Independent School District No. 51
Foley, Minnesota

Basic Financial Statements

June 30, 2024

Independent School District No. 51
Table of Contents

Independent School District No. 51
Table of Contents

Independent School District No. 51
Board of Education and Administration
As of June 30, 2024

Board of Education	Position	Term Expires
Rebecca Howard	Chairperson	December 31, 2026
Patric Lewandowski	Vice-Chairperson	December 31, 2024
Sharon Kipka	Clerk	December 31, 2024
Nathan Anderson	Treasurer	December 31, 2026
Ken Anderson	Director	December 31, 2024
Wayne Wilson	Director	December 31, 2024
Stephanie Rudnitski	Director	December 31, 2026

Administration	
Trish Perry	Superintendent

Independent Auditor's Report

To the School Board
Independent School District No. 51
Foley, 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 Independent School District No. 51, Foley, Minnesota, as of and for the year ended June 30, 2024, 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 Independent School District No. 51, Foley, Minnesota, as of June 30, 2024, and the respective changes in financial position, where applicable, cash flows thereof, 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 Independent School District No. 51 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The management of Independent School District No. 51 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 the Governmental Accounting Standards Board (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. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also 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 and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

St. Cloud, Minnesota
December 23, 2024

Independent School District No. 51
Management's Discussion and Analysis

This section of the District's annual financial report presents the District's Management's Discussion and Analysis (MD&A) of the District's financial performance during the year that ended on June 30, 2024. Please read it in conjunction with this report and the District's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2023-24 year include the following:

- The District experienced a decrease in the unassigned General Fund Balance from $3,268,890 on June 30, 2023, to $2,688,421 on June 30, 2024. The fund balance was approximately 10.3% of 2024 expenditures or approximately one month of expenditures based on 2024 spending levels. This is due, in part, to the end of the COVID funding that was received in prior years.

- The District had Adjusted Average Daily Membership of 1,858 in Fiscal Year 2024, which is a decrease of 19 students compared to the prior year.

- The government's total net position increased by $1,601,133, primarily due to negative pension expense for 2024.

- There were no additional COVID funds in Fiscal Year 2024, however, we continued to spend a large amount on technology to maintain our 1 to 1 district status as well as upping our cyber security and improving our network due to a cyber-attack.

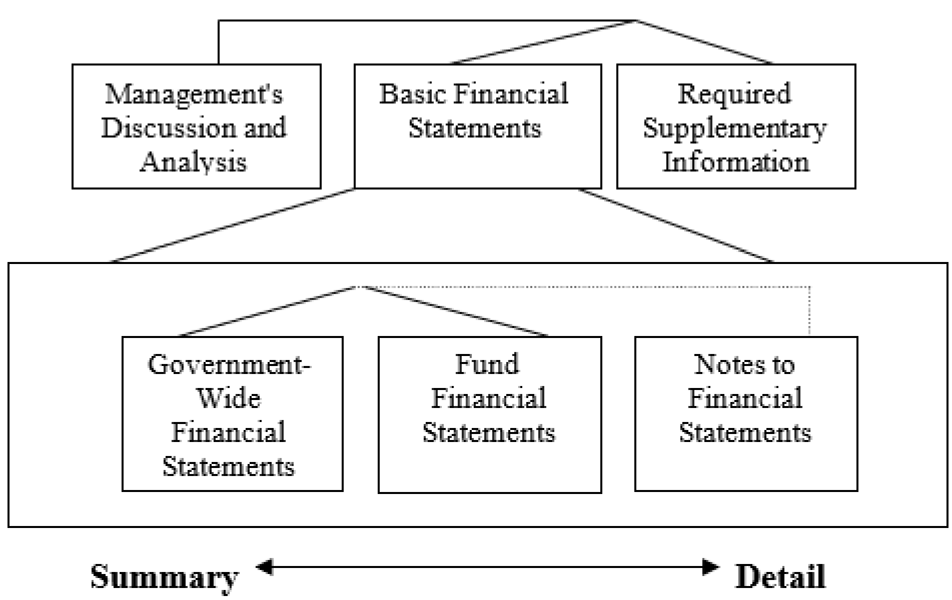
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1



OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The major features of the District's financial statements, including the portion of the District's activities they cover, and the types of information they contain, are summarized below. The remainder of the overview section of the MD&A highlights the structure and content of each of the statements.

Fund Financial Statements				
	District-Wide Statements	**Governmental Funds**	**Fiduciary Funds**	**Proprietary Fund**
Scope	Entire District (except fiduciary funds)	The activities of the District that is not fiduciary, such as special education and building maintenance.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs.	The activities the District operates like a business, such as retiree severance funds and self-insurance funds.
Required Financial Statements	◆ Statement of Net Position ◆ Statement of Activities	◆ Balance Sheet ◆ Statement of Revenues, Expenditures, and Changes in Fund Balances	◆ Statement of Fiduciary Position ◆ Statement of Changes in Fiduciary Net Position	◆ Statement of Net Position ◆ Statement of Revenues, Expenses, and Changes in Fund Net Position ◆ Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of Assets/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.	All assets and liabilities, both financial and capital, and short-term and long-term.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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 deferred outflows of resources; and liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

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

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

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

Fund Financial Statements

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

The District has three kinds of funds:

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

- Proprietary Fund – The District uses an Internal Service Fund to account for operations of the District's OPEB benefits. The activities of this fund are reported in a separate Statement of Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position, and Statement of Cash Flows. This activity is also included in the Government-Wide Statement of Net Position and Statement of Activities.

- Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to others, such as certain scholarship funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

	2024	2023	Change
Current assets	$ 15,097,269	$ 15,085,346	0.1%
Capital assets, net of depreciation	34,369,382	34,932,170	-1.6%
Total assets	$ 49,466,651	$ 50,017,516	-1.1%
Deferred outflows related to OPEB	$ 764,282	$ 945,371	-19.2%
Deferred outflows related to pensions	3,845,181	5,532,653	-30.5%
Total deferred outflows	$ 4,609,463	$ 6,478,024	-28.8%
Current liabilities	$ 2,987,235	$ 2,905,060	2.8%
Noncurrent liabilities	26,490,254	29,949,804	-11.6%
Total liabilities	$ 29,477,489	$ 32,854,864	-10.3%
Deferred inflows related to OPEB	$ 1,494,789	$ 1,627,297	-8.1%
Deferred inflows related to pensions	1,567,851	3,006,836	-47.9%
Property taxes levied for subsequent year's expenditures	3,809,340	3,535,779	7.7%
Total deferred inflows	$ 6,871,980	$ 8,169,912	-15.9%
Net investment in capital assets	$ 26,124,199	$ 24,935,790	4.8%
Restricted	3,600,692	3,567,072	0.9%
Unrestricted	(11,998,246)	(13,032,098)	7.9%
Total net position	$ 17,726,645	$ 15,470,764	14.6%

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position

	2024	2023	Change
Revenues			
Program revenues			
Charges for services	$ 1,445,070	$ 2,001,849	-27.8%
Operating grants and contributions	8,485,247	6,728,213	26.1%
Capital grants and contributions	773,911	822,241	-5.9%
General revenues			
Property taxes	3,347,442	3,432,086	-2.5%
State aid-formula grants	15,727,682	15,345,231	2.5%
Other and investment income	882,602	639,124	-38.1%
Total revenues	30,661,954	28,968,744	5.8%
Expenses			
Administration	$ 1,151,481	$ 1,086,955	5.9%
District support services	576,473	718,869	-19.8%
Elementary/secondary regular instruction	11,170,454	8,873,003	25.9%
Vocational education instruction	155,296	117,264	32.4%
Special education instruction	4,852,502	4,156,961	16.7%
Instructional support services	1,604,217	1,803,682	-11.1%
Pupil support services	2,174,578	2,107,351	3.2%
Sites and buildings	3,513,502	2,478,666	41.7%
Fiscal and other fixed cost programs	170,730	152,724	11.8%
Food service	1,895,398	1,831,755	3.5%
Community service	1,018,415	935,905	8.8%
Unallocated depreciation	623,166	1,224,654	-49.1%
Interest and fiscal charges on long-term debt	154,609	197,871	-21.9%
Total expenses	29,060,821	25,685,660	13.1%
Change in net position	1,601,133	3,283,084	-51.2%
Beginning of the year net position	15,470,764	12,187,680	26.9%
Change in accounting principle	654,748	-	N/A
Beginning of the year net position, restated	16,125,512	12,187,680	-32.3%
End of year net position	$ 17,726,645	$ 15,470,764	14.6%

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position

The District's total revenues were $30,661,954 for the year ended June 30, 2024. Property taxes, state formula aid, and other general revenues accounted for 65% of total revenue for the year and 35% came from program revenues.

The total cost of all programs and services was $29,060,821. The District's expenses are predominantly related to educating and caring for students (81%). The purely administrative activities of the District accounted for 4% of total cost.

GENERAL FUND

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

General Fund Revenue

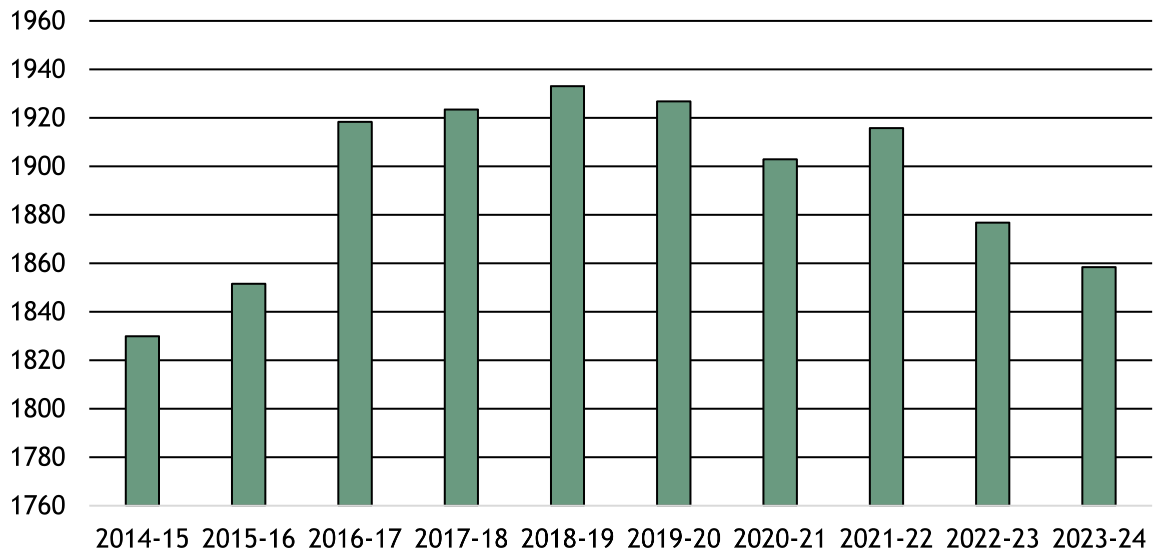
Revenues from the State of Minnesota make up a vast majority of the General Fund operating dollars. The primary factors in calculating the amount of "state aid" each year are student enrollment and the General Education Aid Formula Allowance.

