680	1,385,256
Fund Balance, June 30	\$ 2,563,875	\$ 3,302,827	\$ 5,440,680	\$ 1,385,256	\$ 1,970,767
Nonspendable	\$ 856,369	\$ 1,615,465	\$ 1,732,388	\$ 1,505,951	\$ 1,970,767
Restricted for other purposes	1,707,506	1,687,362	3,708,292	(120,695)	-
Total Fund Balance, June 30	\$ 2,563,875	\$ 3,302,827	\$ 5,440,680	\$ 1,385,256	\$ 1,970,767

Community Service Fund

For the Year Ended June 30,	2019	2020	2021	2022	2023
Revenues	\$ 31,853,780	\$ 28,471,098	\$ 27,022,352	\$ 29,701,512	\$ 35,606,486
Expenditures	(32,875,347)	(31,232,002)	(27,155,640)	(29,589,555)	(33,152,664)
Excess of revenues over (under) expenditures	(1,021,567)	(2,760,904)	(133,288)	111,957	2,453,822
Fund balance, July 1	8,976,168	7,954,601	5,193,697	5,060,409	5,172,366
Fund Balance, June 30	\$ 7,954,601	\$ 5,193,697	\$ 5,060,409	\$ 5,172,366	\$ 7,626,188
Restricted for					
School readiness	\$ 1,842,528	\$ 1,793,073	\$ 2,024,215	\$ 961,509	\$ 1,241,654
Adult basic education	854,424	702,422	879,610	1,340,717	1,364,412
Community education programs	4,197,002	1,949,764	1,120,064	7,786	1,814,399
ECFE	702,918	353,624	119,623	159,453	664,466
Other programs	357,729	394,814	916,897	2,702,901	2,541,257
Total Fund Balance, June 30	\$ 7,954,601	\$ 5,193,697	\$ 5,060,409	\$ 5,172,366	\$ 7,626,188

Questions?

Andrew Grice, CPA

952-563-6862

Andrew.Grice@berganKDV.com

A photograph of a modern home office desk. A large computer monitor is the central focus, displaying the text "DO MORE." in white, bold, sans-serif font. The monitor sits on a wooden stand. To the right of the monitor is a black metal shelving unit with a potted plant on top. On the desk, there is a white keyboard, a mouse, a glass of water, and a small black device. The background shows a window with blinds and a framed picture on the wall.

DO
MORE.

BerganKDV is a leading professional services firm with a contagious culture; where growth is fostered and making a difference means something. Our values drive our decisions, and our passion is empowering people and creating a wow experience for our clients.

We are powered by people who do business the Midwest way delivering comprehensive business, financial and technology solutions including business planning and consulting, tax, assurance and accounting, technology, wealth management and turnaround management services. From tax reform to technology, we go beyond so you can...

DO MORE.



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bergankdv.com | #starthere



LET'S DO MORE, TOGETHER.

THANK YOU

**Minneapolis Public Schools
Special District No. 1**

Communications Letter

June 30, 2023

**Minneapolis Public Schools
Special District No. 1
Table of Contents**

Report on Matters Identified as a Result of the Audit of the Basic Financial Statements	1
Material Weaknesses	3
Significant Deficiencies	4
Required Communication	5
Financial Analysis	10
Legislative Summary	22
Emerging Issues	26

Report on Matters Identified as a Result of the Audit of the Basic Financial Statements

To the School Board and Management
Minneapolis Public Schools Special District No. 1
Minneapolis, Minnesota

In planning and performing our audit of the basic financial statements of Minneapolis Public Schools Special District No. 1, Minneapolis, Minnesota, as of and for the year ended June 30, 2023, 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, 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 basic 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 over financial reporting.

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 have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies below that we consider to be a 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 over financial reporting, such that there is a reasonable possibility that a material misstatement of the District's basic financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

The material weaknesses identified are stated within this letter.

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. The significant deficiencies identified are stated within this letter.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated December 27, 2023, on such statements.

The purpose of this communication, which is an integral part of our audit, is to describe for the use of management, the School Board and others within the District, and state oversight agencies the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

BerganKDV, Ltd.

Minneapolis, Minnesota
December 27, 2023

**Minneapolis Public Schools
Special District No. 1
Material Weaknesses**

Lack of Segregation of Accounting Duties

The District had a lack of segregation of accounting duties. The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the basic financial statements.

Management is aware of this condition and will take certain steps to compensate for the lack of segregation.

Segregation of Accounting Duties Relates to Four Key Areas – initiation/authorization, processing/recording, reconciling/reporting of financial data, and custody of assets. This lack of segregation can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- *Financial Closing Process* – Certain employees record transactions and reconcile balances at the end of the year without evidence of reconciliations being performed timely with review by another employee.
- *SAP User Rights*: A number of employees have excessive access to Accounts Payable functions, Purchasing functions, and the general ledger. Also, there were instances identified where individuals have excessive access to perform many responsibilities within a process (e.g., create a vendor, enter an invoice for payment, and cut a check). There are also some employees who have the ability to make journal entries without review as a result of SAP user rights allocated to them. We recommend that the District review all user roles and the permissions granted to each role for appropriateness, taking into consideration adequate segregation of duties. The District should also validate that adequate compensating controls are implemented to review and detect irregular or fraudulent activity performed by users with elevated permissions. Additionally, individuals in a position of authority should have limited transactional ability within the SAP application to further prevent management override controls.

Material Audit Adjustments

During our audit, material audit adjustments were identified to ensure accurate financial reporting for accounts payable, cash, long-term debt, and property taxes. Management is responsible for the accuracy and completeness of all financial records and related information. Their responsibilities include adjusting the financial statements to correct material misstatements. Complete and accurate reconciliations of accounts payable, cash, long-term debt and property tax balances were not performed timely or accurately.

**Minneapolis Public Schools
Special District No. 1
Significant Deficiencies**

Internal Control Deficiency Related to Payroll

During the course of our engagement, we noted instances where employees were overpaid and were required to repay the District these overpayments. District's internal controls relating to payroll were not sufficient to detect the overpayments timely.

Budget Reporting Process

During our audit, we noted significant variances between budgeted amounts and actual amounts for expenditures by program and revenue classifications. Upon further investigation, amounts presented in the original budget and final budget did not appear to follow UFARS or GAAP reporting requirements due to the current budget practice resulting in adjustments to program codes that are inconsistent with actual activity in accordance with UFARS and GAAP.

**Minneapolis Public Schools
Special District No. 1
Required Communication**

We have audited the basic 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. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Basic Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the basic financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the basic financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the basic financial statements are free of material misstatement. An audit of the basic financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Generally accepted accounting principles provide for certain Required Supplementary Information (RSI) to supplement the financial statements. Our responsibility with respect to the RSI, which supplements the basic audit financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Our responsibility for the supplementary information accompanying the basic financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the basic financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Our Responsibility in Relation to *Government Auditing Standards*

As communicated in our engagement letter, part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

**Minneapolis Public Schools
Special District No. 1
Required Communication**

Our Responsibility in Relation to Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)

As communicated in our engagement letter, in accordance with the Uniform Guidance, we examined on a test basis, evidence about the District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit provided a reasonable basis for our opinion, it did not provide a legal determination on the District's compliance with those requirements.

In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

We have identified the following significant risks of material misstatement:

- Management Override of Controls – Overall Financial Statements – Management override of internal control is considered a risk in substantially all engagements as management may be incentivized to produce better results.
- Improper Revenue Recognition – Revenue recognition is considered a fraud risk on substantially all engagements as it generally has a significant impact on the results of the governments operations. In addition, complexities exist surrounding the calculation and recording of various revenue sources.
- Misappropriation of Assets – If duties cannot be appropriately segregated, there is a risk of unauthorized transactions being made by the District.

**Minneapolis Public Schools
Special District No. 1
Required Communication**

Qualitative Aspects of the District's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in the notes to the basic financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during 2023. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's current judgements. Those judgements are normally based on 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 basic financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgements. The most sensitive estimates affecting the basic financial statements relate to:

Depreciation – The District is currently depreciating its capital assets over their estimated useful lives, as determined by management, using the straight-line method.

Expense Allocation – Certain expenses are allocated to programs based on an estimate of the benefit to that particular program. Examples are salaries, benefits, and supplies.

General Education and Special Education Aid – General Education Aid is an estimate until average daily membership (ADM) values are final. Since this is normally not done until after the reporting deadlines, this Aid is an estimate. Special Education Aid is dependent on the availability of funds and complex formulas that are finalized after reporting deadlines.

Net Other Post Employment Benefits (OPEB) Liability, Deferred Outflows of Resources Related to OPEB and Deferred Inflows of Resources Related to OPEB – These balances are based on an actuarial study using the estimates of future obligations of the District for post employment benefits.

Net Pension Liability, Deferred Outflows of Resources Related to Pensions, and Deferred Inflows of Resources Related to Pensions – These balances are based on an allocation by the pension plans using estimates based on contributions.

Lease liability and right-to-use lease assets – These balances are based on estimates and judgments determined by the District related to the discount rate, lease term, and lease payments.

**Minneapolis Public Schools
Special District No. 1
Required Communication**

Qualitative Aspects of the District's Significant Accounting Practices (Continued)

Significant Accounting Estimates (Continued)

Subscription liability and right-to-use subscription assets – These balances are based on estimates and judgments determined by the District related to the discount rate, subscription term, and subscription payments.

We evaluated the key factors and assumptions used to develop the accounting estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain basic financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The basic financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effects of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the basic financial statements taken as a whole and each applicable opinion unit.

Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's basic financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

**Minneapolis Public Schools
Special District No. 1
Required Communication**

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating, and regulatory conditions affecting the District, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditor.

Other Information Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the District's annual reports, does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

We applied certain limited procedures to the RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the supplementary information accompanying the financial statements, 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, 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 basic financial statements or to the basic financial statements themselves.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the basic financial statements.

**Minneapolis Public Schools
Special District No. 1
Financial Analysis**

The following pages provide graphic representation of select data pertaining to the financial position and operations of the District for the past five years. Our analysis of each graph is presented to provide a basis for discussion of past performance and how implementing certain changes may enhance future performance. We suggest you view each graph and document if our analysis is consistent with yours. A subsequent discussion of this information should be useful for planning purposes.

Due to its complexity, it would be impossible to fully explain the funding of public education in Minnesota within this letter. The last section of this report contains a summary of legislative changes affecting school districts from the most recent session. The following provides some state-wide funding and financial trend information.

Average Daily Membership and Pupil Units

The largest single funding source for Minnesota school districts is basic General Education Aid. Each year, the State Legislature sets a basic formula allowance. Total basic general education revenue is calculated by multiplying the formula allowance by the number of pupil units for which a district is entitled to aid. Pupil units are calculated using a legislatively determined weighting system applied to ADM. Over the years, various modifications have been made to this calculation, including changes in weighting and special consideration for declining enrollment districts.

<u>Year</u>	<u>General Education Aid Formula Allowance</u>	
	<u>Amount</u>	<u>Percent Increase</u>
2014	\$ 5,302	1.5%
2015*	5,831	1.9%
2016	5,948	2.0%
2017	6,067	2.0%
2018	6,188	2.0%
2019	6,312	2.0%
2020	6,438	2.0%
2021	6,567	2.0%
2022	6,728	2.5%
2023	6,863	2.0%
2024	7,138	4.0%
2025	7,281	2.0%

* General Education Aid - Of the \$529 increase over 2014, \$105 is for inflation at 1.9%; the remaining \$424 is a shifting of revenue to adjust for pupil weight changes, pension adjustments changes and other restructuring.

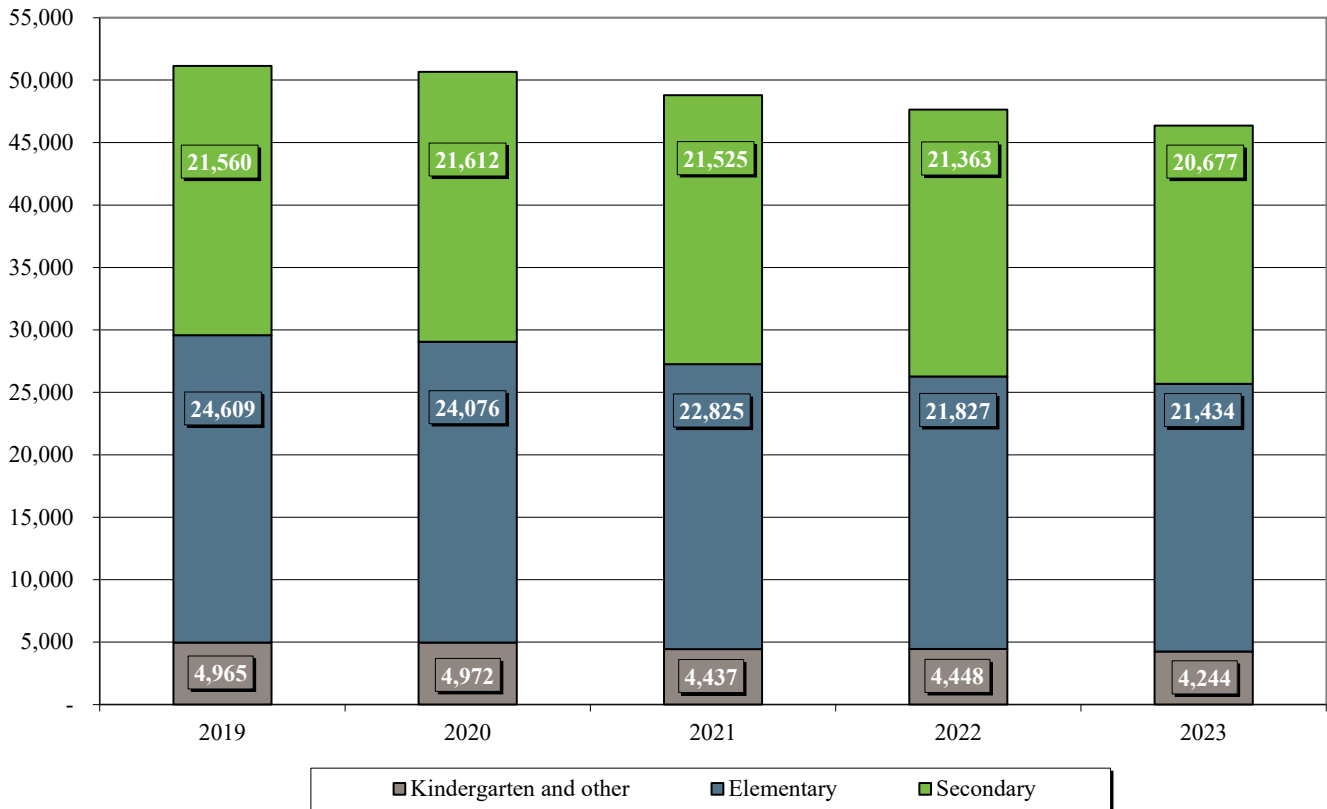
**Minneapolis Public Schools
Special District No. 1
Financial Analysis**

Average Daily Membership and Pupil Units Served

Approximately 56% of the District's General Fund revenue is from the state. A majority of this funding is based on student counts, so an understanding of the District's population trends is critical to overall budgeting plans. The following summarizes resident ADM of the District over the past five years ended June 30:

Students (Resident ADM)	2019	2020	2021	2022	2023
Kindergarten and other	4,965	4,972	4,437	4,448	4,244
Elementary	24,609	24,076	22,825	21,827	21,434
Secondary	21,560	21,612	21,525	21,363	20,677
Total Students (Resident ADM)	51,133	50,660	48,788	47,638	46,356

Resident ADM



* Estimate as of December 4, 2023

In 2023, total resident ADM decreased by 1,282 from the prior year, a decline of 2.7%.

To calculate a majority of the District's education aids, the ADM amounts are converted into pupil units by weighting, based on the student's grade level. These weighting factors are presented in the table on the following page.

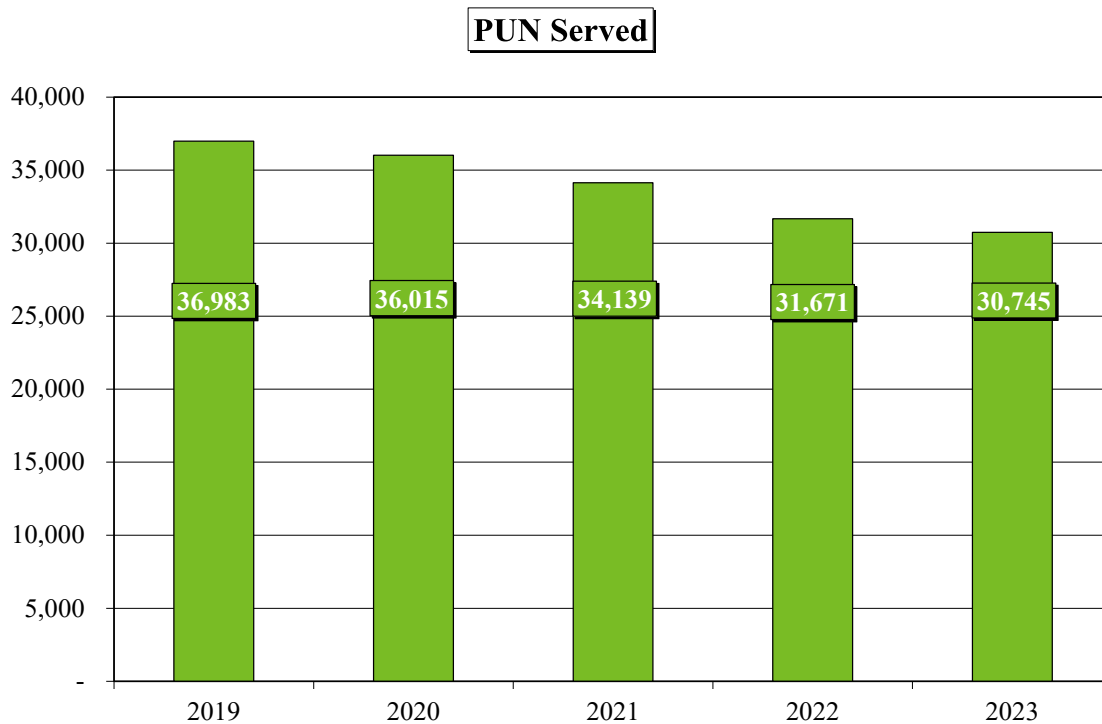
**Minneapolis Public Schools
Special District No. 1
Financial Analysis**

Average Daily Membership and Adjusted Pupil Units

Year 2019-2023	Pre-Kindergarten and Handicapped		Grades	Grades	Secondary
	Kindergarten	Kindergarten	1-3	4-6	
Year 2019-2023	1.000	1.000	1.000	1.000	1.200

The following chart and graph convert the ADM into adjusted pupil units (PUN) for the same five-year period, as noted on the previous page.

Adjusted PUN	2019	2020	2021	2022	2023
Residents	55,444	54,982	53,092	51,910	50,491
PUN gain	1,483	1,417	1,871	815	1,382
PUN loss	(19,944)	(20,383)	(20,825)	(21,054)	(21,127)
Total Adjusted PUN	36,983	36,015	34,139	31,671	30,745



* Estimate as of December 4, 2023

PUN loss is the resident students who chose open enrollment and decided to enroll at another district or charter school. PUN gain is the resident students from another school district choosing to enroll with Minneapolis Public Schools.

In 2023, total PUN served decreased by 925 from the prior year, a decrease of 2.9%. This was a result of a decrease in resident PUN of 1,419, an increase in PUN gain of 567, and a decrease in PUN loss of 73 to other districts.

**Minneapolis Public Schools
Special District No. 1
Financial Analysis**

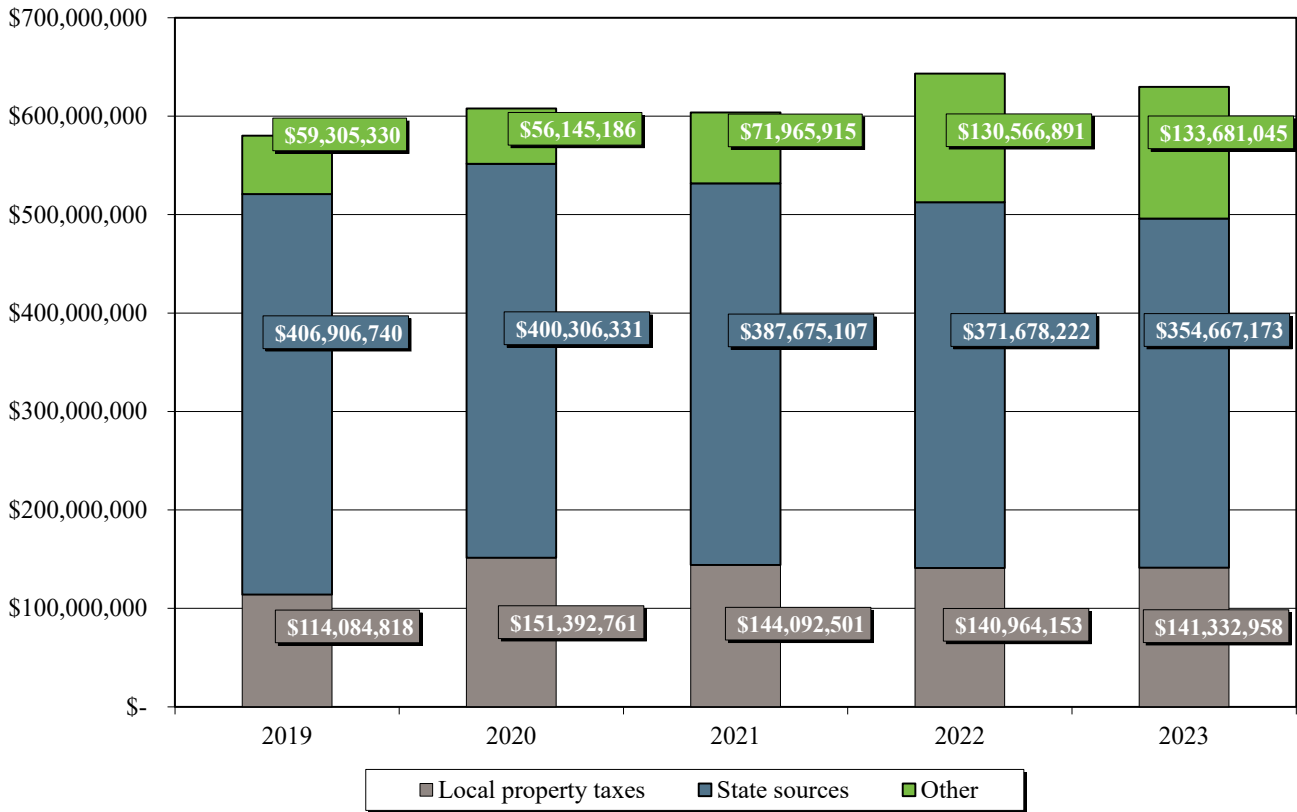
General Fund Sources of Revenue

General Fund sources of revenue are summarized as follows:

For the Year Ended June 30,	2019	2020	2021	2022	2023
Local property taxes	\$ 114,084,818	\$ 151,392,761	\$ 144,092,501	\$ 140,964,153	\$ 141,332,958
State sources	406,906,740	400,306,331	387,675,107	371,678,222	354,667,173
Other	59,305,330	56,145,186	71,965,915	130,566,891	133,681,045
Total	\$ 580,296,888	\$ 607,844,278	\$ 603,733,523	\$ 643,209,266	\$ 629,681,176

Revenue decreased from the prior year by \$13,528,090, or 2.1%, mainly due to a decrease in revenue from state sources. General Fund revenues over the past five years are portrayed in the following graph.

General Fund Sources of Revenue



**Minneapolis Public Schools
Special District No. 1
Financial Analysis**

General Fund Revenues - Budget and Actual

The District approved a revenue budget of \$642,095,281. Actual revenues of \$629,681,176 were \$12,414,105, or 1.9%, under budget.

**2023 General Fund Revenues
Budget and Actual**



Revenue from other sources were \$26,199,485 under budget. This was a result of budgeting high for federal funding. Revenues from local property taxes were over budget \$8,885,275 due to not budgeting for fiscal disparities. Revenues from State sources were over budget \$4,900,105 as a result of conservative budgeting.

General Fund Expenditures

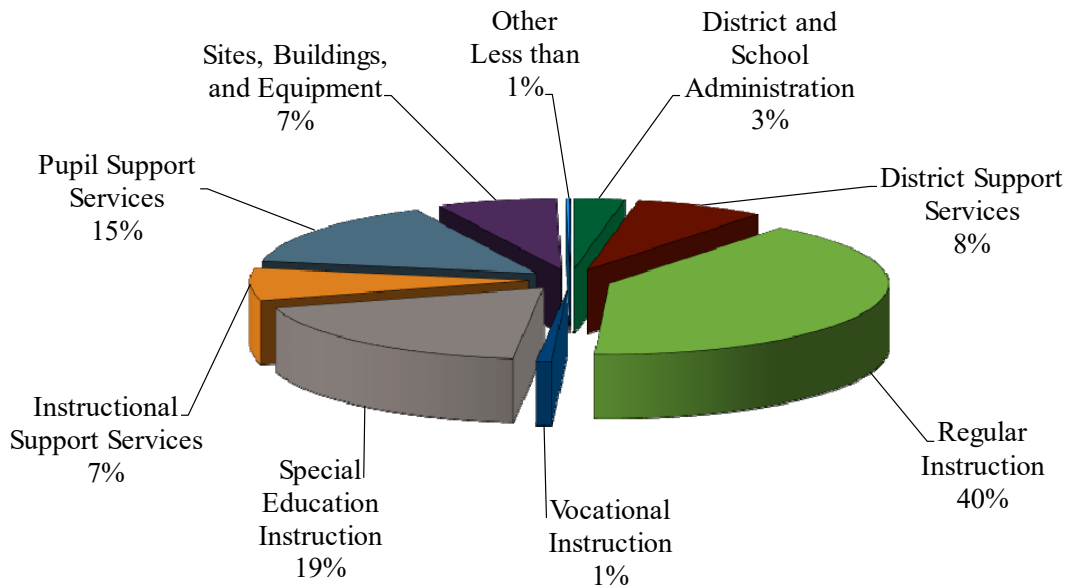
On the following page is the allocation of expenditures by program for the past two years. Overall, expenditures in the General Fund decreased \$7,193,874 or 1.1%, from 2022 to 2023. Regular instruction decreased by \$18,598,582 primarily due to vacant positions that were not filled in fiscal year 2023. Pupil support services increased \$11,550,587 due to higher transportation costs in fiscal year 2023. District support services decreased \$3,641,815 as a result of less renewals of IT contracts.

**Minneapolis Public Schools
Special District No. 1
Financial Analysis**

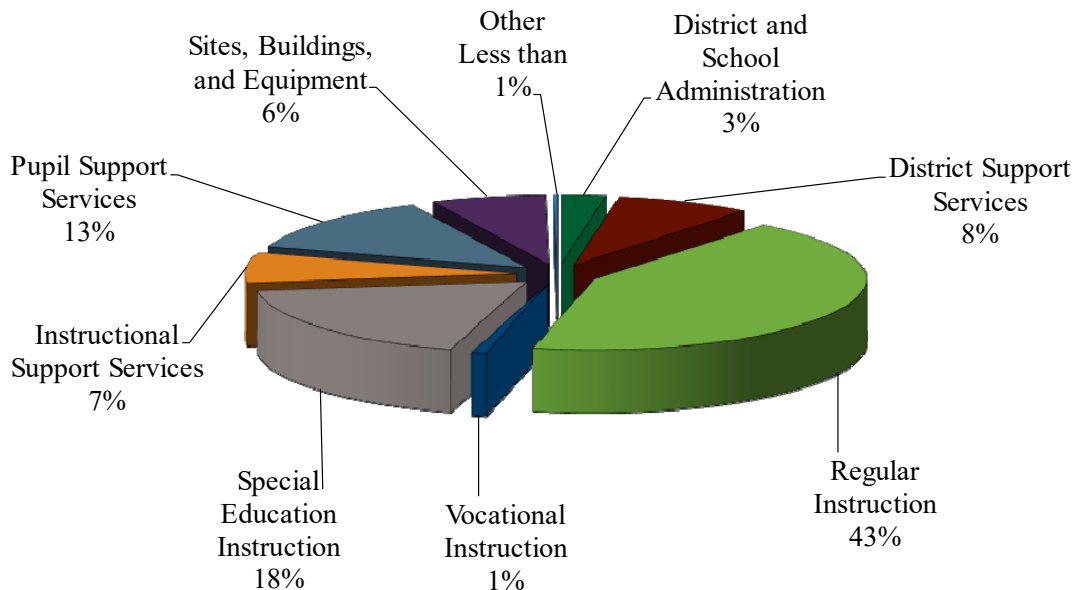
General Fund Expenditures (Continued)

The three instruction categories, regular, vocational, and special education comprise 60% of the total District expenditures for 2023 compared to 62% in 2022.

**2023 General Fund Expenditures
\$640,898,978**



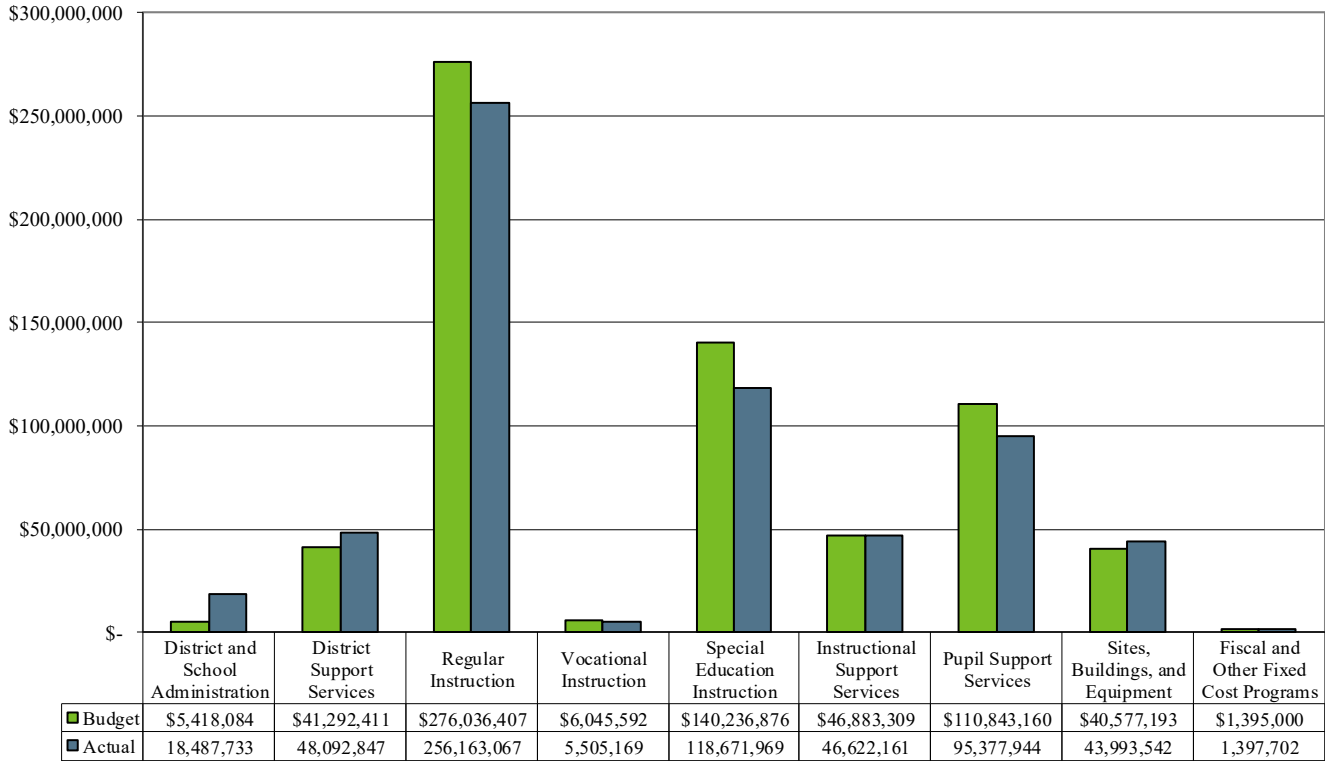
**2022 General Fund Expenditures
\$648,092,852**



**Minneapolis Public Schools
Special District No. 1
Financial Analysis**

General Fund Expenditures - Budget and Actual

**2023 General Fund Expenditures
Budget and Actual**



Overall, General Fund expenditures of \$640,898,978 were \$27,964,170, or 4.2%, under budget. This was primarily due to a decrease in federal funding as well as hundreds of vacant positions that were not filled during the year.

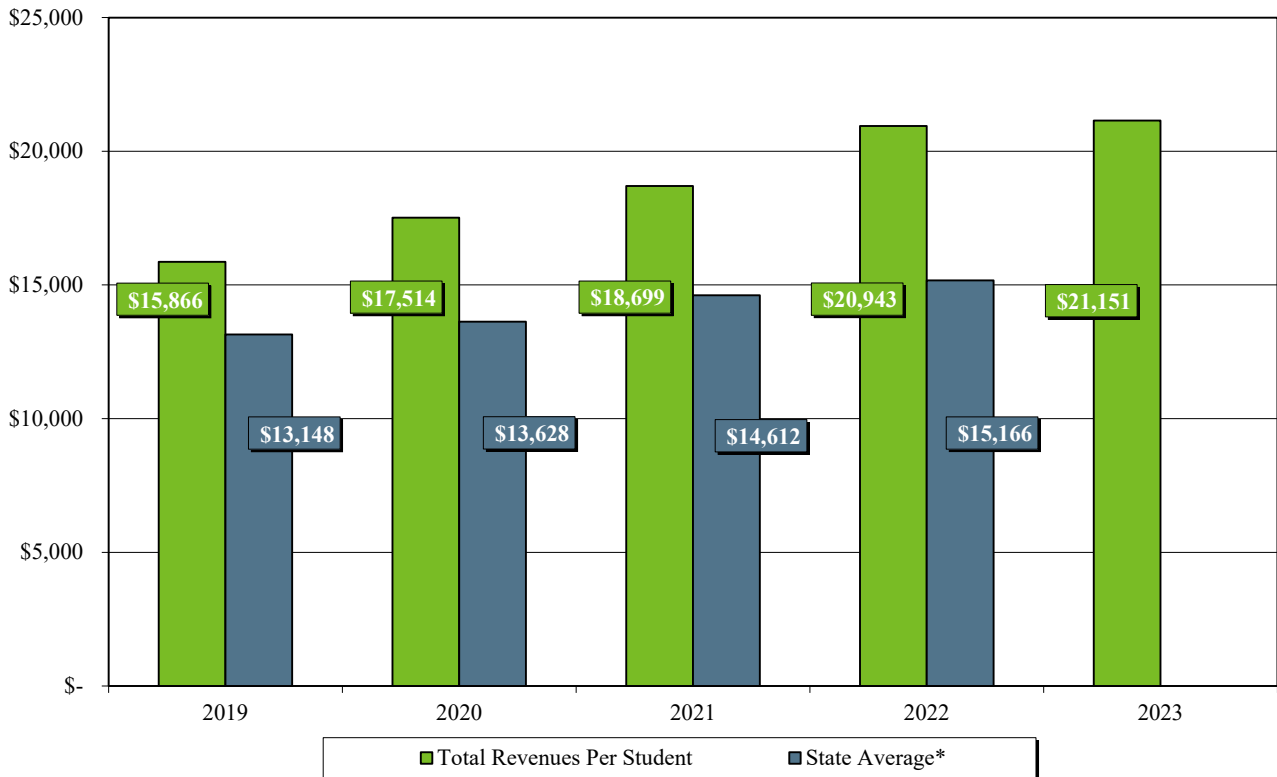
**Minneapolis Public Schools
Special District No. 1
Financial Analysis**

Revenues Per ADM Served

Special District No. 1	2019	2020	2021	2022	2023
General Fund	\$ 15,866	\$ 17,514	\$ 18,699	\$ 20,943	\$ 21,151
Food Service Fund	607	684	665	692	605
Community Service Fund	876	822	841	972	1,196
Building Construction Fund	171	104	7	20	363
Debt Service Fund	2,604	2,690	2,903	2,919	3,448
Post Employment Debt Service Fund	65	68	74	76	-
Total Revenues Per Student	\$ 20,189	\$ 21,882	\$ 23,189	\$ 25,622	\$ 26,763

State Average*	2019	2020	2021	2022	2023
General Fund	\$ 13,148	\$ 13,628	\$ 14,612	\$ 15,166	N/A
Food Service Fund	553	548	569	791	N/A
Community Service Fund	638	595	571	685	N/A
Building Construction Fund	112	134	82	35	N/A
Debt Service Fund	1,146	1,229	1,398	1,393	N/A
Total Revenues Per Student	\$ 15,597	\$ 16,134	\$ 17,232	\$ 18,070	N/A

General Fund Revenues Per ADM Served



* Source: *School District Profiles*; year 2023 is not yet available.

