Independent School District No. 883

Rockford, Minnesota

Audited Financial Statements

For The Year Ended

June 30, 2024

Schlenner Wenner & Co.
CPAs

INDEPENDENT SCHOOL DISTRICT NO. 883
ROCKFORD, MINNESOTA
TABLE OF CONTENTS

INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 883
BOARD OF EDUCATION AND ADMINISTRATION
FOR THE YEAR ENDED JUNE 30, 2024

BOARD OF EDUCATION

Name	Title	Term Expires
Eric Gordee	Chair	December 31, 2026
Amy Edwards	Vice Chair	December 31, 2024
Jenny Kneeland	Treasurer	December 31, 2024
Jessica Johnson	Clerk	December 31, 2024
Jamie Hillstrom	Director	December 31, 2026
Beth Praska	Director	December 31, 2026

ADMINISTRATION

Name	Title
Dr. Jeff Ridlehoover	Superintendent
Mike McNulty	Director of Business Operations
Bridget Peterson	CFO / Business Manager

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 883
Rockford, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 883, Rockford, Minnesota (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 883, Rockford, Minnesota, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1.G. to the financial statements, the District has elected to change its method of accounting for the other postemployment benefit balances during the year ended June 30, 2024. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule, Schedule of Changes in District's Net OPEB Liability, Schedule of Money-Weighted Rate of Return on OPEB Plan Assets, Schedule of District's Proportionate Share of Net Pension Liability, and Schedule of District Pension Contributions 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 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 Independent School District No. 883's basic financial statements. The accompanying introductory section, combining nonmajor fund financial statements, Uniform Financial Accounting and Reporting Standards Compliance Table, and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, Uniform Financial Accounting and Reporting Standards Compliance Table, and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate 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 combining nonmajor fund financial statements, Uniform Financial Accounting and Reporting Standards Compliance Table, and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2024, on our consideration of Independent School District No. 883's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Independent School District No. 883's internal control over financial reporting and compliance.

Schlenner Wenner & Co.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota
December 12, 2024

REQUIRED SUPPLEMENTARY INFORMATION

As management of Independent School District No. 883 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2024.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $11,551,987 (net position). Of this amount, negative $6,341,657 is considered unrestricted.

- The District's total net position increased $5,439,470 as a result of current year operations.

- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $9,889,153, a decrease of $980,935 in comparison with the prior year. Approximately 44 percent of this amount, $4,347,796, is available for spending at the District's discretion.

- At the end of the current fiscal year, unassigned fund balance for the General Fund is $3,396,095, or 15 percent of total General Fund expenditures.

- The District's total debt decreased by $4,529,298 (13 percent) in the current fiscal year, excluding the change in the net pension liability.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

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 in the following table. The remainder of the overview section of the Management Discussion and Analysis highlights the structure and contents of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

	Government-Wide	Fund Financial Statements	
		Governmental Funds	**Fiduciary Funds**
Scope	Entire District, except fiduciary activities	The activities of the District such as regular instruction, special education, support services, building maintenance, food service, community education, and administration	Activities the District operates in trust or for which the District is a fiscal agent
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows/liability/ deferred inflows information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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; deferred inflows of resources recorded to defer unavailable assets; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of outflow/inflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue 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 revenue and expenses during the year, regardless of when cash is received or paid

Government-Wide Financial Statements

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

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the net difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include administration, district support services, regular instruction, vocational instruction, exceptional instruction, community education and services, instructional support services, pupil support services, sites and buildings, fiscal and other fixed cost programs, and interest and other fiscal charges. The District currently does not report any business-type activities.

The government-wide financial statements start on page 20 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

The District maintains three individual major governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and Building Construction Fund, all of which are considered to be major funds. Data from any remaining governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements start on page 22 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the district-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for the district-wide financial statements.

The basic fiduciary fund financial statements start on page 26 of this report.

Notes to the Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements start on page 28 of this report.

Supplementary Information

The combining statements referred to earlier in connection with nonmajor governmental funds are presented as supplementary information. Combining fund statements start on page 76 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources, for a net balance of $11,551,987 at the close of the most recent fiscal year.

A significant portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, improvements, vehicles, and equipment), less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although, the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Position
Table 1

	Governmental Activities		
	2024	2023	Increase (Decrease)
Assets			
Current and Other Assets	$ 22,841,151	$ 23,128,833	$ (287,682)
Capital Assets	41,825,597	40,756,944	1,068,653
Total Assets	64,666,748	63,885,777	780,971
Deferred Outflows of Resources	3,482,806	4,834,177	(1,351,371)
Liabilities			
Current and Other Liabilities	3,170,565	2,845,842	324,723
Noncurrent Liabilities	43,294,483	48,574,240	(5,279,757)
Total Liabilities	46,465,048	51,420,082	(4,955,034)
Deferred Inflows of Resources	10,132,519	11,187,355	(1,054,836)
Net Position			
Net Investment in Capital Assets	14,685,636	12,004,882	2,680,754
Restricted	3,208,008	2,754,967	453,041
Unrestricted	(6,341,657)	(8,647,332)	2,305,675
Total Net Position	$ 11,551,987	$ 6,112,517	$ 5,439,470

An additional portion of the District's net position ($3,208,008) represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted balance of net position was negative $6,341,657 at year end. This unrestricted balance has been reduced by a total of $11,837,682 as a result of recording the District's proportionate share of the net pension liability and related balances for the statewide pension plans in which the District employees participate.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position
The District's net position increased $5,439,470 during the most recent fiscal year. Key elements of this increase are as follows:

Changes in Net Position
Table 2

	Governmental Activities		
	2024	2023	Increase (Decrease)
Revenues			
Program Revenues			
Charges for Services	$ 1,744,560	$ 1,935,333	$ (190,773)
Operating Grants and Contributions	7,031,766	5,573,882	1,457,884
Capital Grants and Contributions	171,446	193,195	(21,749)
General Revenues			
Property Taxes	8,453,275	8,244,585	208,690
State Aid Not Restricted to Specific Programs	13,828,489	12,810,556	1,017,933
Earnings on Investments	628,399	402,022	226,377
Gifts and Donations	171,951	112,769	59,182
Gain (Loss) on Sale of Assets	15,982	(23,301)	39,283
Miscellaneous	116,446	43,850	72,596
Total Revenues	32,162,314	29,292,891	2,869,423
Expenses			
Administration	1,113,121	929,086	184,035
District Support Services	1,474,909	1,677,859	(202,950)
Regular Instruction	10,531,892	8,882,818	1,649,074
Vocational Instruction	286,929	249,535	37,394
Exceptional Instruction	3,182,782	2,599,197	583,585
Community Education and Services	1,473,624	1,303,254	170,370
Instructional Support Services	988,642	805,873	182,769
Pupil Support Services	4,360,244	4,798,375	(438,131)
Sites and Buildings	2,606,890	2,974,891	(368,001)
Fiscal and Other Fixed Cost Programs	177,754	135,818	41,936
Interest and Other Fiscal Charges	526,057	241,258	284,799
Total Expenses	26,722,844	24,597,964	2,124,880
Change in Net Position	5,439,470	4,694,927	744,543
Net Position - Beginning of Year	6,112,517	1,417,590	4,694,927
Net Position - End of Year	$ 11,551,987	$ 6,112,517	$ 5,439,470

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Some significant items to note include the following:

- The current year increase in net position was $5,439,470, compared to an increase of $4,694,927 in the prior year. This is the result of a 9.8 percent increase in revenues and a 8.6 percent increase in expenses during fiscal year 2024.

- Operating Grants and Contributions increased $1,457,884 due largely to increases in desegregation transportation aid and special education funding received from the State in the current year.

- Revenues from state aid not restricted to specific programs increased $1,017,933, primarily due to an increase in general education aid. This aid fluctuates year to year based on changes in pupil units and state aid funding formulas.