The General Education Aid Formula Allowance has increased in recent years, reflecting the robust state economy, from $6,567 per "Weighted Average Daily Membership" in FY21 to $6,728 in FY22, to $6,863 in FY23 with a further 4% increase in FY24 to $7,138.

The District experienced a decrease in Average Daily Membership in FY24 of 1% to 1,858.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Historical Adjusted Average Daily Membership (ADM = 1.0)



Source: Minnesota Dept. of Education, Minnesota Funding Reports

The last MARSS run available reports 1858.39 Average Daily Membership for 2023-2024.

GENERAL FUND (CONTINUED)

The unassigned fund balance of $2,688,421 as of June 30, 2024, represents 10.3% of the FY24 General Fund expenditures. The District closely monitors its fund balance as the District fund balance policy requires 12%, or about one and one half months' worth of expenditures as the fund balance amount. This amount is somewhat higher than required in policy so it can be used to offset loss of future funding, contract negotiations, funding OPEB obligations, or expanding programs.

General Fund Revenue

	2024	2023	Amount of Increase/ (Decrease)	Change
Property taxes	$ 1,910,263	$ 2,042,943	$ (132,680)	-6.5%
Other local and county revenues	958,914	966,499	(7,585)	-0.8%
State sources	21,751,023	19,806,265	1,944,758	9.8%
Federal sources	668,763	1,556,309	(887,546)	-57.0%
Sales and other	29,379	7,971	21,408	268.6%
Total general fund revenue	$ 25,318,342	$ 24,379,987	$ 938,355	3.8%

General Fund Expenditures

	2024	2023	Amount of Increase/ (Decrease)	Change
Administration	$ 1,211,373	$ 1,239,133	$ (27,760)	-2.2%
District support services	570,023	694,825	(124,802)	-18.0%
Elementary/secondary regular instruction	11,808,305	10,936,099	872,206	8.0%
Vocational education instruction	170,562	185,634	(15,072)	-8.1%
Special education instruction	5,005,985	4,607,337	398,648	8.7%
Instructional support services	1,611,526	1,533,612	77,914	5.1%
Pupil support services	2,207,714	2,143,679	64,035	3.0%
Sites and buildings	2,698,715	2,292,228	406,487	17.7%
Fiscal and other fixed cost programs	170,730	152,724	18,006	11.8%
Community education and services	7,347	610	6,737	N/A
Debt service	293,482	277,855	15,627	5.6%
Capital outlay	443,805	511,640	(67,835)	-13.3%
Total general fund expenditures	$ 26,199,567	$ 24,575,376	$ 1,624,191	6.6%

NONMAJOR FUNDS

The Food Service Fund balance increased from $953,629 on June 30, 2023, to $1,120,358 on June 30, 2024. The $166,729 2024 increase is primarily attributable to a change in the state funding program.

The Community Service Fund experienced a decrease in fund balance in the amount of $56,889, which is primarily attributable to Early Childhood Family Education and School Readiness which combined for a decrease of $77,954.

CAPITAL ASSETS

Capital Assets

	2024	2023	Change
Land	$ 150,325	$ 150,325	0.0%
Land improvements	3,266,386	3,266,386	0.0%
Buildings	55,539,269	55,344,136	0.4%
Machinery and equipment	10,265,927	9,369,884	9.6%
Leased assets	99,453	99,453	0.0%
Less accumulated depreciation	(34,951,978)	(33,298,014)	-5.0%
Total	$ 34,369,382	$ 34,932,170	-1.6%

Net capital assets decreased by 1.6% from June 30, 2023 to June 30, 2024, as seen in the above table. See Note 4 for further information on capital assets.

LONG-TERM LIABILITIES

Outstanding Long-Term Liabilities

	2024	2023	Change
Bond principal, net of premium	$ 6,413,250	$ 7,919,894	-19.0%
Financed purchase agreements	1,831,892	2,045,672	-10.5%
Lease liability	72,359	90,662	-20.2%
Special assessment liability	70,313	-	N/A
Compensated absences	559,130	574,704	-2.7%
Net pension liability	16,483,909	17,894,991	-7.9%
Total OPEB liability	3,055,745	3,111,637	-1.8%
Total	$ 28,486,598	$ 31,637,560	-10.0%

At year-end, the District had $28,486,598 in long-term liabilities. See Note 5 for additional information on long-term liabilities.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District, along with all other areas of the economy, workforce and society, continues to be affected by the COVID-19 pandemic. We continue to budget conservatively with the unknowns of future state funding parameters and unexpected expenditures due to the pandemic requirements. Enrollment for the District will continue to be monitored closely and the impacts on the budget adjusted for accordingly.

Foley Public Schools received various COVID-19 pandemic related funding and used these funds to focus on how to make the student's experience better during the pandemic. Student achievement continues to be a priority for Foley Public Schools.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office, Independent School District 51, 840 Norman Avenue North, Foley, Minnesota 56329.

BASIC FINANCIAL STATEMENTS

Independent School District No. 51
Statement of Net Position
June 30, 2024

	Governmental Activities
Assets	
Cash and investments	$ 10,072,354
Current property taxes receivable	2,005,941
Delinquent property taxes receivable	52,179
Accounts receivable	32,404
Due from Department of Education	2,272,220
Due from Federal Government through Department of Education	106,073
Due from other Minnesota school districts	500,339
Inventory	34,327
Prepaid items	21,432
Capital assets not being depreciated	
Land	150,325
Capital assets, net of accumulated depreciation/amortization	
Buildings	30,376,786
Improvements other than buildings	1,172,871
Machinery and equipment	2,599,783
Lease equipment	69,617
Total assets	49,466,651
Deferred Outflows of Resources	
Deferred outflows of resources related to OPEB	764,282
Deferred outflows of resources related to pensions	3,845,181
Total deferred outflows of resources	4,609,463
Total assets and deferred outflows of resources	$ 54,076,114
Liabilities	
Accounts payable	$ 434,709
Salaries and benefits payable	436,726
Interest payable	96,977
Unearned revenue	22,479
Bond principal payable, net of premiums	
Payable within one year	1,425,000
Payable after one year	4,988,250
Financed purchase agreements payable	
Payable within one year	219,353
Payable after one year	1,612,539
Lease liability	
Payable within one year	19,310
Payable after one year	53,049
Special assessment liability	
Payable within one year	6,497
Payable after one year	63,816
Compensated absences payable	
Payable within one year	68,547
Payable after one year	490,583
OPEB liability	
Payable within one year	257,637
Payable after one year	2,798,108
Net pension liability	16,483,909
Total liabilities	29,477,489
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	1,494,789
Deferred inflows of resources related to pensions	1,567,851
Property taxes levied for subsequent year's expenditures	3,809,340
Total deferred inflows of resources	6,871,980
Net Position	
Net investment in capital assets	26,124,199
Restricted for	
Debt service	1,183,763
Other purposes	2,416,929
Unrestricted	(11,998,246)
Total net position	17,726,645
Total liabilities, deferred inflows of resources, and net position	$ 54,076,114

See notes to basic financial statements.

Independent School District No. 51
Statement of Activities
Year Ended June 30, 2024

		Program Revenues			Net (Expense) Revenues and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Administration	$ 1,151,481	$ -	$ -	$ -	$ (1,151,481)
District support services	576,473	-	-	-	(576,473)
Elementary and secondary regular instruction	11,170,454	580,585	1,581,333	-	(9,008,536)
Vocational education instruction	155,296	-	24,101	-	(131,195)
Special education instruction	4,852,502	21,749	4,197,589	-	(633,164)
Instructional support services	1,604,217	2,089	554,134	-	(1,047,994)
Pupil support services	2,174,578	1,208	139,593	-	(2,033,777)
Sites and buildings	3,513,502	7,335	125	773,911	(2,732,131)
Fiscal and other fixed cost programs	170,730	-	-	-	(170,730)
Food service	1,895,398	195,674	1,821,150	-	121,426
Community education and services	1,018,415	636,430	167,222	-	(214,763)
Unallocated depreciation/amortization	623,166	-	-	-	(623,166)
Interest and fiscal charges on long-term debt	154,609	-	-	-	(154,609)
Total governmental activities	$ 29,060,821	$ 1,445,070	$ 8,485,247	$ 773,911	(18,356,593)
General revenues					
Taxes					
Property taxes, levied for general purposes					1,919,410
Property taxes, levied for community service					129,808
Property taxes, levied for debt service					1,298,224
State aid-formula grants					15,727,682
Other general revenues					51,813
Investment income					830,789
Total general revenues					19,957,726
Change in net position					1,601,133
Net position - beginning					15,470,764
Change in accounting principle (see Note 9)					654,748
Net position - beginning, restated					16,125,512
Net position - ending					$ 17,726,645

Independent School District No. 51
Balance Sheet - Governmental Funds
June 30, 2024

	General	Debt Service	Other Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments	$ 3,471,965	$ 1,942,328	$ 1,273,432	$ 6,687,725
Current property taxes receivable	988,675	964,348	52,918	2,005,941
Delinquent property taxes receivable	25,904	24,883	1,392	52,179
Accounts receivable	6,521	-	25,883	32,404
Due from Department of Education	2,220,509	35,298	16,413	2,272,220
Due from Federal Government through Department of Education	82,266	-	23,807	106,073
Due from other Minnesota school districts	496,325	-	4,014	500,339
Inventory	8,289	-	26,038	34,327
Prepaid items	21,432	-	-	21,432
Total assets	$ 7,321,886	$ 2,966,857	$ 1,423,897	$ 11,712,640
Liabilities				
Accounts payable	$ 418,726	$ -	$ 15,983	$ 434,709
Salaries and benefits payable	362,086	-	74,640	436,726
Unearned revenue	-	-	22,479	22,479
Total liabilities	780,812	-	113,102	893,914
Deferred Inflows of Resources				
Unavailable revenue - delinquent property taxes	15,949	15,321	857	32,127
Property taxes levied for subsequent year's expenditures	2,012,680	1,686,117	110,543	3,809,340
Total deferred inflows of resources	2,028,629	1,701,438	111,400	3,841,467
Fund Balances				
Nonspendable	29,721	-	26,038	55,759
Restricted	1,211,041	1,265,419	1,251,311	3,727,771
Assigned	583,262	-	-	583,262
Unassigned	2,688,421	-	(77,954)	2,610,467
Total fund balances	4,512,445	1,265,419	1,199,395	6,977,259
Total liabilities, deferred inflows of resources, and fund balances	$ 7,321,886	$ 2,966,857	$ 1,423,897	$ 11,712,640