** Estimate as of December 4, 2023

**Minneapolis Public Schools
Special District No. 1
Financial Analysis**

Expenditures Per ADM Served

Expenditures per student (ADM served) are summarized as follows:

Special District No. 1	2019	2020	2021	2022	2023
General Fund	\$ 15,527	\$ 16,659	\$ 18,111	\$ 20,325	\$ 21,527
Food Service Fund	622	662	598	825	803
Building Construction Fund	3,188	2,628	2,233	2,384	3,253
Community Service Fund	904	901	845	968	1,114
Debt Service Fund	2,357	2,563	2,905	3,081	3,340
Post Employment Debt Service Fund	62	65	-	74	-
Total Expenditures Per Student	\$ 22,660	\$ 23,479	\$ 24,692	\$ 27,657	\$ 30,037

State Average*	2019	2020	2021	2022	2023
General Fund	\$ 13,025	\$ 13,313	\$ 14,167	\$ 15,010	N/A
Food Service Fund	559	554	529	666	N/A
Community Service Fund	638	622	571	646	N/A
Building Construction Fund	1,642	2,085	2,008	1,773	N/A
Debt Service Fund	1,225	1,265	1,457	1,477	N/A
Total Expenditures Per Student	\$ 17,089	\$ 17,839	\$ 18,732	\$ 19,572	N/A

General Fund Expenditures Per ADM Served



* Source: *School District Profiles*; year 2023 is not yet available.

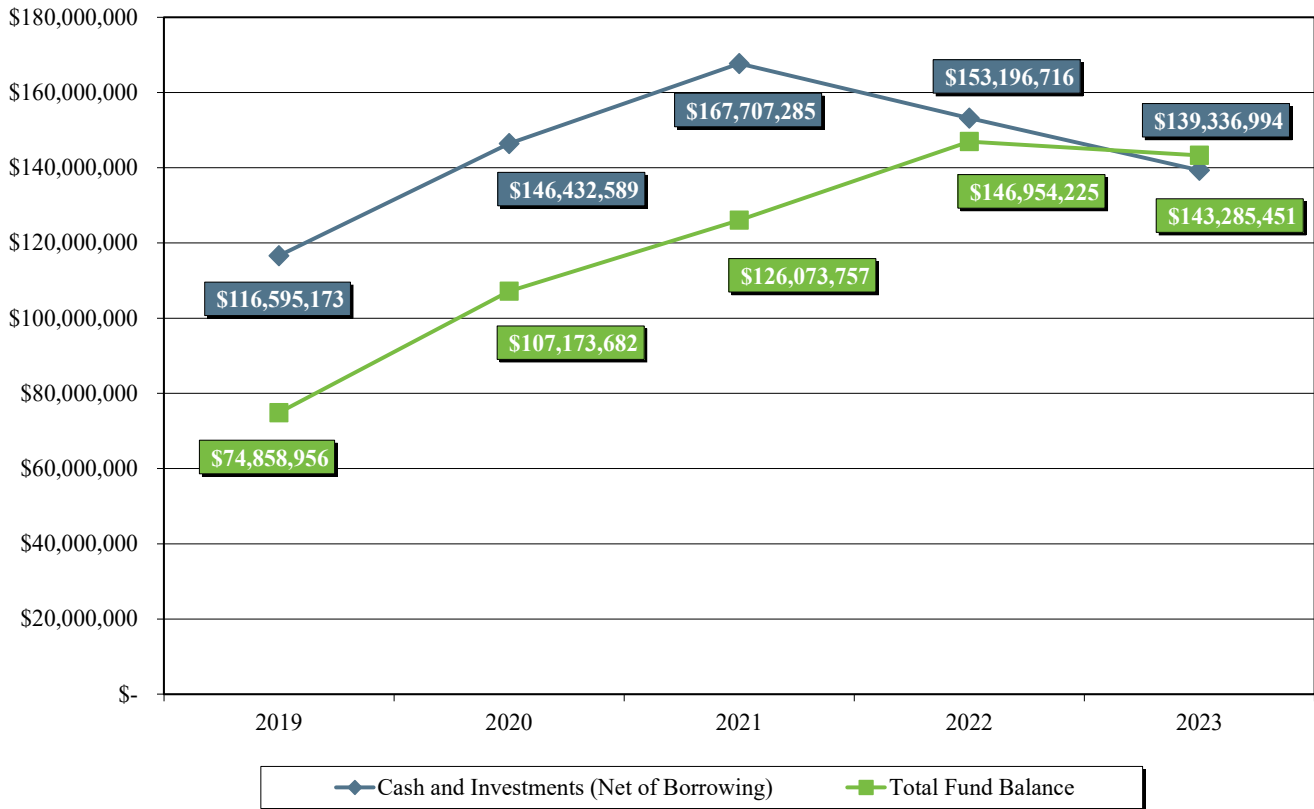
** Estimate as of December 4, 2023

**Minneapolis Public Schools
Special District No. 1
Financial Analysis**

General Fund Operations

As the following graph indicates, cash and investments decreased \$13,859,722 from 2022 to 2023 while total fund balance decreased \$3,668,774, or 2.5%.

General Fund Financial Position



**Minneapolis Public Schools
Special District No. 1
Financial Analysis**

General Fund Operations (Continued)

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

For the Year Ended June 30,	2019	2020	2021	2022	2023
Revenues	\$ 580,296,888	\$ 607,844,278	\$ 603,733,523	\$ 643,209,266	\$ 629,681,176
Expenditures	(567,963,106)	(577,344,220)	(584,833,448)	(648,092,852)	(640,898,978)
Excess of revenues over (under) expenditures	12,333,782	30,500,058	18,900,075	(4,883,586)	(11,217,802)
Proceeds from sale of equipment	9,765	18,765	-	-	32,105
Bond proceeds	-	1,100,000	-	-	-
Lease proceeds	-	-	-	23,707,892	8,928,669
Insurance recovery	-	-	-	56,162	86,338
Notes from direct borrowing	-	-	-	-	6,983,121
Transfer out	-	-	-	-	(6,481,205)
Fund balance, July 1	62,515,409	74,858,956	106,477,779	126,073,757	144,954,225
Change in accounting principle	-	-	695,903	-	-
Fund Balance, June 30	\$ 74,858,956	\$ 106,477,779	\$ 126,073,757	\$ 144,954,225	\$ 143,285,451

Components of Fund Balance					
For the Year Ended June 30,	2019	2020	2021	2022	2023
Nonspendable	\$ 1,227,627	\$ 1,269,376	\$ 1,414,679	\$ 5,294,596	\$ 5,957,921
Restricted for					
Area learning center	910,645	1,421,247	-	-	-
Student activities	-	725,174	572,832	570,515	543,356
Achievement and integration	-	2,927,601	-	-	-
Basic skills program	-	-	495,016	-	-
Community education programs	-	-	65,178	-	-
Operating capital	-	-	5,501,542	8,783,209	12,572,197
Contracted alternative programs	-	-	-	1,164,265	966,181
Gifted and talented	514,170	466,385	579,035	483,254	439,264
Health and safety	-	-	-	-	-
Basic skills extended time	1,235,892	2,792,710	4,610,186	6,306,894	7,631,978
Long-term facilities maintenance	(944)	160,765	156,383	156,383	-
Other	-	1,100,000	234,359	234,359	233,781
Capital projects	-	-	-	-	-
Assigned	32,138,104	43,737,399	57,295,506	68,347,003	54,915,232
Unassigned	38,833,462	52,573,025	55,149,041	53,613,747	60,025,541
Fund Balance, June 30	\$ 74,858,956	\$ 107,173,682	\$ 126,073,757	\$ 144,954,225	\$ 143,285,451

The chart above summarizes General Fund activity and financial position for each of the last five years. The unassigned fund balance represented 8.7% of 2024 budgeted expenditures. The District's fund balance policy calls for a minimum unassigned balance of 8% of the annual budgeted expenditures for the following year.

**Minneapolis Public Schools
Special District No. 1
Financial Analysis**

Food Service Fund

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

For the Year Ended June 30,	2019	2020	2021	2022	2023
Revenues	\$ 22,062,833	\$ 23,694,428	\$ 21,349,575	\$ 21,168,074	\$ 18,009,094
Expenditures	(22,624,251)	(22,955,476)	(19,211,722)	(25,223,498)	(23,904,788)
Excess of revenues over (under) expenditures	(561,418)	738,952	2,137,853	(4,055,424)	(5,895,694)
Proceeds from sale of equipment	-	-	-	-	-
Transfer in	-	-	-	-	6,481,205
Fund balance, July 1	3,125,293	2,563,875	3,302,827	5,440,680	1,385,256
Fund Balance, June 30	\$ 2,563,875	\$ 3,302,827	\$ 5,440,680	\$ 1,385,256	\$ 1,970,767
Nonspendable	\$ 856,369	\$ 1,615,465	\$ 1,732,388	\$ 1,505,951	\$ 1,970,767
Restricted for other purposes	1,707,506	1,687,362	3,708,292	(120,695)	-
Total Fund Balance, June 30	\$ 2,563,875	\$ 3,302,827	\$ 5,440,680	\$ 1,385,256	\$ 1,970,767

Community Service Fund

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

For the Year Ended June 30,	2019	2020	2021	2022	2023
Revenues	\$ 31,853,780	\$ 28,471,098	\$ 27,022,352	\$ 29,701,512	\$ 35,606,486
Expenditures	(32,875,347)	(31,232,002)	(27,155,640)	(29,589,555)	(33,152,664)
Excess of revenues over (under) expenditures	(1,021,567)	(2,760,904)	(133,288)	111,957	2,453,822
Fund balance, July 1	8,976,168	7,954,601	5,193,697	5,060,409	5,172,366
Fund Balance, June 30	\$ 7,954,601	\$ 5,193,697	\$ 5,060,409	\$ 5,172,366	\$ 7,626,188
Restricted for					
School readiness	\$ 1,842,528	\$ 1,793,073	\$ 2,024,215	\$ 961,509	\$ 1,241,654
Adult basic education	854,424	702,422	879,610	1,340,717	1,364,412
Community education programs	4,197,002	1,949,764	1,120,064	7,786	1,814,399
ECFE	702,918	353,624	119,623	159,453	664,466
Other programs	357,729	394,814	916,897	2,702,901	2,541,257
Total Fund Balance, June 30	\$ 7,954,601	\$ 5,193,697	\$ 5,060,409	\$ 5,172,366	\$ 7,626,188

**Minneapolis Public Schools
Special District No. 1
Legislative Summary**

The following is a brief summary of current legislative changes and issues affecting the funding of Minnesota school districts. More detailed and extensive summaries are available from the Minnesota Department of Education (MDE).

American Indian Education Aid

Beginning in 2024, a school district or charter school enrolling at least 20 American Indian students will receive the greater of the sum of \$40,000 plus \$500 per American Indian student over the 20-count threshold or the amount of American Indian Education aid received in 2015.

American Rescue Plan (ARP) Act

The ARP Act was signed into law on March 11, 2021, and focuses on returning to, and maintaining, safe in-person learning for all students.

The ARP includes \$1.3 billion for E-12 education in ESSER funds for Minnesota to help schools returning to, and maintaining, safe in-person learning for all students. Per the federal law, 90% of these funds have been allocated to eligible districts and charter schools. 9.5% of these funds are for flexible use by each state education agency to create a plan to meet the needs of students. Funds are eligible for spending through September 30, 2024.

Area Learning Center (ALC) Transportation Aid

ALC transportation aid reimburses school districts for costs associated with transportation of students to and from an ALC program. Total statewide revenue is capped at \$1,000,000 annually. School districts can apply for this new funding stream for 2024 and beyond.

Basic Alternative Teacher Compensation Aid (Q-Comp)

The total cap for basic alternative teacher compensation aid increased from \$88,118,000 to \$88,461,000 for 2024 and 2025 and \$89,486,000 for 2026 and beyond.

Basic General Education Aid

The formula allowance for 2023 is set at \$6,863 and for 2024, the formula allowance is set at \$7,138, which is a 4% increase over 2023. The formula allowance for 2025 is \$7,281, or a 2% increase from 2024.

Basic Skills Revenue

The allowable uses for basic skills funding for 2024 and beyond have changed. Guidance on specific changes is included in the 2024 UFARS Manual.

Building and Cybersecurity

Local education agencies may apply for grants to improve security and cybersecurity. The grants may be used for security-related facility improvements and cybersecurity insurance premiums. State-wide funding of \$24,332,000 has been appropriated for these grants.

Safe school revenue has also been expanded to include cyber security measures.

**Minneapolis Public Schools
Special District No. 1
Legislative Summary**

Compensatory Education Revenue

The compensatory allowance for 2024 was updated and corresponds to increases in the basic formula allowance. A hold-harmless provision has been added for 2025 so that compensatory revenue for each site is the greater of its calculated revenue for 2025 or the 2024 actual revenue.

Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act

The CRRSA Act was signed into law on December 27, 2020, and provided an additional \$2.75 billion for the Emergency Assistance for Nonpublic School Fund (EANS Fund) of which \$41,697,717 was awarded to Minnesota. Funds are eligible for spending through September 30, 2023.

Gender-Neutral Single-User Restroom Grants

Local education agencies may apply for grants to remodel, construct, or repurpose space for gender-neutral single-user restrooms. Grants to school districts are capped at \$75,000 per site. State-wide funding of \$1,000,000 has been appropriated for these grants.

Lease Levy Authority

Minnesota Statutes 2023 § 126C.40, subdivision 1 grants authority to intermediate, cooperative units, and joint powers districts to levy for the costs of leasing administrative and classroom space. Levy authority is capped at \$65 per adjusted pupil unit of the member district(s). The proportionate share of deferred maintenance expenditures of district-owned buildings or sites leased to an intermediate, cooperative unit, or joint powers district may also be levied.

Local Optional Revenue

The second-tier equalization threshold for 2024 remains at \$510,000 before increasing to \$587,244 for 2025, \$642,038 for 2026, and \$671,345 for 2027 and later.

Long-term Facilities Maintenance (LTFM) Revenue

Joint powers districts may be included in the LTFM program along with intermediate and secondary cooperative districts.

Additionally, LTFM plans must include provisions for gender-neutral bathrooms, which has been added to the allowable list of LTFM expenses. No new LTFM funding is available for these expenses.

Online Learning Students

The Online Instruction Act repeals and replaces the Online Learning Act. Local education agencies can provide online instruction to enrolled students with a limit of 40 students per course. Entities must apply to MDE to provide online instruction to non-enrolled students.

Operating Referendum

Minnesota Statutes 2023 § 126C.17, subdivision 9 has been added, which allows School Boards to renew an existing operating referendum authority one-time through board resolution using the same per-pupil amounts and length of time. Board approval must happen by June 15 in the fiscal year prior to the last fiscal year generating revenue.

**Minneapolis Public Schools
Special District No. 1
Legislative Summary**

Pension Bill and Pension Adjustment Revenue

TRA required contributions have increased to 7.75% for employees effective for fiscal year 2024. Required employer contributions increase 0.2% in fiscal year 2024 until a required contribution rate of 8.75% is reached.

The pension adjustment rate for districts (besides ISD No. 625, St. Paul) is 1.25% for fiscal years 2024 and 2025 and 2.0% for fiscal year 2026 and 2027. For fiscal year 2028 and later, pension adjustment revenue must not exceed the fiscal year 2027 amount, and the revenue will be prorated, as necessary.

School Breakfast Program

Early childhood special education students are now eligible to participate in the School Breakfast program.

School Library Aid

New program revenue has been added to be used for school district libraries including media specialist salary and benefits, equipment, furniture, supplies, IT infrastructure, and electric and material resources.

For school districts, 2024 aid amounts to \$16.11 multiplied by the adjusted pupil units or \$40,000, whichever is greater.

For charter schools, 2024 aid amounts to \$16.11 multiplied by the adjusted pupil units or \$20,000, whichever is greater.

Special Education Aids

The Special Education Cross Subsidy Reduction Aid paid to districts increases from 6.43% to 44% beginning in 2024. A further increase to 50% begins in 2027.

An additional \$1,689 per ADM will be provided beginning in 2024 based on students served at special education sites where the federal instruction setting is greater than 3 for special education cooperatives, education districts, and intermediates.

Student Support Personnel Revenue

A new aid has been added to be used to hire new positions for student support services or to increase the full time equivalent of a current position, to maintain a position that would otherwise be eliminated, or to make a temporary position permanent.

"Student Support Services Personnel" means an individual licensed to serve as a school counselor, school psychologist, school social worker, school nurse, or chemical dependency counselor in Minnesota.

Student support services personnel aid is calculated based on the fiscal year per pupil allocation multiplied by the district's total adjusted pupil units, or \$40,000, whichever is greater. The aid cannot exceed expenditures.

**Minneapolis Public Schools
Special District No. 1
Legislative Summary**

Transportation Sparsity Revenue

Under *Minnesota Statutes* § 126C.10, subdivision 18a, qualifying districts with eligible expenses greater than revenue will receive an increase in additional revenue from 18.2% to 35% of calculated unfunded pupil transportation expenses beginning in 2024.

Unemployment Insurance Aid

Effective May 28, 2023, certain non-certified hourly school workers may qualify for "between term" summer unemployment benefits. A new aid has been created to reimburse districts for between term unemployment insurance costs, which are not eligible for levy reimbursement. The total aid available is \$135 million in fiscal year 2024 and is available until fiscal year 2027 or depletion.

Voluntary Prekindergarten (VPK)/School Readiness Plus

VPK seats are included in the calculation of general education revenue. Seats are funded at 0.6 ADM. The number of seats funded are set at 7,160 for 2024, 10,160 for 2025 with a state-wide cap of \$50 million, and 12,360 for 2026 and later.

**Minneapolis Public Schools
Special District No. 1
Emerging Issues**

Executive Summary

The following is an executive summary of financial related updates to assist you in staying current on emerging issues in accounting and finance. This summary will give you a preview of the new standards that have been recently issued and what is on the horizon for the near future. The most recent and significant updates include:

- **Implementation Guide No. 2021-1 – Amending Capitalization Requirements**
GASB has issued Implementation Guide No. 2021-1, amending previously issued guidance regarding capitalization requirements for capital assets that are significant in the aggregate but below the government's capitalization threshold individually.
- **Accounting Standard Update – GASB Statement No. 100 – Accounting Changes and Error Corrections**
GASB has issued GASB Statement No. 100 relating to accounting and financial reporting for accounting changes and error corrections. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability.
- **Accounting Standard Update – GASB Statement No. 101 – Compensated Absences**
GASB has issued GASB Statement No. 101 relating to accounting and financial reporting for compensated absences. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave.

The following are extensive summaries of the current updates. As your continued business partner, we are committed to keeping you informed of new and emerging issues. We are happy to discuss these issues with you further and their applicability to your District.

Implementation Guide No. 2021-1 – Amending Capitalization Requirements

Implementation Guide No. 2021-1, amended previously issued guidance contained in Implementation Guide No. 2015-1 regarding capitalization requirements for capital assets that are significant in the aggregate.

Original guidance stated that it *may be* appropriate for a government to establish a capitalization policy that would require capitalization for certain types of assets with individual acquisition costs that are less than the threshold for an individual asset.

Amended guidance states that a government *should* capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant. Computers and classroom furniture are common examples of asset types that could be significant collectively. The amended guidance clarifies that if 100 computers costing \$1,500 each totaling a \$150,000 aggregate amount is significant, the government *should* capitalize the computers. Information provided above was obtained from www.gasb.org.

**Minneapolis Public Schools
Special District No. 1
Emerging Issues**

Accounting Standard Update – GASB Statement No. 100 – *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting – understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

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. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement.

This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

GASB Statement No. 100 is effective for reporting periods beginning after June 15, 2023. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.

**Minneapolis Public Schools
Special District No. 1
Emerging Issues**

Accounting Standard Update – GASB Statement No. 101 – *Compensated Absences*

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

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. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences – including parental leave, military leave, and jury duty leave – not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

GASB Statement No. 101 is effective for reporting periods beginning after December 15, 2023. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.

**Minneapolis Public Schools
Special District No. 1**

**Reports on *Government Auditing
Standards, Uniform Guidance,
and Legal Compliance***

June 30, 2023



**Minneapolis Public Schools
Special District No. 1
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**Minneapolis Public Schools
Special District No. 1
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023**

<u>Federal Agency/Pass Through Agency/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture		
Through Minnesota Department of Education		
Child Nutrition Cluster		
School Breakfast Program	10.553	\$ 2,845,016
National School Lunch Program	10.555	8,682,398
Commodities Programs - Non Cash	10.555	1,367,364
Fresh Fruits and Vegetables Program	10.582	519,396
COVID - Summer Food Service Program for Children	10.559	833,388
Total Child Nutrition Cluster		<u>14,247,562</u>
Cash in Lieu of Child and adult Care Food Program	10.558	1,082,894
Farm to School Grant Program	10.575	3,653
Total U.S. Department of Agriculture		<u>15,334,109</u>
U.S. Department of Education		
Through Minnesota Department of Education		
Adult Education - Basic Grants to States	84.002	670,861
Title I Grants To Local Educational Agencies		
Title I, Part A	84.010	27,813,045
Title I, Part D	84.010	118,780
Total Title I Grants To Local Educational Agencies		<u>27,931,825</u>
Special Education Cluster		
Special Education	84.027	6,892,575
COVID - ARP IDEA Part B	84.027X	1,634,420
Total Special Education--Grants to States		<u>8,526,995</u>
Special Education - Preschool Grants	84.173	524,376
COVID - ARP IDEA Part B Section 619 - Preschool Grants	84.173X	120,280
Total Special Education--Preschool Grants		<u>644,656</u>
Total Special Education Cluster		<u>9,171,651</u>
Special Education - Grants for Infants and Families	84.181	295,428
Career and Technical Education - Basic Grants to States	84.048	788,489
Education for Homeless Children and Youth	84.196	85,000
Comprehensive State Literacy Development	84.371C	1,542,534
Maltreatment reeducation	84.027A	8,820
English Language Acquisition	84.365	867,530
21st Century Community Learning Centers	84.287	590,927
Title II, Part A - Supporting Effective Instruction	84.367	2,151,764
Title IV, Part A - Student Support and Academic Enrichment Program	84.424	1,054,247
COVID - Governor's Emergency Education Relief Fund	84.425C	35,413
COVID - ARP Homeless I	84.425W	270,296
COVID - Supplemental Support Under American Rescue Plan	84.425T	52,365
COVID - Elementary and Secondary School Education Relief Fund III	84.425U	66,971,862
COVID - Elementary and Secondary School Education Relief Fund	84.425D	9,289,453
Total Education Stabilization Funds		<u>76,619,389</u>

See notes to the schedule of expenditures of federal awards.

**Minneapolis Public Schools
Special District No. 1
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023**

<u>Federal Agency/Pass Through Agency/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Expenditures</u>
U.S. Department of Education (Continued)		
Through Minnesota Department of Education Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	128,570
Through Metro ECSU Special Education - Paraprofessional	84.027	\$ 1,200
Direct		
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	797,356
21st Century Community Learning Centers	84.287	296,243
Fund for Improvement of Education	84.215	501,157
Indian Education Grants to Local Educational Agencies	84.060	174,703
Total U.S. Department of Education		<u>123,677,694</u>
U.S. Department of Treasury		
Through Minnesota Department of Education COVID - American Rescue Plan	21.027	<u>1,362,856</u>
Corporation for National and Community Service		
Through Serve Minnesota AmeriCorps	94.006	<u>99,841</u>
U.S. Department of Health and Human Services		
Through Minnesota Department of Education Refugee Family Coach	93.566	75,348
COVID - Minnesota COVID-19 Testing	93.323	96,938
Total U.S. Department of Health and Human Services		<u>172,286</u>
U.S. Department of Homeland Security		
Direct Citizenship Grant	97.010	<u>22,869</u>
National Endowment for the Humanities		
Through Minnesota Department of Education Library Services Tech Art	45.310	<u>1,099</u>
Total Federal Expenditures		<u>\$ 140,670,754</u>

**Minneapolis Public Schools
Special District No. 1
Notes to the Schedule of Expenditures of Federal Awards**

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 of net assets, or cash flows of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – PASS-THROUGH GRANT NUMBERS

All pass-through entities listed above use the same Assistance Listing numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

NOTE 4 – NONMONETARY ASSISTANCE

Nonmonetary assistance is reported in this schedule at the fair market value of commodities received and disbursed for the USDA Commodities Program (CFDA #10.555).

NOTE 5 – PASS-THROUGH GRANT NUMBERS

All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

NOTE 6 – INDIRECT COST RATE

The District did not elect to use the 10 percent de minimis indirect cost rate, as allowed under the Uniform Guidance.

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Basic Financial Statements Performed in Accordance
with *Government Auditing Standards***

Independent Auditor's Report

To the School Board
Minneapolis Public Schools
Special District No. 1
Minneapolis, 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 basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Minneapolis Public Schools, Special District No. 1 Minneapolis, Minnesota, as of and for the year ended June 30, 2023, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 27, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the basic 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 basic 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 District'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 to be material weaknesses, Audit Finding 2023-001 and 2023-006.

Report on Internal Control over Financial Reporting (Continued)

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 to be significant deficiencies, Audit Finding 2023-003 and 2023-005.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic 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 basic financial statement amounts. 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*.

District's Response to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the findings identified in our engagement and described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

BerganKDV, Ltd.

Minneapolis, Minnesota
December 27, 2023

**Report on Compliance for Each Major Federal Program
and Report on Internal Control over Compliance Required by
the Uniform Guidance**

Independent Auditor's Report

To the School Board
Minneapolis Public Schools
Special District No. 1
Minneapolis, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's 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 (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as Audit Finding 2023-007. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Audit Finding 2023-004 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Audit Finding 2023-002 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the basic 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 basic financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 27, 2023, which contained unmodified opinions on those basic financial statements. Our audit was conducted for the purpose of forming opinions on the basic 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.

BerganKDV, Ltd.

Minneapolis, Minnesota
December 27, 2023

**Minneapolis Public Schools
Special District No. 1
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal control over financial reporting:

- Material weakness(es) identified Yes, Audit Findings 2023-001, 2023-006
- Significant deficiency(ies) identified? Yes, Audit Findings 2023-003, 2023-005

Noncompliance material to financial statements noted? No

Federal Awards

Type of auditor's report issued on compliance for major programs: Unmodified

Internal control over major programs:

- Material weakness(es) identified Yes, Audit Finding 2023-004
- Significant deficiency(ies) identified? Yes, Audit Finding 2023-002

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516? Yes, Audit Finding 2023-007

Identification of Major Programs

Assistance Listing No: 21.027
 Name of Federal Program or Cluster: American Rescue Plan

Assistance Listing No: 84.027, 84.173

Name of Federal Program or Cluster: Special Education Cluster

Assistance Listing No: 84.425
 Name of Federal Program or Cluster: Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs: \$4,220,123

Auditee qualified as low risk auditee? No

**Minneapolis Public Schools
Special District No. 1
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS

Audit Finding 2023-001 – Lack of Segregation of Duties

Criteria or Specific Requirement:

Internal control that supports the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the basic financial statements requires adequate segregation of accounting duties.

Condition:

We noted during review of the District's internal controls that there is a lack of segregation of duties over certain processes. A lack of segregation occurs when there is an individual who has responsibility to perform multiple functions in four key areas: initiation/authorization, processing/recording, reconciling/reporting of financial data, and custody of assets.

We noted lack of segregation of duties, to various degrees, in the following area:

- Financial Closing Process: Certain employees record transactions and reconcile balances at the end of the year without evidence of reconciliations being performed timely with review by another employee.
- SAP User Rights: A number of employees have excessive access to Accounts Payable functions, Purchasing functions, and the general ledger. Also, there were instances identified where individuals have excessive access to perform many responsibilities within a process (e.g. create a vendor, enter an invoice for payment, and cut a check). There are also some employees who have the ability to make journal entries without review as a result of SAP user rights allocated to them. We recommend that the District review all user roles and the permissions granted to each role for appropriateness, taking into consideration adequate segregation of duties. The District should also validate that adequate compensating controls are implemented to review and detect irregular or fraudulent activity performed by users with elevated permissions. Additionally, individuals in a position of authority should have limited transactional ability within the SAP application to further prevent management override controls.

Context:

This finding impacts the internal control for all significant accounting functions.

Effect or Potential Effect:

The lack of adequate segregation of accounting duties adversely affected the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the basic financial statements. Financial information could contain inaccurate information if reconciliations are not reviewed timely.

**Minneapolis Public Schools
Special District No. 1
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2023-001 – Lack of Segregation of Duties (Continued)

Cause:

Process flows and SAP user access rights are not designed to provide for proper segregation of duties in each area. Turnover of finance staff contributed to reconciliations of certain account balances not being completed or reviewed timely.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the finding.

2. Actions Planned in Response to Finding
Financial Closing Process – The process for the financial closing process will improve after changes in roles and responsibilities in the Finance Department.

SAP User Rights – The Executive Director – IT has been working on system audits and some corrective action has already been implemented on user rights and we will keep monitoring the process.

3. Official Responsible for Ensuring CAP
Financial Closing Process – Chief Financial Officer.

4. Planned Completion Date for CAP
The planned completion date for the CAP is June 30, 2024.

5. Plan to Monitor Completion of CAP
The Finance Department will be monitoring the corrective action plan.

Audit Finding 2023-003 – Internal Control Deficiency Related to Payroll

Criteria or Specific Requirement:

Internal control that supports the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the basic financial statements.

Condition:

During the course of our engagement, we noted instances where employees were overpaid and were required to repay the District these overpayments. District's internal controls relating to payroll were not sufficient to detect the overpayments timely.

**Minneapolis Public Schools
Special District No. 1
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2023-003 – Internal Control Deficiency Related to Payroll (Continued)

Context:

This finding impacts internal control over financial reporting.

Effect or Potential Effect:

Internal controls over payroll affected the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the basic financial statements.

Cause:

Turnover of finance staff contributed to payroll activity not being reviewed timely which resulted in overpayments to employees.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the finding.
2. Actions Planned in Response to Finding
The District's internal controls related to payroll will continue to improve.
3. Official Responsible for Ensuring CAP
Tristen Kangas, Payroll Manager, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is June 30, 2024.
5. Plan to Monitor Completion of CAP
The Finance Department management will be monitoring the corrective action plan.

Audit Finding 2023-005 – Budget Reporting Process

Criteria or Specific Requirement:

The District should use budgets within SAP to provide budget to actual reports in accordance with UFARS and GAAP and analyze variances on a regular basis.

**Minneapolis Public Schools
Special District No. 1
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2023-005 – Budget Reporting Process (Continued)

Condition:

During our audit, we noted significant variances between budgeted amounts and actual amounts for expenditures by program and revenue classifications. Upon further investigation, amounts presented in the original budget and final budget did not appear to follow UFARS or GAAP reporting requirements due to the current budget practice resulting in adjustments to program codes that are inconsistent with actual activity in accordance with UFARS and GAAP.

Context:

This finding impacts internal control over financial reporting.

Effect or Potential Effect:

Budget to actual variances may be inaccurate.

Cause:

Budgets were not allocated to correct classifications.

Recommendation:

We recommend that the District improve its budget process and ensure UFARS and GAAP reporting requirements are followed.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the finding.
2. Actions Planned in Response to Finding
The District's internal controls related to the budgeting process will continue to improve.
3. Official Responsible for Ensuring CAP
Thom Roethke, Director of Budget, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is June 30, 2024.

**Minneapolis Public Schools
Special District No. 1
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2023-005 – Budget Reporting Process (Continued)

CORRECTIVE ACTION PLAN (CAP) (CONTINUED):

5. Plan to Monitor Completion of CAP

The Finance Department management will be monitoring the corrective action plan.

Audit Finding 2023-006 – Material Audit Adjustments

Criteria or Specific Requirement:

Management is responsible for the accuracy and completeness of all financial records and related information. Their responsibilities include adjusting the financial statements to correct material misstatements.

Condition:

During our audit, material audit adjustments were identified to ensure accurate financial reporting for accounts payable, cash, long-term debt, and property taxes.

Context:

This finding impacts internal control over financial reporting.

Effect or Potential Effect:

The District's financial position was misstated.

Cause:

Complete and accurate reconciliations of accounts payable, cash, long-term debt and property tax balances were not performed timely or accurately.

Recommendation:

We recommend management review all accounts closely at year-end to detect and correct misstatements of balances. We also recommend the District improve the accounts payable listing and reconciliation process to remove all old items.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the finding.

**Minneapolis Public Schools
Special District No. 1
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2023-006 – Material Audit Adjustments (Continued)

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

2. Actions Planned in Response to Finding
The District's will develop a process for ensuring that all standard year-end entries are complete before the auditors begin their fieldwork.
3. Official Responsible for Ensuring CAP
Aaron Gilbert, Director of Finance - Controller, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
Ongoing review and monitoring will take place throughout the year and at fiscal year-end.
5. Plan to Monitor Completion of CAP
The Finance Department management will be monitoring the corrective action plan.

SECTION III – PRIOR YEAR FINDINGS

Audit Finding 2022-002 – Prior Period Adjustment

During the course of our audit as of June 30, 2022, a prior period adjustment was recognized that had not been recognized in the correct reporting period, therefore resulting in a material misstatement of the District's prior year basic financial statements. The District's internal controls were not sufficient to detect the misstatement in a timely basis. In order to ensure the basic financial statements were free from material misstatements, a prior period adjustment was necessary to correct an understatement of debt service balances. There were no prior period adjustments needed as of June 30, 2023.

SECTION IV – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Audit Finding 2023-002 – Education Stabilization Fund (Assistance Listing 84.425) Grant Period – Year Ended June 30, 2023

Criteria or Specific Requirement:

Internal control that supports the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the basic financial statements and being charged to federal programs.

**Minneapolis Public Schools
Special District No. 1
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION IV – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Audit Finding 2023-002 – Education Stabilization Fund (Assistance Listing 84.425) Grant Period – Year Ended June 30, 2023 (Continued)

Questioned Costs:

Known Question Costs determined through audit test work totaled \$9,239. Based on the sample size and the total population, this amount extrapolates to \$245,883.

Condition:

During our audit, we noted an employee receiving an overpayment on their payroll check, as well as another employee being paid for a claim payment had been mistakenly created, and the attempt to correct the issue lead to incorrectly recording additional salary on the general ledger and charging the related activity to federal programs.

Context:

The District could be requesting higher reimbursements then they are entitled to, as well as overpaying employees.

Effect or Potential Effect:

Federal expenditures and related reimbursements from the federal government could be overstated.

Cause:

District Personnel did not ensure salaries were being paid and recorded correctly.

Recommendation:

Review internal controls relating to payroll and federal programs to ensure payroll activity is properly reported.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the finding.
2. Actions Planned in Response to Finding
The District's internal controls related to payroll will continue to improve.
3. Official Responsible for Ensuring CAP
Linh Phan, Manager, Accounting and Finance, Grants Accounting
4. Planned Completion Date for CAP
The planned completion date for the CAP is June 30, 2024.