- Expenses related to regular instruction increased $1,649,074 and exceptional instruction increased $583,585, primarily due to current year adjustments to pension projections, as well as increases in personnel costs.

Total and Net Cost of Governmental Activities
The net cost of governmental activities is their total costs less program revenues applicable to each category. The following table presents these total and net costs.

Total and Net Costs of Services
Table 3

	Total Cost of Services			Net Cost of Services		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
Administration	$ 1,113,121	$ 929,086	$ 184,035	$ 1,094,267	$ 919,640	$ 174,627
District Support Services	1,474,909	1,677,859	(202,950)	1,474,909	1,670,805	(195,896)
Regular Instruction	10,531,892	8,882,818	1,649,074	9,043,549	7,139,643	1,903,906
Vocational Instruction	286,929	249,535	37,394	285,603	249,535	36,068
Exceptional Instruction	3,182,782	2,599,197	583,585	304,926	474,593	(169,667)
Community Education and Services	1,473,624	1,303,254	170,370	203,276	111,680	91,596
Instructional Support Services	988,642	805,873	182,769	978,021	796,660	181,361
Pupil Support Services	4,360,244	4,798,375	(438,131)	1,265,100	2,405,256	(1,140,156)
Sites and Buildings	2,606,890	2,974,891	(368,001)	2,421,610	2,750,666	(329,056)
Fiscal and Other Fixed Cost Programs	177,754	135,818	41,936	177,754	135,818	41,936
Interest and Other Fiscal Charges	526,057	241,258	284,799	526,057	241,258	284,799
Totals	$ 26,722,844	$ 24,597,964	$ 2,124,880	$ 17,775,072	$ 16,895,554	$ 879,518

Some significant items to note include the following:

- The net costs related to regular instruction increased $1,903,906 (26.7 percent), due to the factors previously discussed in conjunction with a decrease in operating grants and contributions applied to these program costs.

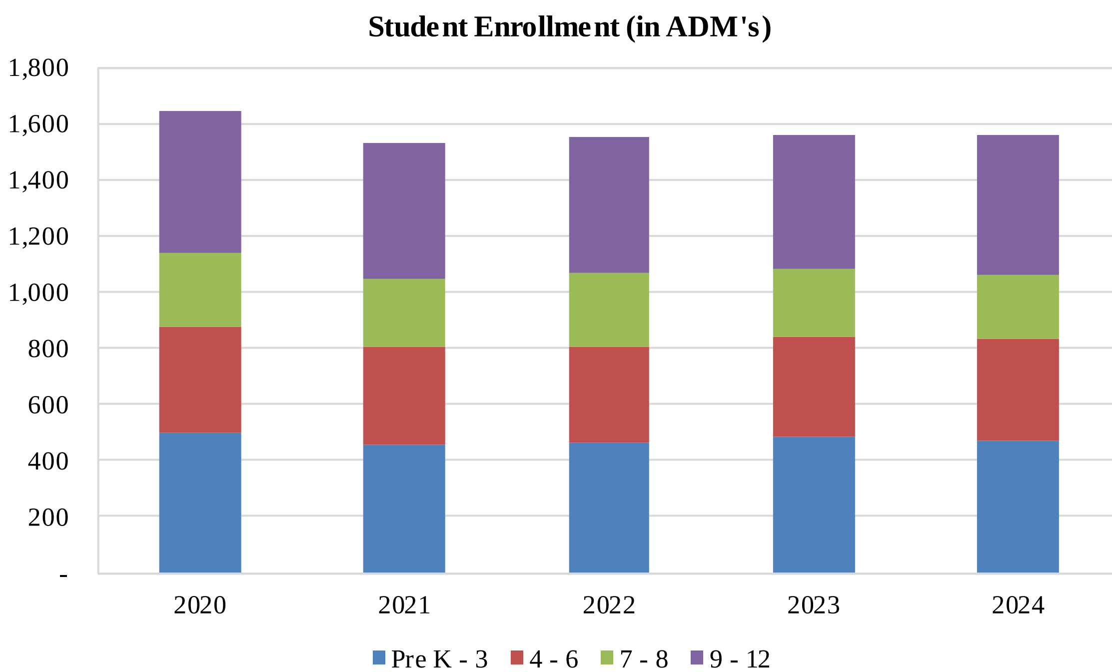
- The net costs related to pupil support services decreased $1,140,156 (47.4 percent), primarily due to the increase in the corresponding desegregation transportation aid previously discussed, as well as an increase in State funding for the food service program. Additionally, the District experienced a decrease in costs for transportation and certain support personnel.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The majority of the financial aid received by the District is determined based on the number of students enrolled during the year. Therefore, fluctuations in enrollment have a significant impact on the financial health of the District. The following graphs show the trend in student enrollment counts over the past five years:

Student Enrollment (Average Daily Membership)

	2020	2021	2022	2023	2024
Pre K - 3	497	457	463	484	472
4 - 6	381	349	343	357	364
7 - 8	265	244	266	246	223
9 - 12	506	486	482	471	500
Total Student for Aid	1,649	1,536	1,554	1,558	1,559
Percentage Change	0.73%	-6.85%	1.17%	0.26%	0.06%



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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

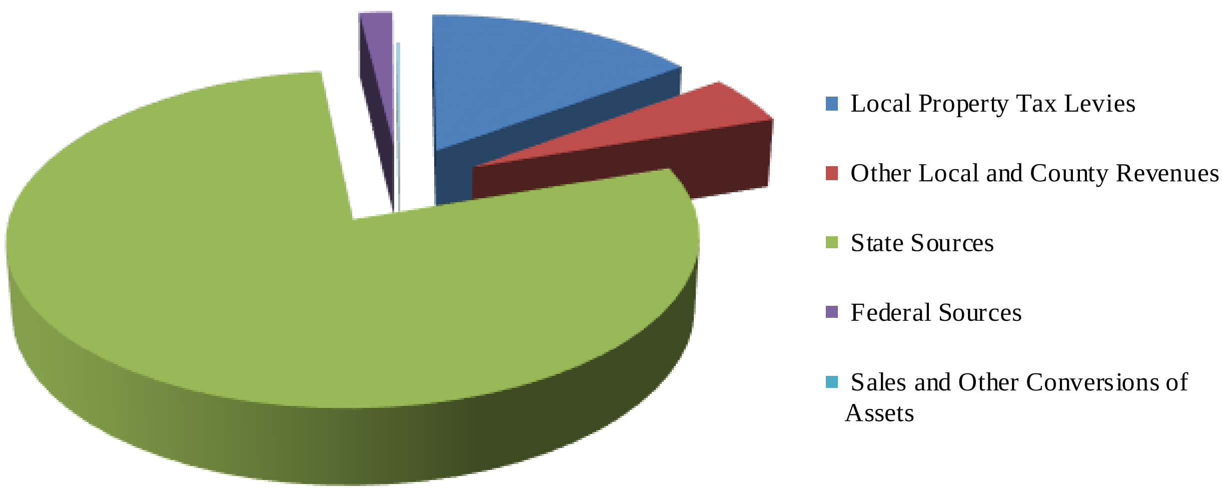
Governmental Funds
The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $9,889,153, a decrease of $980,935 in comparison with the prior year. The following is a summary of the District's major funds:

Major Funds	Fund Balance June 30, 2024	Fund Balance June 30, 2023	Increase (Decrease)
General	$ 5,974,195	$ 4,232,821	$ 1,741,374

The fund balance of the General Fund increased by $1,741,374 (41 percent). Revenues increased approximately 7.57 percent from the prior year, while expenditures decreased approximately 5.03 percent.

General Fund Revenue



The District receives the vast majority of its funding in the General Fund from the State of Minnesota (78 percent), which is subject to fluctuation based on the number of pupils served by the District and changes in State legislation. In addition, the District receives approximately 15 percent of its General Fund revenues from local property tax levies and 5 percent from other local and county revenues.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

General Fund Expenditures

A significant portion of the District's General Fund expenditures are used for regular, vocational, and exceptional instruction (57 percent). Expenditures for various support services total 26 percent, and the remaining 17 percent consists of expenditures for administration, sites and buildings, and other items.