Independent School District No. 51
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2024

Total fund balances - governmental funds	$ 6,977,259
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.	
Cost of capital assets	69,221,907
Less accumulated depreciation	(34,922,142)
Lease assets	99,453
Less accumulated amortization	(29,836)
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	(6,005,000)
Bond premiums	(408,250)
Financed purchase agreements payable	(1,831,892)
Lease liability	(72,359)
Sepcial assessment liability	(70,313)
Compensated absences payable	(559,130)
Total OPEB liability	(3,055,745)
Net pension liability	(16,483,909)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and OPEB that are not recognized in the governmental funds.	
Deferred outflows of resources related to pensions	3,845,181
Deferred inflows of resources related to pensions	(1,567,851)
Deferred outflows of resources related to OPEB	764,282
Deferred inflows of resources related to OPEB	(1,494,789)
Delinquent property taxes receivables 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.	32,127
The OPEB internal service fund is used to charge the benefits to the fund that incurs the cost. This amount represents assets available to fund the OPEB liability. These assets are included with governmental activities.	3,384,629
Governmental funds do not report a liability for accrued interest on bonds and capital loans until due and payable.	(96,977)
Total net position - governmental activities	$ 17,726,645

Independent School District No. 51
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2024

	General	Debt Service	Other Nonmajor Funds	Total Governmental Funds
Revenues				
Local property taxes	$ 1,910,263	$ 1,301,053	$ 129,796	$ 3,341,112
Other local and county revenues	958,914	63,370	697,032	1,719,316
Revenue from state sources	21,751,023	352,980	1,121,730	23,225,733
Revenue from federal sources	668,763	-	870,938	1,539,701
Sales and other conversion of assets	29,379	-	191,594	220,973
Total revenues	25,318,342	1,717,403	3,011,090	30,046,835
Expenditures				
Current				
Administration	1,211,373	-	-	1,211,373
District support services	570,023	-	-	570,023
Elementary and secondary regular instruction	11,808,305	-	-	11,808,305
Vocational education instruction	170,562	-	-	170,562
Special education instruction	5,005,985	-	-	5,005,985
Instructional support services	1,611,526	-	-	1,611,526
Pupil support services	2,207,714	-	-	2,207,714
Sites and buildings	2,698,715	-	-	2,698,715
Fiscal and other fixed cost programs	170,730	-	-	170,730
Food service	-	-	1,849,152	1,849,152
Community education and services	7,347	-	1,027,791	1,035,138
Capital outlay				
Elementary and secondary regular instruction	175,832	-	-	175,832
Instructional support services	47,140	-	-	47,140
Pupil support services	121,871	-	-	121,871
Sites and buildings	98,962	-	-	98,962
Food service	-	-	35,825	35,825
Community education and services	-	-	689	689
Debt service				
Principal	235,260	1,390,000	-	1,625,260
Interest and fiscal charges	58,222	231,838	-	290,060
Total expenditures	26,199,567	1,621,838	2,913,457	30,734,862
Excess of revenues over (under) expenditures	(881,225)	95,565	97,633	(688,027)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	665	-	-	665
Insurance recovery	6,645	-	-	6,645
Special assessment issuance	73,489	-	-	73,489
Transfers in	-	-	24,677	24,677
Transfers out	(24,677)	-	-	(24,677)
Total other financing sources (uses)	56,122	-	24,677	80,799
Net change in fund balances	(825,103)	95,565	122,310	(607,228)
Fund Balances				
Beginning of year	5,337,548	1,169,854	1,077,085	7,584,487
End of year	$ 4,512,445	$ 1,265,419	$ 1,199,395	$ 6,977,259

Independent School District No. 51
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to the
Statement of Activities - Governmental Funds
Year Ended June 30, 2024

Net change in fund balances - total governmental funds	$ (607,228)
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/amortization expense.	
Capital outlays	715,759
Depreciation and amortization expense	(1,933,295)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	15,574
OPEB are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	7,310
Governmental funds recognize pension contributions as expenditures at the time of payment in the funds whereas the Statement of Activities factors in items related to pensions in a full accrual perspective.	1,162,595
Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in net position in the Statement of Activities.	1,625,260
The change in net position of the OPEB Revocable Trust internal service fund is reported with governmental activities.	546,866
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	18,807
Governmental funds report the effect of bond premiums when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Amortization of premiums	116,644
Proceeds from the sale of long-term debt issuances are recognized as other financing sources in the governmental funds increasing fund balance but as a liability on the Statement of Net Position.	
Special assessment agreement	(73,489)
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.	6,330
Change in net position - governmental activities	$ 1,601,133

Independent School District No. 51
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 1,894,563	$ 1,928,253	$ 1,910,263	$ (17,990)
Other local and county revenues	450,450	1,012,839	958,914	(53,925)
Revenue from state sources	20,863,017	21,617,518	21,751,023	133,505
Revenue from federal sources	728,239	936,403	668,763	(267,640)
Sales and other conversion of assets	8,000	28,744	29,379	635
Total revenues	23,944,269	25,523,757	25,318,342	(205,415)
Expenditures				
Current				
Administration	1,255,591	1,309,435	1,211,373	(98,062)
District support services	393,530	535,199	570,023	34,824
Elementary and secondary regular instruction	10,886,547	11,848,891	11,808,305	(40,586)
Vocational education instruction	190,048	172,536	170,562	(1,974)
Special education instruction	4,657,312	4,905,143	5,005,985	100,842
Instructional support services	1,398,337	1,437,043	1,611,526	174,483
Pupil support services	1,802,161	2,081,012	2,207,714	126,702
Sites and buildings	2,560,162	2,642,510	2,698,715	56,205
Fiscal and other fixed cost programs	284,708	170,730	170,730	-
Community education and services	-	7,023	7,347	324
Capital outlay				
Elementary and secondary regular instruction	94,999	214,961	175,832	(39,129)
Instructional support services	-	47,140	47,140	-
Pupil support services	175,000	273,461	121,871	(151,590)
Sites and buildings	99,804	98,962	98,962	-
Debt service				
Principal	260,000	267,660	235,260	(32,400)
Interest and fiscal charges	7,700	53,803	58,222	4,419
Total expenditures	24,065,899	26,065,509	26,199,567	134,058
Excess of revenues under expenditures	(121,630)	(541,752)	(881,225)	(339,473)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	665	665	-
Insurance recovery	-	3,698	6,645	2,947
Special assessment issuance	-	-	73,489	73,489
Transfers out	-	-	(24,677)	(24,677)
Total other financing sources (uses)	-	4,363	56,122	51,759
Net change in fund balances	$ (121,630)	$ (537,389)	(825,103)	$ (287,714)
Fund Balances				
Beginning of year			5,337,548	
End of year			$ 4,512,445	

See notes to basic financial statements.

Independent School District No. 51
Statement of Net Position - Proprietary Fund
June 30, 2024

	OPEB Revocable Trust Fund
Assets	
Cash and investments	$ 3,384,629
Net Position	
Unrestricted	$ 3,384,629

See notes to basic financial statements.

Independent School District No. 51
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Fund
Year Ended June 30, 2024

	OPEB Revocable Trust Fund
Operating Expenses	
Insurance	$ 265
Operating loss	(265)
Nonoperating Revenue	
Investment income	547,131
Change in net position	546,866
Net Position	
Beginning of year	2,837,763
End of year	$ 3,384,629

See notes to basic financial statements.

Independent School District No. 51
Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2024

	OPEB Revocable Trust Fund
Cash Flows - Operating Activities	
Insurance paid	$ (265)
Cash Flows - Investing Activities	
Interest received	547,131
Net change in cash and cash equivalents	546,866
Cash and Cash Equivalents	
Beginning of year	2,837,763
End of year	$ 3,384,629
Reconciliation of Operating Income (loss) to Net Cash Flows- Operating Activities	
Operating loss	$ (265)
Net cash flows - operating activities	$ (265)

Independent School District No. 51
Statement of Fiduciary Net Position
June 30, 2024

	Custodial Funds
Assets	
Cash and cash equivalents	$ 37,207
Liabilities	
Accounts payable	16,962
Net Position	
Restricted for scholarships	20,245
Total net position	$ 20,245

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2024

	Custodial Funds
Additions	
Contributions	$ 20,000
Interest revenue	1,962
	21,962
Deductions	
Benefits expense	6,962
Scholarships	13,500
Total deductions	20,462
Change in net position	1,500
Net Position	
Beginning of year	18,745
End of year	$ 20,245

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. The governing body consists of a seven member board elected by the voters of the District to serve four-year terms.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting Entity

The financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the basic financial statements of the District because of the significance of their operational or financial relationships with the District.

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 services 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.

As a result of applying the component unit definition criteria above, it has been determined the District has no component units.

The student activity accounts of the District are under board control and are reported in the General Fund.

B. Basic Financial Statement Information

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 funds are only reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position at the fund financial statement level.

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

Depreciation/amortization expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation/amortization expense relating to assets that serve multiple functions is presented as unallocated depreciation/amortization in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

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

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing the delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Internal Service Fund are charges to customers for services. Operating expenses for the Internal Service Fund are insurance claims and premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

C. 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 fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded, in the following manner.

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures, compensated absences, and claims and judgments are recognized when payment is due.

The District applies restricted resources first when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available. Further, the District applies unrestricted funds in this order if various levels of unrestricted fund balances exist: committed, assigned, and unassigned.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds:

Major Funds:

General Fund – This fund is the basic operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and payment of, general obligation (G.O.) bond and state loan principal, interest, and related costs.

Nonmajor Funds:

Food Service Special Revenue Fund – This fund is used to account for food service revenues and expenditures.

Community Service Special Revenue Fund – This fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood, and family education, adult basic education, or other similar services.

Building Construction Capital Projects Fund – This fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by bond issue.