**Minneapolis Public Schools
Special District No. 1
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION IV – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Audit Finding 2023-002 – Education Stabilization Fund (Assistance Listing 84.425) Grant Period – Year Ended June 30, 2023 (Continued)

CORRECTIVE ACTION PLAN (CAP) (CONTINUED):

5. Plan to Monitor Completion of CAP

The Finance Department management will be monitoring the corrective action plan.

Audit Finding 2023-004 – Special Education Cluster (Assistance Listing 84.027, 84.173) Grant Period – Year Ended June 30, 2023

Criteria or Specific Requirement:

To meet eligibility standards for an award for the fiscal year, the LEA must budget for the education of children with disabilities at least the same amount, from one of the following sources, as the LEA spend for the purpose for the same source for the most recent fiscal year for which information is available:

1. Local funds only;
2. The combination of state and local funds;
3. Local funds only on a per capital basis; or
4. The combination of state and local funds on a per capita basis.

Condition:

During our audit, we noted the District did not have internal controls in place to ensure the District would meet Maintenance of Effort requirements.

Context:

There is a risk that the District will fail to comply with the eligibility and compliance standard for Maintenance of Effort requirements.

Effect or Potential Effect:

The District could fail to comply with Maintenance of Effort requirements.

Cause:

The District did not have sufficient internal controls to monitor Maintenance of Effort requirements.

Recommendation:

We recommend reviewing internal controls related to the monitoring of Maintenance of Effort requirements to ensure compliance with requirements.

**Minneapolis Public Schools
Special District No. 1
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION IV – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Audit Finding 2023-004 – Special Education Cluster (Assistance Listing 84.027, 84.173) Grant Period – Year Ended June 30, 2023 (Continued)

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the finding.
2. Actions Planned in Response to Finding
The District's internal controls related to Maintenance of Effort will continue to improve.
3. Official Responsible for Ensuring CAP
Linh Phan, Manager, Accounting and Finance, Grants Accounting
4. Planned Completion Date for CAP
The planned completion date for the CAP is June 30, 2024.
5. Plan to Monitor Completion of CAP
The Finance Department management will be monitoring the corrective action plan.

Audit Finding 2023-007 – Education Stabilization Fund (Assistance Listing 84.425) Grant Period – Year Ended June 30, 2023

Criteria or Specific Requirement:

Internal control that supports the District's ability to maintain compliance with federal program compliance requirements.

Questioned Costs:

Known Question Costs determined through audit test work totaled \$9,239. Based on the sample size and the total population, this amount extrapolates to \$245,883.

**Minneapolis Public Schools
Special District No. 1
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION IV – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Audit Finding 2023-007 – Education Stabilization Fund (Assistance Listing 84.425) Grant Period – Year Ended June 30, 2023 (Continued)

Condition:

During our audit, we noted an employee receiving an overpayment on their payroll check, as well as another employee being paid for a claim payment had been mistakenly created, and the attempt to correct the issue lead to incorrectly recording additional salary on the general ledger.

Context:

The District could be requesting higher reimbursements then they are entitled to, as well as overpaying employees.

Effect or Potential Effect:

The District did not comply with allowable cost and allowable activities compliance requirements for the Education Stabilization Fund.

Cause:

District Personnel did not ensure salaries were being paid and recorded correctly.

Recommendation:

Review internal controls relating to payroll and federal programs to ensure payroll activity is properly reported.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the finding.
2. Actions Planned in Response to Finding
The District's internal controls related to payroll will continue to improve.
3. Official Responsible for Ensuring CAP
Linh Phan, Manager, Accounting and Finance, Grants Accounting
4. Planned Completion Date for CAP
The planned completion date for the CAP is June 30, 2024.
5. Plan to Monitor Completion of CAP
The Finance Department management will be monitoring the corrective action plan.

Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Minneapolis Public Schools
Special District No. 1
Minneapolis, 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 basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Minneapolis Public Schools Special District No. 1, Minneapolis, Minnesota, as of and for the year ended June 30, 2023, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 27, 2023.

In connection with our audit, we noted that the District failed to comply with the provisions of the claims and disbursements of the *Minnesota Legal Compliance Audit Guide for School Districts* promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, insofar as they relate to accounting matters as described in the Schedule of Findings and Corrective Action Plans on Legal Compliance as item 2023-008. Also, in connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts sections of the *Minnesota Legal compliance Audit Guide for School Districts*, insofar as they relate to accounting matters. However, our audit as 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 to describe the scope of our testing of compliance and the result of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

A stylized, handwritten-style signature of "BergankDV, Ltd." in a dark grey color.

Minneapolis, Minnesota
December 27, 2023

**Minneapolis Public Schools
Special District No. 1
Schedule of Findings and Corrective Action
Plans on Legal Compliance**

CURRENT YEAR LEGAL COMPLIANCE FINDING:

Audit Finding 2023-008 – Prompt Payment of Local Government Bills

Minnesota Statute 471.425 requires that school districts must pay each vendor obligation according to the terms of the contract or, if no contract terms apply, within the standard payment period. For school districts with governing boards that have regular meetings at least once a month, the standard payment period is within 35 days of the date of receipt.

During our audit, we noted invoices in our sample selection were not paid within the standard payment period of 35 days.

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the finding.
2. Actions Planned in Response to Finding
The District will ensure that payments are made promptly in accordance with *Minnesota Statute 471.425*.
3. Official Responsible for Ensuring CAP
Aaron Gilbert, Director of Finance - Controller, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is June 30, 2024.
5. Plan to Monitor Completion of CAP
The Finance Department management will be monitoring the corrective action plan.

Annual Comprehensive Financial Report

Minneapolis Public Schools
Special School District No. 1
Minneapolis, Minnesota
For the Year Ended June 30, 2023

www.mpls.k12.mn.us

John B. Davis Education and Service Center | 1250 W. Broadway Ave. Minneapolis, MN 55411

ANNUAL COMPREHENSIVE

FINANCIAL REPORT

OF

MINNEAPOLIS PUBLIC SCHOOLS
SPECIAL SCHOOL DISTRICT NO. 1
MINNEAPOLIS, MINNESOTA

For the Year Ended

June 30, 2023

Prepared by

THE FINANCE DEPARTMENT

MINNEAPOLIS PUBLIC SCHOOLS
SPECIAL SCHOOL DISTRICT NO. 1

John B. Davis Education and Service Center
1250 W. Broadway Ave.
Minneapolis, MN 55411

**Minneapolis Public Schools
Special School District No. 1
Minneapolis, Minnesota
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Special School District No. 1
Minneapolis, Minnesota
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**Minneapolis Public Schools
Special School District No. 1
Board of Education and Administration
June 30, 2023**

Board of Education	Position	Term Expires
Kim Ellison	Director	2025
Collin Beachy	Vice Chair	2027
Lori Norvell	Clerk	2027
Abdul Abdi	Treasurer	2027
Fathia Feerayarre	Director	2027
Adriana Cerrillo	Director	2025
Sharon El-Amin	Chair	2025
Joyner Emerick	Director	2027
Ira Jourdain	Director	2025
Halimah Abdullah	Student Representative	2023
Abdihafid Mohamed	Student Representative	2023

Administration

Rochelle Cox	Interim Superintendent
Ibrahima Diop	Senior Officer of Finance & Operations
District Offices	Special School District No. 1 Minneapolis Public Schools 1250 West Broadway Avenue Minneapolis, MN 55411

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December 27, 2023

To: People of Minneapolis
Board of Education
Rochelle Cox, Interim Superintendent

INTRODUCTION

We respectfully submit the Annual Comprehensive Financial Report (ACFR) of Special School District No. 1, Minneapolis, Minnesota (the “District” or “MPS”), for the fiscal year ended June 30, 2023. Responsibility for the entire financial report rests with district management including the financial information and internal controls throughout the audited fiscal year. The report contains all funds of the District in conformity with accounting principles generally accepted in the United States of America for defining the reporting entity.

The Governmental Accounting Standards Board (GASB) Statement No. 34 requires that the district includes within its ACFR a management discussion and analysis (MD&A) report, which allows the district to explain its financial position and the results of its operations for the past fiscal year.

The ACFR includes three primary sections:

- Introductory Section
- Financial Section
- Statistical Section

The introductory section includes a list of principal officials, an organizational chart, awards, and acknowledgements (if applicable), and this transmittal letter. The financial section includes the basic financial statements, individual fund statements and related schedules, and required supplementary information. The independent auditor’s report is also included in the financial section. The independent auditor’s report includes the basis for opinion on the District’s financials and internal controls for the fiscal year. Notes to the financial section are provided to enhance the reader’s understanding of the District’s accounting policies and procedures. The statistical section includes selected financial and general information presented on a multiyear comparative basis.

ECONOMIC CONDITION AND OUTLOOK

MPS is a full service, comprehensive special school district created by the Minnesota Legislature in 1959, although the district had been operating under different organizational structures since 1860. MPS provides full day kindergarten through twelfth grade general education services as well as special education services, career and technical instruction, early childhood and voluntary pre-kindergarten programming, and adult basic educational programming taught by licensed Minnesota educators. The district also offers community education, school age care, and after school enrichment programming, as well as culinary and transportation services for students.

MPS, Minnesota’s fourth largest school district by enrollment, is governed by the Minneapolis Board of Education (the “school board”), a publicly elected board with nine members, six of whom represent geographic sub-districts and three at-large members elected citywide. Board directors are elected to four-year terms which are staggered so that half of the seats stand for election every two years, with an additional seat elected in even non-Presidential years.

ECONOMIC CONDITION AND OUTLOOK (CONTINUED)

The board's primary duties include monitoring the district's budget, setting district policies, and selecting a Superintendent to manage the day-to-day affairs of the district. The district's boundaries are coterminous with those of the City of Minneapolis. The estimated population for the City of Minneapolis is 435,105.

MPS exists independently from other local government entities such as the City of Minneapolis, Hennepin County, or the Metropolitan Council, with its own governing body, budgetary authority, and taxing power. The appropriated budget includes the District's governmental funds including The General Fund, Food Service Fund, Community Service Fund, and the Debt Service Fund. The budgetary authority of the District is annually appropriated with approval by The District's Board of Education which is The District's legal level of budgetary control. MPS is overseen by the Minnesota Department of Education.

MPS process for budgeting is a multi-month budget tie out process that takes the knowledge of key members throughout the District in the development and recommendation to the Finance Committee. After the recommendation to the Finance Committee the budget is presented to the MPS Board of Education for approval by resolution.

For 2022–2023, district facilities included forty-three elementary schools, eight middle schools, two K-8 schools, ten high schools, a transition school, and four district administration buildings. District facilities were constructed between 1898 and 2018, with the largest concentration being constructed in the 1920s. The district finances major upkeep, as well as major updates such as remodeling or additions, with capital project funding. The full list of District building information is listed in the Statistics Section of the ACFR.

Adjusted membership for the 2022-23 school year was 28,290, a decrease of 786 from the previous year. Projected membership for the next three years is 27,004 in fiscal year 2024, 26,798 in fiscal year 2025, and 25,706 in fiscal year 2026.

The tax base of the district increased 2.1 percent during the past year. The market value of all taxable property in the district in fiscal year 2023 was \$60,047,658,199 compared to \$58,812,067,511 in fiscal year 2022. The net tax capacity of the district for fiscal year 2023 was \$704,727,774 an increase of 1.1 percent over the prior year value of \$697,098,964.

The state fiscal disparities law provides for the pooling of 40.0 percent of all new commercial/industrial property valuation added since 1971 in the seven-county Minneapolis-Saint Paul metropolitan area. The pooled valuation is redistributed among the taxing authorities according to population and a ratio measuring relative fiscal capacity. Local tax rates reflect the net contribution/distribution of fiscal disparities valuation. The District has been a net contributor to the fiscal disparities pool in recent years. The District contributed \$22,128,927 in fiscal year 20223 and \$23,533,523 in fiscal year 2022.

FINANCIAL INFORMATION

The District's accounting system has been designed to reasonably assure the safety of district assets and the reliability of financial records with adequate internal controls and segregation of duties across finance department staff. Financial statements are prepared in conformity with generally accepted accounting principles as specified by the Governmental Accounting Standards Board. ("GASB"). The accounting principle of reasonable assurance recognizes that the costs of internal controls should not exceed the benefits derived, and that management must use judgement and estimation in determining the value of costs and benefits.

FINANCIAL INFORMATION (CONTINUED)

The District's main sources of revenue are revenue from the State of Minnesota, property taxes, federal sources, and other revenues. State aid is primarily tied to the District's enrollment. Changes to the District's enrollment will lead to changes to state aid received. Property tax support remains stable for the District for the future fiscal years of the District. The District's use of one-time COVID relief funds provided the District support for fiscal year 2023 and will continue to provide support for The District through September 2024.

The District has an internal policy to maintain an unassigned General Fund balance of 8% of current fiscal year budgeted expenditures. The District ending the fiscal year with an unassigned balance of \$60,025,541 which amounts to 8.7% of the subsequent fiscal year budgeted expenditures. The District maintains a total General Fund balance of \$143,285,451 and a total Governmental Fund balance of \$425,061,268. Below are some facts about the 2022–2023 fiscal year financial and nonfinancial information:

Revenues:

- General Fund revenue decreased approximately \$13.5 million compared to the previous fiscal year. The decrease is primarily related to state sources of funding due to lower enrollment.
- The basic per pupil General Education formula amount from the state is \$6,863 for fiscal year 2023 (a 2.0% increase from fiscal year 2022). The rate per pupil is a driving factor in the amount of General Education the District will receive.
- The District recorded revenue of approximately \$237.0 million in fiscal year 2023 for property taxes related to The District's levy. This is the District's second largest source of revenue after revenue received from state sources.

Expenditures:

- General Fund expenditures decreased approximately \$7.1million compared to the previous fiscal year. The decrease in salaries is the main reason General Fund expenditures decrease compared to last fiscal year.
- Most of the District's expenditures are related to employee salaries and benefits. The largest share of the cost of salaries and benefits are related to expenditures for instruction of students.
- The District continues to use its general resources to finance a great portion of special education services, as the state and federal government reimbursement rates are insufficient to fully fund these costs.

MPS One-Time COVID Funds Overview

To support school districts with unexpected costs from the COVID-19 pandemic, federal and state governments began offering one-time funding to school districts. This money is being provided to address academic achievement, supplement technology expenses, ensure clean and healthy learning environments, invest in comprehensive support for students and school communities, and to stabilize and diversify the educator workforce. The District has been awarded the following:

- Governor's Emergency Education Relief Fund (GEER): \$1,464,204 awarded
- Coronavirus Relief Funds (CRF): \$10,929,242 awarded
- Elementary and Secondary School Emergency Relief Fund (ESSER I): \$18,705,817 awarded
- ESSER II: \$71,005,780 awarded
- American Rescue Plan (ARP/ESSER III): \$159,468,895 awarded

The MPS ESSER III plan was shaped by feedback from the MPS American Rescue Plan Stakeholder Committee (including staff members, union representatives, students and families, and community partners), American Indian tribal consultation, an online submission form, and direct input from individuals and organizations.

FINANCIAL INFORMATION (CONTINUED)

MPS One-Time COVID Funds Overview (Continued)

Because the grant funds are in year three of a three-year period, the District is looking to prioritize investments that will not incur ongoing costs once the grant has ended. The District is committed to ensuring that any ESSER-funded programs or services ESSER funds can be sustained once the grant ends.

The District will also consider using some of the federal dollars to ensure sufficient staffing levels and ensure continuity of existing programs and services. In recent years, declining student enrollment, insufficient state funding and increased costs have made it difficult for the District to maintain the high-quality programs and opportunities families expect. Using a portion of the federal ESSER III Funds to stabilize the District's budget is allowable under the American Rescue Plan and likely will be part of helping us realize the district's short- and longer-term goals.

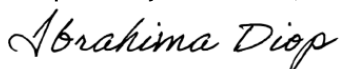
OTHER INFORMATION

State law requires an annual audit by independent certified public accountants. The accounting firm of BerganKDV, LTD. was selected by the School Board to conduct the annual audit for the fiscal year ended June 30, 2023. In addition to meeting the requirements set forth by state law, the audit also was designed to meet the requirements of the federal Single Audit Act as amended in 1996, and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The independent auditor's report on the financial statements is included in the financial section of this report. The independent auditor's reports related specifically to the single audit are issued as a separate report, which is available from the District upon request.

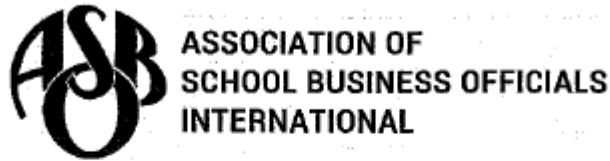
This report has been prepared following guidelines recommended by the Association of School Business Officials (ASBO) International for its Certificate of Excellence in Financial Reporting program and Government Finance Officers Association (GFOA) for its Certificate of Achievement for Excellence in Financial Reporting. Achieving recognition from these two programs is a primary financial goal for the District as this would indicate high standards in financial reporting and accountability for the District. This is the second year the District has prepared an Annual Comprehensive Financial Report. The District was awarded a Certificate of Excellence in Financial reporting from the Association of School Business Officials International for the 2022 Annual Comprehensive Financial Report.

The District's continued commitment to excellent financial stewardship and robust local tax base has resulted in Moody's Investor Services reaffirming the District's Aa2 credit rating, which signifies high quality credit rating, and the district is subject to very low credit risk. We acknowledge the efforts of the entire Accounting staff in providing complete and accurate data for the fiscal year 2023 ACFR. Credit is also due to the School Board for its governance and unfailing support of maintaining the highest standards of stewardship of the District's finances.

Respectfully submitted,



Ibrahima Diop
Chief Financial & Operations Officer



The Certificate of Excellence in Financial Reporting
is presented to

Minneapolis Public Schools

for its Annual Comprehensive Financial Report
for the Fiscal Year Ended June 30, 2022.

The district report meets the criteria established for
ASBO International's Certificate of Excellence in Financial Reporting.



John W. Hutchison
CAE

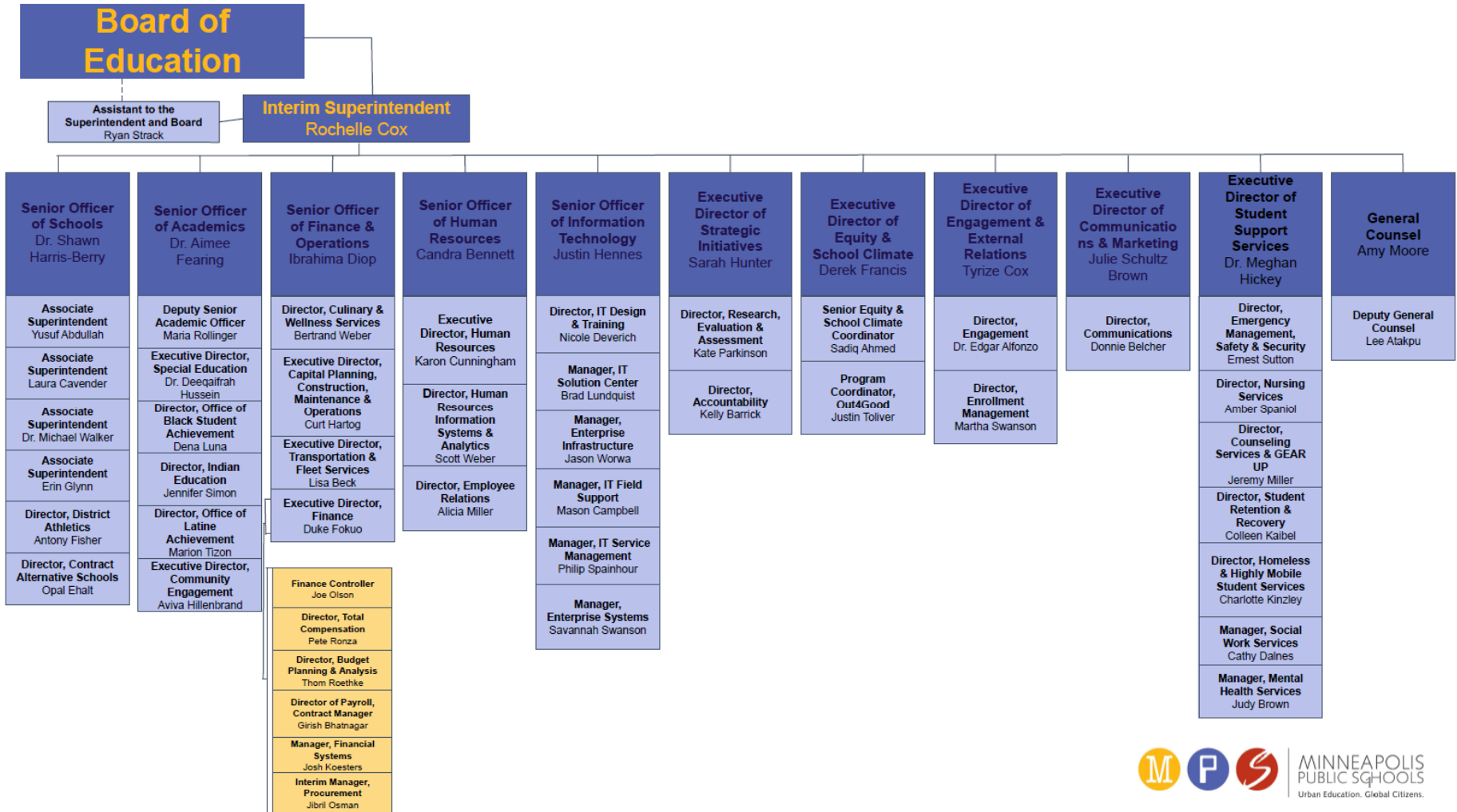
President

Siobhán McMahon,

Chief Operations Officer/
Interim Executive Director

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Minneapolis Public Schools Special School District No. 1 Organizational Chart



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Independent Auditor's Report

To the School Board
Minneapolis Public Schools
Special School District No. 1
Minneapolis, Minnesota

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Minneapolis Public Schools, Special School District No. 1, Minneapolis, Minnesota, as of and for the year ended June 30, 2023, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Minneapolis Public Schools, Special School District No. 1, as of June 30, 2023, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Minneapolis Public Schools, Special School District No. 1 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.

Emphasis of Matter – Implementation of GASB 96

The District has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The management of Minneapolis Public Schools, Special School District No. 1 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.

Responsibilities of Management for the Financial Statements (Continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which 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, which follows this report letter, and Required Supplementary information as listed in the Table of Contents 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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information identified in the Table of Contents 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 auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information 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 Comprehensive Financial Report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's 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.

Other Reporting Required by *Government Auditing Standards*

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

BerganKDV, Ltd.

Minneapolis, Minnesota
December 27, 2023

**Minneapolis Public Schools
Special School District No. 1
Management's Discussion & Analysis**

This section of the district's annual financial report presents a discussion and analysis of the district's financial performance during the fiscal year ending June 30, 2023. Please read it alongside the financial statements that immediately follow this section.

Management's Discussion & Analysis ("MD&A") is required supplementary information as specified by GASB No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*, issued in June 1999. Certain comparative information between the current year (2022-2023) and the prior year (2021-2022) is required to be presented in the MD&A.

Financial Highlights

- Fund balances across all governmental funds decreased by \$16.4 million. The primary driver of this decline was a net change of (\$20.7M) in the Capital Projects fund. Additionally, there was a modest net change to the General Fund balance of (\$1.7M). These were offset by an increase of about \$3.0M in the Debt Service fund and \$3.0M across other governmental funds.
- Governmental fund revenues were \$796.7M, an increase of about \$10.5M from the prior fiscal year. The increase is due to a \$17.5M in earnings on district investments and an \$10.2M increase in property tax revenue. These increases were offset by a (\$16.7M) change in revenue from state sources and a (\$6.1M) change in revenue from federal sources.
- Governmental expenditures of \$894.2M was an increase of \$21.5M from the prior fiscal year, due almost entirely to a \$23.3M increase in expenditures in the Capital Projects fund.

Overview of the Financial Section

The financial section of the annual audit report consists of four subparts: the Independent Auditor's report, required supplementary information, including MD&A, the basic financial statements, and supplementary information to those statements. The financial statements include two kinds of statements that present different views of the district:

- **Government-wide financial statements** provide both a *short-term* and *long-term* information about the district's *overall* financial status. These are the first two financial statements.
- 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 government-wide statements.

Within these fund financial statements are three different types of fund statements:

- **Governmental funds statements** tell how basic services such as regular education, special education, and other services were financed in the *short-term* as well as what remains for future spending.
- **Proprietary funds statements** offer *short-term* and *long-term* financial information about the district's self-insured risk management activities.
- **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.

**Minneapolis Public Schools
Special School District No. 1
Management's Discussion & Analysis**

Overview of the Financial Section (Continued)

The financial statements also include notes that explain some of the information in the statements, as well as providing more detail.

Government-Wide Statements

The government-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 and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or disbursed.

Our financial statements include two government-wide statements that report on the district's net position. The net position is the difference between the district's assets and liabilities and is one way to measure the district's financial health. Over time, increases or decreases in the district's net position are an indicator of whether its financial position is improving or deteriorating. However, to assess the overall health of the district you must consider additional non-financial factors such as, but not limited to, the district's property tax base and the condition of school buildings and other facilities.

Government-wide financial statements show the district's activities through the singular category of '*Governmental Activities*', which includes most basic district services such as, but not limited to regular education, special education, transportation, administration, food service and community education. These activities are primarily financed through property taxes and various state aids.

Fund Financial Statements

Fund financial statements provide more detailed information about the district's funds with a focus on the most significant funds, as opposed to the district as a whole. "Funds" are accounting devices used by the district to track specific sources of funding alongside the expenses for a particular set of programs. Some funds are required under state law and/or by bond covenants, while other funds may be established by the district to control and manage money for particular purposes (e.g., repayment of long-term debt) or to show that certain revenues (such as federal grants) are being properly expended.

- **Governmental Funds** - Most of the district's basic services are included in governmental funds, which usually focus on how cash and cash equivalents flow into and out of the district; as well as any remaining balance at the end of the fiscal year that are available for spending. Consequently, governmental funds statements provide a detailed short-term view that can help determine the availability of resources in the near future that can be used to finance district programming. Since this information does not encompass the additional long-term information included in the government-wide statements, we provide additional information immediately following the governmental funds statements in the form of reconciliation schedules to explain the relationship between the two types of financial presentations. These additional statements follow immediately after the governmental funds statements.

**Minneapolis Public Schools
Special School District No. 1
Management's Discussion & Analysis**

Overview of the Financial Section (Continued)

The district has three categories of funds:

- **Proprietary Fund – Internal Service Fund** – Used to report activities that provide supplies and services for the district's other programs and activities. The district currently has one internal service fund through which it records financial activity related to the self-insurance of worker's compensation, property, and liability. This fund is also used to accumulate and record the district's liability for accrued compensated absences (such as severance and vacation) as well as health insurance benefits for eligible former employees who have retired.
- **Fiduciary Fund** – The district is the trustee, also known as a *fiduciary*, for assets that belong to others, such as assets held in trust for post-employment benefits. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purpose and for whom the assets belong. All of the district's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary position. We exclude these activities from the government wide financial statements because the district cannot use these assets to finance operations.

**Minneapolis Public Schools
Special School District No. 1
Management's Discussion & Analysis**

Financial Analysis of the District – Government-wide

Net Position

The district's combined net position was (\$365M) on June 30, 2023. This was a change of 42.2% from the prior year (see table A-1).

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

	Primary Government Governmental Activities		Percentage Change
	2023	2022	
Current and other assets	\$ 790,457,793	\$ 814,209,905	-2.9%
Capital assets	863,716,686	819,453,194	5.4%
Total assets	<u>1,654,174,479</u>	<u>1,633,663,099</u>	1.3%
Deferred outflows of resources	<u>210,898,724</u>	<u>238,210,830</u>	-11.5%
Total assets and deferred outflows of resources	<u>\$ 1,865,073,203</u>	<u>\$ 1,871,873,929</u>	-0.4%
Current liabilities	\$ 154,977,074	\$ 90,454,050	71.3%
Long-term liabilities	<u>1,610,433,812</u>	<u>1,371,154,147</u>	17.5%
Total liabilities	<u>\$ 1,765,410,886</u>	<u>\$ 1,461,608,197</u>	20.8%
Deferred inflows of resources	<u>\$ 465,119,949</u>	<u>\$ 1,042,204,859</u>	-55.4%
Net position			
Net investment in capital assets	\$ 205,481,189	\$ 180,023,633	14.1%
Restricted	60,900,783	50,733,450	20.0%
Unrestricted	<u>(631,839,604)</u>	<u>(862,696,210)</u>	26.8%
Total net position	<u>\$ (365,457,632)</u>	<u>\$ (631,939,127)</u>	42.2%

The district's financial position is a product of many factors. For example, the determination of the district's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation. While the district's change in assets and deferred outflows changed only by a negligible -0.4% over the previous year, this is the result of a few large changes. The amount of cash and investments held by the district decreased by \$28.4M, largely due to the timing of the final payroll period. Deferred outflows related to pensions, as defined in GASB 68, decreased by \$26.6M. The value of land and construction in progress increased by \$36.0M. The district's change in liabilities and deferred inflows changed by \$273.3M. The primary driver of this change was a \$590.3M decrease in deferred inflows related to pensions and a \$322.8M increase in long-term liabilities.

**Minneapolis Public Schools
Special School District No. 1
Management's Discussion & Analysis**

Financial Analysis of the District – Government-wide (Continued)

Changes in Net Position

Total district government-wide revenue was \$802.6M for the year ended June 30, 2023. Property taxes and unrestricted state aid accounted for 63.4% of total revenue for the year. Program revenues accounted for 34.5%, and the remaining 2.1% of revenue was from other sources. (Table A-2)

**Table A-2
Change in Net Position**

Revenues	Primary Government		Percentage Change
	Governmental Activities for the		
	Fiscal Year Ended June 30,		
	2023	2022	
Program revenues			
Charges for services	\$ 17,377,018	\$ 11,516,972	50.88%
Operating grants and contributions	248,294,318	256,492,930	-3.20%
Capital grants and contributions	11,000,000	11,000,000	0.00%
General revenues			
Property taxes	237,058,291	226,100,574	4.85%
State formula aid	271,576,778	279,405,692	-2.80%
Other	17,275,747	176,386	9694.28%
Total revenues	802,582,152	784,692,554	2.28%
Expenses			
District and school administration	8,361,982	14,936,110	-44.01%
District support services	38,720,471	48,857,105	-20.75%
Regular instruction	130,065,948	251,618,186	-48.31%
Vocational instruction	2,618,812	5,013,209	-47.76%
Special education instruction	66,293,506	103,577,983	-36.00%
Instructional support services	32,408,488	40,278,990	-19.54%
Pupil support services	83,573,060	78,666,331	6.24%
Sites, buildings, and equipment	96,246,230	69,871,966	37.75%
Fiscal and other fixed cost programs	1,401,602	1,221,175	14.77%
Food service	24,193,934	24,410,001	-0.89%
Community education and services	27,843,092	27,517,183	1.18%
Interest and fiscal charges on long-term debt	26,534,105	27,457,019	-3.36%
Total expenses	538,261,230	693,425,258	-22.38%
Change in net position	264,320,922	91,267,296	189.61%
Change in accounting principle (GASB 96)	2,160,573	-	NA
Net position - beginning	(631,939,127)	(723,206,423)	N/A
Net position - ending	\$ (365,457,632)	\$ (631,939,127)	-42.17%

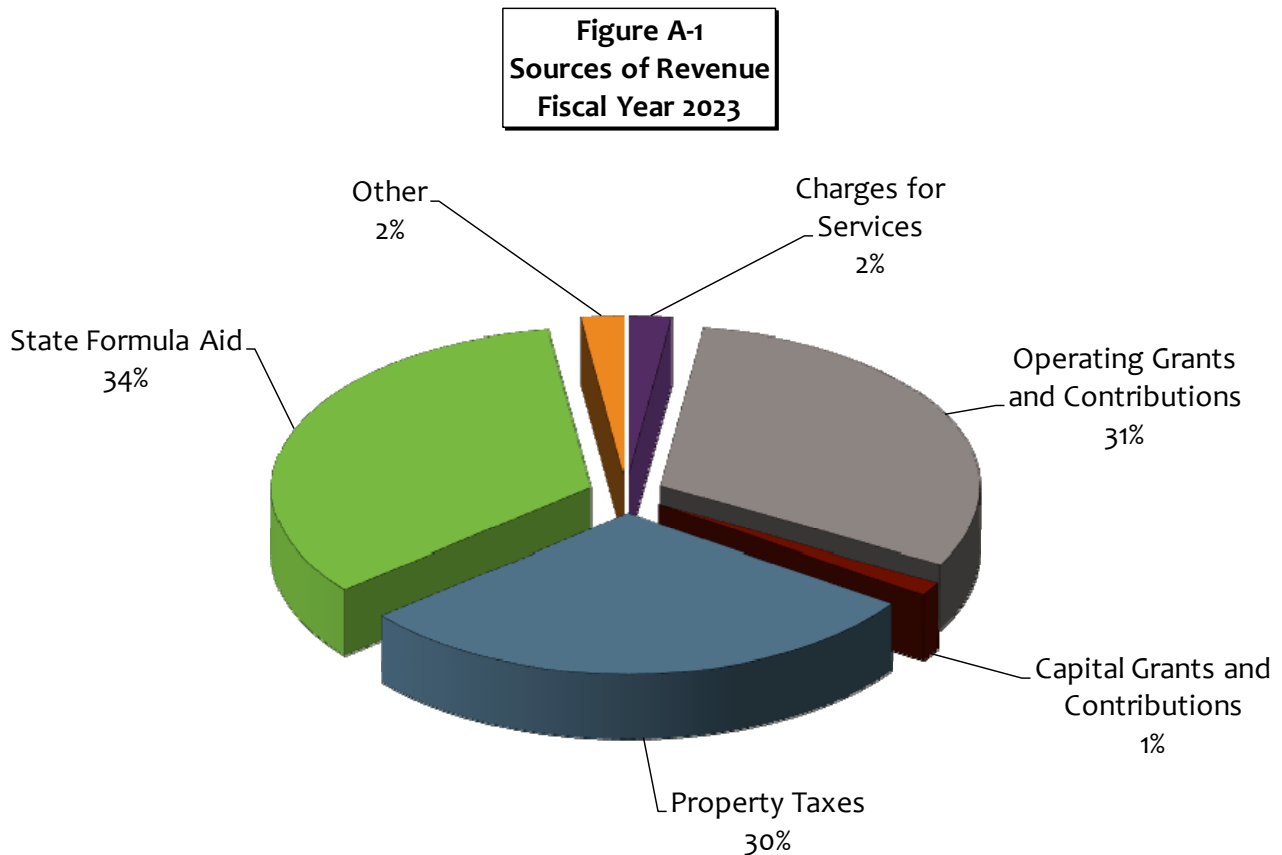
**Minneapolis Public Schools
Special School District No. 1
Management's Discussion & Analysis**

Financial Analysis of the District, Government-Wide (Continued)

Total expenses for all programs and services were \$538.3M in fiscal year 2023. District expenses were primarily related to the education and care of students. (58%). The district's Community Service and Nutrition programs accounted for 9.7% of expenses while facility maintenance totaled 18% and fiscal/other expenses totaled 5%. Community Education and Services accounted for 5% of expenses. District and School Administration and District Support Services accounted for 9% of total expenses during fiscal 2023.

The cost of all *governmental* activities this year was \$538M.