Major Funds	Fund Balance June 30, 2024	Fund Balance June 30, 2023	Increase (Decrease)
Debt Service	$ 253,267	$ 180,065	$ 73,202

The Debt Service Fund balance increased $73,202 (41 percent) during the year. Operations in this fund were comparable to that of the prior year.

Major Funds	Fund Balance June 30, 2024	Fund Balance June 30, 2023	Increase (Decrease)
Building Construction	$ 2,731,107	$ 5,661,544	$ (2,930,437)

The Building Construction Fund balance decreased $2,930,437 (52 percent) during the year due current year project costs.

General Fund Budgetary Highlights

The District's General Fund budget was amended during the year. The revenues budget decreased $97,596, and the expenditures budget was changed in several functions for an overall increase of $575,760 from the original to final. The final budget called for expenditures of $22,994,049, and an overall decrease in fund balance of $386,145. Actual revenues recognized during the year were above budgeted amounts by $1,498,379. Expenditures were less than those budgeted by $620,578. Therefore, the current year change in fund balance was an increase of $1,741,374, despite the budgeted decrease of $386,145.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2024, amounts to $41,825,597 (net of accumulated depreciation and amortization). This investment in capital assets includes land, construction in progress, site improvements, buildings and improvements, equipment, vehicles, and leased equipment. The total increase in the District's investment in capital assets for the current fiscal year was approximately 2.6 percent.

Major capital asset events during the current fiscal year included the following:

- Completion of the Bus Loop/Pavement Project - $3,490,000
- Completion of the Entryway/Security Project - $1,580,000

Capital Assets Net of Depreciation and Amortization
Table 4

	Governmental Activities		
	2024	2023	Increase (Decrease)
Land	$ 1,224,853	$ 1,224,853	$ -
Construction in Progress	990,927	2,934,956	(1,944,029)
Land Improvements	7,675,053	4,569,890	3,105,163
Buildings and Improvements	30,896,415	30,958,253	(61,838)
Equipment and Vehicles	834,713	812,233	22,480
Leased Equipment	203,636	256,759	(53,123)
Total	$ 41,825,597	$ 40,756,944	$ 1,068,653

Additional information on the District's capital assets can be found in Note 2.B. on page 38 of this report.

Long-Term Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of $29,203,960 excluding the District's long-term net pension liability of $14,090,523. A summary of long-term debt activity for the year ended June 30, 2024 follows:

Long-Term Debt
Table 5

	Governmental Activities		
	2024	2023	Increase (Decrease)
General Obligation Bonds	$ 26,958,000	$ 31,061,000	$ (4,103,000)
Unamortized Premium	1,483,418	1,778,193	(294,775)
Financing Arrangements	549,791	623,449	(73,658)
Lease Liability	212,751	258,359	(45,608)
Severance Payable	-	12,257	(12,257)
Total	$ 29,203,960	$ 33,733,258	$ (4,529,298)

The District's total debt decreased by $4,529,298 (13 percent) during the current fiscal year. Additional information on the District's long-term debt can be found in Note 2.D. on page 39 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's appointed and elected officials considered many factors when setting the fiscal year 2025 budget. These factors included the following:

- The District's enrollment has been stable in recent years and is projected to remain stable in future years.
- For state aid funding the District will be receiving an additional 2% in general aid funding in FY25. Funding increases, if any, beyond FY2025 will be determined by the state legislature as part of their budget setting process. Also, there has been additional funding for the district for FY25 for programs/areas that are mandated, such as the READ Act.
- Budgets include normal inflationary increases in expenditures, with more significant increases expected in utility, transportation, insurance, and food costs, especially due to inflationary increases in all good and services.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with 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, please contact the business office of Independent School District No. 883 at 6051 Ash Street, Rockford, MN 55373.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF NET POSITION
JUNE 30, 2024

	Governmental Activities
ASSETS	
Cash and Temporary Investments	$ 13,698,970
Property Taxes Receivable	5,055,665
Accounts Receivable	3,003
Interest Receivable	58,866
Lease Receivable	106,765
Due from Fiduciary Funds	25,800
Due from Other Minnesota School Districts	121,514
Due from Minnesota Department of Education	2,773,777
Due from Federal through Minnesota Department of Education	264,091
Prepaids	950
Net OPEB Asset	731,750
Capital Assets not Being Depreciated or Amortized	2,215,780
Capital Assets Being Depreciated or Amortized (Net)	39,609,817
TOTAL ASSETS	64,666,748
DEFERRED OUTFLOWS OF RESOURCES	
OPEB	99,748
Pensions	3,383,058
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,482,806
LIABILITIES	
Accounts Payable	596,892
Salaries Payable	866,822
Accrued Interest Payable	311,288
Construction Contract Payable	232,485
Due to Other Governments	629
Payroll Deductions and Employer Contributions	953,982
Unearned Revenue	208,467
Noncurrent Liabilities:	
Amount Due Within One Year	4,298,224
Amount Due After One Year	24,905,736
Net Pension Liability	14,090,523
TOTAL LIABILITIES	46,465,048
DEFERRED INFLOWS OF RESOURCES	
Property Taxes Levied for Subsequent Years	8,574,684
Lease Deferrals	102,782
OPEB	324,836
Pensions	1,130,217
TOTAL DEFERRED INFLOWS OF RESOURCES	10,132,519
NET POSITION	
Net Investment in Capital Assets	14,685,636
Restricted:	
General Fund Operating Capital	476,203
General Fund Mandated Restrictions	1,134,113
Building Construction	667,108
Food Service	681,837
Community Service	248,747
Unrestricted	(6,341,657)
TOTAL NET POSITION	$ 11,551,987

See Accompanying Notes.

INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense)/ Revenue
Governmental Activities:					
Administration	$ 1,113,121	$ 18,854	$ -	$ -	$ (1,094,267)
District Support Services	1,474,909	-	-	-	(1,474,909)
Regular Instruction	10,531,892	417,510	1,070,833	-	(9,043,549)
Vocational Instruction	286,929	-	1,326	-	(285,603)
Exceptional Instruction	3,182,782	39,390	2,838,466	-	(304,926)
Community Education and Services	1,473,624	1,076,717	193,631	-	(203,276)
Instructional Support Services	988,642	10,621	-	-	(978,021)
Pupil Support Services	4,360,244	167,634	2,927,510	-	(1,265,100)
Sites and Buildings	2,606,890	13,834	-	171,446	(2,421,610)
Fiscal and Other Fixed Cost Programs	177,754	-	-	-	(177,754)
Interest and Other Fiscal Charges	526,057	-	-	-	(526,057)
Total Governmental Activities	$ 26,722,844	$ 1,744,560	$ 7,031,766	$ 171,446	(17,775,072)
General Revenues:					
Property Taxes					8,453,275
State Aid Not Restricted to Specific Programs					13,828,489
Earnings on Investments					628,399
Gifts and Donations					171,951
Gain (Loss) on Sale of Assets					15,982
Miscellaneous					116,446
Total General Revenues					23,214,542
CHANGE IN NET POSITION					5,439,470
NET POSITION - BEGINNING OF YEAR					6,112,517
NET POSITION - END OF YEAR					$ 11,551,987

See Accompanying Notes.