Proprietary Fund:

OPEB Revocable Trust Internal Service Fund – This fund is used to account for the financial resources relating to post-employment benefits.

Fiduciary Funds:

Employee Benefits Custodial Fund – This fund is used to account for resources received and held by the District in a custodial capacity to be used in funding teacher health reimbursement account benefits.

Scholarship Custodial Fund – This fund is used to account for resources received and held by the District in a custodial capacity to be used in making scholarship awards.

D. Deposits and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

Cash and pooled and nonpooled investments at June 30, 2024, were comprised of deposits, shares in the Minnesota School District Liquid Asset Fund (MSDLAF), shares in the MSDLAF MAX, shares in the MNTrust Investment Shares Portfolio, MNTrust Term Series, shares in a US Treasury Money Market Fund, and negotiable certificates of deposit. In accordance with GASB Statement No. 79, the various MSDLAF, MNTrust securities, and US Treasury Money Market Fund are valued at amortized cost, which approximates fair value. The District also held OPEB Trust investments consisting of shares of the equity pool and bond pool of the State Board of Investments (SBI). These pools are also measured at amortized cost.

Minnesota Statutes requires all deposits be protected by federal deposit insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

Minnesota Statutes authorizes 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 and MNTrust securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF, MNTrust Investment Shares portfolio, US Treasury Money Market Fund, or SBI pools. 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. Seven days' notice of redemption is required for withdrawals of investments in the MNTrust Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

E. Property Tax Receivable

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 receivables 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.

F. Property Taxes Levied for Subsequent Year's Expenditures

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 2023, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in fiscal year 2024. The remaining portion of the levy will be recognized when measurable and available.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Inventories
Inventories of commodities donated directly by the U.S. Department of Agriculture are recorded at market value. Other inventories are stated at cost as determined on a first-in, first-out (FIFO) basis. Inventories are recorded as expenditures when consumed rather than when purchased.

H. 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.

I. 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. Benton, Sherburne, and Morrison are the collecting agencies for the levy and remit 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.

J. Capital Assets
Capital assets are recorded in the government-wide financial statements but are not reported in the fund financial statements.

Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 with a useful life of more than one year. Such 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 costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

Capital assets are depreciated/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/amortization purpose. Useful lives vary from 20 to 50 years for improvements other than buildings and buildings and 5 to 20 years for machinery and equipment.

Capital assets not being depreciated include land. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, (3) lease payments, and (4) amortization.

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. 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.

L. 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) until that time. The District has two items that qualify for reporting in this category. Deferred outflows of resources related to pensions and deferred outflows of resources related to OPEB are reported in the government-wide Statement of Net Position. Deferred outflows of resources related to pensions is recorded 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 four 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. Deferred inflows of resources related to pensions is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years. Deferred inflows of resources related to OPEB is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. 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 effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

N. Compensated Absences

The District compensates certain employees upon termination of employment for unused vacation in accordance with contract provisions. Accumulated unused vacation time payable upon termination is included in the compensated absences liability balance on the Statement of Net Position.

Certain employees are entitled to sick leave at various rates based on contract provisions. Employees are not compensated for unused sick leave upon termination of employment, unless taken in conjunction with severance pay. Sick leave pay is shown as an expenditure in the year paid.

O. Pensions

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

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

P. Post Employment Severance Benefits

Certain employees upon retirement receive a District funded annual contribution toward health coverage until Medicare eligible.

District employees who are participants in either the Minnesota General Employees Retirement Plan or the Teachers Retirement Association who apply for early retirement shall be eligible to remain in the existing group health and hospitalization insurance program until the retiree becomes eligible for full Medicare benefits.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. 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. 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, 2024.

R. Fund Equity

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in those funds can be spent. Nonspendable fund balances include amounts that cannot be spent because they are not in spendable form. Amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through enabling legislation are classified as restricted fund balances. Amounts that can only be used for specific purposes pursuant to constraints imposed by the School Board (highest level of decision-making authority) through resolution are classified as committed fund balances. Amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances. Assignments are made by the District's Administration. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose in the General Fund. The District's policy is to spend resources from fund balance classifications in the following order (first-to-last) if resources from more than one fund balance classification could be spent: restricted, committed, assigned, and unassigned.

The District's policy is to maintain a minimum unassigned General Fund balance of 12% of the annual budget. If the unassigned fund balance is equal to or less than 12% of the expenditure budget, the administration shall alert the school board and propose alternative measures to reach the 12% level including: seek other revenue sources, reduce expenditures by reducing programs and/or services in all areas, seek additional funds through a referendum, pass a resolution authorizing the exception to the fund balance guidelines, or some combination of these measures.

S. 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/ amortization, 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, laws, or regulations of other governments.

T. Use of Estimates

The preparation of 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 financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Budgetary Information

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

1. Prior to July 1, the School Superintendent submits to the School Board, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for all governmental funds.
4. Budgets for all governmental; funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with applicable *Minnesota Statutes*, the District maintains deposits at depository banks authorized by the School Board.

Custodial Credit Risk – Deposits: This is the risk that in the event of the failure of a depository financial institution, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. *Minnesota Statutes* § 118A requires all deposits be protected by federal deposit insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds. The District's investment policy states all deposits shall be collateralized as required by *Minnesota Statutes* § 118A. As of June 30, 2024, the District's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name. The District's deposits had a book balance as follows:

Checking	$ (134,809)
Certificates of deposit	1,682,142
Total	$ 1,547,333

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments
As of June 30, 2024, the District had the following investments:

Pooled Investments	Total	Less Than One Year
MSDLAF	$ 264	$ 264
MSDLAF MAX	100	100
MN Trust Investment Shares Portfolio	1,775,837	1,775,837
MN Trust Savings Deposit	749,503	749,503
MN Trust Term Series	1,961,330	1,961,330
Money Market	226,340	226,340
Negotiable Certificates of Deposit	248,113	248,113
Total investments	$ 4,961,487	$ 4,961,487

Nonpooled Investments	Total	Less Than One Year
Construction Fund		
US Treasury Money Market	$ 119,603	$ 119,603
MN Trust Investment Shares Portfolio	96,427	96,427
MN Trust Term Series	82	82
Total construction fund	$ 216,112	$ 216,112

OPEB Revocable Trust Investments	Total	Less Than One Year
State Board of Investments		
Equity Fund	$ 2,653,101	$ 2,653,101
Bond Fund	731,528	731,528
Total investments	$ 3,384,629	$ 3,384,629

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* §§ 118A.04 and 118A.05 limits investments in the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy limits investments to those specified in the above statutes. As of June 30, 2024, the District's investments in MSDLAF funds, MNTrust funds, and US Treasury Money Market funds were rated AAAm by Standard & Poor's (S&P). Negotiable certificates of deposit and State Board of Investment funds were not rated.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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 addresses concentration of credit risk, stating the District shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, and maturities. However, it places no specific limit on the amount the District may invest in any one issuer. The District's investments were not exposed to concentration of credit risk at June 30, 2024.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The District's investment policy addresses interest rate risk stating investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles. Furthermore, investment maturities shall be scheduled to coincide with projected District cash flow needs and shall provide for stability of income and reasonable liquidity.

Custodial Credit Risk – Investments: 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. The District's investment policy states that securities shall be held in third party safekeeping by an institution designated as custodial agent.

The District has the following recurring fair value measurements as of June 30, 2024:

- $3,384,629 of OPEB Revocable Trust investments are valued using a quoted market price (Level 1 inputs)

C. Deposits and Investments

The following is a summary of total deposits and investments as of June 30, 2024:

Deposits (Note 2.A.)	$ 1,547,333
Pooled investments (Note 2.B.)	4,961,487
Nonpooled Investments (Note 2.B.)	216,112
OPEB trust investments (Note 2.B.)	3,384,629
Total deposits and investments	$ 10,109,561

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments (Continued)

Deposits and investments are presented in the June 30, 2024, basic financial statements as follows:

Statement of Net Position	
Cash and investments	$ 10,072,354
Statement of Fiduciary Net Position	
Cash and investments	37,207
Total deposits and investments	$ 10,109,561

NOTE 3 – INTERFUND ACTIVITY

A. Interfund Transfers

The General Fund transferred $24,677 to the Community Service Fund to cover deficit activity in the school readiness program during the year.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024, was as follows:

	Beginning Balance	Accounting Change	Increases	Decreases	Ending Balance
Governmental activities					
Capital assets not being					
Land	$ 150,325	$ -	$ -	$ -	$ 150,325
Other capital assets					
Buildings	55,344,136	-	195,133	-	55,539,269
Improvements other than buildings	3,266,386	-	-	-	3,266,386
Machinery and equipment	9,369,884	915,572	520,626	540,155	10,265,927
Leased equipment	99,453	-	-	-	99,453
Total other capital assets at historical cost	68,079,859	915,572	715,759	540,155	69,171,035
Less accumulated depreciation for					
Buildings	23,962,030	-	1,200,453	-	25,162,483
Improvements other than buildings	2,004,968	-	88,547	-	2,093,515
Machinery and equipment	7,321,071	260,824	624,404	540,155	7,666,144
Less accumulated amortization for					
Leased equipment	9,945	-	19,891	-	29,836
Total accumulated depreciation and amortization	33,298,014	260,824	1,933,295	540,155	34,951,978
Total capital assets being depreciated, net	34,781,845	654,748	(1,217,536)	-	34,219,057
Governmental activities, capital assets, net	$ 34,932,170	$ 654,748	$ (1,217,536)	$ -	$ 34,369,382

See note 9 for explanation of accounting change.

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation and amortization expense for the year ended June 30, 2024, was charged to the following governmental functions:

Administration	$ 33
District support services	56
Elementary and secondary regular instruction	42,759
Special education instruction	31,309
Instructional support services	126,718
Pupil support services	66,652
Sites and buildings	887,083
Food service	22,230
Community education and services	12,611
Unallocated depreciation	743,844
Total depreciation and amortization expense	$ 1,933,295

NOTE 5 – LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Outstanding	Due Within One Year
Long-term liabilities						
G.O. Bonds						
2019A G.O. Building Refunding Bond	10/02/19	3.0-4.0%	$ 7,615,000	02/01/28	$ 2,970,000	$ 705,000
2019B G.O. Building Refunding Bond	10/02/19	2.75-3.0%	5,440,000	02/01/28	3,035,000	720,000
Total G.O. bonds					6,005,000	1,425,000
Financed purchase agreements from direct borrowing						
2019 Financed Purchase	07/18/19	2.59%	2,197,500	08/01/29	1,279,392	219,353
2019 Financed Purchase	09/11/19	2.79%	552,500	02/01/34	552,500	-
Total financed purchase agreements					1,831,892	219,353
Special assessment					70,313	6,497
Lease liability					72,359	19,310
Premiums on bonds					408,250	-
Compensated absences					559,130	68,547
Total long-term liabilities					$ 8,946,944	$ 1,738,707

The long-term liabilities listed above, with the exception of compensated absences, were issued to finance acquisition and construction or improvements of capital facilities or to refinance (refund) previous bond issues. Compensated absences and the lease liability are typically liquidated through the General Fund.