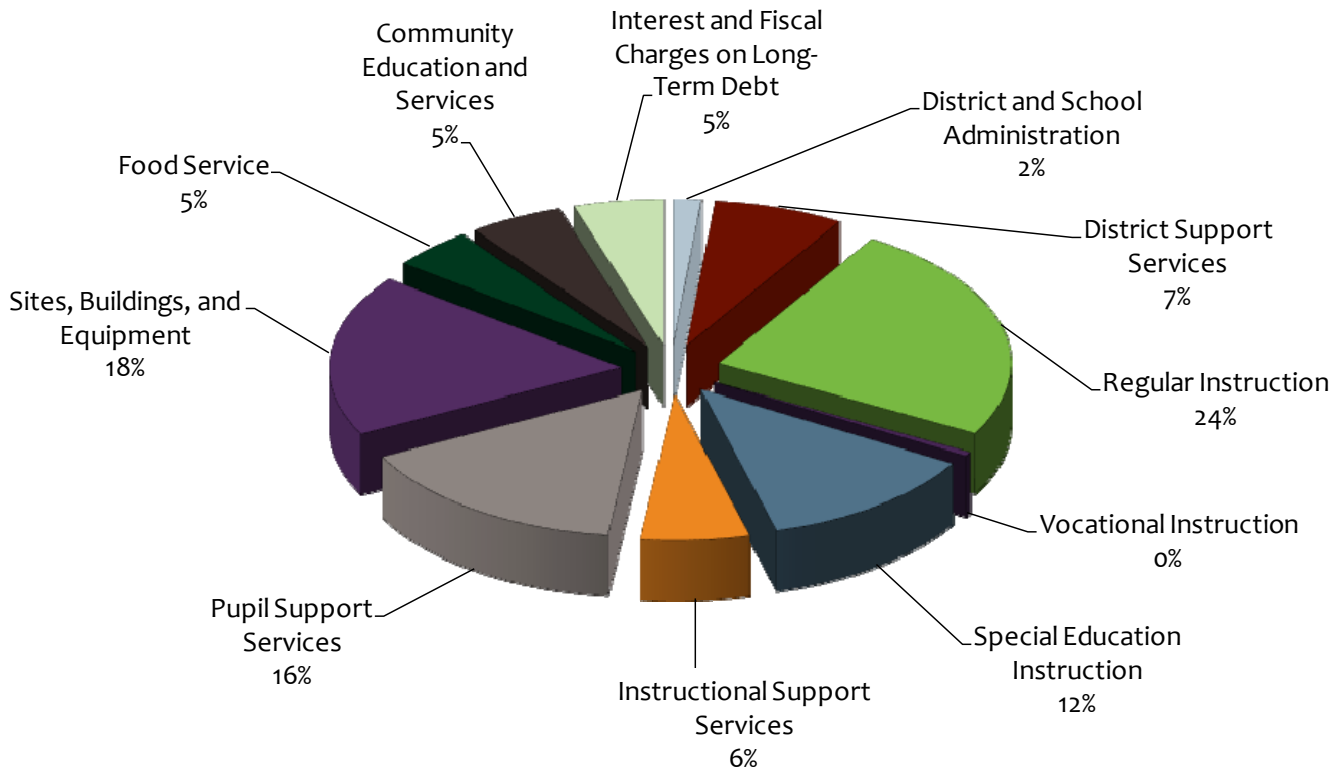
- \$17.4M of these costs were paid by the users of the district's programs.
- \$248M were paid using federal and state subsidies in the form of grants and contributions.
- Most of the district's costs were paid using local property taxes (\$237M) and unrestricted state aid (\$272M).



**Minneapolis Public Schools
Special School District No. 1
Management's Discussion & Analysis**

Financial Analysis of the District, Government-Wide (Continued)

**Figure A-2
Expenses
Fiscal Year 20223**



In addition to funds received for general operations of the district, governmental funds also include resources from special revenue funds as well as for fiscal service transactions. The special revenue funds are the Food Service Fund and the Community Education Fund. General operating funding is controlled by the state and the district is prohibited from using excess funds from special funds for fiscal services or to enhance general operations. Since the district cannot divert these funds to other programming, both the Food Service Fund and the Community Education Fund are excluded as a component of the general operation of the district. Restricted governmental fund balances as of June 30, 2023, were \$9.7M for special revenue funds, \$229M for the Capital Projects Fund, and \$43.2M for the debt service fund.

**Minneapolis Public Schools
Special School District No. 1
Management's Discussion & Analysis**

Financial Analysis of the District, Government-Wide (Continued)

**Table A-3
Primary Government Cost and Net Cost of Services**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2023	2022		2023	2022	
Administration	\$ 8,361,982	\$ 14,936,110	-44.0%	\$ 4,936,715	\$ (5,571,763)	-188.6%
District Support Services	38,720,471	48,857,105	-20.7%	(38,062,625)	45,076,342	-184.4%
Elementary and Secondary						
Regular Instruction	130,065,948	251,618,186	-48.3%	(89,845,594)	215,062,878	-141.8%
Vocational Education Instruction	2,618,812	5,013,209	-47.8%	(1,830,322)	4,312,837	-142.4%
Special Education Instruction	66,293,506	103,577,983	-36.0%	16,823,278	23,142,491	-27.3%
Instructional Support Services	32,408,488	40,278,990	-19.5%	(29,516,202)	37,812,606	-178.1%
Pupil Support Services	83,573,060	78,666,331	6.2%	(7,068,779)	1,946,406	-463.2%
Sites and Buildings	96,246,230	69,871,966	37.7%	(84,708,741)	57,461,687	-247.4%
Fiscal and Other Fixed Cost Programs	1,401,602	1,221,175	14.8%	(1,401,602)	1,221,175	-214.8%
Food Service	24,193,934	24,410,001	-0.9%	(6,184,837)	3,244,003	-290.7%
Community Education and Services	27,843,092	27,517,183	1.2%	1,802,920	3,249,675	-44.5%
Interest and Fiscal Charges						
On Long-Term Debt/Depreciation	26,534,105	27,457,019	-3.4%	(26,534,105)	27,457,019	-196.6%
Total	<u>\$ 538,261,230</u>	<u>\$ 693,425,258</u>	<u>-22.4%</u>	<u>\$ (261,589,894)</u>	<u>\$ 414,415,356</u>	<u>-163.1%</u>

Financial Analysis of the District's Funds

The performance of the district is also reflected in its governmental funds. As of June 30, 2023, the district reported a *combined* fund balance of \$425M, a \$16M decrease from the previous year. This decrease is mostly attributable to decreases to the capital project fund as proceeds from prior years were used to complete associated work.

Across all governmental funds the district reported total expenditures of \$894M and total revenue of \$797M. Absent other financing sources governmental fund balances would have decreased by \$97.5M. However, the district did receive an additional \$81.1M in financing from other sources such as bonds issuance, insurance recovery, and lease issuance related to GASB-87 (lease accounting standards). With these other financing sources, the district saw a decrease of \$16M.

**Minneapolis Public Schools
Special School District No. 1
Management's Discussion & Analysis**

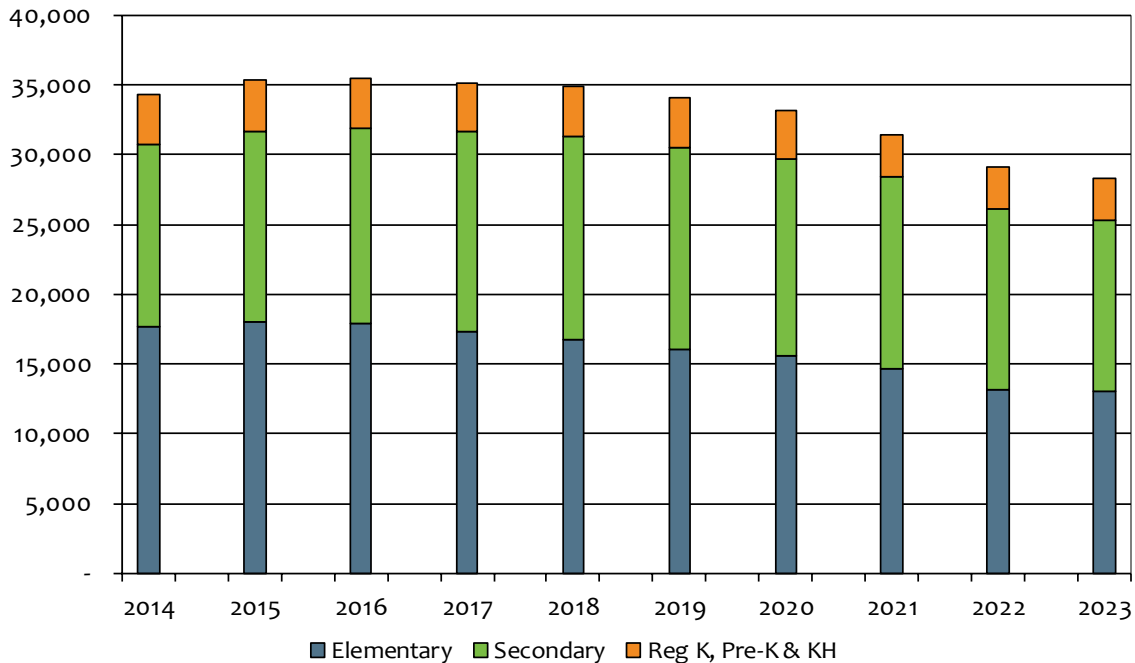
Enrollment

District enrollment is the most critical factor that impacts revenue. In Minnesota enrollment is measured using 'average daily membership' (ADM), which approximates to the average number of students enrolled in the district on any given day. Over the last ten years the district experienced peak membership in the 2015-2016 school year at 35,472, and membership has declined every year since. In fiscal year 2023 enrollment changed by -2.71%.

**Table A-4
Student Enrollment (Average Daily Membership)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Reg K, Pre-K & KH	3,582	3,682	3,587	3,516	3,556	3,508	3,540	3,010	2,980	2969
Elementary	17,643	17,964	17,866	17,319	16,768	16,098	15,598	14,658	13,174	13048
Secondary	13,086	13,740	14,019	14,311	14,517	14,444	14,064	13,726	12,923	12274
Total students for aid	<u>34,311</u>	<u>35,386</u>	<u>35,472</u>	<u>35,146</u>	<u>34,841</u>	<u>34,050</u>	<u>33,202</u>	<u>31,394</u>	<u>29,077</u>	<u>28,290</u>
Percentage change		3.13%	0.24%	-0.92%	-0.87%	-2.27%	-2.49%	-5.45%	-7.38%	-2.71%

**Figure A-3
Student Enrollment
(Average Daily Membership)**



It is the district's belief that these enrollment declines, especially since the 2019-2020 school year, have primarily been driven by families with young children choosing to locate outside the City of Minneapolis.

**Minneapolis Public Schools
Special School District No. 1
Management's Discussion & Analysis**

General Fund

The General Fund is inclusive of the primary operations of the district, including the provision of educational services to students in kindergarten through twelfth grade, as well as the provision of special education services serving students from birth to the age of twenty-one. The General Fund also includes pupil transportation and capital outlay projects. Table A-5 presents a summary of General Fund revenue.

**Table A-5
General Fund Revenues**

	Year Ended June 30,		Increase (Decrease)	Percentage Change
	2023	2022		
Local sources				
Property taxes	\$ 141,332,958	\$ 140,964,153	\$ 368,805	0.26%
Earnings on investments	3,290,070	(691,454)	3,981,524	-575.82%
Other	11,154,071	10,560,122	593,949	5.62%
State sources	354,667,173	371,678,222	(17,011,049)	-4.58%
Federal sources	119,072,623	120,482,318	(1,409,695)	-1.17%
Sales and other conversion of assets	164,281	215,905	(51,624)	-23.91%
Total	\$ 629,681,176	\$ 643,209,266	\$ (13,528,090)	-2.10%

In fiscal year 2023 General Fund revenue decreased by \$13.5M, or -2.1%, from the previous year. This decrease was caused by a decline in enrollment which reduced the amount of state aid the district was able to collect. While property taxes remained essentially flat, the district's other largest source of revenue, state aid, decreased by over \$17M.

There are three primary categories of revenue received by the General Fund:

1. State Education Appropriations
 - a. General Education Aid – This is the largest share of state aid and is intended to provide the basic financial support the district's educational programming. It is driven by enrollment.
 - b. Categorical Aids – Categorical revenue formulas are used to meet costs of specific programs (e.g., special education) or promote certain types of programs (e.g., career and technical aid.)
2. Property taxes and state paid levy credits – districts have the power to tax, or *levy*, property as a means of financing schools. The largest share of the district's levy revenue result from voter approved referendums. Levy proceeds from the district's operating referendum are based on membership and increase and decline along with membership. Additionally, property tax credits reduce the amount of property taxes paid. To make up for this reduction the state pays the difference between what was levied on property and what is received in property taxes.

**Minneapolis Public Schools
Special School District No. 1
Management's Discussion & Analysis**

General Fund (Continued)

3. Federal Sources – traditionally, most federal revenue is received through grants authorized under the 1965 Elementary and Secondary Education act, as reauthorized through Every Student Succeeds Act (ESSA) in December 2015, which replaced the No Child Left Behind Act (NCLB). It is one of the United States government's largest assistance programs for schools. However, since 2021 the district has received significant funding from the federal government in the form of COVID-19 pandemic assistance funds.

**Table A-6
General Fund Expenditures**

	Year Ended June 30,		Increase (Decrease)	Percentage Change
	2023	2022		
Salaries	\$ 362,701,617	\$ 376,117,637	\$ (13,416,020)	-3.57%
Employee benefits	125,644,212	126,626,065	(981,853)	-0.78%
Purchased services	102,050,191	77,562,365	24,487,826	31.57%
Supplies and materials	23,003,703	29,637,623	(6,633,920)	-22.38%
Capital expenditures	23,174,177	26,481,313	(3,307,136)	-12.49%
Other expenditures	4,325,078	11,667,849	(7,342,771)	-62.93%
Total	\$ 640,898,978	\$ 648,092,852	\$ (7,193,874)	-1.11%

For the year ended June 30, 2023, General Fund expenditures decreased by \$7.2, or -1.1%, from the prior year. Salaries and Benefits decreased by \$14.4M, or -2.9%, from the prior year. The largest factor driving the decrease in Salaries & Benefits was vacant positions.

**Minneapolis Public Schools
Special School District No. 1
Management's Discussion & Analysis**

General Fund Budget

Annual budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America for the General, Food Service, Community Service, Debt Service, and Capital Projects funds. All annual unencumbered appropriations lapse at the end of the fiscal year.

To comply with the state statute that established the district, the district's Board of Education must adopt a budget for these funds by June 15 of the preceding fiscal year. Over the course of the fiscal year the Board adopts amendments to the respective fund budgets on an as-needed basis. There were two amendments to the budget in fiscal year 2023. In November 2022, the Board approved a resolution to amend the budget to adjust revenue downwards based on anticipated ADM and increase the expenditure budget upwards to address safety and security issues, allow construction to continue at the North CTE Center, and provide food service to a small specialty high school located in leased space. In December 2022, the Board approved a resolution increasing the expenditure budget for transportation by \$16.5M and authorizing a transfer from the General Fund to the Food Service Fund. Both resolutions were approved unanimously.

For the year ended June 30, 2023, General Fund revenue of \$629.7M underperformed the budget of \$642.1M due to lower than anticipated utilization of federal COVID-19 relief funding. General Fund expenditures of \$640.9M were favorable to a budget of \$668.9M, or \$28M, due to a combination of factors: lower than anticipated utilization of COVID-19 relief funds, transfers to the Food Service fund that had initially been budgeted as expenditures, and a large number of vacant teaching and support positions caused by a state-wide teacher shortage on top of record low unemployment in the local labor market.

Capital Project – Building Construction Fund

The net change in fund balance for the Capital Projects fund of (\$20.4M) was favorable by \$45.4M to the budget of (\$65.8M). \$10.8M of this resulted from unbudgeted earnings on investments. This was offset by (\$10.9M) related to bond issuance and capital leases. Expenditures of \$96.5M were favorable to the budget of \$142.0M, a difference of \$56.3M, resulting from less than anticipated expenditures in the district's capital building program.

Debt Service Fund

The Debt Service Fund had expenditures exceeding revenue of approximately \$3.2M and ended the year with a fund balance of \$43.2M.

**Minneapolis Public Schools
Special School District No. 1
Management's Discussion & Analysis**

Other Non-Major Funds

Expenditures exceeded revenue by \$5.9M in the Food Service Fund, however fund balance increased by \$2M because of a transfer from the General Fund. The \$5.9M operating deficit exceeded an expected \$1.7M operating deficit by \$4.2M. Higher than expected losses in the Food Service Fund were driven by a mix of lower revenue and higher costs for contract services.

Community Service Fund revenue exceeded expenditures by \$2.5M, a \$3.7M favorable variance when compared to budget. This variance was driven by significant savings related to vacancies and contracted services in the district's Early Childhood programming as well as its Minneapolis Kids school age care program.

Capital Asset and Debt Administration

Capital Assets

Total district investment in capital assets, net of accumulated depreciation and amortization, increased \$44.3M to \$863.7M in fiscal year 2023 (see Table A-7). Capital assets include, but are not limited to, school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. Additional detail about capital assets can be found in the notes to the financial statements. Depreciation and amortization expense for fiscal year 2023 was \$46.5M.

**Table A-7
Capital Assets (Net of Depreciation/Amortization)**

	2023	2022	Percentage Change
Land and construction in progress	\$ 124,390,016	\$ 88,348,190	40.80%
Other capital assets	727,613,585	729,380,317	-0.24%
Lease assets	11,713,085	1,724,686	579.14%
Total	<u>\$ 863,716,686</u>	<u>\$ 819,453,193</u>	<u>5.40%</u>

Long Term Debt

As of June 30, 2023, the district had outstanding \$1.7B of long-term liabilities, a 23.5% increase over the prior year. These obligations are shown in Table A-8. For more information about the district's long-term liabilities see the notes to the financial statements.

**Minneapolis Public Schools
Special School District No. 1
Management's Discussion & Analysis**

Capital Asset and Debt Administration (Continued)

Long Term Debt (Continued)

As of June 30, 2023, the district had outstanding \$1.7B of long-term liabilities, a 23.5% increase over the prior year. These obligations are shown in Table A-8. For more information about the district's long-term liabilities see the notes to the financial statements.

**Table A-8
Outstanding Long-Term Liabilities**

	2023	2022	Percentage Change
General obligation bonds	\$ 585,995,000	\$ 573,655,000	2.15%
Bond premium	99,831,500	106,861,987	-6.58%
Certificates of participation payable	164,755,000	188,455,000	-12.58%
Notes from direct borrowing	15,029,262	15,129,168	-0.66%
Lease liability	10,315,441	1,778,071	480.15%
Self insurance reserves and compensated absences	48,427,453	48,070,595	0.74%
Net OPEB liability	39,591,047	36,179,541	9.43%
Net pension liability	729,971,243	401,024,785	82.03%
Total	<u>\$ 1,693,915,946</u>	<u>\$ 1,371,154,147</u>	<u>23.54%</u>

Factors Bearing on the District's Future

Basic state aid for general education is the single largest support of revenue for the district. The per-pupil formula increased by 4% in FY24 and will increase by another 2% in FY25. As enrollment continues to decline the total amount of per-pupil revenue will be reduced, especially if enrollment is declining faster than the formula is increasing. The district also has several collective bargaining agreements that expired on June 30, 2023, and are now in active negotiations including the Minneapolis Federation of Teachers Local 59, the Minneapolis Federation of Teachers, ESP Chapter, the Minneapolis Federation of Teachers, Adult Basic Education Chapter, and the Minneapolis Principal's Forum. While the district's unfunded obligations in special education and English Language Learner instruction are being reduced due to recent legislation, these obligations are still substantial. Additionally, new legislation has added additional unfunded obligations in the form of unemployment costs for hourly workers for the period between academic years as well as mandatory adoption of a science-based reading curriculum.

**Minneapolis Public Schools
Special School District No. 1
Management's Discussion & Analysis**

Request for Information

This financial report is designed to provide a comprehensible overview of the district's finances for a general audience including taxpayers, parents, students, investors, employees, creditors, and residents of the City of Minneapolis. This report also demonstrates district accountability for the funding it receives. Additional details can be requested by mail by writing to:

Minneapolis Public Schools
ATTN: Finance Department
1250 West Broadway Ave
Minneapolis, MN 55411

Or visit our website at:
<http://www.mpschools.org>

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BASIC FINANCIAL STATEMENTS

**Minneapolis Public Schools
Special School District No. 1
Statement of Net Position
June 30, 2023**

	Governmental Activities
Assets	
Cash and investments	\$ 523,948,136
Cash and investments held by trustee	33,237,533
Receivables	
Property taxes	126,168,890
Other governments	92,341,025
Accounts receivable	5,046,686
Lease receivable	73,487
Prepaid items	7,500,135
Inventory	2,141,901
Capital assets	
Land and construction in progress	124,390,016
Other capital asset, net of depreciation	727,613,585
Lease assets, net of amortization	11,713,085
Total assets	1,654,174,479
Deferred Outflows of Resources	
Deferred outflows related to OPEB	2,981,107
Deferred outflows related to pensions	207,917,617
Total deferred outflows of resources	210,898,724
 Total assets and deferred outflows of resources	 \$ 1,865,073,203
Liabilities	
Salaries and compensated absences payable	\$ 35,274,979
Accounts and contracts payable	20,131,725
Accrued interest	14,826,170
Due to other governmental units	3,595
Unearned revenue	1,258,471
Long-term liabilities	
Portion due within one year	83,482,134
Portion due in more than one year	1,610,433,812
Total liabilities	1,765,410,886
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	219,559,892
Deferred charge on refunding	11,283,042
Deferred inflows related to leases	67,756
Deferred inflows related to OPEB	32,738,437
Deferred inflows related to pensions	201,470,822
Total deferred inflows of resources	465,119,949
Net Position	
Net investment in capital assets	205,481,189
Restricted for	
General Fund state-mandated reserves	22,386,757
Food service	1,970,767
Community service	7,657,995
Debt service	28,885,264
Unrestricted	(631,839,604)
Total net position	(365,457,632)
 Total liabilities, deferred inflows of resources, and net position	 \$ 1,865,073,203

See notes to basic financial statements.

**Minneapolis Public Schools
Special School District No. 1
Statement of Activities
Year Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Administration	\$ 8,361,982	\$ 1,466,137	\$ 11,832,560	\$ -	\$ 4,936,715
District support services	38,720,471	-	657,846	-	(38,062,625)
Elementary and secondary regular instruction	130,065,948	899,866	39,320,488	-	(89,845,594)
Vocational education instruction	2,618,812	-	788,490	-	(1,830,322)
Special education instruction	66,293,506	3,248,873	79,867,911	-	16,823,278
Instructional support services	32,408,488	10,821	2,881,465	-	(29,516,202)
Pupil support services	83,573,060	542,388	75,961,893	-	(7,068,779)
Sites and buildings	96,246,230	9,467	528,022	11,000,000	(84,708,741)
Fiscal and other fixed cost programs	1,401,602	-	-	-	(1,401,602)
Food service	24,193,934	1,795,016	16,214,081	-	(6,184,837)
Community education and services	27,843,092	9,404,450	20,241,562	-	1,802,920
Interest and fiscal charges on long-term debt	26,534,105	-	-	-	(26,534,105)
Total governmental activities	\$ 538,261,230	\$ 17,377,018	\$ 248,294,318	\$ 11,000,000	(261,589,894)
General revenues					
Taxes					
Property taxes, levied for general purposes					141,257,137
Property taxes, levied for community service					5,494,669
Property taxes, levied for debt service					90,306,485
State aid not restricted to specific purposes					271,576,778
Earnings on investments					17,243,642
Gain on sale of capital assets					32,105
Total general revenues					<u>525,910,816</u>
Change in net position					264,320,922
Net position - beginning					<u>(631,939,127)</u>
Change in accounting principle (see note 12)					<u>2,160,573</u>
Net position - beginning, as restated					<u>(629,778,554)</u>
Net position - ending					<u>\$ (365,457,632)</u>

**Minneapolis Public Schools
Special School District No. 1
Balance Sheet - Governmental Funds
June 30, 2023**

	Major Funds			Other Nonmajor Funds	Total Governmental Funds
	General	Capital Project- Building Construction	Debt Service		
Assets					
Cash and investments	\$ 139,336,994	\$ 237,460,374	\$ 54,601,825	\$ 7,011,091	\$ 438,410,284
Cash and investments held by trustee	-	-	32,570,391	-	32,570,391
Receivables					
Current property taxes receivable	74,625,878	-	47,405,786	2,807,193	124,838,857
Delinquent property taxes receivable	791,906	-	506,320	31,807	1,330,033
Due from other Minnesota school districts	44	-	-	165	209
Due from Minnesota Department of Education	35,407,118	-	1,128,406	1,219,688	37,755,212
Due from Federal Government					
through Minnesota Department of Education	48,077,729	-	-	1,189,544	49,267,273
Due from Federal Government received directly	2,290,829	-	-	379,900	2,670,729
Due from other governmental units	2,452,475	-	-	195,127	2,647,602
Accounts receivable	2,021,891	-	-	2,134,377	4,156,268
Lease receivable	73,487	-	-	-	73,487
Due from other funds	508,265	-	-	-	508,265
Prepaid items	5,786,787	942,362	-	-	6,729,149
Inventory	171,134	-	-	1,970,767	2,141,901
Total assets	<u>\$ 311,544,537</u>	<u>\$ 238,402,736</u>	<u>\$ 136,212,728</u>	<u>\$ 16,939,659</u>	<u>\$ 703,099,660</u>
Liabilities					
Salaries and compensated absences payable	\$ 29,344,789	\$ -	\$ -	\$ 1,940	\$ 29,346,729
Payroll deductions and employer contributions payable	5,928,250	-	-	-	5,928,250
Accounts and contracts payable	9,988,663	9,428,988	4,000	613,750	20,035,401
Due to other governmental units	-	-	-	3,595	3,595
Due to other funds	-	-	-	508,265	508,265
Unearned revenue	549,728	-	-	708,743	1,258,471
Total liabilities	<u>45,811,430</u>	<u>9,428,988</u>	<u>4,000</u>	<u>1,836,293</u>	<u>57,080,711</u>
Deferred Inflows of Resources					
Property taxes levied for subsequent year's expenditures	121,587,994	-	92,497,294	5,474,604	219,559,892
Deferred inflows of resources related to leases	67,756	-	-	-	67,756
Unavailable revenue - delinquent property taxes	791,906	-	506,320	31,807	1,330,033
Total deferred inflows of resources	<u>122,447,656</u>	<u>-</u>	<u>93,003,614</u>	<u>5,506,411</u>	<u>220,957,681</u>
Fund Balances					
Nonspendable					
Prepaid items	5,786,787	942,362	-	-	6,729,149
Inventory	171,134	-	-	1,970,767	2,141,901
Restricted for					
Student activities	543,356	-	-	-	543,356
Graduation standards - gifted and talented	439,264	-	-	-	439,264
Operating capital	12,572,197	-	-	-	12,572,197
Long-term facilities maintenance	-	102,581,660	-	-	102,581,660
Contract alternative schools	966,181	-	-	-	966,181
Basic skills extended time	7,631,978	-	-	-	7,631,978
Community education programs	-	-	-	1,814,399	1,814,399
Early childhood and family educations programs	-	-	-	664,466	664,466
School readiness	-	-	-	1,241,654	1,241,654
Adult basic education	-	-	-	1,364,412	1,364,412
QSCB/QZAB	-	-	29,259,472	-	29,259,472
Building construction	-	125,449,726	-	-	125,449,726
Other purposes	233,781	-	13,945,642	2,541,257	16,720,680
Assigned	54,915,232	-	-	-	54,915,232
Unassigned	60,025,541	-	-	-	60,025,541
Total fund balances	<u>143,285,451</u>	<u>228,973,748</u>	<u>43,205,114</u>	<u>9,596,955</u>	<u>425,061,268</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 311,544,537</u>	<u>\$ 238,402,736</u>	<u>\$ 136,212,728</u>	<u>\$ 16,939,659</u>	<u>\$ 703,099,660</u>

See notes to basic financial statements.

**Minneapolis Public Schools
Special School District No. 1
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position
June 30, 2023**

Total fund balances - governmental funds \$ 425,061,268

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.

Land	35,446,301
Construction in progress	88,943,715
Buildings and improvements, net of accumulated depreciation	704,795,366
Equipment, net of accumulated depreciation	22,818,219
Lease building, net of accumulated amortization	9,840,330
Lease equipment, net of accumulated amortization	237,588
Leased building improvement, net of accumulated amortization	112,319
Subscription assets, net of accumulated amortization	1,522,848

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bond principal payable	(585,995,000)
Unamortized bond premiums and discounts	(99,831,500)
Notes from direct borrowing - finance purchase agreement	(15,029,262)
Lease liability	(10,315,441)
Certificate of participation payable	(164,755,000)
Net other post employment benefit liability	(39,591,047)
Net pension liability	(729,971,243)

Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions, OPEB, and debt that are not recognized in the governmental funds.

Deferred outflows related to pensions	207,917,617
Deferred inflows related to pensions	(201,470,822)
Deferred outflows related to OPEB	2,981,107
Deferred inflows related to OPEB	(32,738,437)
Deferred charge on refunding	(11,283,042)

Governmental funds do not report a liability for accrued interest on bonds and certificates of participation until due and payable.

(14,826,170)

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

1,330,033

Internal service funds are used by management to charge the cost of workers compensation and general liability insurance to individual funds, as well as severance benefits. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.

Internal service fund net position	39,342,621
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Total net position - governmental activities

\$ (365,457,632)

**Minneapolis Public Schools
Special School District No. 1
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2023**

	Major Funds				Total Governmental Funds
	General	Capital Project- Building Construction	Debt Service	Other Nonmajor Funds	
Revenues					
Local sources					
Property taxes	\$ 141,332,958	\$ -	\$ 90,341,021	\$ 5,498,248	\$ 237,172,227
Earnings on investments	3,290,070	10,799,107	876,966	432,392	15,398,535
Other	11,154,071	-	-	10,254,328	21,408,399
Revenue from state sources	354,667,173	-	11,272,553	14,026,273	379,965,999
Revenue from federal sources	119,072,623	-	148,856	21,609,270	140,830,749
Sales and other conversion of assets	164,281	-	-	1,795,069	1,959,350
Total revenues	<u>629,681,176</u>	<u>10,799,107</u>	<u>102,639,396</u>	<u>53,615,580</u>	<u>796,735,259</u>
Expenditures					
Current					
Administration	18,487,733	-	-	-	18,487,733
District support services	32,112,101	-	-	-	32,112,101
Elementary and secondary regular instruction	255,920,748	-	-	-	255,920,748
Vocational education instruction	5,482,394	-	-	-	5,482,394
Special education instruction	118,665,141	-	-	-	118,665,141
Instructional support services	46,287,017	-	-	-	46,287,017
Pupil support services	95,377,944	-	-	-	95,377,944
Sites and buildings	43,860,343	37,893,333	-	-	81,753,676
Fiscal and other fixed cost programs	1,397,702	-	3,900	-	1,401,602
Food service	-	-	-	23,676,472	23,676,472
Community education and services	133,680	-	-	33,121,895	33,255,575
Capital outlay					
District support services	15,980,746	-	-	-	15,980,746
Elementary and secondary regular instruction	242,319	-	-	-	242,319
Vocational education instruction	22,775	-	-	-	22,775
Special education instruction	6,828	-	-	-	6,828
Instructional support services	335,144	-	-	-	335,144
Sites and buildings	133,199	56,479,954	-	-	56,613,153
Food service	-	-	-	228,316	228,316
Debt service					
Principal	5,757,183	1,931,958	64,825,000	26,360	72,540,501
Interest and fiscal charges	695,981	526,496	34,616,348	4,409	35,843,234
Total expenditures	<u>640,898,978</u>	<u>96,831,741</u>	<u>99,445,248</u>	<u>57,057,452</u>	<u>894,233,419</u>
Excess of revenues over (under) expenditures	(11,217,802)	(86,032,634)	3,194,148	(3,441,872)	(97,498,160)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	32,105	-	-	-	32,105
Insurance recovery	86,338	814,122	-	-	900,460
Bond issuance	-	58,750,000	65,545,000	-	124,295,000
Bond premium	-	5,730,268	5,098,931	-	10,829,199
Lease issuance	8,928,669	-	-	-	8,928,669
Notes from direct borrowing issuance	6,983,121	-	-	-	6,983,121
Payment to refunded bond escrow agent	-	-	(70,830,000)	-	(70,830,000)
Transfers in	-	-	-	6,481,205	6,481,205
Transfers out	(6,481,205)	-	-	-	(6,481,205)
Total other financing sources (uses)	<u>9,549,028</u>	<u>65,294,390</u>	<u>(186,069)</u>	<u>6,481,205</u>	<u>81,138,554</u>
Net change in fund balances	(1,668,774)	(20,738,244)	3,008,079	3,039,333	(16,359,606)
Fund Balances					
Beginning of year	<u>144,954,225</u>	<u>249,711,992</u>	<u>40,197,035</u>	<u>6,557,622</u>	<u>441,420,874</u>
End of year	<u>\$ 143,285,451</u>	<u>\$ 228,973,748</u>	<u>\$ 43,205,114</u>	<u>\$ 9,596,955</u>	<u>\$ 425,061,268</u>

See notes to basic financial statements.

**Minneapolis Public Schools
Special School District No. 1
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2023**

Net change in fund balances - total governmental funds \$ (16,359,606)

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlay	88,324,216
Depreciation/amortization expense	(46,462,472)

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities and repayment of principal reduces the liability. Also, governmental funds report the effect of discounts and premium when debt is first issued, whereas these amounts are deferred and 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:

General obligation bond and certificates of participation proceeds	(96,695,000)
Long-term facility maintenance proceeds	(27,600,000)
Notes from direct borrowing proceeds	(6,983,121)
Lease proceeds	(8,928,669)
Bond premium	(10,829,199)
Repayment of certificates of participation payable	18,415,000
Finance purchase agreements principal payments	7,083,027
Lease principal payments	632,474
Repayment of bond principal	46,410,000
Refunding payment to bond escrow agent	70,830,000
Change in accrued interest expense	(529,842)
Amortization of bond premiums and discounts	17,859,685
Amortization of deferred charge on refunding	(8,020,714)

Internal service funds are used by the District to charge the costs of employee health and dental benefits to individual funds. The net revenue (loss) of the internal service funds is reported with governmental activities. 2,711,647

Net other post employment benefit liabilities are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. (217,904)

Governmental funds recognize pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective. Pension expense 234,795,336

Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. (113,936)

Change in net position - governmental activities \$ 264,320,922

**Minneapolis Public Schools
Special School District No. 1
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local sources				
Local property taxes	\$ 132,447,683	\$ 132,447,683	\$ 141,332,958	\$ 8,885,275
Earnings on investments	2,000,000	2,000,593	3,290,070	1,289,477
Other local and county revenues	615,220	531,240	11,154,071	10,622,831
Revenue from state sources	356,113,391	349,767,068	354,667,173	4,900,105
Revenue from federal sources	133,200,000	157,134,097	119,072,623	(38,061,474)
Sales and other conversion of assets	-	214,600	164,281	(50,319)
Total revenues	<u>624,376,294</u>	<u>642,095,281</u>	<u>629,681,176</u>	<u>(12,414,105)</u>
Expenditures				
Current				
Administration	31,759,684	5,418,084	18,487,733	13,069,649
District support services	41,027,710	41,292,411	32,112,101	(9,180,310)
Elementary and secondary regular instruction	267,214,941	275,828,297	255,920,748	(19,907,549)
Vocational education instruction	5,331,978	6,030,592	5,482,394	(548,198)
Special education instruction	129,909,702	140,101,756	118,665,141	(21,436,615)
Instructional support services	41,401,130	46,565,233	46,287,017	(278,216)
Pupil support services	84,525,035	110,817,262	95,377,944	(15,439,318)
Sites and buildings	40,003,457	40,304,715	43,860,343	3,555,628
Fiscal and other fixed cost programs	1,395,000	1,395,000	1,397,702	2,702
Community education and services	135,116	135,116	133,680	(1,436)
Capital outlay				
District support services	-	-	15,980,746	15,980,746
Elementary and secondary regular instruction	1,000	208,110	242,319	34,209
Vocational education instruction	-	15,000	22,775	7,775
Special education instruction	-	135,120	6,828	(128,292)
Instructional support services	6,316	318,076	335,144	17,068
Pupil support services	-	25,898	-	(25,898)
Sites and buildings	48,079	272,478	133,199	(139,279)
Debt service				
Principal	-	-	5,757,183	5,757,183
Interest and fiscal charges	-	-	695,981	695,981
Total expenditures	<u>642,759,148</u>	<u>668,863,148</u>	<u>640,898,978</u>	<u>(27,964,170)</u>
Excess of revenues over (under) expenditures	<u>\$ (18,382,854)</u>	<u>\$ (26,767,867)</u>	<u>(11,217,802)</u>	<u>\$ 15,550,065</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	32,105	32,105
Insurance recovery	-	-	86,338	86,338
Lease issuance	-	-	8,928,669	8,928,669
Notes from direct borrowing issuance	-	-	6,983,121	6,983,121
Transfers out	-	-	(6,481,205)	(6,481,205)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>9,549,028</u>	<u>9,549,028</u>
Net change in fund balance	<u>\$ (18,382,854)</u>	<u>\$ (26,767,867)</u>	<u>(1,668,774)</u>	<u>\$ 25,099,093</u>
Fund Balance				
Beginning of year			<u>144,954,225</u>	
End of year			<u>\$ 143,285,451</u>	

See notes to basic financial statements.