INDEPENDENT SCHOOL DISTRICT NO. 883
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2024

	General Fund	Debt Service Fund	Building Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Temporary Investments	$ 7,878,897	$ 2,685,554	$ 2,063,999	$ 1,070,520	$ 13,698,970
Property Taxes Receivable:					
Current	1,771,911	2,506,619	-	62,420	4,340,950
Delinquent	298,612	404,115	-	11,988	714,715
Accounts Receivable	-	-	-	3,003	3,003
Interest Receivable	45,304	-	13,562	-	58,866
Due from Other Funds	25,800	-	886,031	-	911,831
Due from Other Minnesota School Districts	121,514	-	-	-	121,514
Due from Minnesota Department of Education	2,645,378	25,468	-	102,931	2,773,777
Due from Federal through Minnesota Department of Education	202,619	-	-	61,472	264,091
Prepaids	950	-	-	-	950
Lease Receivable	106,765	-	-	-	106,765
TOTAL ASSETS	$ 13,097,750	$ 5,621,756	$ 2,963,592	$ 1,312,334	$ 22,995,432
LIABILITIES					
Accounts Payable	$ 459,258	$ 2,000	$ -	$ 135,634	$ 596,892
Salaries Payable	833,252	-	-	33,570	866,822
Construction Contracts Payable	-	-	232,485	-	232,485
Due to Other Funds	886,031	-	-	-	886,031
Due to Other Governments	629	-	-	-	629
Payroll Deductions and Employer Contributions	953,982	-	-	-	953,982
Unearned Revenue	132,966	-	-	75,501	208,467
Total Liabilities	3,266,118	2,000	232,485	244,705	3,745,308
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue:					
Delinquent Property Taxes	285,500	386,475	-	11,530	683,505
Property Taxes Levied for Subsequent Years	3,469,155	4,980,014	-	125,515	8,574,684
Lease Deferrals	102,782	-	-	-	102,782
Total Deferred Inflows of Resources	3,857,437	5,366,489	-	137,045	9,360,971
FUND BALANCES					
Nonspendable	4,933	-	-	-	4,933
Restricted	1,621,466	253,267	2,731,107	930,584	5,536,424
Assigned	951,701	-	-	-	951,701
Unassigned	3,396,095	-	-	-	3,396,095
Total Fund Balances	5,974,195	253,267	2,731,107	930,584	9,889,153
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 13,097,750	$ 5,621,756	$ 2,963,592	$ 1,312,334	$ 22,995,432

See Accompanying Notes.

INDEPENDENT SCHOOL DISTRICT NO. 883
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2024

Total Fund Balances - Governmental Funds		$ 9,889,153
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 the governmental funds:		
Capital Assets	$ 86,349,917	
Accumulated Depreciation and Amortization	(44,524,320)	
Capital Assets (Net)		41,825,597
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds:		
Bond Principal Payable	(26,958,000)	
Unamortized Premium	(1,483,418)	
Financing Arrangements	(549,791)	
Lease Liabilities	(212,751)	
		(29,203,960)
The net OPEB asset represents assets held for postemployment benefits other than pensions, reduced by the present value of projected future liabilities for such benefits as determined by an actuary as of the most recent measurement date. Such asset and related balances do not represent the impending use of current financial resources and, therefore, are not reported in the governmental funds:		
Net OPEB Asset	731,750	
Deferred Outflows - OPEB	99,748	
Deferred Inflows - OPEB	(324,836)	
		506,662
The net pension liability and related deferred outflows/inflows represent the allocation of the pension obligations of the statewide plans to the District. Such balances are not reported in the governmental funds:		
Net Pension Liability	(14,090,523)	
Deferred Outflows - Pensions	3,383,058	
Deferred Inflows - Pensions	(1,130,217)	
		(11,837,682)
Interest on long-term debt is recognized as an expenditure when due and payable in the governmental funds. Therefore, interest is not accrued in the governmental funds Balance Sheet, but is accrued in the Statement of Net Position:		(311,288)
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds:		683,505
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 11,551,987

INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	General Fund	Debt Service Fund	Building Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Local Property Tax Levies	$ 3,597,215	$ 4,714,992	$ -	$ 120,804	$ 8,433,011
Other Local and County Revenues	1,173,983	-	196,127	1,126,514	2,496,624
State Sources	18,874,530	254,668	-	795,153	19,924,351
Federal Sources	433,583	-	-	558,624	992,207
Sales and Other Conversions of Assets	26,972	-	-	137,760	164,732
TOTAL REVENUES	24,106,283	4,969,660	196,127	2,738,855	32,010,925
EXPENDITURES					
Current:					
Administration	1,155,641	-	-	-	1,155,641
District Support Services	1,410,261	-	-	-	1,410,261
Regular Instruction	9,096,899	-	-	35	9,096,934
Vocational Instruction	305,853	-	-	-	305,853
Exceptional Instruction	3,281,096	-	-	-	3,281,096
Community Education and Services	-	-	-	1,456,479	1,456,479
Instructional Support Services	1,021,067	-	-	-	1,021,067
Pupil Support Services	3,309,524	-	-	1,069,911	4,379,435
Sites and Buildings	2,267,493	-	-	-	2,267,493
Fiscal and Other Fixed Cost Programs	177,754	-	-	-	177,754
Capital Outlay	192,968	-	3,126,564	84,924	3,404,456
Debt Service:					
Principal	119,266	4,103,000	-	-	4,222,266
Interest and Other Charges	35,649	793,458	-	-	829,107
TOTAL EXPENDITURES	22,373,471	4,896,458	3,126,564	2,611,349	33,007,842
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,732,812	73,202	(2,930,437)	127,506	(996,917)
OTHER FINANCING SOURCES (USES)					
Sale of Equipment	8,562	-	-	7,420	15,982
NET CHANGE IN FUND BALANCES	1,741,374	73,202	(2,930,437)	134,926	(980,935)
FUND BALANCES - BEGINNING	4,232,821	180,065	5,661,544	795,658	10,870,088
FUND BALANCES - ENDING	$ 5,974,195	$ 253,267	$ 2,731,107	$ 930,584	$ 9,889,153

See Accompanying Notes.

INDEPENDENT SCHOOL DISTRICT NO. 883
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Net Change in Fund Balances - Total Governmental Funds		$ (980,935)
Amounts reported for governmental activities in the Statement of Activities are different due to the following:		
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 and amortization expense:		
Capital Outlay Capitalized	$ 3,278,131	
Depreciation and Amortization Expense	(2,209,478)	
		1,068,653
The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The amounts below detail the effects of these differences in the treatment of long term debt and related items:		
Bond Principal Repayments	4,103,000	
Amortization of Bond Premiums	294,775	
Long-Term Lease Principal Repayments	45,608	
Financing Arrangement Principal Repayments	73,658	
		4,517,041
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 the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due:		8,275
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period:		
Property Taxes		20,264
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Severance Payable		12,257
Certain liabilities do not represent the impending use of current resources. Therefore, the change in such liabilities and related deferrals are not reported in the governmental funds:		
Net OPEB Asset and Deferred Outflows/Inflows of Resources	11,032	
Net Pension Liability and Deferred Outflows/Inflows of Resources	782,883	
		793,915
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 5,439,470

See Accompanying Notes.

INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2024

	Postemployment Benefits Irrevocable Trust Fund
ASSETS	
Cash and Temporary Investments	$ 1,105,280
Interest Receivable	27,475
TOTAL ASSETS	1,132,755
LIABILITIES	
Accounts Payable	(42)
Due to Primary Government	25,800
TOTAL LIABILITIES	25,758
NET POSITION	
Restricted for Other Postemployment Benefits	$ 1,106,997

See Accompanying Notes.

INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Postemployment Benefits Irrevocable Trust Fund
ADDITIONS	
Investment Interest	$ 50,011
DEDUCTIONS	
Postemployment Benefits Expense	11,032
Fees for Services	41
TOTAL DEDUCTIONS	11,073
CHANGE IN NET POSITION	38,938
NET POSITION - BEGINNING	1,068,059
NET POSITION - ENDING	$ 1,106,997

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.A. FINANCIAL REPORTING ENTITY

Independent School District No. 883 (the District) is an educational entity established by the State of Minnesota. The government of the District is directed by an elected six-member Board of Education (the Board). The Board exercises legislative authority and determines all matters of policy. The Board appoints personnel responsible for the proper administration of all affairs relating to the District. The accompanying financial statements present the government entities for which the District is considered to be financially accountable.