On November 21, 2022, the District entered into a lease agreement with Metro Sales for the use of new copier and printers beginning January 1, 2023. The capital lease agreement includes monthly principal and interest payments of $1,819 for 60 months or 5 years. The lease agreement expires on December 31, 2027.

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

A. Components of Long-Term Liabilities (Continued)

During 2024, the District was assessed a portion of the storm sewer relocation costs of $73,489 from the City of Foley. The assessments will be repaid over ten years. The assessment agreement includes quarterly principal and interest payments over ten years of $2,133. The assessments will be repaid in October 2034.

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire bond liabilities:

Year Ending June 30,	G.O. Bonds Principal	G.O. Bonds Interest	G.O. Bonds Total
2025	$ 1,425,000	$ 185,512	$ 1,610,512
2026	1,490,000	142,762	1,632,762
2027	1,515,000	90,712	1,605,712
2028	1,575,000	45,262	1,620,262
Total	$ 6,005,000	$ 464,248	$ 6,469,248

Year Ending June 30,	Financed Purchase Agreements from Direct Borrowing Principal	Interest	Total
2025	$ 219,353	$ 47,139	$ 266,492
2026	225,072	41,422	266,494
2027	230,939	35,554	266,493
2028	236,958	29,535	266,493
2029	243,136	23,357	266,493
2030-2034	676,434	48,562	724,996
Total	$ 1,831,892	$ 225,569	$ 2,057,461

Year Ending June 30,	Lease Liability Principal	Interest	Total
2025	$ 19,310	$ 3,413	$ 22,723
2026	20,372	2,350	22,722
2027	21,492	1,230	22,722
2028	11,185	176	11,361
Total	$ 72,359	$ 7,169	$ 79,528

NOTE 5 – LONG-TERM DEBT (CONTINUED)

B. Minimum Debt Payments (Continued)

Year Ending June 30,	Special Assessment Liability Principal	Interest	Total
2025	$ 6,497	$ 2,037	$ 8,534
2026	6,694	1,840	8,534
2027	6,897	1,637	8,534
2028	7,106	1,427	8,533
2029	7,322	1,212	8,534
2030-2034	35,797	2,605	38,402
Total	$ 70,313	$ 10,758	$ 81,071

C. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. Bonds	$ 7,395,000	$ -	$ 1,390,000	$ 6,005,000
Premiums on bonds	524,894	-	116,644	408,250
Financed purchase agreement	2,045,672	-	213,780	1,831,892
Lease liability	90,662	-	18,303	72,359
Special Assessment	-	73,489	3,176	70,313
Compensated absences	574,704	258,612	274,186	559,130
Total long-term liabilities	$ 10,630,932	$ 332,101	$ 2,016,089	$ 8,946,944

NOTE 6 – FUND BALANCES/NET POSITION

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.

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Equity

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

	General Fund	Debt Service Fund	Other Nonmajor Funds	Total
Nonspendable				
Inventory	$ 8,289	$ -	$ 26,038	$ 34,327
Prepaid items	21,432	-	-	21,432
Total nonspendable	29,721	-	26,038	55,759
Restricted/reserved for				
Student Activities	89,074	-	-	89,074
Scholarhships	24,979	-	-	24,979
Staff Development	17,396	-	-	17,396
Area Learning Center	55,241	-	-	55,241
Safe Schools - Crime Levy	42,959	-	-	42,959
Operating Capital	256,278	-	-	256,278
English Learner	24,312	-	-	24,312
Student Support	40,000	-	-	40,000
Medical Assistance	398,089	-	-	398,089
Long-Term Facilities Maintenance	262,713	-	-	262,713
Community Education	-	-	70,469	70,469
Adult Basic Education	-	-	8,730	8,730
Debt Service	-	1,265,419	-	1,265,419
Building Project	-	-	72,318	72,318
Food Service	-	-	1,094,320	1,094,320
Community Service	-	-	5,474	5,474
Total restricted/reserved	1,211,041	1,265,419	1,251,311	3,727,771
Assigned for				
Safe Routes to School	32,058	-	-	32,058
Emergency	352,013	-	-	352,013
Sharing	1,212	-	-	1,212
Extracurricular Activities	197,979	-	-	197,979
Total assigned	583,262	-	-	583,262
Unassigned for				
Early Childhood and Family Education*	-	-	(63,748)	(63,748)
School Readiness*	-	-	(14,206)	(14,206)
Total unassigned	2,688,421	-	(77,954)	2,610,467
Total fund balance	$ 4,512,445	$ 1,265,419	$ 1,199,395	$ 6,977,259

* Negative restricted/reserved fund balances have been reclassified to unassigned for financial statement purposes per GASB Statement No. 54.

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Equity (Continued)

Nonspendable for Inventory and Prepaid Items – a portion of the fund balance has been spent on inventory and prepaid items and is not available for other uses.

Restricted/Reserved for Student Activities – This balance represents available resources to be used for the extracurricular activity funds raised by students and spent with student and advisor involvement.

Restricted/Reserved for Scholarships – This balance represents available resources for the scholarship funds.

Restricted/Reserved for Staff Development – This balance represents unspent staff development revenues set aside from general education revenue that were restricted/reserved for staff development related to Finance Code 316. Expenditures for staff development must equal at least 2% of the basic general education revenue, unless legal stipulations are met (*Minnesota Statutes* § 122A.61, subdivision 1).

Restricted/Reserved for Area Learning Center– This balance represents amounts restricted for students attending area learning centers. Each district that sends students to an area learning center must restrict an amount equal to the sum of 1) at least 90 and no more than 100 percent of the district average General Education Revenue per adjusted pupil unit minus an amount equal to the product of the formula allowance according to *Minnesota Statutes* § 126C.10, subd. 2, times .0466, calculated without basic skills revenue, local optional revenue, and transportation sparsity revenue, times the number of pupil units attending a state-approved area learning center, plus (2) the amount of basic skills revenue generated by pupils attending the area learning center. The amount restricted may only be spent on program costs associated with the area learning center.

Restricted/Reserved for Safe Schools – The unspent resources available from the Safe Schools Levy must be restricted in this account for future use.

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 English Learner – This balance represents resources available for English Learner students per *Minnesota Statutes* § 2023, 124D.59, subd. 2.

Restricted/Reserved for Student Support Personnel Aid – This balance represents available resources to be used for student support personnel that are in addition to current staff levels.

Restricted/Reserved for Medical Assistance – This balance represents available resources to be used for medical assistance expenditures (*Minnesota Statutes* § 125A.21, subd. 3).

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).

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Equity (Continued)
Restricted/Reserved for Community Education – This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, early childhood and family education, and extended day programs.

Restricted/Reserved for Adult Basic Education – This account will represent the balance of carryover monies for all activity involving adult basic education. This would include all state aid and any grants or local funding used in support of ABE.

Restricted for Debt Service – This balance represents the resources available to provide for principal and interest payments on the District's outstanding debt.

Restricted for Building Project – This balance represents the resources set-aside for school building projects.

Restricted for Food Service – This balance represents the resources available to provide the food service program.

Restricted for Community Service – This balance represents the resources available to provide community service programs.

Assigned for Safe Routes to School – This balance represents resources to be spent in the future for improving safety on school routes.

Assigned for Emergency – This balance represents resources to be spent in the future on unexpected expenditures related to emergency situations such as pandemic related needs or building emergencies.

Assigned for Sharing – This balance represents resources to be used by buildings due to underspending their budget.

Assigned for Extracurricular Activities – This balance represents resources relating to extracurricular activities.

Unassigned for Early Childhood and Family Education – This balance represents the resources available to provide for services for early childhood and family education programming. This balance is reported as unassigned as its negative as of June 30, 2024.

Unassigned for School Readiness – This balance represents the resources available to provide for services for school readiness programs (*Minnesota Statutes* § 124D.16). This balance is reported as unassigned as its negative as of June 30, 2024.

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

B. Net Position
Net position restricted for other purposes on the Statement of Net Position is comprised of the total positive net position of the Community Service and Food Service Funds and the total positive position of the restricted fund balance portion of the General Fund.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans. Total pension expense for the year ended June 30, 2024, was $301,235. The components of pension expense are noted in the following plan summaries.

The General Fund typically liquidates the Liability related to the pensions.

Teachers' Retirement Association

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 Defined 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 I	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

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).

Or

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.

Tier II Benefits
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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (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, 2022, June 30, 2023, and June 30, 2024, were:

	June 30, 2022		June 30, 2023		June 30, 2024	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.0 %	12.34 %	11.0 %	12.55 %	11.3 %	12.75 %
Coordinated	7.5	8.34	7.5	8.55	7.8	8.75

The following is a reconciliation of employer contributions in TRA's fiscal year 2023 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	$ 508,764
Employer contributions not related to future contribution efforts	(87)
TRA's contributions not included in allocation	(643)
Total employer contributions	508,034
Total non-employer contributions	35,587
Total contributions reported in *Schedule of Employer and Non-Employer Allocations*	$ 543,621

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

C. Actuarial Assumptions

The total pension liability in the June 30, 2023, 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, 2023
Measurement date	June 30, 2023
Experience study	6/28/2019 (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% fbefore 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 Assumptions	
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 the rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5 %	5.10 %
International stocks	16.5	5.30
Private markets	25.0	5.90
Fixed income	25.0	0.75
Total	100.0 %	

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 2022 valuation:

The 2023 Tax Finance and Policy Bill, effective July 1, 2025:

- The employer contribution rate will increase from 8.75% to 9.5% on July 1, 2025.
- The employee contribution rate will increase from 7.75% to 8.0% on July 1, 2025.
- The pension adjustment rate for school districts and the base budgets for Minnesota State, Perpich Center for Arts Education, and Minnesota Academies will increase to reflect the 0.75% employer contribution rate increase.