**Minneapolis Public Schools
Special District No. 1
Statement of Net Position - Proprietary Fund
Internal Service Fund
June 30, 2023**

Assets

Current assets	
Cash and cash equivalents	\$ 85,537,852
Cash with fiscal agent	667,142
Accounts receivable	890,418
Prepaid items	<u>770,986</u>
Total assets	<u><u>\$ 87,866,398</u></u>

Liabilities

Current liabilities	
Accounts payable	\$ 96,324
Accrued severance	3,211,349
Loss and loss adjustment reserves	
Workers' compensation	2,765,317
Incurred but not reported reserves	
Accrued health insurance benefits	<u>4,474,198</u>
Total current liabilities	<u>10,547,188</u>

Noncurrent liabilities

Loss and loss adjustment reserves	
Workers' compensation	4,147,976
Incurred but not reported reserves	
Workers' compensation	4,147,976
Property/casualty	778,500
Accrued severance	<u>28,902,137</u>
Total noncurrent liabilities	<u>37,976,589</u>

Total liabilities	<u><u>\$ 48,523,777</u></u>
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Net Position

Unrestricted	<u><u>\$ 39,342,621</u></u>
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**Minneapolis Public Schools
Special District No. 1
Statement of Revenues, Expenses, and Change in Fund
Net Position - Proprietary Fund
Internal Service Fund
Year Ended June 30, 2023**

Operating Revenue	
Local sources - charges for services	\$ 66,068,727
Operating Expenses	
Claims administration	4,047,159
Workers compensation and other benefits	7,611,419
Self-insured medical benefits	52,527,313
Severance	1,016,296
Total operating expenses	65,202,187
Operating income	866,540
Nonoperating Revenue	
Earnings on investments	1,845,107
Change in net position	2,711,647
Net Position	
Beginning of year	36,630,974
End of year	\$ 39,342,621

**Minneapolis Public Schools
Special District No. 1
Statement of Cash Flows - Proprietary Fund
Internal Service Fund
June 30, 2023**

Cash Flows - Operating Activities	
Receipts from premiums	\$ 65,793,163
Claims administration	(4,373,821)
Claims and severance benefits paid	(60,895,476)
Net cash flows - operating activities	<u>523,866</u>
 Cash Flows - Investing Activities	
Investment earnings	<u>1,879,743</u>
Net change in cash and cash equivalents	2,403,609
 Cash and Cash Equivalents (Including Cash with Fiscal Agent)	
Beginning of year	<u>83,801,385</u>
End of year	<u><u>\$ 86,204,994</u></u>
 Reconciliation of Operating Loss to Net Cash Flows - Operating Activities	
Operating loss	\$ 866,540
Adjustments to reconcile operating loss to net cash flows - operating activities	
Accounts payable	(326,662)
Prepaid insurance	(97,306)
Accounts receivable	(275,564)
Loss and loss adjustment reserves	2,342,100
Accrued health insurance benefits	(709,021)
Accrued compensated absences	(1,276,221)
Net adjustments	<u>(342,674)</u>
Net cash flows - operating activities	<u><u>\$ 523,866</u></u>

**Minneapolis Public Schools
Special School District No. 1
Statement of Fiduciary Net Position
June 30, 2023**

	Other Post Employment Benefits Irrevocable Trust Fund
Assets	
Current	
Cash and investments	\$ 24,462,720
Net Position Restricted for Postemployment Benefits Other than Pensions	<u>\$ 24,462,720</u>

**Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2023**

	Other Post Employment Benefits Irrevocable Trust Fund
Additions	
Investment income	<u>\$ 1,505,114</u>
Change in net position	1,505,114
Net Position Restricted for Postemployment Benefits Other than Pensions	
Beginning of year	<u>22,957,606</u>
End of year	<u>\$ 24,462,720</u>

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The basic financial statements of Minneapolis Public Schools Special School District No. 1 have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

Minneapolis Public Schools Special School District No. 1 (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 basic 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 basic financial statements are to include all component units – entities for which the District is financially accountable. The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of service performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the District. The District has no component units.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. The School Board does have a fiduciary responsibility in establishing broad policies and ensuring that appropriate financial records are maintained for student activities. However, in accordance with Minnesota State Statutes, the District's School Board has not elected to control or exercise oversight responsibility with respect to the underlying student activities. Accordingly, the student activity accounts are not included in these basic financial statements. As of July 1, 2019, these accounts have been taken under board control and will not be reported separately.

The government-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 fund. The fiduciary fund is only reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position at the fund financial statement level.

As of July 1, 2019, the student activity accounts of the District are under board control and are reported in the General Fund.

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment 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.

The District applies restricted resources first when an expense is incurred for 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 government-wide financial statements.

Separate fund financial statements are provided for the governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type: Other Post Employment Benefits (OPEB) Irrevocable Trust Fund. 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, these funds are excluded from the government-wide statements.

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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 and early retirement incentive costs. Operating expenses for the internal service fund include the cost of services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary 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. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and 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. Compensated absences and claims and judgments are recognized when payment is due.

The District reports unearned revenue on its balance sheet and government-wide Statement of Net Position. Unearned revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to incurring the qualifying expenditures. In subsequent periods when the District has a legal claim to the resources, the unearned revenue is removed, and revenue is recognized.

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds:

The existence of the various District funds has been established by the 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 are as follows:

Major Governmental Funds:

General Fund – This 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.

Capital Projects Fund – This fund is used to account for financial resources used for the acquisition or construction of major capital facilities. The fund was established for building construction activity authorized by specific voter-approved bond issues and for large-scale construction activity authorized by the Board under provisions of state law. Revenues are from property taxes restricted for property maintenance and bond proceeds.

Debt Service Fund – This 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 debt service except for refunding bond issues, for which a separate refunding bond trust account has been established. Revenues included in this fund are state and federal aid and property taxes.

Nonmajor Funds:

Food Service Special Revenue Fund – This fund is used to account for food service revenues and expenditures. Revenues recorded in this fund include charges for meals along with state and federal reimbursement for meals.

Community Service Special Revenue Fund – This 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 included in this fund include property taxes restricted for Community Service purposes and tuition and fees charged for Community Education along with state and federal aid.

Post Employment Benefits Debt Service – This fund is used to account for the accumulation of resources for and payment of MERF bonds used to finance the District's obligation related to this now defunct pension plan.

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds: (Continued)

Proprietary Fund:

Internal Service Fund – This fund accounts for the financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

The District's Internal Service Fund has two main purposes:

1. Self-insurance activities for property, liability, health, and workers' compensation risks.
2. Accumulate and record the liability for accrued compensated absences (severance and vacation).

Fiduciary Fund:

The District has established an OPEB Irrevocable Trust Fund for other post employment benefit payments.

E. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with GAAP. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, Debt Service, and Capital Projects 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 School Board. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end.

The District employs the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of applicable appropriation. All unencumbered appropriations lapse at fiscal year-end. Encumbrances are generally re-appropriated in the ensuing year's budget.

Procedurally, in establishing the budgetary data reflected in these basic financial statements, the Superintendent submits to the School 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 School Board action. Revisions to budgeted amounts must be approved by the School Board.

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

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting (Continued)

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 reserves specified in *Minnesota Statutes*, exceeding a negative 2.5% of operating 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

The District's total deposits and investments are comprised of two major components, each with its own set of legal and contractual provisions as described on the following pages.

1. District Governmental Funds

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

Cash and investment balances from all funds, with the exception of the investments related to the OPEB Irrevocable Trust Fund, 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.

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. In the Debt Service Fund, the refunding bond escrow account held by trustee can be used only to retire refunded bond issues and to pay interest on refunding bond issues until the crossover refunding dates. Interest earned on these investments is allocated directly to the escrow account.

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

Cash and investments at June 30, 2023, were comprised of deposits, negotiable certificates of deposit, shares in the Minnesota School District Liquid Asset Fund (MSDLAF), government securities, FHLB, FHLMC, FNMA, and money market funds.

Minnesota Statutes require all deposits be protected by federal deposit insurance corporate surety bond or collateral. The market value of collateral pledged must equal 100% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Investments (Continued)

1. District Governmental Funds (Continued)

Minnesota Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days.

In accordance with GASB Statement No. 79, the various MSDLAF securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF. Investments in the MSDLAF MAX must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14 day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions. MSDLAF+ Term investments have a maturity of 60 days to one year and early withdrawal may result in substantial early redemption penalties.

2. OPEB Irrevocable Trust Fund

These funds represent investments administered by the District's OPEB Irrevocable Trust Fund investment managers. As of June 30, 2023, they were comprised of mutual funds. The District's investment policy extends to the OPEB Irrevocable Trust Fund investments.

Minnesota Statutes authorize the OPEB Trust Fund to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, corporate bonds, common stock and foreign stock of the highest quality, mutual funds, repurchase and reverse agreements, commercial paper of the highest quality with a maturity no longer than 270 days, and in the State Board of Investments. Investments are stated at fair value.

G. Accounts Receivable

Represents amounts receivable from individuals, firms, and corporations 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.

H. Inventory

Inventory is recorded using the consumption method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on weighted average cost method, along with processing costs, and surplus commodities are stated at standardized cost, as determined by the Department of Agriculture.

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

J. Property Taxes

The District levies its property tax during the month of December. December 28 is the last day the District can certify a tax levy to the County Auditor. Such taxes become a lien on January 1. The property tax is recorded as revenue when it becomes measurable and available. Hennepin County is the collecting agency for the levy and remits the collections to the District three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Delinquent collections for November and December are received the following January.

A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the basic financial statements.

Current property taxes receivable are recorded for taxes certified the previous December and collectible in the current calendar year, which have not been received by the District. Delinquent property taxes receivable represent uncollected taxes for the past six years and are deferred and included in the deferred inflows of resources section of the fund financial statements as unavailable revenue because they are not available to finance the operations of the District in the current year.

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2022, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in the fiscal year 2023. The remaining portion of the levy will be recognized when measurable and available.

K. Lease Receivable

The District is a lessor for noncancellable leases. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the District measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date.

Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term in a systematic and rational manner.

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Lease Receivable (Continued)

Key estimates and judgments include how the District determines (1) the discount rate, (2) lease term, and (3) lease receipts.

The District determines the discount rate for leases based on the applicable State and Local Government Securities (SLGS) rate. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

L. Right-to-Use Lease Assets/Lease Liabilities

The District recorded right-to-use lease assets as a result of implementing GASB Statement No. 87, Leases. The right-to-use lease assets are initially measured at an amount equal to the initial measurement of the lease liability plus any payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

Key estimates and judgments related to leases include (1) the discount rate, (2) lease term, and (3) lease payments.

The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District determines its estimated borrowing rate based on the applicable State and Local Government Securities rate. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a re-measurement of the leases and will remeasure the right-to-use lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liability.

M. Subscription-Based Information Technology Arrangements

The District recorded subscription-based assets as a result of implementing GASB Statement No. 96, Subscription-based information technology agreements. The subscription-based assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any payments made prior to the subscription agreement term, less incentives, and plus ancillary charges necessary to place get the technology into service. The subscription-based assets are amortized on a straight-line basis over the life of the related agreement.

Key estimates and judgments related to leases include (1) the discount rate, (2) lease term, and (3) lease payments.

The District uses the interest rate charged in the agreement as the discount rate. When the interest rate charged by the lessor is not provided, the District determines its estimated borrowing rate based on the applicable State and Local Government Securities rate. The subscription-based agreement's term includes the noncancellable period of the agreement. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option the District is reasonably certain to exercise.

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Subscription-Based Information Technology Arrangements (Continued)

The District monitors changes in circumstances that would require a re-measurement of the subscription-based agreements and will remeasure the subscription-based assets and liabilities if certain changes occur that are expected to significantly affect the amount of the subscription liability.

N. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has two items that qualify for reporting in this category. Deferred outflows of resources related to pensions is recorded in the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years. Deferred outflows of resources related to OPEB is recorded for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the Statement of Financial Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has six types of items which qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. The third item is a deferred charge on refunding and is reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The fourth item is deferred inflows of resources related to pensions and is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years. The fifth item is deferred inflows of resources related to OPEB for various estimate differences related to this liability that will be amortized and recognized in future years. The sixth item is deferred inflows of resources related to lease receivable is reported in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet.

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. 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 records all asset purchases in a capital asset group if the purchase is equal or greater than approximately \$5,000 for all equipment. All vehicles and land are capitalized if greater than \$5,000 and all building and site improvements are capitalized if greater than \$25,000. 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 government-wide financial statement but are not reported in the fund financial statements. Capital assets are depreciated or amortized 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 or amortization purposes. The District's capital assets have estimated useful lives as follows:

<u>Asset</u>	<u>Useful Life</u>
Buildings	50 years
Building improvements	20 years
Equipment	10 years
Vehicles	8 years
Computers	5 years

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

The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

P. Long-Term Obligations

In the government-wide financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. 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.

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Compensated Absences

The District's employee vacation and sick leave policies grant to certain groups of employees, if certain conditions are met (see Note 10), a specific number of days of vacation with pay and payment for unused sick leave upon retirement. On June 30, 1998, the District established an internal service fund to accrue for and fund the liability for vacation earned and not yet taken, vested sick pay, salary-related payments, and retiree health insurance benefits due to certain active and retired employees.

Significant assumptions made in estimating the District's severance liability are as follows: (1) annual salary increases of 3.5% annually, and (2) discount rate of 3.25%.

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 the 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 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.

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

S. 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; natural disasters; and injuries to employees for which the District carries commercial insurance and is self-insured for some risks as indicated in Note 9. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2023.

T. Restricted Assets

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture. Restricted assets in these basic financial statements are labeled "Cash and Investments Held by Trustee".

U. Net Position

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Fund Balance

In the fund financial statements, governmental funds report fund balances in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable Fund Balances – Portions of fund balance related to prepaids, inventory, long-term receivables, and corpus on any permanent fund.

Restricted Fund Balances – These funds are constrained from outside parties (statute, grantors, bond agreements, etc.).

Committed Fund Balances – These funds are established and modified by a resolution approved by the Board of Education.

Assigned Fund Balances – These consist of internally imposed constraints. The Board of Education policy authorized the Superintendent and Superintendent's administration to assign fund balances and their intended uses.

Unassigned Fund Balances – These funds are the residual classification for the general fund and also reflects negative residual amounts in other funds.

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.

The District formally adopted a fund balance policy for the General Fund. The policy establishes a year-end minimum unassigned fund balance of no less than 8% of the estimated General Fund expenditures for the following year.

W. Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

X. Postemployment Benefits Other than Pensions (OPEB) – Trust Fund

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 cost.

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 2 – 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 District's Board.

Custodial Credit Risk – Custodial credit risk for deposits 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 department of a commercial bank or other financial institution not owned or controlled by the depository. As of June 30, 2023, the District's deposits with a bank balance of \$10,489 were not exposed to custodial credit risk because the balances were fully insured by FDIC or secured by pledged collateral or letters of credit.

As of June 30, 2023, the book value of the District's deposits was negative \$1,195,929.

B. Investments

1. Investment Policy

In accordance with the *Minnesota Statutes* Chapter 118A and other applicable law, including regulations, the District's investment policy permits making deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in the State of Minnesota. The District is allowed to invest in U.S. Treasury or Federal Agency obligations, commercial paper rated "A-1" or higher and that matures in 270 days or less at the time of purchase, collateralized certificates of deposit, repurchase agreements backed by government collateral, and bankers' acceptances of the top 40 U.S. banks.

The District's investment policy establishes limitations on the holdings on non-U.S. government obligations. The maximum percentage of the portfolio (book value at the date of acquisition) permitted in each security is as follows:

U.S. Treasury/U.S. Government Agencies	100% Maximum
Domestic Commercial Paper ("A-1"/"P-1")	50% Maximum
Collateralized Investment Agreements	100% Maximum
Eligible Bankers' Acceptances	30% Maximum
Repurchase Agreements	25% Maximum
Collateralized Certificates of Deposit	30% Maximum

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

1. Investment Policy (Continued)

The District's investment policy with regards to its deposits and investments are in accordance with statutory authority.

2. Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No more than \$5,000,000 of the District's portfolio will be invested in the securities of any single commercial paper issuer.

3. Custodial Credit Risk

This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. GASB 40 requires disclosure of all uninsured investment securities purchased by the District or held as collateral on deposits or investments that are not registered in the name of the Minneapolis Public Schools, and held by the counterparty to the investment transactions. The District's investments held by one broker-dealer were insured by SIPC or other supplemental insurance as of June 30, 2023. However, each investment brokerage firm may have a limit to their supplemental insurance and because of the size of the District's portfolio in relation to the brokerage firm's excess SIPC coverage limits, the portion of the supplemental policy applicable to the District's portfolio is unknown.

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

4. Interest Rate Risk

This is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates. The District's investment policy states that investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles, taking into account constraints on risk and other criteria requirements. As of June 30, 2023, the market values, duration, and percent allocation of the District's investments were as listed below.

Investment Type	Fair Value	Weighted Average Maturities (in Years)	Percent Allocation	Credit Rating
Pooled				
MSDLAF+ Liquid Class	\$ 19,985,817	N/A	4.04%	AAAm
MSDLAF+ Max Class	397,372,985	N/A	80.31%	AAAm
Federal Home Loan Bank (FHLB)	12,465,062	1.14	2.52%	AA+
Federal Farm Credit Bank (FFCB)	1,283,910	1.39	0.26%	AA+
U.S. Treasury Securities	33,329,282	0.92	6.74%	AA+
Freddie Mac	2,549,483	1.52	0.52%	AA+
Mortgage Backed Securities	7,775,565	1.39	1.57%	AA+
Commercial Paper Pool	12,404,728	N/A	2.51%	N/A
Commercial Paper	7,586,189	0.49	1.53%	A-1
Total pooled investments	<u>494,753,021</u>		<u>100.00%</u>	
Non-pooled				
Cash with fiscal agent				
Cash held by trustee	769,847	N/A	2.32%	N/A
U.S. Treasury Securities	32,467,683	2.38	97.68%	N/A
Total cash with fiscal agent	<u>33,237,530</u>		<u>100.00%</u>	
Health insurance				
Cash/money market	30,391,047	NA	100.00%	N/A
Total Health Insurance Trust	<u>30,391,047</u>		<u>100.00%</u>	
OPEB Trust Fund				
Mutual Funds	24,332,351	N/A	99.47%	N/A
Cash/Money Market Funds	130,369	N/A	0.53%	N/A
Total OPEB Trust Fund	<u>24,462,720</u>		<u>100.00%</u>	
Total non-pooled investments	<u>88,091,297</u>			
Total investments	<u>\$ 582,844,318</u>			

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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

- Pooled investments of \$33,329,282 are valued using Level 1 inputs
- Pooled investments of \$44,064,937 are valued using Level 2 inputs
- Nonpooled OPEB investments of \$24,332,351 are valued using a matrix pricing model (Level 2 inputs)

C. Deposits and Investments

The following is a summary of total deposits and investments:

Deposits (Note 2.A.)	\$ (1,195,929)
Investments - pooled (Note 2.B.)	494,753,021
Investments - non-pooled (Note 2.B.)	<u>88,091,297</u>
Total deposits and investments	<u><u>\$ 581,648,389</u></u>

Deposits and investments are presented in the June 30, 2023, basic financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 523,948,136
Cash and investments held by trustee	33,237,533
Statement of Fiduciary Net Position	
Cash and investments	<u>24,462,720</u>
Total deposits and investments	<u><u>\$ 581,648,389</u></u>

NOTE 3 – INTERFUND ACTIVITY

A. Due To/Due From Other Funds

As of June 30, 2023, the following amounts were due to/due from other funds:

	Due from Other Fund	Due to Other Fund
General Fund	\$ 508,265	\$ -
Food Service Fund	<u>-</u>	<u>508,265</u>
Total	<u><u>\$ 508,265</u></u>	<u><u>\$ 508,265</u></u>

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 3 – INTERFUND ACTIVITY (CONTINUED)

A. Due To/Due From Other Funds (Continued)

The amount due to/from of \$508,265 is to cover a deficit cash balance in the Food Service Fund, this was covered using the General Fund.

B. Interfund Transfers

The General Fund transferred \$6,481,205 to the Food Service Fund to cover negative fund balance.

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 35,446,301	\$ -	\$ -	\$ 35,446,301
Construction in progress	52,901,889	72,539,031	36,497,205	88,943,715
Total capital assets not being depreciated	<u>88,348,190</u>	<u>72,539,031</u>	<u>36,497,205</u>	<u>124,390,016</u>
Capital assets being depreciated				
Buildings	1,434,914,033	36,148,182	-	1,471,062,215
Machinery and equipment	74,140,687	7,205,539	-	81,346,226
Total capital assets being depreciated	<u>1,509,054,720</u>	<u>43,353,721</u>	<u>-</u>	<u>1,552,408,441</u>
Less accumulated depreciation for				
Buildings	729,993,707	36,273,142	-	766,266,849
Machinery and equipment	49,680,696	8,847,311	-	58,528,007
Total accumulated depreciation	<u>779,674,403</u>	<u>45,120,453</u>	<u>-</u>	<u>824,794,856</u>
Total capital assets being depreciated, net	<u>729,380,317</u>	<u>(1,766,732)</u>	<u>-</u>	<u>727,613,585</u>
Governmental activities, capital assets net	<u>\$ 817,728,507</u>	<u>\$ 70,772,299</u>	<u>\$ 36,497,205</u>	<u>\$ 852,003,601</u>

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Right-to-use assets, being amortized				
GASB 87 leased assets	\$ 2,163,663	\$ 9,169,845	\$ 83,921	\$ 11,249,587
Subscription-based assets	-	2,160,573	-	2,160,573
Total right-to-use assets, being amortized	2,163,663	11,330,418	83,921	13,410,160
Accumulated amortization				
GASB 87 leased assets	438,977	704,294	83,921	1,059,350
Subscription-based assets	-	637,725	-	637,725
Total accumulated amortization	438,977	1,342,019	83,921	1,697,075
Governmental activities right-to-use, net	<u>\$ 1,724,686</u>	<u>\$ 9,988,399</u>	<u>\$ -</u>	<u>\$ 11,713,085</u>

Depreciation and amortization expense of \$46,462,472 for the year ended June 30, 2023, was charged to the following governmental functions:

Administration	\$ 75,681
District support services	7,839,663
Regular instruction	7,384,480
Vocational education instruction	43,805
Special education instruction	257,430
Community education	30,376
Instructional support services	11,056
Pupil support services	782,675
Food service	169,891
Sites and buildings	<u>29,867,415</u>
Total depreciation and amortization expense, governmental activities	<u>\$ 46,462,472</u>

NOTE 5 – LONG-TERM LIABILITIES

The District has issued general obligation school building bonds, alternative facilities bonds, and long-term facilities maintenance 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 and loans. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Maturity Date	Principal Outstanding	Due Within One Year
Long-term liabilities						
G.O. bonds, including						
Refunding bonds						
	12/15/09	1.15%	\$ 17,200,000	12/15/2025	\$ 17,200,000	\$ -
	12/28/10	5.13%	19,785,000	12/15/2025	19,785,000	-
	12/01/11	3.80%	4,260,000	12/15/2025	4,260,000	-
	12/23/14	2.00%-3.00%	21,840,000	2/1/2030	7,700,000	1,645,000
	12/23/14	3.00%-4.00%	45,270,000	2/1/2030	24,185,000	3,155,000
	12/29/15	2.34%	21,275,000	2/1/2031	9,055,000	1,200,000
	12/29/15	2.51%	34,755,000	2/1/2031	20,950,000	2,320,000
	12/29/15	1.69%	10,830,000	2/1/2024	1,615,000	1,615,000
	12/22/16	5.00%	41,905,000	2/1/2037	27,870,000	2,335,000
	12/22/16	4.00%-5.00%	51,910,000	2/1/2035	39,795,000	2,500,000
	12/06/17	4.00%-5.00%	28,895,000	2/1/2033	14,860,000	1,915,000
	12/06/17	4.00%-5.00%	51,565,000	2/1/2038	38,885,000	2,590,000
	12/01/18	4.00%-5.00%	40,395,000	2/1/2039	26,975,000	3,870,000
	12/01/18	4.00%-5.00%	51,275,000	2/1/2038	44,365,000	2,055,000
	12/01/19	5.00%	42,735,000	2/1/2040	31,470,000	4,215,000
	12/01/19	5.00%	29,385,000	2/1/2038	26,190,000	1,230,000
	12/01/19	5.00%	5,385,000	2/1/2027	2,770,000	645,000
	12/29/20	4.00%-5.00%	46,785,000	2/1/2041	39,615,000	3,955,000
	12/29/20	1.00%-5.00%	26,140,000	2/1/2041	24,515,000	925,000
	07/14/21	5.00%	18,725,000	2/1/2033	15,965,000	1,270,000
	12/30/21	5.00%	35,895,000	2/1/2042	32,145,000	4,095,000
	12/30/21	5.00%	31,600,000	2/1/2042	30,330,000	1,470,000
	12/30/21	5.00%	29,060,000	2/1/2034	26,745,000	2,545,000
	12/01/22	5.00%	31,150,000	2/1/2043	31,150,000	2,255,000
	12/01/22	5.00%	27,600,000	2/1/2043	27,600,000	1,255,000
Total			<u>765,620,000</u>		<u>585,995,000</u>	<u>49,060,000</u>
Certificates of participation						
	12/29/15	2.00-3.20%	44,475,000	2/1/2031	26,220,000	2,950,000
	12/22/16	5.00%	22,025,000	2/1/2032	15,590,000	1,415,000
	12/06/17	4.00-5.00%	38,565,000	2/1/2033	28,660,000	2,345,000
	12/01/19	2.67%	6,715,000	2/1/2035	5,750,000	365,000
	09/29/20	5.00%	26,055,000	4/1/2036	22,990,000	1,330,000
	12/01/22	5.00%	65,545,000	2/1/2030	65,545,000	7,635,000
Total			<u>203,380,000</u>		<u>164,755,000</u>	<u>16,040,000</u>
Bond premium					99,831,500	-
Notes from direct borrowing					15,029,262	6,888,564
Lease liability					10,315,441	1,042,706
Self insurance liability and compensated absences					<u>48,427,453</u>	<u>10,450,864</u>
Total long-term liabilities					<u>\$ 924,353,656</u>	<u>\$ 83,482,134</u>

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

B. Minimum Debt Payments

General Obligation Bonds and Certifications of Participation

Year Ending June 30,	Certificates of Participation		G.O. Bonds	
	Principal	Interest	Principal	Interest
2024	\$ 16,040,000	\$ 7,682,581	\$ 49,060,000	\$ 27,793,157
2025	17,230,000	6,490,250	48,395,000	24,277,061
2026	18,035,000	5,689,450	88,935,000	21,305,931
2027	18,870,000	4,850,300	45,495,000	18,409,900
2028	19,745,000	3,971,200	39,510,000	16,308,950
2029-2033	67,340,000	7,386,200	169,130,000	56,050,300
2034-2038	7,495,000	325,500	107,255,000	22,677,100
2039-2043	-	-	38,215,000	4,470,400
Total	<u>\$ 164,755,000</u>	<u>\$ 36,395,481</u>	<u>\$ 585,995,000</u>	<u>\$ 191,292,799</u>

Leases and Notes from Direct Borrowing

Year Ending June 30,	Notes from Direct Borrowing		Lease Liability	
	Principal	Interest	Principal	Interest
2024	\$ 6,888,564	\$ 834,726	\$ 1,042,706	490,509
2025	4,754,616	472,090	1,128,027	437,907
2026	2,377,564	213,806	984,699	383,766
2027	1,008,518	69,777	686,810	339,964
2029-2033	-	-	3,483,378	1,223,391
2033-2037	-	-	2,989,821	234,065
Total	<u>\$ 15,029,262</u>	<u>\$ 1,590,399</u>	<u>\$ 10,315,441</u>	<u>\$ 3,109,602</u>

C. Description of Long-Term Liabilities

On December 6, 2022, the District issued \$31,150,000 of General Obligation School Building Bonds, Series 2022A. The proceeds of this bond are to finance the rehabilitating, remodeling, expanding, and equipping of existing school buildings, the acquisition of sites, construction, and equipping of new school buildings and the acquisition and betterment of District facilities, and to pay costs of issuing the series 2022A Bonds.

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Liabilities (Continued)

On December 6, 2022, the District issued \$27,600,000 of General Obligation Long-Term Facilities Maintenance bonds, Series 2022B. The proceeds of this bond are to finance the projects included in the facilities plan, and to pay costs of issuing the series 2022B Bonds.

On December 6, 2022, the District issued \$65,545,000 Refunding Certificates of Participation, Series 2022C. The proceeds of this issue were deposited into the Debt Service Fund and to refund, in advance of their stated maturities, the remaining fiscal 2023 through 2030 maturities of the Districts Certificates of Participation, Series 2014D. After the current refunding, the district assumes full debt service of the principal and interest payments on the 2022C issue. The total debt service savings to the District from such refunding is approximately \$3,808,953 on a present value basis.

The District entered into various financed purchase agreements classified as notes from direct borrowing for the purchase of technology equipment. The interest or discount rate used to calculate the liability for notes from direct borrowing and the related principal and interest ranged from 4.12% to 7.9%. Payment terms related to notes from direct borrowing are listed in the table above.

The District entered into various lease agreements for the leasing of building space and equipment. The interest or discount rate used to calculate the lease liability and the related principal and interest was 5.0%. Payment terms related to lease liabilities are listed in the table above.

D. Changes in Long-Term Liabilities

See Notes 11 for detailed information on the District's Self Insurance Plan and Compensated Absences.

	<u>June 30, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2023</u>
Governmental activities				
Bonds payable				
General obligation bonds	\$ 573,655,000	\$ 58,750,000	\$ (46,410,000)	\$ 585,995,000
Bond premium	106,861,987	10,829,199	(17,859,686)	99,831,500
Certificates of participation payable	188,455,000	65,545,000	(89,245,000)	164,755,000
Notes from direct borrowing	15,129,168	6,983,121	(7,083,027)	15,029,262
Lease liability	1,778,071	9,169,844	(632,474)	10,315,441
Self insurance reserves and compensated absences	<u>48,070,595</u>	<u>356,858</u>	<u>-</u>	<u>48,427,453</u>
 Total governmental activity long-term liabilities	 <u>\$ 933,949,821</u>	 <u>\$ 151,634,022</u>	 <u>\$ (161,230,187)</u>	 <u>\$ 924,353,656</u>

The internal service fund typically liquidates the liability related to self-insurance and compensated absences.

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 6 – FUND BALANCES

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. Administration also has the authority to internally assign portions of fund balance for specific purposes. Other amounts are identified as nonspendable as disbursement has been made for a good or service that will benefit future periods.

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 6 – FUND BALANCES (CONTINUED)

Restricted and nonspendable/assigned fund balances at June 30, 2023, are as follows:

	Restricted	Nonspendable/ Assigned
General Fund		
Nonspendable for prepaid items	\$ -	\$ 5,786,787
Nonspendable for inventory	-	171,134
Restricted for student activities	543,356	-
Restricted for basic skills extended time	7,631,978	-
Restricted for contract alternative schools	966,181	-
Restricted for operating capital	12,572,197	-
Restricted for gifted and talented	439,264	-
Restricted for other purposes	233,781	-
Assigned for referendum - class size	-	29,145,733
Assigned for capital projects referendum	-	10,352,119
Assigned for alternative compensation	-	2,952,491
Assigned for curriculum adoption/replacement	-	5,000,000
Assigned for funded projects and reemployment insurance	-	2,764,889
Assigned for contingency	-	4,700,000
Total General Fund	22,386,757	60,873,153
Special Revenue Funds		
Food Service Fund		
Nonspendable for inventory	-	1,970,767
Community Service Fund		
Restricted for school readiness	1,241,654	-
Restricted for adult basic education	1,364,412	-
Restricted for community education programs	1,814,399	-
Restricted for early childhood and family	664,466	-
Restricted for grants and funded programs	2,541,257	-
Total Special Revenue Funds	7,626,188	1,970,767
Capital Projects - Building Construction Fund		
Nonspendable for prepaid items	-	942,362
Restricted for long-term facilities maintenance	102,581,660	-
Restricted for building construction	125,449,726	-
Total Building Construction Fund	228,031,386	942,362
Debt Service Fund		
Restricted for QSCB/QZAB	29,259,472	-
Restricted for other purposes	13,945,642	-
Total Debt Service Fund	43,205,114	-
Total all funds	\$ 301,249,445	\$ 63,786,282

Restricted/Reserved for Student Activities – This balance represents available resources to be used for the extracurricular activity funds raised by the students.

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 6 – FUND BALANCES (CONTINUED)

Restricted for Gifted and Talented – The part of General Education Aid revenue for the gifted and talented program that is unspent at year end must be restricted in this Balance Sheet account

Restricted/Reserved for Operating Capital – This balance represents available resources in the General Fund to be used to purchase equipment and facilities.

Restricted/Reserved for Contracted Alternative Program – Pursuant to *Minnesota Statutes* §§ 124D.68, subd. 3d and 124D.69, subd. 1, districts must reserve at least 95% of the average general education revenue, less basic skills revenue, per pupil unit times the number of pupil units for pupils, attending this program and the amount of basic skills revenue generated by pupils attending the program according to *Minnesota Statutes* 126C.10, subd.4.

Restricted/Reserved for Long-Term Facilities Maintenance (LTFM) – This balance represents available resources to be used for LTFM projects in accordance with the 10-year plan (*Minnesota Statutes* § 123B.595, subd. 12).

Restricted for Community Education Programs – The fund balance restriction represents accumulated resources available to provide general community education programming.

Restricted/Reserved for Basic Skills Extended Time – This balance represents resources available for the basic skills extended time uses listed in *Minnesota Statutes* § 126C.15, subd. 1.

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.

Restricted for School Readiness Programs – The fund balance restriction represents accumulated resources available to provide school readiness programming (*Minnesota Statutes* § 124D.16).

Restricted for Adult Basic Education – The fund balance restriction represents accumulated resources available to provide adult basic education services.

Restricted for QSCB/QZAB – The fund balance restriction represents resources required by agreement to be segregated for future payments of Qualified Zone Academy Bond (QZAB) or Qualified School Construction Bonds (QSCB) debt instruments. These resources are held by the District and will pay off the debt at maturity.

Restricted for Building Construction – Restricted for building construction represents available resources to fund construction expenditures on current and future contracts.

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.

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association

The District participates in various pension plans. Total pension expense for the year ended June 30, 2023, was \$(166,155,978). The components of pension expense are noted in the following plan summaries.

The General Fund typically liquidates the Liability related to the pensions.

A. Plan Description

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

Educators employed in Minnesota's public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those teachers 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 Define Contribution Plan (DCP) administered by Minnesota State.

B. Benefits Provided

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

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

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 if service years 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 service years are July 1, 2006, or after	1.9% per year

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier I Benefits (Continued)

With these provisions:

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

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 is applied. 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.