The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Based on these criteria, there are currently no entities considered to be component units of the District.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. However, the Board does have administrative control over student activity funds, as well as responsibility for establishing broad policies and ensuring that appropriate financial records are maintained for student activities. Accordingly, the student activity accounts are included in the basic financial statements as part of the General Fund.

1.B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all nonfiduciary activities of the primary government. For the most part, interfund activities have been removed from these statements.

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 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operations or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

1.C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The financial statements of Independent School District No. 883 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenses are classified by function for governmental activities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character	Current (further classified by function)
	Capital Outlay
	Debt Service

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

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

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

The District reports the following major governmental funds:

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

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

The *Building Construction Fund* is a capital project fund used to account for the District's upcoming building projects, as well as the proceeds from debt issued to finance such projects.

The District reports the following nonmajor governmental funds:

The *Nonmajor Special Revenue Funds* account for the proceeds of specific revenue sources (other than expendable trust and major capital projects) that are legally restricted to expenditures for specified purposes.

The District reports the following fiduciary funds:

The *Postemployment Benefits Irrevocable Trust Fund* is used to account for an irrevocable trust established to fund postemployment benefits (other than pension benefits) accrued by the employees of the District to be paid as they come due.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.D. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. The appropriated budgets are prepared by fund, function, and department. Independent School District No. 883's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is not employed by the District because it is at present not considered necessary to assure effective budgetary control or to facilitate effective cash management.

1.E. 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, deferred outflows, liabilities, and deferred inflows, and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY

Deposits and Investments

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable participation by each of the funds. Temporary cash investments are stated at cost which approximates fair value. Investments in external investment pools are valued at the pool's share price.

See Note 2.A. for additional information related to Deposits and Investments.

Property Taxes Receivable

The majority of District revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between property taxes and state aids by the Legislature based on education funding priorities.

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the State budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District.

Property tax levies are certified to the County in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become an enforceable lien on property on the following January 1. The County generally remits taxes to the District at periodic intervals as they are collected. 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 financial statements.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred in the fund financial statements because it is not known to be available to finance the operation of the District in the current year. For government-wide financial statements, no allowance for uncollectible taxes is considered necessary.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. No substantial losses are anticipated from present receivable balances; therefore, no allowance for uncollectible accounts is deemed necessary.

Due from Other Governments

Amounts due from the Minnesota Department of Education, from the federal government through the Department of Education and from other governmental units for general education aids and reimbursements under various specific programs are reported at the estimated amounts to be received based on available information at the date of this report. In some instances, adjustments and proration by these agencies, which are dependent upon the amount of funds available for distribution, and may result in differing amounts actually being received. Any such differences will be absorbed into operations as of the subsequent period.

Prepaids

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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Inventories

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

Lease Receivable

Lease receivables are determined based on future lease payments to be received under each corresponding lease agreement over the lease term, discounted using the interest rate applied to the leasing arrangement. If not defined in the lease agreement, implicit interest rates are determined based on the estimated incremental borrowing rate. Collections under the leasing arrangements are recorded as a reduction to the corresponding lease receivable, as well as lease interest revenues.

Upon initial execution of a lease, a corresponding deferred inflow of resources balance is recorded. This balance is amortized on a straight-line basis over the term of the lease, resulting in the recognition of lease revenues.

Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District maintains a threshold level of $5,000 for capitalizing capital assets. The system for accumulation of fixed asset cost data does not provide the means for determining the percentage of assets valued at actual and those valued at estimated cost.

Capital assets are recorded in the district-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated or amortized using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the District, no salvage value is taken into consideration for depreciation/amortization purposes. Useful lives vary from twenty to fifty years for land improvements and buildings, and five to fifteen years for equipment and vehicles. Leased assets are amortized over the term of the corresponding lease agreement.

Capital assets not being depreciated or amortized include land and construction in progress, if any.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

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.

Accrued Payroll Liabilities

Salaries pertaining to the school year ended June 30, 2024, which are payable in July and August 2024, are accrued as of June 30, 2024, and are shown as a liability on the accompanying financial statements. Liabilities for payroll taxes, amounts withheld from payroll checks and benefits accrued are also included.

Unearned Revenue

Unearned revenue consists of local revenue received but not yet earned. Such amounts typically consist of grants and entitlements received before eligibility requirements are met or receipts that are applicable to the subsequent year's programs.

Compensated Absences Payable

Vacation Pay – The District permits some employees to accumulate varying amounts of vacation pay as determined by their contract.

Sick Pay – District employees are entitled to sick leave at various rates. Employees are not compensated for unused sick leave upon termination of employment; however, unused sick leave does enter into the calculation of severance pay upon termination for certain employees as described below.

Severance Pay

The District maintains various severance pay plans for employee groups. Each employee group plan contains benefit formulas based on years of service and/or minimum age requirements and unused sick leave upon termination subject to certain conditions. If retirement occurs by year-end, the related benefits are included with salaries as a current liability. The severance payable at June 30, 2024 for eligible employees, based on current salaries and accumulated sick leave balances, was not significant.

Long-Term Obligations

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

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

Postemployment Benefits Other Than Pensions (OPEB)

Under the provisions of the various employee and union contracts, the District provides health insurance coverage for varying lengths of time if certain age and minimum years of service requirements are met.

Pensions

The net pension liability represents the District's allocation of its pro-rata share of the Statewide Public Employees Retirement Association and Teachers Retirement Association net pension liabilities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

PERA

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

TRA

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

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

Interfund Transactions and Balances

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. If short-term in nature or incurred through goods and service type transactions, such interfund balances are reported as "due to/from other funds." Long-term interfund loans are reported as "advances to/from other funds." Interfund transactions and balances between governmental funds are eliminated in the Statement of Net Position. See additional information at Note 2.F.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods and, therefore, will not be recognized as an outflow of resources (expense) until that time. The District reports deferred outflows of resources in the government-wide Statement of Net Position in relation to the activity of the pension funds and OPEB plan in which District employees participate.

In addition to liabilities, the Statement of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position or fund balance that applies to future periods and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The District reports property taxes levied for subsequent years and lease receivables as deferred inflows of resources in both the government-wide and governmental fund financial statements. The District reports delinquent property tax receivables as deferred inflows of resources in the governmental funds, in accordance with the modified accrual basis of accounting. In addition, the District reports deferred inflows of resources in the government-wide Statement of Net Position in relation to the activity of the pension funds and OPEB plan in which District employees participate.

See Notes 3 and 4 for additional information pertaining to the deferred outflows and deferred inflows recorded to account for OPEB and pension activities, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Fund Balance

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

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or they are legally or contractually required to be maintained intact. The nonspendable fund balances at June 30, 2024 consist of prepaids and lease receivables (net).

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

Committed – Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the Board of Education (the Board), which is the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board modifies or rescinds the commitment by resolution. The District has no committed fund balances at June 30, 2024.

Assigned – Amounts that are neither restricted nor committed but are constrained by the District's intent to be used for specific purposes. The Board currently has the authority to assign fund balances, and it has delegated this ability to the Superintendent and Business Manager. The District has assigned fund balances at June 30, 2024, as noted at Note 2.E.

Unassigned – The residual classification for the General Fund and also negative residual amounts in other funds, if any. The District has formally adopted a policy under which is strives to maintain a minimum unassigned General Fund balance of 8 percent of the annual budget.

When both restricted and unrestricted resources are available for use, it is the District's practice to first use restricted resources, and then use unrestricted resources as they are needed. If resources from more than one fund balance classification could be spent, the District will spend the resources from fund balance classifications in the following order: committed, assigned, and unassigned.

See Note. 2.E. for additional disclosures.

Net Position

Net position represents the difference between the sum of assets and deferred outflows of resources and the sum of liabilities and deferred inflows of resources. Net position is displayed in three components:

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation/amortization reduced by any outstanding debt attributable to acquiring the capital assets.