The 2024 Omnibus Pensions and Retirement Bill:

- The Normal Retirement Age (NRA) for active and eligible deferred Tier II members will be 65 effective July 1, 2024.
- TRA's amortization date will remain the same at 2048.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

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 2023 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).

F. Net Pension Liability

On June 30, 2024, the District reported a liability of $13,391,595 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. The District proportionate share was 0.1622% at the end of the measurement period and 0.1672% for the beginning of the year.

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

District's proportionate share of net pension liability	$ 13,391,595
State's proportionate share of the net pension liability associated with the District	938,268
Total	$ 14,329,863

For the year ended June 30, 2024, the District recognized pension expense of ($199,797). Included in this amount, the District recognized $132,116 as pension expense for the support provided by direct aid.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)
On June 30, 2024, 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 economic experience	$ 134,837	$ 196,309
Changes in actuarial assumptions	1,588,872	-
Net difference between projected and actual investments earnings	2,275	-
Changes in proportion	123,675	357,016
Contributions paid to TRA subsequent to the measurement	-	-
date	970,062	-
Total	$ 2,819,721	$ 553,325

The $970,062 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, 2025.

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
2025	$ 151,737
2026	(83,667)
2027	1,535,443
2028	(215,945)
2029	(91,234)
Total	$ 1,296,334

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

G. 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 (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
$ 21,358,610	$ 13,391,595	$ 6,869,624

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.

H. Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in a separately issued TRA financial report. That 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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

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 ten 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.

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. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

C. Contributions

Minnesota Statutes Chapter 353 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 2024 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, 2024, were $361,269. 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, 2024, the District reported a liability of $3,092,314 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 $85,208.

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, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0553% at the end of the measurement period and 0.0569% for the beginning of the period.

District's proportionate share of net pension liability	$ 3,092,314
State's proportionate share of the net pension liability associated with the District	85,208
Total	$ 3,177,522

For the year ended June 30, 2024, the District recognized pension expense of $501,032 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized $383 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.

As of June 30, 2024, 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	$ 102,258	$ 20,493
Changes in actuarial assumptions	482,929	847,577
Net difference between projected and actual investments earnings	-	40,924
Change in proportion	79,004	105,532
Contributions paid to PERA subsequent to the measurement date	361,269	-
Total	$ 1,025,460	$ 1,014,526

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 $361,269 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, 2025. 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
2025	$ 87,123
2026	(422,354)
2027	51,978
2028	(67,082)
Total	$ (350,335)

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 Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5 %	5.10 %
International stocks	16.5	5.30
Fixed income	25.0	0.75
Private markets	25.0	5.90
Total	100.0 %	

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.5%. 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 7.5% 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 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023, actuarial valuation.

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

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of $170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

G. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.0%. 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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

H. Pension Liability Sensitivity
The following table 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:

District Proportionate Share of NPL		
1% Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
$ 5,470,552	$ 3,092,314	$ 1,136,123

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 financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org.

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 spouses. The District also offers dental and life insurance to retirees. 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. The District holds assets to fund these liabilities in a revocable trust.

B. Benefits Paid
The District provides benefits to certain employees and retirees based on different bargaining groups. See Note 1.O. for more detail. The General Fund, Food Service Fund, and Community Service Fund typically liquidate the liability related to OPEB.

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

C. Members

As of the June 30, 2022, valuation date, the following were covered by the benefit terms:

Active employees electing coverage	140
Active employees waiving coverage	115
Retirees electing medical coverage	27
Retirees with only non-medical OPEB coverage	25
Total	307

D. Contributions

Retirees and their spouses contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Plan participants meeting additional requirements are eligible for an explicit subsidy of the premium paid by the District. Contribution requirements are established by the District, based on the contract terms. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2024, the District contributed $254,515 to the plan.

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation 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	
Discount rate	3.86%
Expected return	N/A
Inflation	2.50%
Healthcare cost trend increases	6.8% for 2023, gradually decreasing over several decades to an ultimate rate of 3.9% in 2076 and later years.
Mortality Assumption	Teachers - RP-2014 mortality tables with projected mortality improvements based on scale MP-2015 and other adjustments. Non-Teachers - Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2021 and other adjustments.

The discount rate used to measure the total OPEB liability was based on the index rate for 20-year tax-exempt municipal bonds (Fidelity 20-year municipal GO AA index).

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2023, and was determined by an actuarial valuation as of that date.

Changes in the total OPEB liability are as follows:

	Total OPEB Liability
Balances for year ending June 30, 2023	$ 3,111,637
Changes for the year	
Service cost	153,104
Interest	116,280
Differences between expected and actual experience	(70,336)
Changes in assumptions	(27,881)
Employer contributions	(227,059)
Net changes	(55,892)
Balances for year ending June 30, 2024	$ 3,055,745

Changes in actuarial assumptions include the following:

- The discount rate was changed from 3.69% to 3.86% based on updated 20-year municipal bond rates.

G. OPEB Liability Sensitivity

The following presents the District's total OPEB liability calculated using the discount rate of 3.86% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	1% Decrease in Discount Rate (2.86%)	Current Discount Rate (3.86%)	1% Increase in Discount Rate (4.86%)
Total OPEB liability	$ 3,221,451	$ 3,055,745	$ 2,894,759

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity (Continued)

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

	1% Decrease in Trend Rates (5.8%)	Current Trend Rates (6.8%)	1% Increase in Trend Rates (7.8%)
Total OPEB liability	$ 2,868,293	$ 3,055,745	$ 3,273,916

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

For the year ended June 30, 2024, the District recognized OPEB expense of $178,142. As of June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual liability	$ 15,195	$ 891,786
Changes of assumptions	494,572	603,003
Subsequent contributions	254,515	-
Total	$ 764,282	$ 1,494,789

The $254,515 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2025.

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in OPEB expense as follows:

Year Ended June 30,	Total
2025	$ (91,242)
2026	(91,242)
2027	(80,176)
2028	(158,338)
2029	(201,406)
Thereafter	(362,618)
Total	$ (985,022)

NOTE 9 – CHANGES IN ACCOUNTING

The Governmental Accounting Standards Board (GASB) has issued Implementation Guide No. 2021-1, Implementation Guidance Update - 2021. The implementation guide contains new questions and answers that address the application of GASB standards. The guide also amends certain questions and answers issued in previous implementation guides. The answer to Question 5.1 in Implementation Guide 2021-1 has been amended to state that a government should capitalize assets whole individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant.

The District has an adjustment to capital assets of $654,748 to account for the standard required to capitalize grouped assets from prior periods.

	Reporting Unit Affected by Restatements of Beginning Balances
	Government-Wide
	Governmental Activities
June 30, 2023 as previously reported	$ 15,470,764
Change in accounting principle	654,748
June 30, 2023 as restated	$ 16,125,512

REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 51
Schedule of Changes in Total OPEB Liability
and Related Ratios

	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Total OPEB Liability				
Service cost	$ 179,825	$ 171,357	$ 225,094	$ 246,879
Interest	114,071	132,472	174,853	155,713
Differenced between expected and actual experience	-	42,741	-	(776,398)
Changes of assumptions	(136,504)	1,061,676	84,926	(167,085)
Benefit payments	(327,599)	(341,079)	(364,729)	(359,281)
Net change in total OPEB liability	(170,207)	1,067,167	120,144	(900,172)
Beginning of year	3,890,503	3,720,296	4,787,463	4,907,607
End of year	$ 3,720,296	$ 4,787,463	$ 4,907,607	$ 4,007,435
Covered payroll	$ 11,491,805	$ 12,922,673	$ 11,618,064	$ 13,877,367
Total OPEB liability as a percentage of covered-employee payroll	32.4%	37.0%	42.2%	28.9%

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

June 30, 2022	June 30, 2023	June 30, 2024
$ 188,589	$ 211,343	$ 153,104
99,333	79,667	116,280
(56,931)	(423,070)	(70,336)
112,998	(564,105)	(27,881)
(283,227)	(260,395)	(227,059)
60,762	(956,560)	(55,892)
4,007,435	4,068,197	3,111,637
$ 4,068,197	$ 3,111,637	$ 3,055,745
$ 12,675,824	$ 13,579,805	$ 13,794,450
32.1%	22.9%	22.2%

Independent School District No. 51
Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For the Plan's 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-Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0494%	$ 2,320,565	$ -	$ 2,320,565	$ 2,595,172	89.42%	78.75%
2015	0.0485%	2,513,522	-	2,513,522	2,803,413	89.66%	78.19%
2016	0.0527%	4,278,979	55,793	4,334,772	3,267,293	130.96%	68.91%
2017	0.0517%	3,300,494	41,494	3,341,988	3,330,093	99.11%	75.90%
2018	0.0520%	2,884,747	94,615	2,979,362	3,493,347	82.58%	79.53%
2019	0.0518%	2,863,906	88,996	2,952,902	3,664,760	78.15%	80.23%
2020	0.0539%	3,231,551	99,718	3,331,269	3,845,560	84.03%	79.06%
2021	0.0532%	2,271,878	69,347	2,341,225	3,827,493	59.36%	87.00%
2022	0.0569%	4,506,499	132,189	4,638,688	4,262,800	105.72%	76.67%
2023	0.0553%	3,092,314	85,208	3,177,522	4,398,560	70.30%	83.10%

Schedule of District's and Non-Employer Proportionate Share
of Net Pension Liability
Last Ten Years TRA Retirement Fund

For the Plan's 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-Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.1588%	$ 7,317,390	$ 514,855	$ 7,832,245	$ 7,250,127	100.93%	81.50%
2015	0.1565%	9,681,073	1,187,501	10,868,574	7,944,920	121.85%	76.77%
2016	0.1561%	37,233,575	3,737,968	40,971,543	8,118,733	458.61%	44.88%
2017	0.1607%	32,078,635	3,100,334	35,178,969	8,648,493	370.92%	51.57%
2018	0.1636%	10,275,611	965,583	11,241,194	9,037,267	113.70%	78.07%
2019	0.1649%	10,510,761	930,206	11,440,967	9,359,870	112.30%	78.21%
2020	0.1638%	12,101,763	1,014,009	13,115,772	9,516,831	127.16%	75.48%
2021	0.1652%	7,229,646	609,628	7,839,274	9,884,010	73.14%	86.63%
2022	0.1672%	13,388,492	993,014	14,381,506	10,336,571	129.53%	76.17%
2023	0.1622%	13,391,595	938,268	14,329,863	10,310,819	129.88%	76.42%