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

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

C. Contribution Rate

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2021, June 30, 2022, and June 30, 2023, were:

	<u>June 30, 2021</u>		<u>June 30, 2022</u>		<u>June 30, 2023</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
Basic	11.00%	12.1%	11.00%	12.3%	11.00%	12.55%
Coordinated	7.50%	8.1%	7.50%	8.3%	7.50%	8.55%

In an agreement related to the merger of the Minneapolis Teachers Retirement Association, the District has agreed to pay an additional 3.64% for a total employer contribution of 12.19%.

The following is a reconciliation of employer contributions in TRA's fiscal year 2022 ACFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations. Amounts are reported in thousands.

Employer contributions reported in TRA's ACFR Statement of Changes in Fiduciary Net Position	\$ 482,679
Deduct employer contributions not related to future contribution efforts	(2,178)
Deduct TRA's contributions not included in allocation	<u>(572)</u>
Total employer contributions	479,929
Total non-employer contributions	<u>35,590</u>
Total contributions reported in <i>Schedule of Employer and Non-Employer Pension Allocations</i>	<u>\$ 515,519</u>

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

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

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

Mortality Assumption

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

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	33.5 %	5.10 %
International stocks	16.5	5.30
Private markets	25.0	5.90
Fixed income	25.0	0.75
Total	<u>100.0 %</u>	

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

Changes in actuarial assumptions since the 2021 valuation:

- None

E. Discount Rate

The discount rate used to measure the total pension liability was 7.0%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2022 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

G. Net Pension Liability

On June 30, 2023, the District reported a liability of \$507,361,370 for its proportionate share of the net pension liability. In addition, the net pension liability allocated to the district under a lump sum direct aid payment related to the District's merger into the fund is \$34,952,611 for a total liability allocated to the District of \$542,313,981. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 6.3361% at the end of the measurement period and 6.3716% for the beginning of the year. An additional 0.4365% was allocated at June 30, 2022, under the direct aid payment agreement.

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

District's proportionate share of net pension liability	\$ 542,313,981
State's proportionate share of the net pension liability associated with the District	37,625,433

For the year ended June 30, 2023, the District recognized pension expense of \$(417,314,976). Included in this amount, the District recognized \$5,173,612 as pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,266,534	\$ 4,953,299
Net collective difference between projected and actual earnings on plan investments	14,468,902	-
Changes of assumptions	87,676,746	133,802,809
Changes in proportion	-	50,155,887
Contributions to TRA subsequent to the measurement date	36,197,583	-
Total	\$ 146,609,765	\$ 188,911,995

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

G. Net Pension Liability (Continued)

The \$36,197,583 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 of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2024	\$ (145,903,888)
2025	2,176,127
2026	(1,454,222)
2027	66,748,357
2028	(66,187)
Total	\$ (78,499,813)

H. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.0%) and 1 percent higher (8.0%) than the current rate.

	District proportionate share of NPL		
	1% Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Standard share	\$ 799,827,572	\$ 507,361,370	\$ 267,630,274
Direct aid share	55,100,888	34,952,611	18,437,306

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

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

I. Pension Plan Fiduciary Net Position

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

Public Employees' Retirement Association

A. Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plan administered by PERA. PERA's defined benefit pension plan is established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

The General Employees Retirement Plan covers certain full time and part time employees of the District. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

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

General Employees Plan Benefits

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

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits (Continued)

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 1.0% 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.

C. Contributions

Minnesota Statutes set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% 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 Fund for the year ended June 30, 2023, were \$13,822,527. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2023, the District reported a liability of \$187,657,262 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 \$5,501,631.

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 2.3694% at the end of the measurement period and 2.3872% for the beginning of the period.

District's proportionate share of net pension liability	\$ 187,657,262
State of Minnesota's proportionate share of the net pension liability associated with the District	<u>5,501,631</u>
Total	<u><u>\$ 193,158,893</u></u>

For the year ended June 30, 2023, the District recognized pension expense of \$21,796,819 for its proportionate share of General Employees Plan's pension expense. Included in this amount, the District recognized an additional \$822,070 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.

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,567,453	\$ 2,028,053
Changes in actuarial assumptions	42,779,656	804,713
Net collective difference between projected and actual investment earnings	3,138,216	-
Change in proportion	-	9,726,061
District's contributions to PERA subsequent to the measurement date	13,822,527	-
Total	\$ 61,307,852	\$ 12,558,827

The \$13,822,527 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2024	\$ 8,870,313
2025	15,435,338
2026	(6,349,910)
2027	16,970,757
Total	\$ 34,926,498

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (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 on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target	Long-Term
Domestic equity	33.5 %	5.10 %
International stocks	16.5	5.30
Fixed income	25.0	0.75
Private markets	25.0	5.90
Total	100.0 %	

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.

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 table is 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.

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

G. Discount Rate

The discount rate used to measure the total pension liability in 2022 was 6.5%. 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 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.

H. Pension Liability Sensitivity

The table on the following page 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 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (5.5%)	Current Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
District's proportionate share of the PERA net pension liability	\$ 296,414,475	\$ 187,657,262	\$ 98,459,564

I. Pension Plan Fiduciary Net Position

Detailed information about the General Employees Fund's fiduciary net position is available in a separately-issued PERA financial report that includes the basic financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District provides a single-employer defined benefit health care plan to eligible retirees and their families. The plan offers medical and dental coverage administered by HealthPartners and Delta Dental, respectively. It is the District's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees.

B. Benefits Provided

Employees of the District who retire and have met the age and service requirements necessary to receive an annuity from PERA, TRA, or MERF are eligible to remain in the group health insurance plans. Employees who are at least age 55 or have 30 years or more service (including 10 years of service with the District) at retirement and are not qualified to participate in such program of medical insurance provided by another employer will receive health insurance. The District will contribute the same amount towards retiree health insurance as it would for active employees. The District will contribute the prevailing employer contribution from the master agreement in effect at the time of retirement until the earlier of age 65 or death. The General Fund, Capital Projects Fund, Food Service Fund, and Community Service Fund typically liquidate the Liability related to OPEB.

Dental insurance is covered by the District in the group plan for active employees and retirees contribute COBRA rates. For MPSASP and ELT plan members dental coverage through the District is only for those who were hired prior to July 1, 2010. Retirees for those plans still contribute the COBRA rates.

C. Members

As of June 30, 2021, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	84
Active employees	<u>5,840</u>
Total	<u><u>5,924</u></u>

D. Contributions

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with Health Partners. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2023, the District contributed \$941,929 to the plan.

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation measurement date as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Investment rate of return	4.50%, net of investment expense
Salary Scale	3.00%
Inflation	2.50%
Healthcare cost trend increases	8.0% , decreasing to 4.5% over eight years.
 Mortality Assumption	 RP-2014 Disabled Retiree Mortality Table, adjusted for mortality improvements using projection scale MP-2020, from a base year of 2014.

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period July 1, 2021 through June 30, 2022.

Changes in Actuarial Assumptions

- Discount rate was increased 4.15% to 4.19%

The discount rate used to measure the total OPEB liability was 4.19% based on the long-term expected rate of return and the municipal bond 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 scale).

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	50.0 %	0.00 %
Domestic equity	33.0	3.60
International equity	17.0	4.50
Unallocated cash	0.0	0.00
Other	<u>0.0</u>	0.00
Total	<u><u>100.0 %</u></u>	

The details of the investments and the investment policy are described in Note 2. of the District's basic financial statements. For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 6.93%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

F. Discount Rate

The discount rate used to measure the total OPEB liability was 4.19%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at July 1, 2022	\$ 59,137,147	\$ 22,957,606	\$ 36,179,541
Changes for the year			
Service cost	4,436,196	-	4,436,196
Interest	2,618,749	-	1,886,130
Differences between expected and actual economic experience	(990,401)	556,798	(4,891,341)
Employer contributions	-	941,929	(618,046)
Changes in assumptions	(205,995)	-	1,972,160
Benefit payments	(941,929)	(941,929)	-
Projected earnings on fiduciary net position	-	1,031,227	(977,564)
Administrative expense	-	(82,911)	82,911
Other charges	-	-	-
Net changes	4,916,620	1,505,114	3,411,506
Balances at June 30, 2023	\$ 64,053,767	\$ 24,462,720	\$ 39,591,047
Plan fiduciary net position as a percentage of the total OPEB liability			38.19%

H. OPEB Liability Sensitivity

The following presents the District's net OPEB liability calculated using the discount rate of 4.19% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	1% Decrease in Discount Rate (3.19%)	Current Discount Rate (4.19%)	1% Increase in Discount Rate (5.19%)
Net OPEB liability	\$ 48,287,484	\$ 39,591,047	\$ 37,933,308

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

H. OPEB Liability Sensitivity (Continued)

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using trend rates that are 1% lower and 1% higher than the trend rates.

	1% Decrease in Trend Rate <u>(7.00%)</u>	Current Trend Rate <u>(8.00%)</u>	1% Increase in Trend Rate <u>(9.00%)</u>
Net OPEB liability	\$ 34,800,615	\$ 39,591,047	\$ 52,614,353

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$1,159,833. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net collective difference between projected and actual investment earnings	\$ 840,777	\$ -
Differences between expected and actual economic experience	278,367	13,755,660
Changes of assumptions	<u>1,861,963</u>	<u>18,982,777</u>
Total	<u>\$ 2,981,107</u>	<u>\$ 32,738,437</u>

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

**I. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB (Continued)**

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

Year Ending June 30,	Total
2024	\$ (4,734,896)
2025	(4,772,506)
2026	(4,003,364)
2027	(4,932,325)
2028	(4,056,326)
2029 +	(7,257,913)
Total	\$ (29,757,330)

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. 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.

B. Contingencies

The District is subject to legal proceedings and claims which arise in the ordinary course of business. Management has accrued claims payable in the amount of \$11,839,768 as disclosed in Note 11 for general liability, auto liability, and worker's compensation claims.

C. Teachers Retirement Association

The District is required to levy for and contribute amounts to Minnesota Teachers Retirement Association under *Minnesota Statutes* totaling \$2,250,000 each year, due by October 1. These amounts are further described in Note 7 as direct aid contributions.

D. Construction Commitments

The District has in process various multi-year construction and repair projects which were not completed in the current fiscal year. As of June 30, 2023, outstanding commitments for these multi-year projects total approximately \$42,671,285.

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 10 – COMPENSATED ABSENCES

Employees of the District are eligible for severance pay based on unused sick leave as follows:

A. Administrators

Employees who are at least 55 years of age or who are credited with 30 years of service by the Minneapolis Teachers Retirement Fund Association (MORFA) may be eligible to receive payment for 50% of unused sick leave.

B. Teachers

Employees who are at least 55 years of age or who are credited with 30 years of service by the MTRFA receive payment for 50% of unused sick leave. All amounts of vested sick pay are accrued as liabilities in the Internal Service Post Retirement Benefits Fund.

C. Principals

Employees hired on or before July 1, 2014, and who are at least 55 years of age or who are credited with 30 years of service receive severance pay amounting to 60% of unused sick leave. Employees hired after July 1, 2014, receive payment up to 80 hours of unused sick leave at 60% of the daily rate of pay.

NOTE 11 – RISK MANAGEMENT

The District accounts for the risk management activities of workers' compensation and general liability exposure in its Self-Insurance Fund, a proprietary-type Internal Service Fund. Inter-fund premiums for coverage are charged to activities of user funds as quasi-external transactions. The District purchases insurance coverage for its property exposure, with an aggregate coverage amount of \$250,000,000.

The District is self-insured for workers' compensation coverage and caps its liability with the purchase of reinsurance coverage. The District is a member of Workers' Compensation Reinsurance Association (WCRA), which reimburses members for individual claim losses exceeding a member's chosen retention limit. The retention limit for the District at June 30, 2023 and 2022, was \$2,000,000.

Liabilities of \$11,061,268 have been recorded in the Self-Insurance Fund for known workers' compensation claims and for claims incurred but not reported as of June 30, 2023. The recorded reserves are actuarially evaluated annually and adjusted accordingly. The discount rate used at June 30, 2023, was 4.0%.

The District became self-insured for general liability for claims incurred after January 1, 1990, through June 30, 1999, and for claims incurred after July 1, 2001 (the self-insurance period). The District purchased general liability insurance from Royal Insurance covering the period from July 1, 1999 through June 30, 2001. Claims incurred during the self-insurance period are the responsibility of the District. *Minnesota Statutes* limit the maximum liability of a public employer to \$300,000 per claimant and \$1,500,000 for claims from a single event. There are several lawsuits pending in which the District is involved. The District estimates that the potential claims against the District that are not covered by insurance or reserves resulting from such litigation would not materially affect the District's basic financial statements. Liabilities of \$778,500 have been established to cover such claims as of June 30, 2023.

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 11 – RISK MANAGEMENT (CONTINUED)

The following summarizes claims activity in the District's self-insurance internal service fund related to general liability and workers' compensation:

Claims incurred but not reported or case reserves at June 30, 2020	\$ 9,965,257
Claims incurred, fiscal year 2021	6,097,603
Claims paid, fiscal year 2021	<u>(5,029,334)</u>
Claims incurred but not reported or case reserves at June 30, 2021	11,033,526
Claims incurred, fiscal year 2022	3,991,113
Claims paid, fiscal year 2022	<u>(5,526,970)</u>
Claims incurred but not reported or case reserves at June 30, 2022	9,497,669
Claims incurred, fiscal year 2023	8,007,083
Claims paid, fiscal year 2023	<u>(5,664,984)</u>
Claims incurred but not reported or case reserves at June 30, 2023	<u><u>\$ 11,839,768</u></u>

The District maintains commercial coverage for property insurance.

The District is self-insured for health benefits. A stop-loss policy was purchased that limits the District's loss to \$300,000 at which point the reinsurance coverage is available. The District also has aggregate stop-loss coverage in place which limits the District's liability to 120% of the prior year's claims. Settled claims have not exceeded this commercial coverage in any of the past three years.

The governmental funds of the District participate in the program and make payments to the Self Insured Medical Benefits Internal Service Fund. Based on the requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the basic financial statements indicates that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss can be reasonably estimated. Participants in the program make premium payments to the fund based on the insurance premium. The Self Insured Medical Benefits Internal Service Fund does not include a reserve for catastrophe losses. The total claims liability reported in the Fund at June 30, 2023, is \$4,474,198 and include amounts for known claims and for estimated incurred but not reported claims. These estimates are determined based on the probability that a loss has occurred, and the amount of the loss can be reasonably estimated.

**Minneapolis Public Schools
Special School District No. 1
Notes to Basic Financial Statements**

NOTE 11 – RISK MANAGEMENT (CONTINUED)

Changes in the Fund's claims liability amounts for the past five years were as follows:

	Balance, Beginning of Year	Claims, Expense and Estimates	Claims Payments	Balance, End of Year
2020-2021	\$ 3,097,661	\$ 53,521,331	\$ (53,169,390)	\$ 3,449,602
2021-2022	3,449,602	55,496,472	(53,762,855)	5,183,219
2022-2023	5,183,219	57,893,938	(58,602,959)	4,474,198

NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLE

The District has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. As a result, beginning net position for governmental activities was restated to increases net position by \$2,160,573. Our opinion is not modified with respect to this matter.

NOTE 13 – SUBSEQUENT EVENTS

On December 21, 2023, the District issued \$35,050,000 in General Obligation School Building Bonds, Series 2023A. The proceeds will be used for the purpose of funding various capital improvements and equipment, and to pay the costs associated with the issuance of the Series 2023A Bonds. The District issued \$41,790,000 in General Obligation Long-Term Facilities Maintenance Bonds, Series 2023B. The proceeds of the Series 2023B Bonds will be used to provide funds for repair and facility projects at selected school sites throughout the District, and to pay the costs associated with the issuance of the Series 2023B Bonds.

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REQUIRED SUPPLEMENTARY INFORMATION

**Minneapolis Public Schools
Special School District No. 1
Schedule of Changes in Net OPEB Liability
and Related Ratios**

	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Total OPEB Liability			
Service cost	\$ 6,076,552	\$ 6,419,803	\$ 6,069,488
Interest	3,005,357	2,178,073	2,804,957
Differenced between expected and actual experience	-	(7,083,960)	-
Changes of assumptions	-	(2,164,523)	939,873
Benefit payments	(285,922)	(1,376,822)	(1,782,208)
Implicit rate subsidies	(1,920,313)	-	-
Net change in total OPEB liability	<u>6,875,674</u>	<u>(2,027,429)</u>	<u>8,032,110</u>
Beginning of year	<u>67,888,829</u>	<u>74,764,503</u>	<u>72,737,074</u>
End of year	<u>\$ 74,764,503</u>	<u>\$ 72,737,074</u>	<u>\$ 80,769,184</u>
Plan Fiduciary Net Pension (FNP)			
Employer contributions	\$ -	\$ 3,376,822	\$ 1,782,208
Net investment income	1,272,204	-	-
Projected earnings on fiduciary net position	-	773,287	863,995
Net difference between projected and actual earnings	-	313,862	1,059,510
Benefit payments	-	(1,376,822)	(1,782,208)
Administrative expense	-	(69,058)	(73,760)
Net change in plan fiduciary net position	<u>1,272,204</u>	<u>3,018,091</u>	<u>1,849,745</u>
Beginning of year	<u>14,946,492</u>	<u>16,218,695</u>	<u>19,236,786</u>
End of year	<u>\$ 16,218,696</u>	<u>\$ 19,236,786</u>	<u>\$ 21,086,531</u>
Net OPEB liability	<u>\$ 58,545,807</u>	<u>\$ 53,500,288</u>	<u>\$ 59,682,653</u>
Plan FNP as a percentage of the total OPEB liability	21.69%	26.45%	26.11%
Covered-employee payroll	\$ 363,751,046	\$ 360,122,986	\$ 372,727,291
Net OPEB liability as a percentage of covered-employee payroll	16.10%	14.86%	16.01%

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

June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
\$ 4,623,805	\$ 5,213,029	\$ 5,296,029	\$ 4,436,196
1,939,402	1,886,130	1,592,231	2,618,749
(15,311,149)	(1,045,632)	347,613	(990,401)
(10,786,001)	1,972,160	(14,247,617)	(205,995)
(1,100,265)	(618,046)	(1,393,726)	(941,929)
-	-	-	-
<u>(20,634,208)</u>	<u>7,407,641</u>	<u>(8,405,470)</u>	<u>4,916,620</u>
80,769,184	60,134,976	67,542,617	59,137,147
<u>\$ 60,134,976</u>	<u>\$ 67,542,617</u>	<u>\$ 59,137,147</u>	<u>\$ 64,053,767</u>
\$ 1,100,265	\$ 618,046	\$ 1,393,726	\$ 941,929
-	-	-	-
947,116	977,564	1,190,606	1,031,227
(188,054)	3,845,709	(4,644,817)	556,798
(1,100,265)	(618,046)	(1,393,726)	(941,929)
(79,035)	(85,809)	(92,205)	(82,911)
<u>680,027</u>	<u>4,737,464</u>	<u>(3,546,416)</u>	<u>1,505,114</u>
21,086,531	21,766,558	26,504,022	22,957,606
<u>\$ 21,766,558</u>	<u>\$ 26,504,022</u>	<u>\$ 22,957,606</u>	<u>\$ 24,462,720</u>
<u>\$ 38,368,418</u>	<u>\$ 41,038,595</u>	<u>\$ 36,179,541</u>	<u>\$ 39,591,047</u>
36.20%	39.24%	38.82%	38.19%
\$ 331,585,577	\$ 371,887,319	\$ 363,821,219	\$ 371,750,040
11.57%	11.04%	9.94%	10.65%

**Minneapolis Public Schools
Special School District No. 1
Schedule of Employer Contributions - OPEB**

	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>
Actuarially determined contribution	\$ 8,990,196	\$ 1,251,751	\$ 1,778,462	\$ 1,037,462
Contributions in relation to the actuarially determined contribution	<u>2,356,085</u>	<u>3,376,822</u>	<u>1,782,208</u>	<u>1,100,265</u>
Contribution deficiency (excess)	<u>\$ 6,634,111</u>	<u>\$ (2,125,071)</u>	<u>\$ (3,746)</u>	<u>\$ (62,803)</u>
Covered-employee payroll	<u>\$ 363,751,046</u>	<u>\$ 360,122,986</u>	<u>\$ 372,727,291</u>	<u>\$ 331,585,577</u>
Contributions as a percentage of covered-employee payroll	0.65%	0.94%	0.48%	0.33%

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

<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>
\$ 618,046	\$ 1,393,726	\$ 941,929
<u>618,046</u>	<u>1,393,726</u>	<u>941,929</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 371,887,319</u>	<u>\$ 363,821,219</u>	<u>\$ 371,750,040</u>
0.17%	0.38%	0.25%

**Minneapolis Public Schools
Special School District No. 1
Schedule of Investment Returns**

	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>
Annual money-weighted rate of return, net of investment expense	8.97%	6.72%	10.02%	3.61%	22.20%

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

<u>June 30, 2022</u>	<u>June 30, 2023</u>
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-13.05%	6.93%
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**Minneapolis Public Schools
Special School District No. 1
Schedule of District's and Non-Employer Proportionate Share
of Net Pension Liability - General Employees Retirement Fund
Last Ten Years***

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	1.9676%	\$ 92,427,990	\$ -	\$ 92,427,990	\$ 103,293,324	89.5%	78.7%
2015	3.5536%	184,165,995	-	184,165,995	110,161,680	167.2%	78.2%
2016	3.3730%	273,870,870	3,577,010	277,447,880	114,079,707	240.1%	78.8%
2017	2.8326%	180,831,314	2,273,787	183,105,101	87,249,667	207.3%	75.9%
2018	2.6337%	146,106,878	4,792,584	150,899,462	81,788,760	178.6%	79.5%
2019	2.9200%	161,440,259	5,017,615	166,457,874	111,419,373	144.9%	80.2%
2020	2.4981%	149,772,511	4,618,393	154,390,904	82,920,813	180.6%	79.1%
2021	2.3872%	101,944,135	3,113,163	105,057,298	76,839,200	132.7%	87.0%
2022	2.3694%	187,657,262	5,501,631	193,158,893	82,241,773	228.2%	76.7%

Note: Schedule is intended to show ten year trend. Additional years will be displayed as they become available.

**Schedule of District's and Non-Employer Proportionate Share
of Net Pension Liability - TRA Retirement Fund
Last Ten Years***

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	8.6534%	\$ 398,742,430	\$ 25,768,509	\$ 424,510,939	\$ 238,717,909	167.0%	81.5%
2015	8.1323%	503,063,183	57,223,106	560,286,289	257,683,734	195.2%	76.8%
2016	9.1760%	2,188,694,939	192,864,529	2,394,574,710	301,171,984	726.7%	44.9%
2017	8.3442%	1,665,653,683	150,258,878	1,815,912,561	282,186,562	590.3%	51.6%
2018	7.8961%	495,950,319	43,395,549	539,345,868	273,509,336	181.3%	78.1%
2019	7.3196%	466,552,841	38,392,377	504,945,218	262,426,079	177.8%	78.2%
2020	7.1483%	528,125,983	41,243,603	569,369,586	265,187,388	199.2%	75.5%
2021	6.8341%	299,080,650	23,520,205	322,600,855	259,255,930	115.4%	86.6%
2022	6.7726%	542,313,981	37,625,433	579,939,414	272,653,965	198.9%	76.2%

The District's Proportion and Proportionate Share of the Net Pension Liability include the percentage and amount under a special funding situation.

Note: Schedule is intended to show ten year trend. Additional years will be displayed as they become available

**Minneapolis Public Schools
Special School District No. 1
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years***

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 7,488,766	\$ 7,488,766	\$ -	\$ 103,293,324	7.25%
2015	8,262,126	8,262,126	-	110,161,680	7.50%
2016	8,555,978	8,555,978	-	114,079,707	7.50%
2017	6,543,725	6,543,725	-	87,249,667	7.50%
2018	6,134,157	6,134,157	-	81,788,760	7.50%
2019	8,356,453	8,356,453	-	111,419,373	7.50%
2020	6,219,061	6,219,061	-	82,920,813	7.50%
2021	5,762,940	5,762,940	-	76,839,200	7.50%
2022	6,168,133	6,168,133	-	82,241,773	7.50%
2023	6,680,127	6,680,127	-	89,068,360	7.50%

In addition to these contributions, the District made an annual contribution of \$ 7,142,400 under a special funding situation for fiscal year 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023.

**Schedule of District Contributions
TRA Retirement Fund
Last Ten Years***

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 25,399,585	\$ 25,399,585	\$ -	\$ 228,003,456	11.14%
2015	28,705,968	28,705,968	-	257,683,734	11.14%
2016	33,550,559	33,550,559	-	301,171,984	11.14%
2017	31,435,583	31,435,583	-	282,186,562	11.14%
2018	30,468,940	30,468,940	-	273,509,336	11.14%
2019	29,785,360	29,785,360	-	262,426,079	11.35%
2020	30,655,662	30,655,662	-	265,187,388	11.56%
2021	30,514,423	30,514,423	-	259,255,930	11.77%
2022	32,663,945	32,663,945	-	272,653,965	11.98%
2023	33,947,583	33,947,583	-	278,487,145	12.19%

In addition to these contributions, the District makes an annual contribution of \$ 2,250,000 under a special funding situation.

**Minneapolis Public Schools
Special School District No. 1
Notes to the Required Supplementary Information**

TRA Retirement Funds

2022 Changes

Changes in Actuarial Assumptions

- None

2021 Changes

Changes in Actuarial Assumptions

- The investment return assumption was changed from 7.5% to 7.0%.

2020 Changes

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 five years and female rates set back seven years. Generational projection uses the MP 2015 scale.
- Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

2019 Changes

Changes in Actuarial Assumptions

- None

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was increased to 7.5% from 5.12%.
- The cost of living adjustment (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% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 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 0.0% 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 was reduced from 8.5% to 7.5%, effective July 1, 2018.

**Minneapolis Public Schools
Special School District No. 1
Notes to the Required Supplementary Information**

TRA Retirement Funds (Continued)

2018 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes

Changes in Actuarial Assumptions

- The discount rate was increased to 5.12% from 4.66%
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 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.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.

**Minneapolis Public Schools
Special School District No. 1
Notes to the Required Supplementary Information**

TRA Retirement Funds (Continued)

2016 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- 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 form of annuity payment at retirement were made.

2015 Changes

Changes of Benefit Terms

- The DTRFA was merged into TRA on June 30, 2015.

Changes in Actuarial Assumptions

- The annual COLA for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%.

**Minneapolis Public Schools
Special School District No. 1
Notes to the Required Supplementary Information**

General Employees Fund

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- 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 and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

**Minneapolis Public Schools
Special School District No. 1
Notes to the Required Supplementary Information**

General Employees Fund (Continued)

2020 Changes (Continued)

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% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

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, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changes prospectively, requiring \$16 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% 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 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement 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.

**Minneapolis Public Schools
Special School District No. 1
Notes to the Required Supplementary Information**

General Employees Fund (Continued)

2017 Changes (Continued)

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

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and 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.

**Minneapolis Public Schools
Special School District No. 1
Notes to the Required Supplementary Information**

Post Employment Health Care Plan

2022 Changes

Changes in Actuarial Assumptions

- Discount rate was increased from 4.15% to 4.19%.

2021 Changes

Changes in Actuarial Assumptions

- Discount rate was increased from 2.53% to 4.15%.
- Per-capita costs were updated to reflect experience since the previous valuation.
- Medical Trend rates were shifted to maintain the same immediate rate of 8.00%.

2020 Changes

Changes in Actuarial Assumptions

- Discount rate was decreased from 2.90% to 2.53%.

2019 Changes

Changes in Actuarial Assumptions

- Discount rate was decreased from 3.46% to 2.90%.
- Annual wage increase rate was decreased from 3.50% to 3.00%.
- Loads on healthcare trend were removed due to the repeal of the so-call "Cadillac Tax".
- Per-capita costs were updated to reflect experience since the previous valuation, including increase in morbidity assumption from 3.00% to 4.00%.
- Future retiree plan election was updated for Plan 1, Plan 2, and Plan 3 from 75%, 23%, 2% to 50%, 40%, 10%, respectively.
- Mortality improvement scale was updated from MP-2015 to MP-2018 for all groups except Teachers and Principals.

2018 Changes

Changes in Actuarial Assumptions

- Discount rate was decreased from 3.60% to 3.46%.

SUPPLEMENTARY INFORMATION

**Minneapolis Public Schools
Special School District No. 1
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2023**

	Special Revenue			Debt Service	
	Food Service	Community Service	Total	Post Employment Benefits Debt Service	Total Nonmajor Funds
Assets					
Cash and investments	\$ -	\$ 7,011,091	\$ 7,011,091	\$ -	\$ 7,011,091
Current property taxes receivable	-	2,807,193	2,807,193	-	2,807,193
Delinquent property taxes receivable	-	31,807	31,807	-	31,807
Accounts receivable	11,559	2,122,818	2,134,377	-	2,134,377
Due from Department of Education	-	1,219,688	1,219,688	-	1,219,688
Due from other Minnesota school districts	-	165	165	-	165
Due from Federal Government through Department of Education	1,189,544	-	1,189,544	-	1,189,544
Due from Federal Government received directly	-	379,900	379,900	-	379,900
Due from other governmental units	85,330	109,797	195,127	-	195,127
Inventory	1,970,767	-	1,970,767	-	1,970,767
Total assets	<u>\$ 3,257,200</u>	<u>\$ 13,682,459</u>	<u>\$ 16,939,659</u>	<u>\$ -</u>	<u>\$ 16,939,659</u>
Liabilities					
Accounts payable	\$ 360,645	\$ 253,105	\$ 613,750	\$ -	\$ 613,750
Salaries and benefits payable	-	1,940	1,940	-	1,940
Due to other funds	508,265	-	508,265	-	508,265
Due to other governmental units	3,595	-	3,595	-	3,595
Deferred revenue	413,928	294,815	708,743	-	708,743
Total liabilities	<u>1,286,433</u>	<u>549,860</u>	<u>1,836,293</u>	<u>-</u>	<u>1,836,293</u>
Deferred Inflows of Resources					
Property taxes levied for subsequent year's expenditures	-	5,474,604	5,474,604	-	5,474,604
Unavailable revenue - delinquent property taxes	-	31,807	31,807	-	31,807
Total deferred inflows of resources	<u>-</u>	<u>5,506,411</u>	<u>5,506,411</u>	<u>-</u>	<u>5,506,411</u>
Fund Balances					
Nonspendable	1,970,767	-	1,970,767	-	1,970,767
Restricted					
Restricted for other purposes	-	2,541,257	2,541,257	-	2,541,257
Community education programs	-	1,814,399	1,814,399	-	1,814,399
Adult basic education	-	1,364,412	1,364,412	-	1,364,412
Early childhood and family education programs	-	664,466	664,466	-	664,466
School readiness	-	1,241,654	1,241,654	-	1,241,654
Total fund balances	<u>1,970,767</u>	<u>7,626,188</u>	<u>9,596,955</u>	<u>-</u>	<u>9,596,955</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,257,200</u>	<u>\$ 13,682,459</u>	<u>\$ 16,939,659</u>	<u>\$ -</u>	<u>\$ 16,939,659</u>

**Minneapolis Public Schools
Special School District No. 1
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2023**

	Special Revenue Funds			Debt Service	Total Nonmajor Funds
	Food Service	Community Service	Total	Post Employment Benefits Debt Service	
Revenues					
Local sources					
Local property taxes	\$ -	\$ 5,498,248	\$ 5,498,248	\$ -	\$ 5,498,248
Earnings on investments	-	432,392	432,392	-	432,392
Other local and county revenues	209,605	10,044,723	10,254,328	-	10,254,328
Revenue from state sources	668,514	13,357,759	14,026,273	-	14,026,273
Revenue from federal sources	15,335,906	6,273,364	21,609,270	-	21,609,270
Sales and other conversion of assets	1,795,069	-	1,795,069	-	1,795,069
Total revenues	18,009,094	35,606,486	53,615,580	-	53,615,580
Expenditures					
Current					
Food service	23,676,472	-	23,676,472	-	23,676,472
Community education and services	-	33,121,895	33,121,895	-	33,121,895
Capital outlay					
Food service	228,316	-	228,316	-	228,316
Debt service					
Principal	-	26,360	26,360	-	26,360
Interest and fiscal charges	-	4,409	4,409	-	4,409
Total expenditures	23,904,788	33,152,664	57,057,452	-	57,057,452
Excess of revenues over (under) expenditures	(5,895,694)	2,453,822	(3,441,872)	-	(3,441,872)
Other Financing Sources (Uses)					
Transfers in	6,481,205	-	6,481,205	-	6,481,205
Net change in fund balances	585,511	2,453,822	3,039,333	-	3,039,333
Fund Balances					
Beginning of year, restated	1,385,256	5,172,366	6,557,622	-	6,557,622
End of year	\$ 1,970,767	\$ 7,626,188	\$ 9,596,955	\$ -	\$ 9,596,955

**Minneapolis Public Schools
Special School District No. 1
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Food Service Special Revenue Fund
Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local sources				
Other local and county revenues	\$ 165,000	\$ 165,000	\$ 209,605	\$ 44,605
Revenue from state sources	435,000	435,000	668,514	233,514
Revenue from federal sources	22,465,120	16,370,000	15,335,906	(1,034,094)
Sales and other conversion of assets	1,945,000	1,945,000	1,795,069	(149,931)
Total revenues	<u>25,010,120</u>	<u>18,915,000</u>	<u>18,009,094</u>	<u>(905,906)</u>
Expenditures				
Current				
Food service	26,460,120	20,335,000	23,676,472	3,341,472
Capital outlay				
Food service	250,000	280,000	228,316	(51,684)
Total expenditures	<u>26,710,120</u>	<u>20,615,000</u>	<u>23,904,788</u>	<u>3,289,788</u>
Excess of revenues under expenditures	<u>\$ (1,700,000)</u>	<u>\$ (1,700,000)</u>	(5,895,694)	<u>\$ (4,195,694)</u>
Fund Balance				
Beginning of year			<u>1,385,256</u>	
End of year			<u>\$ 1,970,767</u>	

**Minneapolis Public Schools
Special School District No. 1
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Community Service Special Revenue Fund
Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local sources				
Local property taxes	\$ 5,501,421	\$ 5,501,421	\$ 5,498,248	\$ (3,173)
Earnings on investments	-	-	432,392	432,392
Other local and county revenues	13,271,746	11,488,801	10,044,723	(1,444,078)
Revenue from state sources	11,313,475	13,096,420	13,357,759	261,339
Revenue from federal sources	6,881,377	6,881,377	6,273,364	(608,013)
Total revenues	<u>36,968,019</u>	<u>36,968,019</u>	<u>35,606,486</u>	<u>(1,361,533)</u>
Expenditures				
Current				
Community education and services	38,180,741	38,180,741	33,121,895	(5,058,846)
Capital outlay				
Community education and services	28,660	28,660	-	(28,660)
Total expenditures	<u>38,209,401</u>	<u>38,209,401</u>	<u>33,152,664</u>	<u>(5,056,737)</u>
Excess of revenues over (under) expenditures	<u>\$ (1,241,382)</u>	<u>\$ (1,241,382)</u>	2,453,822	<u>\$ 3,695,204</u>
Fund Balance				
Beginning of year			5,172,366	
End of year			<u>\$ 7,626,188</u>	