Restricted Net Position – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

Unrestricted Net Position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.G. CHANGE IN ACCOUNTING METHOD

During the year ended June 30, 2024, the District elected to modify its method of accounting for the other postemployment benefit (OPEB) balances. In prior years, OPEB activity and year-end balances have been reported based on the results of an actuarial study completed for the year-end date that coincided with the current year-end reporting date of the District. However, effective in the current year financial statements, the District has transitioned to utilizing an actuarial report with a measurement date of one year prior to the current reporting date. This is a commonly accepted practice throughout the industry.

1.H. RECLASSIFICATION

Certain prior year amounts have been reclassified to conform with the current year presentation in the Management's Discussion and Analysis section.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS

2.A. DEPOSITS AND INVESTMENTS

Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits in financial institutions designated by the School Board. Minnesota Statutes require that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (100% if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). The District complies with such laws.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated "A" or better;
- A revenue obligation of a state or local government, with taxing powers, rated "AA" or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank's public debt is rated "AA" or better by Moody's or Standard and Poor's; or
- Time deposits insured by any federal agency.

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

At June 30, 2024, the District's deposits were not exposed to custodial credit risk. The District's deposits were sufficiently covered by federal depository insurance or by collateral held by the District's agent in the District's name.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.A. DEPOSITS AND INVESTMENTS (Continued)

Investments

The District may also invest idle funds as authorized by Minnesota Statutes as follows: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A: or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The District does not have any investment policies that would further limit investment choices.

Investment balances at June 30, 2024 are as follows:

Investment Type	S & P's Credit Rating	Fair Value Level	Fair Value	Investment Maturities (in Years) Less Than 1	1 - 5	6 - 10
Pooled Investments:						
MNTrust Investment Shares	AAAm	N/A	$ 10,138,022	$ 10,138,022	$ -	$ -
MNTrust Limited Term Duration	N/A	N/A	569,200	569,200	-	-
Non-Pooled Investments:						
MNTrust Term Series	AAAm	Level 2	1,000,000	1,000,000	-	-
MN Trust Money Market Accounts	N/A	Level 1	648,180	648,180	-	-
MNTrust Savings Deposit Account	N/A	Level 1	1,095,921	1,095,921	-	-
MNTrust Securities	AA+	Level 2	645,830	645,830	-	-
MNTrust Certificates of Deposit	N/A	Level 2	692,400	467,300	225,100	-
Totals			$ 14,789,553	$ 14,564,453	$ 225,100	$ -

The investments of the District are subject to the following risks:

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota Statutes limit the District's investments.

- Custodial credit risk is the risk that in the event of a failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District does not have a formal investment policy to address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.A. DEPOSITS AND INVESTMENTS (Continued)

- Concentration of Credit Risk is the risk associated with the magnitude of the District's investments (considered five percent or more) in the investments of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District has no formal policy limiting the amounts that may be invested in any one issuer. At June 30, 2024, the District does not have a significant concentration of credit risk.

- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District has no formal policy to address interest rate risk.

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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. The District's fair value measurements at June 30, 2024 are presented in the preceding table.

The *MNTrust Investment Shares* and *MNTrust Limited Term Duration* holdings are external investment pools not registered with the Securities Exchange Commission (SEC) that follow the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pools is the same as the value of the pool shares. The investment in the MNTrust pooled funds is not subject to the credit risk classifications as noted in GASB Statement No. 72.

The *MNTrust Investment Shares* seek to maintain a constant net value per share of $1.00, whereas the net asset value of the *Limited Term Duration Series* will fluctuate as the value of securities held by that portfolio fluctuates.

The *MNTrust Investment Shares* is managed to maintain an average dollar-weighted portfolio maturity of no greater than 60 to 90 days. Withdrawals from the *MNTrust Limited Term Duration* investment pool may only be made as of the third Wednesday of each month upon advance written notice.

Deposits and Temporary Investments Summary

The following is a summary of total deposits and temporary investments:

Carrying Amount of Deposits	$	14,697
Investments		14,789,553
Total	$	14,804,250

Cash and temporary investments are included on the basic financial statements as follows:

District-wide		
Cash, Cash Equivalents, and Investments	$	13,698,970
Fiduciary		
OPEB Trust Cash and Temporary Investments		1,105,280
Total	$	14,804,250

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.B. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, not Being Depreciated or Amortized					
Land	$ 1,224,853	$ -	$ -	$ -	$ 1,224,853
Construction in Progress	2,934,956	3,126,565	-	(5,070,594)	990,927
Total Capital Assets Not Being Depreciated or Amortized	4,159,809	3,126,565	-	(5,070,594)	2,215,780
Capital Assets, Being Depreciated or Amortized					
Land Improvements	9,332,779	-	-	3,490,353	12,823,132
Buildings and Improvements	62,903,729	-	-	1,580,241	64,483,970
Equipment and Vehicles	6,409,856	151,566	-	-	6,561,422
Leased Equipment	265,613	-	-	-	265,613
Total Capital Assets Being Depreciated or Amortized	78,911,977	151,566	-	5,070,594	84,134,137
Less Accumulated Depreciation for					
Land Improvements	(4,762,889)	(385,190)	-	-	(5,148,079)
Buildings and Improvements	(31,945,476)	(1,642,079)	-	-	(33,587,555)
Equipment and Vehicles	(5,597,623)	(129,086)	-	-	(5,726,709)
Less Accumulated Amortization for Leased Equipment	(8,854)	(53,123)	-	-	(61,977)
Total Accumulated Depreciation and Amortization	(42,314,842)	(2,209,478)	-	-	(44,524,320)
Total Capital Assets Being Depreciated and Amortized, Net	36,597,135	(2,057,912)	-	5,070,594	39,609,817
Governmental Activities Capital Assets, Net	$ 40,756,944	$ 1,068,653	$ -	$ -	$ 41,825,597

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

Governmental Activities	
Regular Instruction	$ 1,976,012
Community Education	1,473
Sites and Buildings	231,993
Total Depreciation and Amortization Expense - Governmental Activities	$ 2,209,478

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. LEASE RECEIVABLE

The District has entered into an agreement to lease the transportation facility to 4 Point O School Services of Rockford, Inc. as part of their transportation contract. A summary of the pertinent terms for the leasing arrangement, as well as the corresponding lease receivable, is presented below.

Governmental Activities

Description	Original Amount	Total Annual Lease Payment	Interest Rate(s)	Maturity Date	Remaining Amount
Transportation Facility Lease	$ 123,338	$ 25,000	8.25%	6/30/2029	$ 106,765

During the year ended June 30, 2024, the District recognized revenues from leasing activities under the arrangement above within governmental activities in the amount of $28,983.

2.D. NONCURRENT LIABILITIES

General Obligation (G.O.) Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Assets of the Debt Service Fund, together with scheduled future tax levies, are dedicated for the retirement of these obligations. The annual future debt service levies authorized are equal to 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

There are a number of limitations and restrictions contained in the general obligation bond indentures.

The interest rates are fixed rates that may increase a predetermined amount each year. District-wide interest and other fiscal charges for the year ended June 30, 2024 total $820,832. Fund financial statement interest and other charges for the year ended June 30, 2024 total $829,107. Interest expenses included in direct program expenses total $0; all bond interest and fees are included in interest and other charges.

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

Description	Original Issue Amount	Interest Rate	Final Maturity Date	Balance Outstanding
Governmental Activities				
G.O. Capital Facilities Refunding Bonds, Series 2021A	$ 590,000	0.28%	2/1/2025	$ 148,000
G.O. School Building Refunding Bonds, Series 2021B	22,860,000	1.50-3.00%	2/1/2029	19,115,000
G.O. Facilities Maintenance and Tax Abatement Bonds, Series 2022A	6,915,000	3.00-5.00%	2/1/2038	6,310,000
G.O. Capital Facilities Bonds, Series 2023A	1,385,000	5.00%	2/1/2038	1,385,000
	$ 31,750,000			$ 26,958,000

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.D. NONCURRENT LIABILITIES (Continued)

Financing Arrangements

The District occasionally enters into financing arrangements as a means for financing the acquisition of new equipment. Collateral pledged to under these arrangements consists of the equipment acquired by the District through the financing arrangement. Additional information, including the outstanding balance on the financing arrangement at June 30, 2024 is as follows:

Description	Original Issue Amount	Interest Rate	Final Maturity Date	Balance Outstanding
Governmental Activities				
LED Lighting Financing	$ 789,123	2.91%	2/15/2031	$ 549,791

At June 30, 2024, the assets acquired under the LED Lighting Financing cannot be individually identified. The net book value of these assets is assumed to be approximate the remaining principal balance outstanding on the financing arrangement at year-end.