Independent School District No. 51
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-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2015	$ 210,256	$ 210,256	$ -	$ 2,803,413	7.50%
2016	245,047	245,047	-	3,267,293	7.50%
2017	249,757	249,757	-	3,330,093	7.50%
2018	262,001	262,001	-	3,493,347	7.50%
2019	274,857	274,857	-	3,664,760	7.50%
2020	288,417	288,417	-	3,845,560	7.50%
2021	287,062	287,062	-	3,827,493	7.50%
2022	319,710	319,710	-	4,262,800	7.50%
2023	329,892	329,892	-	4,398,560	7.50%
2024	361,269	361,269	-	4,816,920	7.50%

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-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2015	$ 595,869	$ 595,869	$ -	$ 7,944,920	7.50%
2016	608,905	608,905	-	8,118,733	7.50%
2017	648,637	648,637	-	8,648,493	7.50%
2018	677,795	677,795	-	9,037,267	7.50%
2019	721,646	721,646	-	9,359,870	7.71%
2020	753,733	753,733	-	9,516,831	7.92%
2021	803,570	803,570	-	9,884,010	8.13%
2022	862,070	862,070	-	10,336,571	8.34%
2023	881,575	881,575	-	10,310,819	8.55%
2024	970,062	970,062	-	11,086,423	8.75%

Independent School District No. 51
Notes to the Required Supplementary Information

TRA Retirement Fund

2023 Changes
Changes of Benefit Terms
The 2023 Tax Finance and Policy Bill, effective July 1, 2025:
- The employer contribution rate will increase from 8.75% to 9.5% on July 1, 2025.
- The employee contribution rate will increase from 7.75% to 8.0% on July 1, 2025.
- The pension adjustment rate for school districts and the base budgets for Minnesota State, Perpich Center for Arts Education, and Minnesota Academies will increase to reflect the 0.75% employer contribution rate increase.

The 2024 Omnibus Pensions and Retirement Bill:
- The Normal Retirement Age (NRA) for active and eligible deferred Tier II members will be 65 effective July 1, 2024.
- TRA's amortization date will remain the same at 2048.

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.

TRA Retirement Fund (Continued)

2018 Changes (Continued)
Changes in Actuarial Assumptions (Continued)
- 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.
- 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.

TRA Retirement Fund (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.
- 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%.

General Employees Fund

2023 Changes
Changes in Actuarial Assumptions
- The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

Changes in Plan Provisions
- An additional one-time direct state aid contribution of $170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

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 changes 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.

General Employees Fund (Continued)

2020 Changes (Continued)
Changes in Actuarial Assumptions (Continued)
- 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 retires 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.

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 changed 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. This 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.

General Employees Fund (Continued)

2017 Changes (Continued)
Changes in Actuarial Assumptions (Continued)

- 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.

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.

Post Employment Health Care Plan

2023 Changes

- The discount rate was changed from 3.69% to 3.86% based on updated 20-year municipal bond rates.

2022 Changes

- The discount rate was changed from 1.92% to 3.69% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings.
- Mortality rates were updated from the rates used in the July 1, 2020, PERA General Employees Plan and July 1, 2020, Teachers Retirement Association valuations to the rates used in the July 1, 2022, valuations.
- The percent of future retirees eligible for an explicit subsidy assumed to elect medical coverage at retirement changed from 90% to 80% to reflect recent plan experience.
- The percent of future retirees not eligible for a explicit subsidy assumed to elect coverage at retirement changed from 10% electing coverage to 100% waiving coverage at retirement to reflect recent plan experience.
- The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings.
- The inflation assumption was changed from 2.25% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

2021 Changes

- The discount rate was changed from 2.45% to 1.92% based on updated 20-year municipal bond rates.

2020 Changes

- The discount rate was changed from 3.13% to 2.45% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims were updated to reflect recent experience and new plan offerings.
- Withdrawal, retirement, mortality, and salary increase rates were updated to rates used in the July 1, 2020, PERA and TRA valuations.
- The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings.
- The inflation assumption was changed from 2.5% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.

2019 Changes

- A change in the discount rate from 3.62% in 2018 to 3.13% in 2019.
- The medical trend rates were updated to exclude the Affordable Care Act's excise tax on high-cost health insurance plans due to its repeal.

2018 Changes

- The discount rate was changed from 3.56% to 3.62% based on updated 20-year municipal bond rates.

Post Employment Health Care Plan (Continued)

2018 Changes (Continued)

- Healthcare trend rates were resent to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings.
- Mortality and salary increase rates were updated from the rates used in the 7/1/2016 PERA General Employees Retirement Plan and 7/1/16 Teachers Retirement Association valuations to the rates used in the 7/1/2018 valuations.
- The percent of future retirees eligible for a medical direct subsidy assumed to elect coverage at retirement changed from 75% to 90% to reflect recent plan experience.
- The percent of future retirees not eligible for a medical direct subsidy assumed to elect coverage at retirement changed from 25% to 10% to reflect recent plan experience.
- The percent of future non-Medical eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings.
- The inflation assumption was changed from 2.75% to 2.50% based on the updated historical analysis of inflation rates and forward-looking market expectations.

2017 Changes

- Changes of assumptions and other inputs reflect a change in the discount rate from 2.92% in 2016 to 3.56% in 2017.

SUPPLEMENTARY INFORMATION

Independent School District No. 51
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2024

	Special Revenue Funds		
	Food Service	Community Service	Total Special Revenue
Assets			
Cash and investments	$ 1,097,142	$ 103,972	$ 1,201,114
Current property taxes receivable	-	52,918	52,918
Delinquent property taxes receivable	-	1,392	1,392
Accounts receivable	-	25,883	25,883
Due from Department of Education	-	16,413	16,413
Due from other Minnesota school districts	-	4,014	4,014
Due from Federal Government through Department of Education	23,807	-	23,807
Inventory	26,038	-	26,038
Total assets	$ 1,146,987	$ 204,592	$ 1,351,579
Liabilities			
Accounts payable	$ 105	$ 15,878	$ 15,983
Salaries and benefits payable	4,045	70,595	74,640
Unearned revenue	22,479	-	22,479
Total liabilities	26,629	86,473	113,102
Deferred Inflows of Resources			
Unavailable revenue - delinquent property taxes	-	857	857
Property taxes levied for subsequent year's expenditures	-	110,543	110,543
Total deferred inflows of resources	-	111,400	111,400
Fund Balances			
Nonspendable	26,038	-	26,038
Restricted	1,094,320	84,673	1,178,993
Unassigned	-	(77,954)	(77,954)
Total fund balances	1,120,358	6,719	1,127,077
Total liabilities, deferred inflows of resources, and fund balances	$ 1,146,987	$ 204,592	$ 1,351,579

Capital Projects Fund Building Construction	Total
$ 72,318	$ 1,273,432
-	52,918
-	1,392
-	25,883
-	16,413
-	4,014
-	23,807
-	26,038
$ 72,318	$ 1,423,897
$ -	$ 15,983
-	74,640
-	22,479
-	113,102
-	857
-	110,543
-	111,400
-	26,038
72,318	1,251,311
-	(77,954)
72,318	1,199,395
$ 72,318	$ 1,423,897

Independent School District No. 51
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2024

	Special Revenue Funds		
	Food Service	Community Service	Total Special Revenue
Revenues			
Local property taxes	$ -	$ 129,796	$ 129,796
Other local and county revenues	39,657	644,905	684,562
Revenue from state sources	956,392	165,338	1,121,730
Revenue from federal sources	864,063	6,875	870,938
Sales and other conversion of assets	191,594	-	191,594
Total revenues	2,051,706	946,914	2,998,620
Expenditures			
Current			
Food service	1,849,152	-	1,849,152
Community education and services	-	1,027,791	1,027,791
Capital outlay			
Food service	35,825	-	35,825
Community education and services	-	689	689
Total expenditures	1,884,977	1,028,480	2,913,457
Excess of revenues over (under) expenditures	166,729	(81,566)	85,163
Other Financing Sources			
Transfers in	-	24,677	24,677
Net change in fund balances	166,729	(56,889)	109,840
Fund Balances			
Beginning of year	953,629	63,608	1,017,237
End of year	$ 1,120,358	$ 6,719	$ 1,127,077

Capital Projects Fund Building Construction	Total
$ -	$ 129,796
12,470	697,032
-	1,121,730
-	870,938
-	191,594
12,470	3,011,090
-	1,849,152
-	1,027,791
-	35,825
-	689
-	2,913,457
12,470	97,633
-	24,677
12,470	122,310
59,848	1,077,085
$ 72,318	$ 1,199,395

Independent School District No. 51
Combining Statement of Fiduciary Net Position
June 30, 2024

	Employee Benefits Fund	Scholarship Fund	Total Custodial Funds
Assets			
Cash and cash equivalents	$ 16,962	$ 20,245	$ 37,207
Liabilities			
Accounts payable	16,962	-	16,962
Net Position			
Restricted for scholarships	-	20,245	20,245
Total net position	$ -	$ 20,245	$ 20,245

Combining Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2024

	Employee Benefits Fund	Scholarship Fund	Total Custodial Funds
Additions			
Contributions	$ 5,000	$ 15,000	$ 20,000
Interest revenue	1,962	-	1,962
	6,962	15,000	21,962
Deductions			
Benefits expense	6,962	-	6,962
Scholarships	-	13,500	13,500
Total deductions	6,962	13,500	20,462
Change in net position	-	1,500	1,500
Net Position			
Beginning of year	-	18,745	18,745
End of year	$ -	$ 20,245	$ 20,245

Independent School District No. 51
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2024