**Minneapolis Public Schools
Special School District No. 1
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Debt Service Fund
Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local sources				
Local property taxes	\$ 91,134,710	\$ 91,134,710	\$ 90,341,021	\$ (793,689)
Earnings on investments	-	-	876,966	876,966
Revenue from state sources	-	-	11,272,553	11,272,553
Revenue from federal sources	-	-	148,856	148,856
Total revenues	<u>91,134,710</u>	<u>91,134,710</u>	<u>102,639,396</u>	<u>11,504,686</u>
Expenditures				
Debt service				
Principal	-	-	64,825,000	64,825,000
Interest and fiscal charges	91,134,710	91,134,710	34,616,348	(56,518,362)
Total expenditures	<u>91,134,710</u>	<u>91,134,710</u>	<u>99,441,348</u>	<u>8,306,638</u>
Excess of revenues over (under) expenditures	-	-	3,198,048	3,198,048
Other financing sources (uses)				
Bond issuance	-	-	70,643,931	70,643,931
Payment to refunded bond escrow agent	-	-	(70,830,000)	(70,830,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(186,069)</u>	<u>(186,069)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	3,011,979	<u>\$ 3,011,979</u>
Fund Balance				
Beginning of year			<u>40,197,035</u>	
End of year			<u>\$ 43,209,014</u>	

**Minneapolis Public Schools
Special School District No. 1
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Capital Project - Building Construction
Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local sources				
Earnings on investments	\$ -	\$ -	\$ 10,799,107	\$ 10,799,107
Total revenues	<u>-</u>	<u>-</u>	<u>10,799,107</u>	<u>10,799,107</u>
Expenditures				
Current				
Sites and buildings	35,807,875	36,682,875	37,893,333	1,210,458
Capital outlay				
Sites and buildings	94,192,125	105,317,125	56,479,954	(48,837,171)
Debt service				
Principal	-	-	1,931,958	1,931,958
Interest and fiscal charges	-	-	526,496	526,496
Total expenditures	<u>130,000,000</u>	<u>142,000,000</u>	<u>96,831,741</u>	<u>(45,168,259)</u>
Excess of revenues over (under) expenditures	(130,000,000)	(142,000,000)	(86,032,634)	55,967,366
Other Financing Sources (uses)				
Bond issuance	64,198,898	76,198,898	58,750,000	(17,448,898)
Bond premium	-	-	5,730,268	5,730,268
Proceeds from capital leases	-	-	814,122	814,122
Total other financing sources (uses)	<u>64,198,898</u>	<u>76,198,898</u>	<u>65,294,390</u>	<u>(10,904,508)</u>
Net change in fund balance	<u>\$ (65,801,102)</u>	<u>\$ (65,801,102)</u>	(20,738,244)	<u>\$ 45,062,858</u>
Fund Balance				
Beginning of year			<u>249,711,992</u>	
End of year			<u>\$ 228,973,748</u>	

**Minneapolis Public Schools
Special School District No. 1
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2023**

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION FUND			
Total revenue	\$629,681,176	\$629,681,176	\$ -	Total revenue	\$ 10,799,107	\$ 10,799,108	\$ (1)
Total expenditures	640,898,978	640,898,974	4	Total expenditures	96,831,741	96,831,742	(1)
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	5,957,921	5,957,921	-	4.60 Nonspendable fund balance	942,362	942,362	-
<i>Restricted/reserved:</i>				<i>Restricted/reserved:</i>			
4.01 Student Activities	543,356	543,356	-	4.07 Capital Projects Levy	-	-	-
4.02 Scholarships	-	-	-	4.13 Building Projects Funded by COP/LP	-	-	-
4.03 Staff Development	-	-	-	4.67 Long-term Facilities Maintenance	102,581,660	102,581,660	-
4.05 Deferred Maintenance	-	-	-	<i>Restricted:</i>			
4.07 Capital Projects Levy	-	-	-	4.64 Restricted fund balance	125,449,726	125,449,724	2
4.08 Cooperative Programs	-	-	-	<i>Unassigned:</i>			
4.13 Building Projects Funded by COP/LP	-	-	-	4.63 Unassigned fund balance	-	-	-
4.14 Operating Debt	-	-	-	07 DEBT SERVICE FUND			
4.16 Levy Reduction	-	-	-	Total revenue	\$102,639,396	\$102,639,396	\$ -
4.17 Taconite Building Maintenance	-	-	-	Total expenditures	99,445,248	99,445,249	(1)
4.23 Certain Teacher Programs	-	-	-	<i>Nonspendable:</i>			
4.24 Operating Capital	12,572,197	12,572,197	-	4.60 Nonspendable fund balance	-	-	-
4.26 \$25 Taconite	-	-	-	<i>Restricted/reserved:</i>			
4.27 Disabled Accessibility	-	-	-	4.25 Bond refundings	-	-	-
4.28 Learning and Development	-	-	-	4.33 Maximum effort loan aid	-	-	-
4.34 Area Learning Center	-	-	-	4.51 QZAB payments	29,259,472	29,259,472	-
4.35 Contracted Alternative Programs	966,181	966,181	-	4.67 LTFM	-	-	-
4.36 State Approved Alternative Program	-	-	-	<i>Restricted:</i>			
4.38 Gifted and Talented	439,264	439,264	-	4.64 Restricted fund balance	13,945,642	13,945,642	-
4.40 Teacher Development and Evaluation	-	-	-	<i>Unassigned:</i>			
4.41 Basic Skills Programs	-	-	-	4.63 Unassigned fund balance	-	-	-
4.45 Career Technical Programs	-	-	-	08 TRUST FUND			
4.48 Achievement and Integration	-	-	-	Total revenue	\$ -	\$ -	\$ -
4.49 Safe School Crime	-	-	-	Total expenditures	-	-	-
4.51 QZAB and QSCB Payments	-	-	-	<i>Unassigned:</i>			
4.52 OPEB Liabilities not Held in Trust	-	-	-	4.01 Student Activities	-	-	-
4.53 Unfunded Severance and Retirement Levy	-	-	-	4.02 Scholarships	-	-	-
4.59 Basic Skills Extended Time	7,631,978	7,631,978	-	4.22 Net position	-	-	-
4.67 Long-term Facilities Maintenance	-	-	-	18 CUSTODIAL			
<i>Restricted:</i>				Total revenue	\$ -	\$ -	\$ -
4.72 Medical Assistance	-	-	-	Total expenditures	-	-	-
4.64 Restricted fund balance	233,781	233,781	-	<i>Restricted/reserved:</i>			
4.75 Title VII - Impact Aid	-	-	-	4.01 Student Activities	-	-	-
4.76 Payments in Lieu of Taxes	-	-	-	4.02 Scholarships	-	-	-
<i>Committed:</i>				4.48 Achievement and Integration	-	-	-
4.18 Committed for separation	-	-	-	4.65 Restricted	-	-	-
4.61 Committed	-	-	-	20 INTERNAL SERVICE FUND			
<i>Assigned:</i>				Total revenue	\$ 67,913,834	\$ 67,913,833	\$ 1
4.62 Assigned fund balance	54,915,232	54,915,232	-	Total expenditures	65,202,187	65,202,186	1
<i>Unassigned:</i>				<i>Unassigned:</i>			
4.22 Unassigned fund balance (net position)	60,025,541	60,025,539	2	4.22 Net position	39,342,621	39,342,618	3
02 FOOD SERVICE FUND				25 OPEB REVOCABLE TRUST			
Total revenue	\$ 18,009,094	\$ 18,009,095	\$ (1)	Total revenue	\$ -	\$ -	\$ -
Total expenditures	23,904,788	23,904,788	-	Total expenditures	-	-	-
<i>Nonspendable:</i>				<i>Unassigned:</i>			
4.60 Nonspendable fund balance	1,970,767	1,970,767	-	4.22 Net position	-	-	-
<i>Restricted/reserved:</i>				45 OPEB IRREVOCABLE TRUST			
4.52 OPEB liabilities not held in trust	-	-	-	Total revenue	\$ 1,505,114	\$ 1,505,114	\$ -
<i>Restricted:</i>				Total expenditures	-	-	-
4.64 Restricted fund balance	-	-	-	<i>Unassigned:</i>			
<i>Unassigned:</i>				4.22 Net position	24,462,720	24,462,719	1
4.63 Unassigned fund balance	-	-	-	47 OPEB DEBT SERVICE			
04 COMMUNITY SERVICE FUND				Total revenue	\$ -	\$ -	\$ -
Total revenue	\$ 35,606,486	\$ 35,606,487	\$ (1)	Total expenditures	-	-	-
Total expenditures	33,152,664	33,152,669	(5)	<i>Nonspendable:</i>			
<i>Nonspendable:</i>				4.60 Nonspendable fund balance	-	-	-
4.60 Nonspendable fund balance	-	-	-	<i>Restricted:</i>			
<i>Restricted/reserved:</i>				4.25 Bond refundings	-	-	-
4.26 \$25 Taconite	-	-	-	4.64 Restricted fund balance	-	-	-
4.31 Community Education	1,814,399	1,814,399	-	<i>Unassigned:</i>			
4.32 ECFE	664,466	664,466	-	4.63 Unassigned fund balance	-	-	-
4.40 Teacher Development and Evaluation	-	-	-				
4.44 School Readiness	1,241,654	1,241,654	-				
4.47 Adult Basic Education	1,364,412	1,364,412	-				
4.52 OPEB Liabilities not Held in trust	-	-	-				
<i>Restricted:</i>							
4.64 Restricted fund balance	2,541,257	2,541,255	2				
<i>Unassigned:</i>							
4.63 Unassigned fund balance	-	-	-				

STATISTICAL SECTION

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**Minneapolis Public Schools
Special School District No. 1
Statistical Section (Unaudited)**

III. Statistical Section (Unaudited)

This part of Special School District No. 1's annual comprehensive financial report presents detailed information as a context for understanding what the information in the basic financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	118
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	134
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	142
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	150
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	154

Sources: Unless otherwise noted, the information in these schedules is derived from the District's financial statements for the relevant year.

**Minneapolis Public Schools
Special School District No. 1
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)**

	Fiscal Years			
	2014	2015	2016	2017
Governmental activities				
Net investment in capital assets	\$ 153,702,908	\$ 158,432,953	\$ 163,600,431	\$ 149,160,083
Restricted	35,800,506	27,255,199	20,331,931	35,723,782
Unrestricted	77,155,040	(526,252,170)	(552,605,238)	(870,333,620)
	<u>\$ 266,658,454</u>	<u>\$ (340,564,018)</u>	<u>\$ (368,672,876)</u>	<u>\$ (685,449,755)</u>

Note 1: The District implemented GASB Statement No. 65 in fiscal 2014. The District reported a change in accounting principle as a result of implementing this standard that decreased unrestricted net position by approximately \$3.8 million.

Note 2: The District implemented GASB Statement No. 68 in fiscal 2015. The District reported a change in accounting principle as a result of implementing this standard that decreased unrestricted net position by approximately \$622.0 million.

Note 3: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2018. The District reported a change in accounting principle as a result of implementing these standards that decreased unrestricted net position by approximately \$35.8 million.

Note 4: The District implemented GASB Statement No. 84 in fiscal 2020. The District reported a change in accounting principle as a result of implementing these standards that increased unrestricted net position by approximately \$696 thousand.

Note 5: The District reported a prior period adjustment in fiscal 2021, increasing unrestricted net position by approximately \$14.0 million. Prior fiscal years were not adjusted to reflect the impact of this adjustment.

Fiscal Years

2018	2019	2020	2021	2022	2023
\$ 159,397,295	\$ 154,921,449	\$ 152,437,418	\$ 167,231,208	\$ 180,023,633	\$ 205,481,189
35,798,200	39,223,672	47,574,870	54,965,174	50,733,450	60,900,783
<u>(1,196,502,668)</u>	<u>(963,390,821)</u>	<u>(965,866,372)</u>	<u>(945,402,805)</u>	<u>(862,696,210)</u>	<u>(631,839,604)</u>
<u>\$ (1,001,307,173)</u>	<u>\$ (769,245,700)</u>	<u>\$ (765,854,084)</u>	<u>\$ (723,206,423)</u>	<u>\$ (631,939,127)</u>	<u>\$ (365,457,632)</u>

**Minneapolis Public Schools
Special School District No. 1
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)**

	Fiscal Year			
	2014	2015	2016	2017
Expenses				
Governmental activities				
Administration	\$ 13,473,342	\$ 14,463,532	\$ 18,298,352	\$ 29,036,288
District support services	26,716,274	30,330,583	26,864,475	22,972,094
Elementary and secondary regular instruction	273,343,235	278,074,269	304,864,660	494,078,827
Vocational education instruction	4,082,943	3,989,570	4,191,742	6,788,131
Special education instruction	114,726,330	112,253,986	128,294,358	185,485,643
Instructional support services	40,284,398	46,257,355	56,903,247	90,336,077
Pupil support services	55,251,902	63,653,294	70,333,762	87,780,289
Sites and buildings	54,080,348	65,034,547	61,837,606	82,267,082
Fiscal and other fixed cost programs	566,697	567,196	585,971	559,310
Food service	19,148,563	19,370,135	22,736,775	23,606,809
Community service	24,683,707	24,319,959	28,205,073	36,961,573
Interest and fiscal charges	11,840,927	15,789,065	16,485,498	20,999,111
Total governmental activities expenses	<u>638,198,666</u>	<u>674,103,491</u>	<u>739,601,519</u>	<u>1,080,871,234</u>
Program revenues				
Governmental activities				
Charges for services				
Food service	1,810,195	2,004,093	2,348,480	2,048,694
Community service	7,285,021	7,673,821	7,931,383	8,190,904
All other	6,830,418	6,772,061	7,412,017	6,965,141
Operating grants and contributions	131,683,565	138,133,051	155,997,379	156,341,813
Capital grants and contributions	11,000,000	11,000,000	11,000,000	10,733,375
Total governmental activities program revenues	<u>158,609,199</u>	<u>165,583,026</u>	<u>184,689,259</u>	<u>184,279,927</u>
Net (expense) revenue	(479,589,467)	(508,520,465)	(554,912,260)	(896,591,307)
General revenues and other changes in net position				
Taxes				
Property taxes, levied for general purposes	77,578,097	107,272,419	116,393,510	117,353,242
Property taxes, levied for capital projects	4,971,017	8,327,570	82,169	-
Property taxes, levied for community service	2,406,822	5,020,422	5,142,659	5,676,054
Property taxes, levied for debt service	62,025,199	51,197,512	57,175,506	62,926,501
Unrestricted grants and contributions	338,222,498	337,642,221	336,893,500	353,255,021
Other general revenues	9,349,579	12,335,707	8,302,254	11,189,340
Investment earnings	912,544	1,489,607	2,843,804	1,421,895
Total general revenues and other changes in net position	<u>495,465,756</u>	<u>523,285,458</u>	<u>526,833,402</u>	<u>551,822,053</u>
Change in net position	<u>15,876,289</u>	<u>14,764,993</u>	<u>(28,078,858)</u>	<u>(344,769,254)</u>
Prior period adjustment	-	-	-	-
Change in accounting principle	<u>(3,855,218)</u>	<u>(622,017,465)</u>	<u>-</u>	<u>-</u>
Total change in net position	<u>\$ 12,021,071</u>	<u>\$ (607,252,472)</u>	<u>\$ (28,078,858)</u>	<u>\$ (344,769,254)</u>

Note The District implemented GASB Statement No. 65 in fiscal 2014. The District reported a change in accounting principle as a result of implementing this standard that decreased unrestricted net position by approximately \$3.8 million.

Note The District implemented GASB Statement No. 68 in fiscal 2015. The District reported a change in accounting principle as a result of implementing this standard that decreased unrestricted net position by approximately \$622.0 million.

Note The District implemented GASB Statement Nos. 74 and 75 in fiscal 2018. The District reported a change in accounting principle as a result of implementing these standards that decreased unrestricted net position by approximately \$35.8 million.

Note The District implemented GASB Statement No. 84 in fiscal 2020. The District reported a change in accounting principle as a result of implementing these standards that increased unrestricted net position by approximately \$696 thousand.

Note The District reported a prior period adjustment in fiscal 2021, increasing unrestricted net position by approximately \$14.0 million. Prior fiscal years were not adjusted to reflect the impact of this adjustment.

Note The District implemented GASB Statement No. 96 in 2023, resulting in a change in accounting principle of \$2,160,573.

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 24,413,289	\$ 5,475,381	\$ 16,864,097	\$ 17,003,242	\$ 14,936,110	\$ 8,361,982
30,190,752	27,778,362	19,824,078	24,318,391	48,857,105	38,720,471
461,472,662	123,939,300	309,850,944	280,150,136	251,618,186	130,065,948
6,528,984	1,742,583	5,068,728	5,089,516	5,013,209	2,618,812
170,696,488	57,885,398	118,877,734	122,202,296	103,577,983	66,293,506
66,244,175	29,676,916	45,584,282	41,490,014	40,278,990	32,408,488
80,939,128	56,404,314	73,028,360	63,131,018	78,666,331	83,573,060
77,919,006	96,270,486	87,021,218	90,552,655	69,871,966	96,246,230
594,641	688,012	932,903	6,275,779	1,221,175	1,401,602
22,597,860	22,948,092	22,816,700	18,174,647	24,410,001	24,193,934
37,364,970	27,107,793	31,916,490	26,261,083	27,517,183	27,843,092
23,770,907	25,003,650	25,816,996	25,999,423	27,457,019	26,534,105
<u>1,002,732,862</u>	<u>474,920,287</u>	<u>757,602,530</u>	<u>720,648,200</u>	<u>693,425,258</u>	<u>538,261,230</u>
1,809,691	2,694,907	2,144,670	187,554	588,874	1,795,016
8,652,521	9,248,182	6,531,527	2,656,536	5,882,782	9,404,450
5,917,604	6,034,017	6,589,276	5,758,440	5,045,316	6,177,552
180,608,137	175,750,568	174,224,653	202,953,369	256,492,930	248,294,318
11,198,000	11,110,000	11,000,000	11,000,000	11,000,000	11,000,000
<u>208,185,953</u>	<u>204,837,674</u>	<u>200,490,126</u>	<u>222,555,899</u>	<u>279,009,902</u>	<u>276,671,336</u>
(794,546,909)	(270,082,613)	(557,112,404)	(498,092,301)	(414,415,356)	(261,589,894)
123,108,189	113,975,914	151,288,101	144,175,066	140,428,013	141,257,137
-	-	-	-	-	-
5,536,744	5,202,393	5,483,503	5,530,668	5,409,069	5,494,669
65,124,099	82,407,024	80,690,817	84,154,604	80,263,492	90,306,485
316,909,702	287,017,586	311,877,276	292,899,839	279,405,692	271,576,778
701,551	13,158	18,765	-	-	32,105
3,148,581	13,528,011	10,449,655	754	176,386	17,243,642
<u>514,528,866</u>	<u>502,144,086</u>	<u>559,808,117</u>	<u>526,760,931</u>	<u>505,682,652</u>	<u>525,910,816</u>
(280,018,043)	232,061,473	2,695,713	28,668,630	91,267,296	264,320,922
-	-	-	13,979,031	-	-
(35,839,375)	-	695,903	-	-	2,160,573
<u>\$ (315,857,418)</u>	<u>\$ 232,061,473</u>	<u>\$ 3,391,616</u>	<u>\$ 28,668,630</u>	<u>\$ 91,267,296</u>	<u>\$ 266,481,495</u>

**Minneapolis Public Schools
Special School District No. 1
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)**

	Fiscal Year			
	2014	2015	2016	2017
Revenues				
Local sources				
Property taxes	\$ 147,181,032	\$ 170,554,837	\$ 179,102,986	\$ 186,848,106
Earnings on investments	739,024	1,321,599	2,540,323	1,454,684
Other	28,407,323	32,472,040	31,311,889	28,387,597
Revenue from state sources	413,789,822	422,769,202	434,427,393	427,523,543
Revenue from federal sources	63,326,651	58,127,944	62,467,008	66,351,478
Sales and other conversion of assets	-	-	-	-
Total revenues	<u>653,443,852</u>	<u>685,245,622</u>	<u>709,849,599</u>	<u>710,565,408</u>
Expenditures				
Current				
Administration	13,879,619	16,070,932	17,687,848	17,384,736
District support services	22,980,865	28,140,125	18,772,996	19,613,778
Elementary and secondary regular instruction	247,063,307	261,018,680	281,183,312	279,209,325
Vocational education instruction	3,735,366	3,906,467	3,824,712	4,018,952
Special education instruction	112,831,353	115,090,317	120,631,699	118,988,717
Instructional support services	38,055,158	45,674,033	53,888,807	61,076,185
Pupil support services	52,355,745	63,500,540	65,090,663	66,342,086
Sites and buildings	61,317,727	65,382,043	67,537,181	70,831,796
Fiscal and other fixed cost programs	566,697	567,196	585,971	559,310
Food service	18,370,838	18,746,395	21,379,447	21,955,089
Community service	24,149,215	24,374,736	26,096,351	28,470,422
Capital outlay	34,128,727	84,314,918	113,558,642	32,964,683
Debt service				
Principal	142,325,000	57,345,000	65,651,000	54,410,000
Interest and fiscal charges	16,199,472	15,712,382	22,474,693	24,365,539
Total expenditures	<u>787,959,089</u>	<u>799,843,764</u>	<u>878,363,322</u>	<u>800,190,618</u>
Excess of revenues over (under) expenditures	(134,515,237)	(114,598,142)	(168,513,723)	(89,625,210)
Other financing sources (uses)				
Insurance recovery	-	-	-	-
Proceeds from sale of capital assets	1,402,360	2,918,377	8,042,914	14,250
Bonds issuance	112,985,000	203,980,000	111,335,000	115,840,000
Bond premium	10,073,954	24,689,189	7,562,991	18,670,496
Lease issuance	-	-	-	-
Notes from direct borrowing	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers in	-	-	16,000,000	3,300,000
Transfers out	-	-	-	(3,300,000)
Total other financing sources (uses)	<u>124,461,314</u>	<u>231,587,566</u>	<u>142,940,905</u>	<u>134,524,746</u>
Net change in fund balances	<u>\$ (10,053,923)</u>	<u>\$ 116,989,424</u>	<u>\$ (25,572,818)</u>	<u>\$ 44,899,536</u>
Change in accounting principle	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt service as a percentage of noncapital expenditures	<u>21.0%</u>	<u>10.2%</u>	<u>11.5%</u>	<u>10.3%</u>

Note 1: The District implemented GASB Statement No. 84 in fiscal 2020. The District reported a change in accounting principle as a result of implementing these standards that increased unrestricted net position by approximately \$696 thousand.

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 193,482,261	\$ 201,623,012	\$ 237,688,936	\$ 233,710,937	\$ 226,948,273	\$ 237,172,227
2,681,596	11,546,213	9,346,761	(9,950)	(2,090,001)	15,398,535
25,794,522	23,747,220	20,983,762	16,415,426	16,975,798	21,408,399
434,379,126	433,327,525	426,392,228	413,948,831	396,699,931	379,965,999
65,693,449	64,556,526	62,670,352	83,704,821	146,899,330	140,830,749
-	2,694,907	2,144,670	187,560	804,780	1,959,350
<u>722,030,954</u>	<u>737,495,403</u>	<u>759,226,709</u>	<u>747,957,625</u>	<u>786,238,111</u>	<u>796,735,259</u>
15,547,683	14,078,320	15,207,556	16,049,086	16,954,667	18,487,733
27,059,474	28,409,955	20,382,355	26,601,884	30,826,898	32,112,101
277,152,841	258,489,689	273,196,985	259,680,752	274,310,418	255,920,748
4,166,786	4,480,099	4,620,367	4,797,462	5,476,323	5,482,394
116,754,950	114,880,487	114,972,663	120,905,966	117,840,105	118,665,141
48,331,889	43,030,096	43,973,545	43,590,389	44,617,199	46,287,017
63,842,797	68,351,249	69,626,854	64,371,133	83,826,106	95,377,944
70,541,979	91,101,190	65,137,597	78,814,675	73,838,180	81,753,676
594,641	688,012	932,903	6,275,779	1,221,175	1,401,602
21,226,849	22,521,883	22,866,971	19,090,261	25,151,830	23,676,472
29,788,981	32,739,857	31,181,411	27,154,272	29,657,088	33,255,575
82,671,403	60,346,611	60,391,425	35,404,410	63,722,408	73,429,281
51,925,000	57,190,000	58,285,000	59,770,000	69,864,767	72,540,501
28,224,134	31,055,389	32,919,855	33,761,265	35,423,870	35,843,234
<u>837,829,407</u>	<u>827,362,837</u>	<u>813,695,487</u>	<u>796,267,334</u>	<u>872,731,034</u>	<u>894,233,419</u>
(115,798,453)	(89,867,434)	(54,468,778)	(48,309,709)	(86,492,923)	(97,498,160)
-	-	-	-	56,162	900,460
1,566	9,765	18,765	-	-	32,105
119,025,000	91,670,000	84,220,000	98,980,000	115,280,000	124,295,001
17,676,619	11,814,468	14,931,237	20,389,236	27,638,692	10,829,198
-	-	-	-	24,202,006	8,928,669
-	-	-	-	-	6,983,121
-	-	(6,095,000)	(29,955,000)	(59,085,000)	(70,830,000)
-	-	3,197,268	-	470,867	6,481,205
-	-	(3,197,268)	-	(470,867)	(6,481,205)
<u>136,703,185</u>	<u>103,494,233</u>	<u>93,075,002</u>	<u>89,414,236</u>	<u>108,091,860</u>	<u>81,138,554</u>
<u>\$ 20,904,732</u>	<u>\$ 13,626,799</u>	<u>\$ 38,606,224</u>	<u>\$ 41,104,527</u>	<u>\$ 21,598,937</u>	<u>\$ (16,359,606)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 695,903</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>10.6%</u>	<u>11.5%</u>	<u>12.1%</u>	<u>12.3%</u>	<u>13.0%</u>	<u>13.2%</u>

**Minneapolis Public Schools
Special School District No. 1
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)**

	Fiscal Year			
	2014	2015	2016	2017
General Fund				
Nonspendable	\$ 896,518	\$ 872,933	\$ 853,532	\$ 128,675
Restricted	2,255,536	248,930	293,573	3,319,894
Assigned	39,192,676	29,387,954	25,350,565	21,455,251
Unassigned	<u>44,913,892</u>	<u>49,436,409</u>	<u>54,219,695</u>	<u>41,392,543</u>
Total General Fund	87,258,622	79,946,226	80,717,365	66,296,363
All other governmental funds				
Nonspendable	764,274	780,490	484,372	872,545
Restricted				
Special revenue funds	3,777,145	6,278,029	9,064,174	10,704,840
Building construction	51,956,431	166,323,664	141,287,222	201,062,678
Debt service funds	<u>24,811,138</u>	<u>32,228,625</u>	<u>28,431,083</u>	<u>25,947,326</u>
Total all other governmental funds	<u>\$ 168,567,610</u>	<u>\$ 285,557,034</u>	<u>\$ 259,984,216</u>	<u>\$ 304,883,752</u>

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 90,987	\$ 1,227,627	\$ 1,269,376	\$ 1,414,679	\$ 5,294,596	\$ 5,957,921
1,107,421	2,660,707	9,593,882	12,214,531	17,698,879	22,386,757
29,671,886	32,138,104	43,737,399	57,295,506	68,347,003	54,915,232
31,645,115	38,832,518	52,573,025	55,149,041	53,613,747	60,025,541
62,515,409	74,858,956	107,173,682	126,073,757	144,954,225	143,285,451
835,232	856,369	2,532,517	1,732,388	2,187,502	2,913,129
11,266,229	9,662,107	6,881,059	8,768,701	5,051,671	7,626,188
225,872,041	219,626,151	219,959,276	238,481,069	249,030,441	228,031,386
25,299,573	34,411,700	42,170,876	44,766,022	40,197,035	43,205,114
<u>\$ 325,788,484</u>	<u>\$ 339,415,283</u>	<u>\$ 378,717,410</u>	<u>\$ 419,821,937</u>	<u>\$ 441,420,874</u>	<u>\$ 425,061,268</u>

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**Minneapolis Public Schools
Special School District No. 1
General Fund Revenue by Source
Last Ten Fiscal Years**

Year Ended June 30,	Local Property Tax Revenue	State Revenue	Federal Revenue	Other Local and Miscellaneous	Total
2014	\$ 77,700,562 14.7%	\$ 390,144,189 73.7%	\$ 44,219,081 8.4%	\$ 17,304,137 3.3%	\$ 529,367,969 100.0%
2015	106,397,151 18.8%	399,944,459 70.8%	38,310,414 6.8%	20,084,230 3.6%	564,736,254 100.0%
2016	116,602,944 19.9%	410,256,617 70.1%	40,075,526 6.8%	18,292,458 3.1%	585,227,545 100.0%
2017	117,942,218 20.3%	402,839,217 69.2%	43,016,218 7.4%	17,971,173 3.1%	581,768,826 100.0%
2018	122,930,971 20.8%	408,375,976 69.2%	42,823,711 7.3%	15,705,490 2.7%	589,836,148 100.0%
2019	114,084,818 19.7%	406,906,740 70.1%	42,269,350 7.3%	17,035,980 2.9%	580,296,888 100.0%
2020	151,392,761 24.9%	400,306,331 65.9%	39,941,226 6.6%	16,203,960 2.7%	607,844,278 100.0%
2021	144,092,501 23.9%	387,675,107 64.2%	58,628,646 9.7%	13,337,269 2.2%	603,733,523 100.0%
2022	140,964,153 21.9%	371,678,222 57.8%	120,482,318 18.7%	10,084,573 1.6%	643,209,266 100.0%
2023	141,332,958 22.4%	354,667,173 56.3%	119,072,623 18.9%	14,608,422 2.3%	629,681,176 100.0%

Note: The change in “tax shift,” as approved in legislation, impacted the amount of tax revenue recognized in fiscal years 2011 and 2014. Changes in the amount of revenue recognized, due to the tax shift, are offset by an adjustment to state aid payments by an equal amount

**Minneapolis Public Schools
Special School District No. 1
General Fund Expenditures by Program
Last Ten Fiscal Years**

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction	Instructional Support Services
2014	\$ 13,879,619 2.6%	\$ 22,980,865 4.3%	\$ 247,063,307 46.0%	\$ 3,735,366 0.7%	\$ 112,831,353 21.0%	\$ 38,055,158 7.1%
2015	16,070,932 2.8%	28,140,125 4.9%	261,018,680 45.3%	3,906,467 0.7%	115,090,317 20.0%	45,674,033 7.9%
2016	17,687,848 2.9%	18,772,996 3.1%	281,183,312 46.4%	3,824,712 0.6%	120,631,699 19.9%	53,888,807 8.9%
2017	17,384,736 2.9%	19,613,778 3.2%	279,209,325 46.1%	4,018,952 0.7%	118,988,717 19.6%	61,076,185 10.1%
2018	15,547,683 2.6%	27,059,474 4.6%	277,152,841 46.7%	4,166,786 0.7%	116,754,950 19.7%	48,331,889 8.1%
2019	14,078,320 2.5%	28,409,955 5.0%	258,489,689 45.5%	4,480,099 0.8%	114,880,487 20.2%	43,030,096 7.6%
2020	15,207,556 2.6%	20,382,355 3.5%	273,196,985 47.3%	4,620,367 0.8%	114,972,663 19.9%	43,973,545 7.6%
2021	16,049,086 2.7%	26,601,884 4.5%	259,680,752 44.4%	4,797,462 0.8%	120,905,966 20.7%	43,590,389 7.5%
2022	16,954,667 2.6%	30,826,898 4.8%	274,310,418 42.3%	5,476,323 0.8%	117,840,105 18.2%	44,617,199 6.9%
2023	18,487,733 2.9%	32,112,101 5.0%	255,920,748 39.9%	5,482,394 0.9%	118,665,141 18.5%	46,287,017 7.2%

Note: The change in "tax shift," as approved in legislation, impacted the amount of tax revenue recognized in fiscal years 2012 and 2014. Changes in the amount of revenue recognized, due to the tax shift, are offset by an adjustment to state aid payments by an equal amount

<u>Pupil Support Services</u>	<u>Sites and Buildings</u>	<u>Fiscal and Other Fixed Cost Programs</u>	<u>Community Education and Services</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
\$ 52,355,745 9.8%	\$ 35,180,060 6.6%	\$ 566,697 0.1%	\$ - -	\$ 9,152,413 1.7%	\$ 1,055,711 0.2%	\$ 536,856,294 100.0%
63,500,540 11.0%	34,311,403 6.0%	567,196 0.1%	- -	7,613,457 1.3%	- -	575,893,150 100.0%
65,090,663 10.7%	34,369,886 5.7%	585,971 0.1%	- -	10,348,822 1.7%	- -	606,384,716 100.0%
66,342,086 10.9%	35,852,999 5.9%	559,310 0.1%	58,786 0.0%	2,824,954 0.5%	- -	605,929,828 100.0%
63,842,797 10.8%	34,563,786 5.8%	594,641 0.1%	- -	5,602,255 0.9%	- -	593,617,102 100.0%
68,351,249 12.0%	33,716,339 5.9%	688,012 0.1%	- -	1,838,860 0.3%	- -	567,963,106 100.0%
69,626,854 12.1%	33,229,408 5.8%	932,903 0.2%	- -	1,201,584 0.2%	- -	577,344,220 100.0%
64,371,133 11.0%	40,028,331 6.8%	6,275,779 1.1%	- -	2,532,666 0.4%	- -	584,833,448 100.0%
83,826,106 12.9%	38,970,766 6.0%	1,221,175 0.2%	71,406 0.0%	26,408,839 4.1%	7,568,950 1.2%	648,092,852 100.0%
95,377,944 14.9%	43,860,343 6.8%	1,401,602 0.2%	133,680 0.0%	16,721,011 2.6%	6,449,264 1.0%	640,898,978 100.0%

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 589,836,148	\$ 580,296,888	\$ 607,844,278	\$ 603,733,523	\$ 643,209,266	\$ 629,681,176
21,897,237	22,062,833	23,694,428	21,349,575	21,168,074	18,009,094
30,506,573	31,853,780	28,471,098	27,022,352	29,701,512	35,606,486
1,249,177	6,211,282	3,611,101	212,058	597,098	10,799,107
78,541,819	97,070,620	95,605,804	95,640,117	91,562,161	102,639,396
<u>\$ 722,030,954</u>	<u>\$ 737,495,403</u>	<u>\$ 759,226,709</u>	<u>\$ 747,957,625</u>	<u>\$ 786,238,111</u>	<u>\$ 796,735,259</u>
\$ 593,617,102	\$ 567,963,106	\$ 577,344,220	\$ 584,833,448	\$ 648,092,852	\$ 640,898,978
21,646,325	22,624,251	22,955,476	19,211,722	25,223,498	23,904,788
30,234,975	32,875,347	31,232,002	27,155,640	29,589,555	33,152,664
113,141,433	115,941,640	91,067,412	71,747,909	73,373,599	96,831,741
79,189,572	87,958,493	91,096,377	93,318,615	96,451,530	99,445,248
<u>\$ 837,829,407</u>	<u>\$ 827,362,837</u>	<u>\$ 813,695,487</u>	<u>\$ 796,267,334</u>	<u>\$ 872,731,034</u>	<u>\$ 894,233,419</u>

**Minneapolis Public Schools
Special School District No. 1
Cash and Investments by Fund
Last Ten Fiscal Years**

	Fiscal Year			
	2014	2015	2016	2017
General Fund	\$ 119,700,798	\$ 108,907,760	\$ 95,179,498	\$ 85,619,508
Special revenue funds				
Food Service	-	815,272	933,829	1,939,704
Community Service	4,328,228	6,630,979	8,976,796	11,242,777
Building construction	61,146,291	196,346,014	161,675,892	213,222,358
Debt service funds	49,334,042	59,749,587	58,600,779	57,151,753
Internal service funds	50,088,316	47,534,292	29,705,483	44,918,470
OPEB Trust Fund	16,734,979	14,637,387	14,946,492	16,218,696
	<u>\$ 301,332,654</u>	<u>\$ 434,621,291</u>	<u>\$ 370,018,769</u>	<u>\$ 430,313,266</u>

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 94,582,285	\$ 116,595,173	\$ 146,432,589	\$ 167,707,285	\$ 153,196,716	\$ 139,336,994
2,081,764	1,869,294	-	2,925,204	-	-
11,338,299	9,314,974	6,423,422	4,959,083	7,234,505	7,011,091
246,717,038	236,462,242	229,145,567	247,489,262	255,932,860	237,460,374
67,471,802	73,465,944	80,663,292	83,644,344	84,334,717	87,172,216
52,288,028	59,713,246	69,745,932	88,143,884	83,801,385	86,204,994
19,236,786	21,086,531	21,766,550	26,504,022	22,957,606	24,462,720
<u>\$ 493,716,002</u>	<u>\$ 518,507,404</u>	<u>\$ 554,177,352</u>	<u>\$ 621,373,084</u>	<u>\$ 607,457,789</u>	<u>\$ 581,648,389</u>

**Minneapolis Public Schools
Special School District No. 1
Governmental Funds Tax Revenues by Source and Levy Type
Last Ten Fiscal Years**

Year Ended June 30,	Property Tax				Total
	General Fund	Community Service Special Revenue Fund	Capital Projects - Building Construction	Debt Service Funds	
2014	\$ 77,700,562	\$ 2,419,221	\$ 4,971,017	\$ 62,090,232	\$ 147,181,032
2015	106,397,151	4,982,620	8,327,570	50,847,496	170,554,837
2016	116,602,944	5,150,988	82,169	57,266,885	179,102,986
2017	117,942,218	5,699,513	-	63,206,375	186,848,106
2018	122,930,971	5,529,590	-	65,021,700	193,482,261
2019	114,084,818	5,206,428	-	82,331,766	201,623,012
2020	151,392,761	5,492,440	-	80,803,735	237,688,936
2021	144,092,501	5,528,142	-	84,090,294	233,710,937
2022	140,964,153	5,432,626	-	80,551,494	226,948,273
2023	141,332,958	5,498,248	-	90,341,021	237,172,227

Note: The change in “tax shift,” as approved in legislation, impacted the amount of tax revenue recognized in fiscal years 2011 and 2014. Changes in the amount of revenue recognized, due to the tax shift, are offset by an adjustment to state aid payments by an equal amount.