Lease Liability

The District currently has a lease agreement for the rent of the District's copiers. Because of the nature of the terms of the lease, a long-term lease liability has been recorded in an amount equal to the present value to the future lease payments. Additionally, a corresponding right-of-use asset has been recorded and incorporated into the District's capital asset records. Terms of this lease are detailed below.

As of June 30, 2024, lease liabilities of the District's governmental activities consist of the following:

Description	Original Issue Amount	Interest Rate	Final Maturity Date	Balance Outstanding
Governmental Activities				
Copier Lease	$ 265,613	8.00%	4/30/2028	$ 212,751

Debt Service Requirements

At June 30, 2024, estimated annual debt service requirements to maturity for the general obligation bonds are as follows:

Governmental Activities			
Years Ending	G.O. Bonds		
June 30,	Principal	Interest	Total
2025	$ 4,173,000	$ 743,891	$ 4,916,891
2026	4,190,000	655,475	4,845,475
2027	4,280,000	561,475	4,841,475
2028	4,420,000	427,425	4,847,425
2029	4,560,000	293,125	4,853,125
2030 - 2034	2,930,000	757,175	3,687,175
2035 - 2038	2,405,000	204,690	2,609,690
Total	$ 26,958,000	$ 3,643,256	$ 30,601,256

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.D. NONCURRENT LIABILITIES (Continued)

At June 30, 2024, estimated annual debt service requirements to maturity for financing arrangements are as follows:

Governmental Activities			
Years Ending	Financing Arrangements		
June 30,	Principal	Interest	Total
2025	$ 75,831	$ 14,998	$ 90,829
2026	78,068	12,761	90,829
2027	80,371	10,458	90,829
2028	82,743	8,087	90,830
2029	85,184	5,646	90,830
2030 - 2031	147,594	3,789	151,383
Total	$ 549,791	$ 55,739	$ 605,530

At June 30, 2024, estimated annual debt service requirements to maturity for lease liabilities are as follows:

Governmental Activities			
Years Ending	Lease Liabilities		
June 30,	Principal	Interest	Total
2025	$ 49,393	$ 14,807	$ 64,200
2026	53,492	10,708	64,200
2027	57,932	6,268	64,200
2028	51,934	1,566	53,500
Total	$ 212,751	$ 33,349	$ 246,100

Changes in Noncurrent Liabilities

Noncurrent liability activity (excluding the net pension liability) for the year ended June 30, 2024 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bonds	$ 31,061,000	$ -	$ (4,103,000)	$ 26,958,000	$ 4,173,000
Unamortized Premium	1,778,193	-	(294,775)	1,483,418	-
Financing Arrangements	623,449	-	(73,658)	549,791	75,831
Lease Liabilities	258,359	-	(45,608)	212,751	49,393
Severance Payable	12,257	-	(12,257)	-	-
Long-Term Liabilities	$ 33,733,258	$ -	$ (4,529,298)	$ 29,203,960	$ 4,298,224

Bonds payable are typically funded through the Debt Service Fund. Financing arrangements and lease liabilities are typically funded through the General Fund. Severance payable is funded through the funds to which the respective employees' wages are allocated.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.E. FUND BALANCE CLASSIFICATIONS

At June 30, 2024, governmental fund equity includes the following:

	Nonspendable	Restricted	Assigned	Unassigned
General Fund				
Nonspendable - Prepaids	$ 950	$ -	$ -	$ -
Nonspendable - Lease Receivables (Net)	3,983	-	-	-
Restricted for Student Activities	-	127,888	-	-
Restricted for Staff Development	-	422,877	-	-
Restricted for Operating Capital	-	476,203	-	-
Restricted for Basic Skills	-	513,388	-	-
Restricted for Student Support Personnel	-	5,278	-	-
Restricted for Medical Assistance	-	75,832	-	-
Assigned for Q-Comp	-	-	288,420	-
Assigned for Capital Projects	-	-	650,840	-
Assigned for Scholarships	-	-	12,441	-
Unassigned	-	-	-	3,407,245
Deficit UFARS Restrictions:				
Long-Term Facility Maintenance	-	-	-	(11,150)
Total General Fund Balance	$ 4,933	$ 1,621,466	$ 951,701	$ 3,396,095
Debt Service Fund				
Restricted for Debt Service	$ -	$ 253,267	$ -	$ -
Building Construction Fund				
Restricted for Building Construction	$ -	$ 2,731,107	$ -	$ -
Nonmajor Governmental Funds				
Restricted for Food Service	$ -	$ 681,837	$ -	$ -
Restricted for Community Education	-	35,130	-	-
Restricted for Early Childhood and Family Education	-	44,947	-	-
Restricted for School Readiness	-	29,144	-	-
Restricted for Community Service	-	139,526	-	-
Total Nonmajor Governmental Funds Balance	$ -	$ 930,584	$ -	$ -

Restricted for Student Activities - This amount represents resources available for extracurricular student activities, from funds raised by students.

Restricted for Staff Development - This amount represents unspent staff development revenues set aside from General Education Revenue that are restricted for staff development.

Restricted for Operating Capital - This amount represents funds to be used for the purchase, lease and maintenance of school facilities and equipment.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.E. FUND BALANCE CLASSIFICATIONS (Continued)

Restricted for Basic Skills - This amount represents available resources to be used for the educational needs of pupils who enroll under-prepared to learn and whose progress toward meeting state or local content or performance standards is below the level that is appropriate for learners of their age.

Restricted for Student Support Personnel - This amount represents available resources restricted for student support personnel that are in addition to current staff levels.

Restricted for Medical Assistance - This amount represents available resources to be used for medical assistance expenditures.

Assigned for Q-Comp - This amount represents resources the District has elected to set aside for incentive based compensation for teachers.

Assigned for Capital Projects - This amount represents resources the District has elected to set aside for future capital projects.

Assigned for Scholarships - This amount represents resources the District has elected to set aside for scholarships for students.

Restricted for Long-Term Facility Maintenance - This amount represents available resources for long-term facility maintenance stipulated by the District's long-term facility maintenance plan.

Restricted for Debt Service - This amount represents restricted resources for debt service stipulated by constitution, external resource providers, or through enabling legislation.

Restricted for Building Construction - This amount represents restricted resources for building construction stipulated by construction, external resource providers, or through enabling legislation.

Restricted for Food Service - This amount represents restricted resources for food service stipulated by constitution, external resource providers, or through enabling legislation.

Restricted for Community Education - This amount represents available resources for community education programs. Revenues are derived from tax levies and state aids and expenditures are for salaries, benefits, and supplies. Any deficits can be eliminated by future tax levies and state aids.

Restricted for Early Childhood Family Education (ECFE) - This amount represents available resources for ECFE classes. Revenues are derived from local tax levies and state aids and expenditures are for salaries, benefits, and supplies. Any deficits can be eliminated by future tax levies, state aids and program revenues.

Restricted for School Readiness - This amount represents the resources available to provide for services for school readiness programs. Deficits can be eliminated through future state aids and program revenues.

Restricted for Community Service - This amount represents restricted resources for community service stipulated by construction, external resource providers, or through enabling legislation.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.F. INTERFUND TRANSACTIONS AND BALANCES

Interfund balances at June 30, 2024 are as follows:

Due To Fund	Due From Fund	Amount	Reason
Building Construction	General	$ 886,031	Reimbursement for construction costs
General	OPEB Trust	25,800	Reimbursement for costs paid by the District
Total Interfund Balances		911,831	
Governmental Fund Elimination		(886,031)	
Government-wide Balances		$ 25,800	

The balance due from the OPEB Trust will be paid via a withdrawal from the trust, to be deposited into the General Fund.