		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				
Total revenue		$ 25,318,342	$ 25,318,337	$ 5
Total expenditures		26,199,567	26,199,564	3
Nonspendable:				
4.60	Nonspendable fund balance	29,721	29,721	-
Restricted/reserved:				
4.01	Student Activities	89,074	89,075	(1)
4.02	Scholarships	24,979	24,978	1
4.03	Staff Development	17,396	17,395	1
4.07	Capital Projects Levy	-	-	-
4.08	Cooperative Program	-	-	-
4.12	Literacy Incentive Aid	-	-	-
4.13	Building Projects Funded by COP	-	-	-
4.14	Operating Debt	-	-	-
4.16	Levy Reduction	-	-	-
4.17	Taconite Building Maintenance	-	-	-
4.20	American Indian Education Aid	-	-	-
4.24	Operating Capital	256,278	256,278	-
4.26	$25 Taconite	-	-	-
4.27	Disabled Accessibility	-	-	-
4.28	Learning and Development	-	-	-
4.34	Area Learning Center	55,241	55,241	-
4.35	Contracted Alternative Programs	-	-	-
4.36	State Approved Alternative Program	-	-	-
4.38	Gifted and Talented	-	-	-
4.39	English Learner	24,312	24,312	-
4.40	Teacher Development and Evaluation	-	-	-
4.41	Basic Skills Programs	-	-	-
4.43	School Library Aid	-	-	-
4.48	Achievement and Integration Revenue	-	-	-
4.49	Safe Schools Revenue	42,959	42,959	-
4.51	QZAB Payments	-	-	-
4.52	OPEB Liabilities not Held in Trust	-	-	-
4.53	Unfunded Severance and Retirement Levy	-	-	-
4.59	Basic Skills Extended Time	-	-	-
4.67	LTFM	262,713	262,713	-
4.71	Student Support Personnel Aid	40,000	40,000	-
4.72	Medical Assistance	398,089	398,089	-
4.75	Title VII - Impact Aid	-	-	-
4.76	Payments in Lieu of Taxes	-	-	-
Restricted:				
4.72	Medical Assistance	-	-	-
4.64	Restricted fund balance	-	-	-
4.75	Title VII - Impact Aid	-	-	-
4.76	Payments in Lieu of Taxes	-	-	-
Committed:				
4.18	Committed for separation	-	-	-
4.61	Committed	-	-	-
Assigned:				
4.62	Assigned fund balance	583,262	583,262	-
Unassigned:				
4.22	Unassigned fund balance (net position)	2,688,421	2,688,420	1
02 FOOD SERVICE FUND				
Total revenue		$ 2,051,706	$ 2,051,708	$ (2)
Total expenditures		1,884,977	1,884,977	-
Nonspendable:				
4.60	Nonspendable fund balance	26,038	26,038	-
Restricted/reserved:				
4.52	OPEB liabilities not held in trust	-	-	-
Restricted:				
4.64	Restricted fund balance	1,094,320	1,094,320	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-
04 COMMUNITY SERVICE FUND				
Total revenue		$ 946,914	$ 946,915	$ (1)
Total expenditures		1,028,480	1,028,481	(1)
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.26	$25 Taconite	-	-	-
4.31	Community Education	74,991	74,991	-
4.32	ECFE	(63,748)	(63,748)	-
4.40	Teacher Development and Evaluation	-	-	-
4.44	School Readiness	(14,206)	(14,206)	-
4.47	Adult Basic Education	8,730	8,730	-
4.52	OPEB Liabilities not Held in Trust	-	-	-
Restricted:				
4.64	Restricted fund balance	952	952	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-

		Audit	UFARS	Audit-UFARS
06 BUILDING CONSTRUCTION FUND				
Total revenue		$ 12,470	$ 12,470	$ -
Total expenditures		-	-	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.07	Capital Projects Levy	-	-	-
4.13	Building Projects Funded by COP	-	-	-
4.67	LTFM	-	-	-
Restricted:				
4.64	Restricted fund balance	72,318	72,318	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-
07 DEBT SERVICE FUND				
Total revenue		$ 1,717,403	$ 1,717,401	$ 2
Total expenditures		1,621,838	1,621,838	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.25	Bond refunding	-	-	-
4.33	Maximum Effort Loan	1,003,550	1,003,550	-
4.51	QZAB payments	-	-	-
4.67	LTFM	-	-	-
Restricted:				
4.64	Restricted fund balance	261,869	261,868	1
Unassigned:				
4.63	Unassigned fund balance	-	-	-
08 TRUST FUND				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.01	Student Activities	-	-	-
4.02	Scholarships	-	-	-
4.22	Net position	-	-	-
18 CUSTODIAL FUND				
Total revenue		$ 21,962	$ 21,962	$ -
Total expenditures		20,462	20,462	-
Unassigned:				
4.01	Student Activities	-	-	-
4.02	Scholarships	20,245	20,245	-
4.48	Achievement and Integration	-	-	-
4.64	Restricted Fund Balance	-	-	-
20 INTERNAL SERVICE FUND				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Net position	-	-	-
25 OPEB REVOCABLE TRUST				
Total revenue		$ 547,131	$ 547,131	$ -
Total expenditures		265	265	-
Unassigned:				
4.22	Net position	3,384,629	3,384,629	-
45 OPEB IRREVOCABLE TRUST				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Net position	-	-	-
47 OPEB DEBT SERVICE				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Nonspendable:				
4.25	Bond refundings	-	-	-
4.60	Nonspendable fund balance	-	-	-
Restricted:				
4.64	Restricted fund balance	-	-	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-

Independent School District No. 51
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Agency/Pass Through Agency/Program Title	Federal Assistance Listing Number	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education		
Child Nutrition Cluster		
School Breakfast Program	10.553	$ 148,235
Commodities (non-cash)	10.555	152,464
Type A Lunch	10.555	484,636
Special Milk Program for Children	10.556	1,245
Summer Food Service Program	10.559	49,391
Total Child Nutrition Cluster		835,971
Farm to School Grant Program	10.575	28,092
Total U.S. Department of Agriculture		864,063
U.S. Department of Education		
Through Minnesota Department of Education		
Title I Grants to Local Educational Agencies	84.010	169,973
Student Support and Academic Enrichment Program	84.424	10,743
COVID 19 - Education Stabilization Fund - Elementary and Secondary School	84.425U	143,902
Through Independent School District No. 6383 - Benton-Stearns Education District Special Education Co-op		
Special Education Cluster		
Special Education Grants to States	84.027	327,391
Special Education Preschool Grants	84.173	8,000
Total Special Education Cluster		335,391
Through Independent School District No. 966 - Wright Technical Center		
Carl Perkins, Career and Technical Education - Basic Grants to States	84.048	5,775
Total U.S. Department of Education		665,784
Total Federal Expenditures		$ 1,529,847

See notes to schedule of expenditures of federal awards.

Independent School District No. 51
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, 2024. 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 – INVENTORY

Inventories of commodities donated by the U.S. Department of Agriculture are recorded at market value in the Food Service Fund as inventory. Revenue and expenditures are recorded when commodities are used.

NOTE 5 – 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 Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To the School Board
Independent School District No. 51
Foley, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 51, Foley, Minnesota, as of and for the year ended June 30, 2024, 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 23, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance to be a significant deficiency, Audit Finding 2024-001.

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

District's Response to the Finding
Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance. The District's response was not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

St. Cloud, Minnesota
December 23, 2024

Report on Compliance for Each Major Federal Program
and Report on Internal Control over Compliance in Accordance with
the Uniform Guidance

Independent Auditor's Report

To the School Board
Independent School District No. 51
Foley, 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 the District's major federal programs for the year ended June 30, 2024. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs in accordance with the Uniform Guidance.

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 its major federal program for the year ended June 30, 2024.

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.

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

Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

BerganKDV, Ltd.

St. Cloud, Minnesota
December 23, 2024

Independent School District No. 51
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?	No
◆ Significant deficiency(ies) identified?	Yes, Audit Finding 2024-001
Noncompliance material to financial statement 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?	No
◆ Significant deficiency(ies) identified?	None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of Major Programs

Assistance Listing No:	10.553, 10.555, 10.556, 10.559
Name of Federal Program or Cluster	Child Nutrition Cluster
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low risk auditee?	Yes

Independent School District No. 51
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS

Audit Finding 2024-001 – Lack of Segregation of Accounting Duties

Criteria:
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:
During the year ended June 30, 2024, the District had a lack of segregation of accounting duties due to a limited number of office employees. This lack of segregation of accounting duties can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- The Accounts Payable Clerk determines capital assets additions in the District's voucher system, enters capital asset additions and disposals, prepares depreciation calculations using the accounting system, and maintains the master listing for reporting purposes.
- The Payroll Clerk enters employee information into the District's system, calculates timecards, and processes payroll. Payroll registers were not reviewed every payroll but were periodically reviewed.
- The Director of Finance is responsible for reconciliation of general ledger accounts and has the ability to make manual adjustments to these accounts.

Management is aware of this condition and will take certain steps to compensate for the lack of segregation. However, due to the small accounting staff needed to handle all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Due to this reason, management has determined a complete segregation of accounting duties is impractical to correct.

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

Effect or Potential Effect:
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.

Cause:
There are a limited number of office employees.

Recommendation:
Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2024-001 – Lack of Segregation of Accounting Duties (Continued)

CORRECTIVE ACTION PLAN (CAP):

Views of the Responsible Officials and Planned Corrective Actions:

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

2. Actions Planned in Response to Finding
   The District plans to implement additional procedures to improve the segregation of accounting duties.

3. Official Responsible for Ensuring CAP
   The Director of Finance 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, 2025.

5. Plan to Monitor Completion of CAP
   The School Board will be monitoring this CAP.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS

None

Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 51
Foley, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 51, Foley, Minnesota, as of and for the year ended June 30, 2024, 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 23, 2024.

In connection with our audit, we noted that the District failed to comply with the provisions of the contracting – bid laws section of the *Minnesota Legal Compliance Audit Guide for School Districts* promulgated by the State Auditor pursuant to Minnesota Statute § 6.65, insofar as they relate to accounting matters as described in the Schedule of Findings and Corrective Action Plans on Legal Compliance as listed. 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 depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts sections 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. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

BerganKDV, Ltd.

St. Cloud, Minnesota
December 23, 2024

Independent School District No. 51
Schedule of Findings and Corrective Action Plans
on Legal Compliance

CURRENT YEAR LEGAL COMPLIANCE FINDING:

FOLLOW BID PROCEDURES
According to *Minnesota Statute* § 471.345 contracts exceeding $175,000 should be done through sealed bids or best value procurement alternative. The high school parking lot bids exceeded this amount, however, there is no documentation the bid process was followed. Sealed bids shall be solicited by public notice in the manner and subject to the requirements of the law governing contracts by the particular municipality or class thereof. There was no evidence public notice was given.

MN State Statute § 471.345 requires verbiage be added to the contract requiring the prime contractor to pay any subcontractor within ten days of the prime contractor's receipt of payment from the district for undisputed services provided by the subcontractor. The contract was not available for review.

CORRECTIVE ACTION PLAN (CAP):

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

2. Actions Planned in Response to Finding
   The District will follow proper bid procedures and retain documentation that those procedures were followed.

3. Official Responsible for Ensuring CAP
   The Director of Finance 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, 2025.

5. Plan to Monitor Completion of CAP
   The School Board will be monitoring this CAP.