**Minneapolis Public Schools
Special School District No. 1
Tax Capacities and Market Values
Last Ten Fiscal Years**

For Taxes Collectible	Total Taxable Net Tax Capacity	Estimated Market Value	Percentage Tax Capacity to Market Value
2014	\$ 374,174,247	\$ 33,018,471,980	1.13 %
2015	410,514,191	36,295,801,700	1.13
2016	454,641,259	40,007,351,470	1.14
2017	493,479,516	43,733,641,575	1.13
2018	533,535,674	47,585,887,950	1.12
2019	616,220,416	52,302,500,275	1.18
2020	657,711,218	55,860,372,081	1.18
2021	697,099,022	58,812,067,511	1.19
2022	704,727,819	60,047,658,199	1.17
2023	760,971,311	63,808,758,391	1.19

Note: Per the Hennepin County Taxpayer Services Division, reliable information for the breakdown of assessed and actual residential, commercial, and industrial property values is not available. Actual value of property.

Source: *MDE Levy Limitation and Certification Report*

**Minneapolis Public Schools
Special School District No. 1
School Tax Levies, and Tax Rates
Last Ten Fiscal Years**

	Year Collectible	General Fund	Community Service Special Revenue Fund	Debt Service Fund	Total All Funds
Levies	2014	\$ 115,585,635	\$ 4,958,085	\$ 51,348,833	\$ 171,892,553
	2015	115,954,257	5,160,736	57,481,369	178,596,362
	2016	117,008,161	5,503,645	63,228,410	185,740,216
	2017	119,784,624	5,330,747	65,796,848	190,912,220
	2018	114,064,112	5,241,275	83,098,180	202,403,566
	2019	149,699,526	5,541,672	81,436,314	236,677,511
	2020	142,851,932	5,568,034	84,751,020	233,170,987
	2021	137,639,976	5,453,410	80,948,599	224,041,985
	2022	144,015,606	5,541,222	91,134,710	240,691,538
	2023	145,848,250	5,474,604	92,497,294	243,820,149
Tax rates	2014	0.10699	0.01314	0.13604	0.25617
	2015	0.00319	0.08069	0.13782	0.22170
	2016	0.06278	0.01193	0.13702	0.21173
	2017	0.06197	0.01067	0.13160	0.20424
	2018	0.05877	0.00976	0.22312	0.29165
	2019	0.05328	0.00947	0.15956	0.22231
	2020	0.06900	0.00876	0.13326	0.21102
	2021	0.06576	0.00765	0.11351	0.18692
	2022	0.06618	0.07700	0.12648	0.26966
	2023	0.06179	0.00717	0.11843	0.18739

Note: Tax rates are expressed in terms of “net tax capacity.” A property’s tax capacity is determined by multiplying its taxable market value by a state determined class rate. Class rates vary by property type and change periodically based on state legislation.

Source: *State of Minnesota School Tax Report*

**Minneapolis Public Schools
Special School District No. 1
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**

For Taxes Collectible	ISD No. 001		Overlapping Rates				Total Rates
	Tax Capacity Based Rates	Market Value Based Rates	City of Minneapolis	Hennepin County	Watershed Districts	Other Special Taxing Districts	Minneapolis Resident
2014	3.29	0.01	9.55	6.33	0.23	0.73	20.14
2015	2.85	0.02	8.82	5.92	0.22	0.71	18.54
2016	2.72	0.02	8.29	5.78	0.22	0.67	17.70
2017	2.63	0.02	8.11	5.64	0.22	0.68	17.30
2018	2.88	0.01	7.94	5.49	0.22	0.68	17.22
2019	2.87	0.02	7.63	5.37	0.20	0.64	16.73
2020	2.72	0.01	7.59	5.25	0.19	0.61	16.37
2021	2.41	0.01	7.51	4.89	0.18	0.58	15.58
2022	2.65	0.01	7.44	4.96	0.18	0.58	15.82
2023	2.44	0.01	7.62	4.40	0.16	0.50	15.13

Note 1: Based upon weighted class rate among property types (e.g. commercial/industrial, residential).

Source: Hennipen County & City of Minneapolis Finance and Property Services Department

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**Minneapolis Public Schools
Special School District No. 1
Principal Property Taxpayers
Current Year and Nine Years Ago**

Taxpayer	2023			Taxpayer	2014		
	Taxable Net Tax Capacity	Rank	Percentage of Taxable Net Tax Capacity		Taxable Net Tax Capacity	Rank	Percentage of Taxable Net Tax Capacity
BRI 1855 IDS Center, LLC	\$ 5,804,450	1	0.77 %	Northern States Power Co	\$ 3,249,245	1	18.47 %
WFM Office Owner LLC	5,319,250	2	5.33	Target Corporation	2,362,982	2	13.43
SRI Eleven MPLS 225 LLC	5,090,650	3	5.10	MB Mpls 8th Street LLC	1,941,218	3	11.04
City Center 33 S. Prop LLC	4,828,650	4	0.64	Minneapolis 225 Holdings LLC	1,856,226	4	10.55
Target Corporation	4,171,250	5	4.18	NWC Limited Partnership	1,801,831	5	10.24
Wells REIT-800 Nicollett	4,157,250	6	4.16	City Center Associates	1,596,717	6	9.08
US Bank Corp RE Tax Dept	4,006,250	7	4.01	First Minneapolis-Hines Co.	1,478,861	7	8.41
South Sixth Office LLC	3,199,250	8	3.20	Wells Operating Partnership LP	1,492,460	8	8.48
BAM 701 LLC	3,164,850	9	3.17	Hilton Hotels Corporation	1,297,545	9	7.38
KBS Capital Advisors LLC	2,295,870	10	2.30	Hines Global REIT 50 So. Sixth St. LLC	1,221,619	10	6.94
	<u>\$ 42,037,720</u>		<u>32.87 %</u>		<u>\$ 18,298,704</u>		<u>104.03 %</u>

Source: Hennepin County

**Minneapolis Public Schools
Special School District No. 1
Property Tax Levies and Receivables
Last Ten Fiscal Years**

For Taxes Collectible	Taxes Levied for the Fiscal Year			Collections	
	Operating Tax Levy	Debt Tax Levy	Total	First Year Levy Recognized Amount	Percentage of Levy
2014	\$ 120,543,720	\$ 51,348,833	\$ 171,892,553	\$ 171,427,681	99.7 %
2015	130,512,563	57,737,682	188,250,245	187,796,176	99.8
2016	128,145,740	63,228,410	191,374,150	190,942,335	99.8
2017	125,115,372	65,796,848	190,912,220	190,834,102	100.0
2018	114,064,112	88,339,455	202,403,566	201,951,261	99.8
2019	155,241,197	81,436,314	236,677,511	236,446,886	99.9
2020	148,419,966	84,751,020	233,170,987	232,699,888	99.8
2021	143,093,386	80,948,599	224,041,985	222,810,001	99.5
2022	142,541,195	91,134,710	233,675,905	233,675,905	100.0
2023	151,322,854	92,497,294	243,820,149	118,981,292	48.8

Note 1: A portion of the total spread levy is paid through various property tax credits, which are paid through state aids and have been included in collections. Legislative changes, beginning with taxes collectible in 2012, significantly reduced or eliminated the amount of tax credits paid

Note 2: Delinquent taxes receivable are written off after seven years. The amount of collections has been adjusted to reflect the write-off of delinquent taxes receivable.

Source: *State of Minnesota School Tax Report*

Collections			Uncollected Taxes Receivable as of June 30, 2023			
Received in Subsequent Years	Total to Date		Delinquent (2)		Current	
	Amount	Percentage of Levy	Amount	Percent	Amount	Percent
\$ 464,871	\$ 171,892,553	100.0 %	\$ -	- %	\$ -	- %
454,069	188,250,245	100.0	-	-	-	-
431,815	191,374,150	100.0	-	-	-	-
78,118	189,367,854	99.2	-	-	-	-
452,306	201,000,177	99.3	336,528	0.17	-	-
230,625	234,875,121	99.2	65,696	0.03	-	-
471,098	229,562,672	98.5	172,732	0.07	-	-
1,231,984	220,847,757	98.6	352,925	0.16	-	-
-	233,675,905	100.0	402,153	0.17	-	-
124,838,857	243,820,149	100.0	-	-	124,838,857	51.2
			<u>\$ 1,330,034</u>		<u>\$ 124,838,857</u>	

**Minneapolis Public Schools
Special School District No. 1
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Year	G. O. Bonds	Certificates of Participation	Notes from Direct Borrowing	Lease Liability	Premiums (Discount) on Debt
2014	\$ 255,871,000	\$ 128,190,000	\$ -	\$ -	\$ 17,590,226
2015	294,431,000	236,265,000	-	-	38,291,366
2016	317,010,000	259,370,000	-	-	41,126,988
2017	382,585,000	255,225,000	-	-	54,506,071
2018	435,020,000	269,890,000	-	-	65,997,346
2019	495,505,000	243,885,000	-	-	70,897,597
2020	530,255,000	228,975,000	-	-	78,155,890
2021	562,395,000	206,090,000	-	-	90,870,567
2022	573,655,000	188,455,000	15,129,168	1,778,071	106,867,987
2023	585,995,000	164,755,000	15,029,262	10,315,441	99,831,500

Note 1: Details regarding the District's outstanding debt can be found in the notes to the basic financial statements.

Note 2: Personal income data for Fiscal year 23 is not available.

Note 3: GASB Statement No. 87 was implemented for fiscal year 2022 which resulted in the recognition of lease liability with finance purchases through notes from directed borrowing.

Note 4: GASB Statement No. 96 was implemented for fiscal year 2023 which resulted in the recognition of subscription - based information technology lease liability with finance purchases.

Source: *State of Minnesota School Tax Report and Metropolitan Council*

Total Primary Government	Estimated Population	Total Debt per Capita	Percent of Total Debt to Personal Income
\$ 401,651,226	400,938	\$ 1,002	3.06 %
568,987,366	411,273	1,383	4.36
617,506,988	412,517	1,497	4.31
692,316,071	413,645	1,674	4.85
770,907,346	422,326	1,825	4.79
810,287,597	425,403	1,905	5.14
837,385,890	435,885	1,921	4.95
859,355,567	429,954	1,999	5.14
885,885,226	435,105	2,036	4.64
875,926,203	429,292	2,040	N/A

**Minneapolis Public Schools
Special School District No. 1
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years**

Year	G. O. Bonds	Certificates of Participation	Premiums (Discount) on Debt	Less Amounts Available in Debt Service Fund	Net Bonded Debt
2014	\$ 255,871,000	\$ 128,190,000	\$ 17,590,226	\$ 24,811,138	\$ 376,840,088
2015	294,431,000	236,265,000	38,291,366	32,228,625	536,758,741
2016	317,010,000	259,370,000	41,126,988	28,431,083	589,075,905
2017	382,585,000	255,225,000	54,506,071	25,947,326	666,368,745
2018	435,020,000	269,890,000	65,997,346	25,299,573	745,607,773
2019	495,505,000	243,885,000	70,897,597	34,411,700	775,875,897
2020	530,255,000	228,975,000	78,155,890	42,170,876	795,215,014
2021	562,395,000	206,090,000	90,870,567	44,766,022	814,589,545
2022	573,655,000	188,455,000	106,867,987	40,197,035	828,780,952
2023	585,995,000	164,755,000	99,831,500	43,205,114	807,376,386

Note 1: Details regarding the District's outstanding debt can be found in the notes to the basic financial statements.

Note 2: Personal income data for Fiscal year 23 is not available

Note 3: GASB Statement No. 87 was implemented for fiscal year 2022 which resulted in the recognition of lease liability with finance purchases through notes from directed borrowing.

Note 4: GASB Statement No. 96 was implemented for fiscal year 2023 which resulted in the recognition of subscription -based information technology lease liability with finance purchases.

Source: *State of Minnesota School Tax Report and Metropolitan Council*

<u>Net Tax Capacity</u>	<u>Percent of Estimated Actual Value of Property</u>	<u>Estimated Population</u>	<u>Net Bonded Debt per Capita</u>
\$ 374,174,247	100.71%	400,938	940
410,514,191	130.75%	411,273	1305
454,641,259	129.57%	412,517	1428
493,479,516	135.03%	413,645	1611
533,535,674	139.75%	422,326	1765
616,220,416	125.91%	425,403	1824
657,711,218	120.91%	435,885	1824
697,099,022	116.85%	429,954	1895
704,727,819	117.60%	435,105	1905
760,971,311	106.10%	429,292	1881

**Minneapolis Public Schools
Special School District No. 1
Ratio of Annual Debt Expenditures to General Fund Expenditures
Last Ten Fiscal Years**

Fiscal Year	Principal	Interest and Other Charges	Total Debt Service Expenditures	Total General Fund Expenditures	Percent of Debt Service to General Fund Expenditures
2014	\$ 142,325,000	\$ 16,199,472	\$ 158,524,472	\$ 536,856,294	29.53 %
2015	57,345,000	15,712,382	73,057,382	575,893,150	12.69
2016	65,651,000	22,474,693	88,125,693	606,384,716	14.53
2017	54,410,000	24,365,539	78,775,539	605,929,828	13.00
2018	51,925,000	28,224,134	80,149,134	593,617,102	13.50
2019	57,190,000	31,055,389	88,245,389	567,963,106	15.54
2020	58,285,000	32,919,855	91,204,855	577,344,220	15.80
2021	59,770,000	33,761,265	93,531,265	584,833,448	15.99
2022	69,864,767	35,423,870	105,288,637	648,092,852	16.25
2023	72,540,501	35,843,234	108,383,735	640,898,978	16.91

**Minneapolis Public Schools
Special School District No. 1
Direct and Overlapping Debt
as of June 30, 2023**

Governmental Unit	General Obligation Debt	2023 Tax Capacity Value	Percent of Debt Applicable	Amount of Debt Applicable
Overlapping debt				
City of Minneapolis	\$ 344,315,000	\$ 760,971,267	100.00 %	\$ 344,315,000
Hennepin County	1,127,985,000	2,672,668,521	28.48	321,250,128
Hennepin County (HCRRA)	86,235,000	1,911,697,254	28.48	24,559,728
Metropolitan Council	238,225,000	2,670,713,808	13.56	32,303,310
Total overlapping debt	1,796,760,000	8,016,050,850		722,428,166
Direct debt				
ISD No. 001	585,995,000	760,971,311	100.00	585,995,000
Total direct and overlapping debt	\$ 4,179,515,000	\$ 16,793,073,011		\$ 2,030,851,332

Source . General obligation debt and amount applicable debt data - The Official Statement associated with the District's 2023A, and 2023B(prepared by PFM)

Source . Tax capacity data from other entities were provided Hennipen County

Source . Internal data reports were used for the District's data

**Minneapolis Public Schools
Special School District No. 1
Legal Debt Margin Information
Last Ten Fiscal Years**

	Fiscal Year			
	2014	2015	2016	2017
Debt limit	\$ 4,952,770,797	\$ 5,444,370,255	\$ 6,001,102,721	\$ 6,560,046,236
Total net debt applicable to the limit	<u>231,059,862</u>	<u>262,202,375</u>	<u>288,578,917</u>	<u>356,637,674</u>
Legal debt margin	<u>\$ 4,721,710,935</u>	<u>\$ 5,182,167,880</u>	<u>\$ 5,712,523,804</u>	<u>\$ 6,203,408,562</u>
Total net debt applicable to the limit as a percentage of debt limit	4.67%	4.82%	4.81%	5.44%

Note: Under state finance law, the District's outstanding general obligation debt should not exceed 15 percent of total market property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general

Source: *State of Minnesota School Tax Report*

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 7,137,883,193	\$ 7,845,375,041	\$ 8,379,055,812	\$ 8,821,810,127	\$ 9,007,148,730	\$ 9,571,313,759
409,776,185	461,261,093	488,361,678	520,297,973	533,457,965	542,789,886
<u>\$ 6,728,107,008</u>	<u>\$ 7,384,113,948</u>	<u>\$ 7,890,694,134</u>	<u>\$ 8,301,512,154</u>	<u>\$ 8,473,690,765</u>	<u>\$ 9,028,523,873</u>
5.74%	5.88%	5.83%	5.90%	5.92%	5.67%

Legal Debt Margin Calculation for Fiscal Year 2023

Market value	\$ 63,808,758,391
Debt limit (15% of market value)	9,571,313,759
Debt applicable to limit	
General obligation bonds	585,995,000
Less amount set aside for repayment of general obligation debt	<u>43,205,114</u>
Total net debt applicable to the limit	<u>\$629,200,114</u>
Legal debt margin	<u>\$ -</u>

**Minneapolis Public Schools
Special School District No. 1
Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	Population (1)	Personal Income	Per Capita Personal Income (2)	Median Age (3)	Households (2)
2014	400,938	\$ 13,147,157,958	\$ 32,791	32.1	170,195
2015	411,273	13,063,675,572	31,764	31.8	175,119
2016	412,517	14,340,328,471	34,763	32.4	176,878
2017	413,645	14,281,920,915	34,527	32.0	179,807
2018	422,326	16,103,712,706	38,131	32.4	176,807
2019	425,403	15,770,114,613	37,071	32.1	173,916
2020	435,885	16,915,825,080	38,808	32.2	176,974
2021	429,954	16,717,041,474	38,881	32.3	178,886
2022	435,105	19,111,987,125	43,925	33.5	182,419
2023	429,292	N/A	N/A	N/A	N/A

Data sources:

- Note 1: Information was provided as of December 31st (six month lag on reporting of data)
- Note 2: Population provided by Metropolitan Council (calander year)
- Note 3: Per Capita Income - U.S. Census Bureau - American Community Survey Table DP03 - 1 Year Estimate (calander year)
- Note 4: Median Age - U.S. Census Bureau - American Community Survey Table DP05 - 1 Year Estimate (calander year)
- Note 5: Personal Income = Population x Per Capita Income (calander year)
- Note 6: Jobs data from MN DEED/QCEW tables; (calander year)
- Note 7: Annual Average Unemployment Rate - from MN DEED/LAUS tables (calander year)
- Note 8: Median Household Income - U.S. Census Bureau - American Community Survey - 1 Year Estimate (calander year)
- Note 9: School enrollement provided by Minnesota Department of Education (June fiscal year-end)

Jobs (5)	Median Household Income (2)	School Enrollment (8)	Annual Average Unemployment Rate (2)
303,135	\$ 50,563	35,226	4.6 %
308,714	50,791	35,386	3.8
317,475	54,571	35,449	3.4
324,620	56,255	35,380	3.4
327,355	60,789	35,020	3.2
332,175	58,993	34,088	2.5
339,242	62,583	33,202	2.6
309,636	66,068	31,393	4.8
314,809	70,099	29,077	2.5
316,728	N/A	28,290	2.8

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**Minneapolis Public Schools
Special School District No. 1
Principal Employers
Current Year and Nine Years Ago**

Employer	2023			2014		
	Approximate Number of Employees	Rank	Percentage of Total District Employment	Approximate Number of Employees	Rank	Percentage of Total District Employment
University of Minnesota	24,336	1	7.7 %	14,000	1	4.6 %
Allina Health	10,717	2	3.4	10,800	4	3.5
Target Corporation	7,100	3	2.2	12,100	2	4.0
Hennepin Healthcare	6,993	4	2.2	6,300	6	2.1
Hennepin County	5,524	5	1.7	6,000	7	2.0
Wells Fargo Bank	5,500	6	1.7	11,000	3	3.6
Ameriprise Financial Services	4,501	7	1.4	4,900	9	1.6
US Bancorp	4,364	8	1.4	*		
Xcel Energy	2,686	9	0.8	*		
City of Minneapolis	1,954	10	0.6	4,800	10	1.6
Fairview Health Services				10,000	5	3.3
Minneapolis Public Schools				5,800	8	1.9
	<u>73,675</u>		<u>23.30 %</u>	<u>85,700</u>		<u>28.1 %</u>

Source: City of Minneapolis ACFR (2022)

* Employer not part of top ten employers in 2013 City of Minneapolis Report

**Minneapolis Public Schools
Special School District No. 1
Employees by Classification
Last Ten Fiscal Years**

	Fiscal Year					
	2014	2015	2016	2017	2018	2019
ABE Teachers	44.7	56.6	54.2	54.2	56.8	56.6
AFSCME	295.9	314.3	336.1	323.3	317.9	298.5
AMP	23.0	119.7	112.3	118.6	121.6	146.5
Board Members	0.8	9.0	9.0	9.0	9.0	9.0
CLT (until 2014)	27.1	-	-	-	-	-
ELT (until 2014)	99.0	-	-	-	-	-
Employment Contracts	50.6	44.7	39.6	35.9	27.4	6.3
ESP	1,228.3	1,333.1	1,431.2	1,510.1	1,438.5	1,367.0
Food Service	146.6	141.3	170.7	192.3	199.8	210.8
Grounds/Stockworkers	19.0	20.0	19.0	20.0	20.0	20.0
Intermittent/Clerica	0.1	11.0	11.0	11.0	10.0	10.0
Janitor/Eng/Bus/Ice	265.2	280.2	291.6	263.0	274.0	270.0
MAAC (until 2014)	86.3	-	-	-	-	-
MAAS	-	131.8	140.3	123.2	126.1	113.0
MACA	115.5	126.5	117.5	117.6	124.0	115.0
Machinists	1.0	1.0	1.0	1.0	1.0	1.0
MPSASP (until 2014)	81.9	-	-	-	-	-
Non-Represented	-	66.0	42.0	43.0	39.0	40.0
Principals	102.0	121.0	124.0	130.0	128.0	122.0
SSS (until 2015)	11.8	10.8	2.0	-	-	-
Superintendent	1.0	1.0	1.0	1.0	1.0	1.0
Teachers	3,128.6	3,403.3	3,571.9	3,593.4	3,472.0	3,306.4
Trade-Bricklayer	1.0	1.0	1.0	1.0	1.0	1.0
Trade-Carpenter	9.0	9.0	10.0	10.0	10.0	9.0
Trade - Cement Mason	-	-	-	-	-	-
Trade-Electrician	9.0	10.0	10.0	13.0	12.0	12.0
Trade-Electronics	5.0	5.0	6.0	7.0	8.0	8.0
Trade-Glazier	3.0	3.0	3.0	3.0	3.0	2.0
Trade - Ironworker	-	-	-	-	-	-
Trade-Painter	16.0	16.0	16.0	16.0	16.0	11.0
Trade-Pipefitter	22.0	22.0	23.0	24.0	24.0	24.0
Trade-Plasterer	1.0	1.0	1.0	1.0	1.0	1.0
Trade-Plaster Tender	1.0	1.0	1.0	1.0	1.0	1.0
Trade-Plumber	9.0	9.0	9.0	10.0	10.0	9.0
Trade-Roofer	5.0	5.0	5.0	5.0	5.0	5.0
Trade-Sheet Metal	14.0	15.0	15.0	16.0	16.0	16.0
Trade-Sprinkler Fit	2.0	3.0	2.3	2.3	2.3	2.3
Transportation	202.0	195.0	191.0	182.0	179.0	188.0
	<u>6,027.4</u>	<u>6,486.3</u>	<u>6,767.7</u>	<u>6,837.9</u>	<u>6,654.4</u>	<u>6,382.4</u>

Source: Internal records of Minneapolis Public Schools

Fiscal Year			
2020	2021	2022	2023
52.3	36.2	34.8	33.0
310.8	294.5	287.4	311.0
200.9	199.9	222.0	270.2
9.0	9.0	9.0	9.0
-	-	-	-
-	-	-	-
6.8	3.7	3.6	8.1
1,367.4	1,276.6	1,222.5	1,536.2
233.2	237.6	240.5	214.4
21.0	20.0	20.0	19.0
10.0			
278.0	256.0	285.5	256.5
-			
117.8	113.4	109.9	169.4
127.0	125.0	125.0	150.0
1.0	1.0	1.0	1.0
-			
33.0	31.0	32.0	30.0
121.0	117.0	118.0	119.0
-			
1.0	1.0	1.0	1.0
3,361.1	3,215.2	3,228.4	3,253.4
1.0	1.0	1.0	1.0
9.0	12.0	12.0	12.0
-			
6.0	5.0	2.5	4.5
8.0	8.0	8.0	8.0
2.0	2.0	2.0	2.0
-			
11.0	11.0	11.0	11.0
24.0	24.0	24.0	24.0
1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0
9.0	9.0	9.0	9.0
5.0	5.0	5.0	5.0
16.0	16.0	18.0	18.0
2.3	2.5	2.5	3.0
169.9	164.6	164.6	154.8
<u>6,516.5</u>	<u>6,199.2</u>	<u>6,202.2</u>	<u>6,635.5</u>

**Minneapolis Public Schools
Special School District No. 1
Student Enrollment
as of June 30, 2023**

Year Ended June 30,	Average Daily Membership (ADM)					Total Pupil Units
	Handicapped and Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	
2014	781.23	3,044.21	17,913.09	13,487.42	35,225.95	39,818.34
2015	791.33	2,890.75	17,964.39	13,739.74	35,386.21	38,134.14
2016	765.59	2,821.67	17,865.38	13,996.06	35,448.70	38,247.91
2017	554.92	2,961.59	17,349.56	14,513.50	35,379.57	38,282.27
2018	625.60	2,933.68	16,800.37	14,660.08	35,019.73	37,951.60
2019	610.58	2,898.31	16,105.80	14,473.40	34,088.09	36,982.64
2020	605.53	2,934.53	15,598.05	14,064.16	33,202.27	36,015.12
2021	590.60	2,419.57	14,656.99	13,726.15	31,393.31	34,138.56
2022	469.04	2,510.56	13,174.49	12,922.83	29,076.92	31,661.46
2023	881.79	2086.79	13048.21	12273.65	28,290.44	30745.18

Source: *Minnesota Department of Education student reporting system*

**Minneapolis Public Schools
Special School District No. 1
Operating Statistics
as of June 30, 2023**

Year Ended June 30,	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/ Teacher Ratio	Percentage of Students Receiving Free or Reduced Priced Meals
2014	35,225.95	\$ 595,305,890	\$ 16,900	-1.0 %	3,129	11.26	65.1 %
2015	35,386.21	642,471,464	18,156	7.4	3,403	10.40	64.2
2016	35,448.70	676,678,987	19,089	5.1	3,572	9.92	63.0
2017	35,379.57	688,450,396	19,459	1.9	3,593	9.85	61.9
2018	35,019.73	675,008,870	19,275	-0.9	3,472	10.09	60.1
2019	34,088.09	678,770,837	19,912	3.3	3,306	10.31	59.3
2020	33,202.27	662,099,207	19,941	0.1	3,361	9.88	57.5
2021	31,393.31	667,331,659	21,257	6.6	3,215	9.76	55.3
2022	29,076.92	703,719,989	24,202	13.9	3,228	9.01	49.9
2023	28,290.44	712,420,403	25,182	4.1	3,253	8.70	59.1

Note: Operating expenditures are total expenditures less debt service and capital outlays

Source: *Nonfinancial information from district records*

**Minneapolis Public School
Special School District No. 1
Building Information
as of June 30, 2023**

Facility	Constructed	Square Feet	Capacity	2022 - 2023 Enrollment
Elementary Schools				
Armatage	1952	99,647	607	352
Bancroft	1912	106,241	579	382
Barton Community	1915	83,752	686	479
Bethune Arts	1968	75,615	546	236
Bryn Mawr Community	1908	102,658	647	331
Burroughs Community	1926/2003	100,367	662	470
Cityview	1999	121,588	710	183
Dowling	1924	88,608	512	302
Ella Baker	1923	156,450	844	604
Emerson Spanish Dual Immersion	1926	57,061	410	524
Field Community	1921	81,171	476	294
Folwell	1931	140,629	893	361
Green Central Dual Language	1977	117,773	590	548
Hale Community	1930	81,807	569	317
Hall STEM Academy	1960	81,030	514	176
Hiawatha (Hiawatha Community)	1916	40,888	322	236
Hmong International Academy (Jordan Park)	1999	123,293	771	219
Howe (Hiawatha Community)	1927	36,161	284	236
Kenny Community	1954	60,104	437	308
Kenwood Community	1908	65,699	456	386
Lake Harriet Community Lower	1924	63,646	511	300
Lake Harriet Community Upper	1915	59,896	615	287
Lake Nokomis Community Keewaydin Campus	1928	86,050	556	357
Lake Nokomis Community Wenonah Campus	1952	44,827	303	174
Las Estrellas/ Sheridan Dual Language	1967/1932	148,005	739	350
Lind Elementary	1995	96,693	563	254
Loring Community	1928	59,896	398	296
Lucy Craft Laney at Cleveland Park	2000	109,026	710	331
Lyndale Elementary	1968	97,506	664	360
Marcy Arts Elementary	1992	78,957	706	481
Nellie Stone Johnson Community	2001	125,150	756	189
Northrop/ Ericsson	1916	64,421	-	374
Pillsbury Community	1907/1991	87,705	579	377
Prairie Community	1898	42,437	290	209
Seward Montessori	1887/1966	126,726	934	602
Tuttle (vacant)	1910	63,305	-	-
Waite Park Community	1950	60,073	512	272
Webster	1974	73,414	411	241
Whittier	1882/1997	142,460	681	394
Willard (vacant)	1910	53,635	-	-
Windom	1920	73,618	474	381
Middle Schools				
Andersen United	1975	232,557	1,532	917
Anthony	1957	139,590	810	763
Anwatin	1959	146,771	807	324
Franklin STEAM	1970	125,794	617	282
Justice Page	1931	156,856	1,135	929
Lincoln (vacant)	1922	155,831	-	-
Northeast Middle	1956	173,080	878	511
Olson, Floyd B.	1962	114,959	605	361
River Bend Educational Center (K - 8th) W Harry Davis	1995	93,483	533	82
Sanford	1926	150,680	960	733
Sullivan STEAM (K-8) <i>Anishinabe (K-5)</i>	1949	214,421	1,279	599 206
High Schools				
Edison	1922	257,922	1,318	874
FAIR School Downtown <i>Wellstone International (program) moving to MCTC FY23</i>	1998	86,150	600	311 183
Harrison Education Center	1998	54,793	246	32
Henry	1926	241,971	1,335	824
Longfellow Alternative and TPS	1918	42,733	417	56
North Community	1972	287,113	1,678	451
Roosevelt	1922	324,718	1,743	1,022
South	1970	283,094	2,072	1,359
Southwest	1940	295,832	2,092	1,456
Stadium View	-	-	-	-
Washburn	1925	256,430	1,552	1,556
Other				
Adult Basic Education (ABE) South Campus (2015 E Lake St) <i>Transition Plus (ages 18-21)</i>	2018	134,340	-	71 243
Adult Basic Education (ABE) North Campus (800 W Broadway)	2017	22,009	-	-
MPS K-12 Online School	-	-	-	510
Northstar (Admin) <i>Mona Moede Early Learning Center</i>	1975	144,197	-	-
Wilder <i>Early Childhood Special Education (program)</i> <i>Heritage Academy (program)</i>	1967	205,536	1,622	- 418 104
Administrative				
Davis Center	2012	173,768	-	-
Maintenance and Operations Building	1995	89,729	-	-
Nutrition Center	1975	73,143	-	-
Victory Memorial Ice Arena (vacant)	1974	27,725	-	-

*Information related to private alternatives are not displayed above

Source: Nonfinancial information from district records



December 27, 2023

Re: MPS Finance High-Level FY2023 Audit Findings Corrective Action Plan (CAP)

Audit Finding 2023-001 – Lack of Segregation of Duties:

- Financial Closing Process
 - Streamline and document processes to close month end and year-end financials
 - Create year-end operational calendar complete with tasks assigned specific individuals with reviewers
- SAP User Rights
 - Implement previous documented plan that was developed in collaboration with payroll and IT

Audit Finding 2023-002, 2023-007 – Education Stabilization Fund (Assistance Listing 84.425) Grant Period – Year Ended June 30, 2023

- Review grant payroll entries monthly to ensure compliance
- Implement internal control to validate payroll entries
- Review compliance matrix for a selected grants

Audit Finding 2023-003 – Internal Control Deficiency Related to Payroll

- Ensure that Payroll has adequate staff at all times
- Create internal control to generate extraction of payroll reports
- Document process for yearend payroll

Audit Finding 2023-004 – Special Education Cluster (Assistance Listing 84.027, 84.173) Grant Period – Year Ended June 30, 2023

- Ensure that Payroll has adequate staff at all times
- Quarterly review – collaborate and communicate with the following departments
 - Special Education, Transportation, Tuition billing, and Human Resources
- Training Special staffers on MDE requirements
- Rebuild Accounting staff level to sustain the work at hand in order to upload District’s UFARS financials into MDE system on time.

Audit Finding 2023-005 – Budget Reporting Process

- Review budget allocation process to ensure that correct program and revenue codes align to with UFARS and GAAP reporting requirements

Audit Finding 2023-006 – Material Audit Adjustments & Audit Finding 2023-008 – Prompt Payment of Local Government Bills

- Finance has made changes to the Accounts Payable team and structure to ensure that:
- Quarterly reconciliation of accounts payable listing
- MDE training for finance and accounting staff
- Review and reconcile all cash accounts monthly
- Review debt after debt service payment
- Weekly review of payments due local government vendors
- Added compliance to staff email for overdue invoices
- Management review of invoice aging report

Special School District Number 1
Board of Education Resolution



Resolution No. 2024-0014
January 2, 2024

Resolution Acknowledging Receipt of the Fiscal Year 2022-2023 Financial Audit

WHEREAS, in accordance with legal requirements, an independent financial audit of Special School District No. 1 was conducted by BerganKDV; and; and

WHEREAS, the School Board has reviewed the audit findings and recommendations.

NOW THEREFORE BE IT RESOLVED, that the Board of Directors of Special School District No. 1 (Minneapolis Public Schools) hereby affirms receipt of the FY2023 external audit.

FINALLY BE IT RESOLVED, that the Board directs staff to submit any necessary documents and items related to the financial audit to the appropriate entities as required by law or otherwise.

ADOPTED this 2nd day of January 2024.

Chair

Clerk

RECORD OF BOARD VOTE (2024-0014)				
DIRECTOR	AYE	NAY	ABSTAIN	ABSENT
Abdi				
El-Amin				
Feerayarre				
Cerrillo				
Norvell				
Jourdain				
Beachy				
Ellison				
Emerick				