Amounts due from the General Fund to the Building Construction Fund will be repaid in the subsequent year.

NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The District administers a single-employer retiree benefit plan (the Plan) through which the District provides postretirement benefits to eligible retirees and their families. An irrevocable trust, established and operated under the provisions of *Minnesota Statute* 471.6175, is used to finance benefit obligations incurred by the plan. The assets of such trust are managed in accordance with *Minnesota Statute* 118A. The Plan does not issue a publicly available financial report.

Benefits Provided

The District offers continuing group health insurance coverage after retirement for qualifying District employees. Teachers and certain other District personnel who retire from active employment may continue their single or family coverage, at their expense, through the District plan if they retire and have also met the eligibility requirements of either a Public Employees Retirement Association plan or the Teachers Retirement Association of Minnesota plan. Benefit and eligibility provisions are established through negotiations between the District and the union representing the District's teachers and are renegotiated each two-year bargaining period. As of the most recent valuation date, there are 97 active employees electing coverage, 84 employees waiving coverage, and 1 retiree electing coverage.

The District is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees until the retiree reaches Medicare eligibility, regardless of whether the premiums are paid by the District or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit arises from the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the District's younger and statistically healthier active employees.

NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Contributions

The District did not have any contractually required or actuarially determined contributions to the Plan as of June 30, 2024. The District has established an irrevocable trust to fund all future benefits paid under the Plan, and it is generally assumed that the District will make no further contributions to the trust. However, the District did finance all current year benefit payments from its General Fund, which consisted entirely of implicit subsidies totaling $11,032. The District is to be reimbursed from the irrevocable trust for this implicit subsidy amount of $11,032. Employees are not required to contribute to the OPEB plan.

Net OPEB Assets, OPEB Expense, and Deferred Outflows/Inflows of Resources

At June 30, 2024, the District reported a net OPEB asset of $731,750 for the District's plan. The net OPEB asset was measured as of June 30, 2023, as determined by an actuarial valuation as of June 30, 2023.

For the year ended June 30, 2024, the District recognized OPEB expense of negative $1,576. At 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
Differences between expected and actual economic experience	$ 58,325	$ 147,046
Changes in actuarial assumptions	2,186	177,790
Differences between projected and actual investment earnings	28,205	-
Contributions paid to PERA subsequent to the measurement date	11,032	-
Total Deferred Outflows/Inflows	$ 99,748	$ 324,836

Deferred outflows and inflows of resources related to the Plan will be recognized in the District's OPEB expense as follows:

Year Ended June 30	OPEB Expense
2024	$ (31,431)
2025	$ (33,295)
2026	$ (39,129)
2027	$ (39,795)
2028	$ (38,771)
2029-2031	$ (53,699)

NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Changes in the Net OPEB Liability

The following table summarizes changes in the net OPEB asset for the year ended June 30, 2024:

Changes in Total OPEB Liability (TOL)	
Balance at July 1st	$ 398,675
Service Cost	39,838
Interest Cost	8,761
Differences Between Expected and Actual Experience	(5,649)
Changes in Actuarial Assumptions	(91,480)
Benefit Payments	(13,836)
Balance at June 30th	$ 336,309
Plan Fiduciary Net Position (FNP)	
Balance at July 1st	$ 1,070,087
Net Investment Income	12,058
Benefit Payments	(13,836)
Administrative Expenses	(250)
Total Reductions	(14,086)
Balance at June 30th	$ 1,068,059
Net OPEB Liability (Asset) - June 30th	$ (731,750)
Fiduciary Net Position as a percentage of the total OPEB Liability	317.58%
Covered Payroll	$ 9,923,947
Net OPEB Liability (Asset) / Covered Payroll	-7.37%

NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Actuarial Assumptions

The following is a summary of pertinent actuarial assumptions and methods utilized, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information:	
Valuation Date	June 30, 2023
Measurement Date	June 30, 2023
Reporting Date	June 30, 2024
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	3.25%
Inflation Rate	2.50%
Investment Rate of Return	3.25%
Bond Yield	3.86% (Fidelity 20-Year Municipal GO AA Index)
Healthcare Trend Rate	14.0% for FY2024 then 5.8% for FY2025, gradually decreasing over several decades to 3.9% in FY2076

Mortality rates for teachers were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2015, and other adjustments. Mortality rates for non-teachers were based on the Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments.

The long-term expected rate of return on the Plan's investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) 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	Long-Term Expected Nominal Rate of Return
Cash and Equivalents	100%	0.77 %	3.27%

Significant changes in assumptions, benefit terms, and other inputs since the prior measurement date include:

Changes in Actuarial Assumptions

- The discount rate was changed from 2.03% to 3.25% based on updated investment return assumptions, 20-year municipal bond rates, and updated asset sufficiency projections.
- The long-term investment return assumption was changed from 2.00% to 3.25% based on updated capital market assumptions.
- 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.
- Withdrawal, retirement, mortality, disability, and salary increase rates were updated from the rates used in the 7/1/2020 PERA General Employees Plan and 7/1/2020 Teachers Retirement Association valuations to the rates used in the 7/1/2022 valuations.
- The percent of future retirees assumed to elect coverage at retirement changed from 30% for Teachers and 10% for non-Teachers to 20% to reflect recent plan experience.
- The percent of future retirees assumed to elect spouse coverage at retirement changed from 20% to 10% to reflect recent plan experience.

NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

- 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.

Changes in Plan Provisions

- Retiree premiums were updated to current levels.
- The Explicit Subsidy provision was removed, as the last person eligible for s subsidy left the District and no future retirees are eligible for a subsidy.

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

Sensitivity of Net OPEB Liability (Asset) at Current Single Discount Rate	Rates	Amounts
1% Increase in Discount Rate	4.25%	$(752,115)
Current Discount Rate	3.25%	$(731,750)
1% Decrease in Discount Rate	2.25%	$(710,809)

Net OPEB Liability (Asset) Sensitivity

The following presents the net OPEB liability (asset), calculated using the healthcare cost trend rates disclosed in the preceding section, as well as what the District's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

Sensitivity of Net OPEB Liability (Asset) at Current Healthcare Trend Rates	Amounts
1% Increase in Healthcare Trend Rates	$(690,879)
Current Healthcare Trend Rates	$(731,750)
1% Decrease in Healthcare Trend Rates	$(766,558)

Concentrations

At June 30, 2024, the District's OPEB plan held the following investments, which represented more than 5 percent of the Plan's Fiduciary Net Position:

Type of Investment	Maturity Date	Credit Rating	Fair Value
Goldman Sachs Government Money Market Account	N/A	N/A	$ 648,180
Elga Credit Union Certificate of Deposit	10/15/2024	N/A	232,000
Great Midwest Bank, SSB Certificate of Deposit	10/15/2025	N/A	225,100
Totals			$ 1,105,280

Rate of Return

For the measurement period ended June 30, 2023, the annual money-weighted rate of return on plan investments, net of investment expense, approximated 1.13 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan
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.

Benefits Provided

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

General Employees Plan Benefits
General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.20 percent for each of the first 10 years of service and 1.70 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.70 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

Contributions

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

General Employees Fund Contributions
Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2024, were $249,337. The District's contributions were equal to the required contributions as set by state statute.

Pension Costs

General Employees Fund Pension Costs
At June 30, 2024, the District reported a liability of $2,449,247 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 $67,506.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (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 0.0438 percent at the end of the measurement period and 0.0422 percent for the beginning of the period.

District's proportionate share of the net pension liability	$2,449,247
State of Minnesota's proportionate share of the net pension liability associated with the District	67,506
Total	$2,516,753

For the year ended June 30, 2024, the District recognized pension expense of $96,188 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized $303 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual $16 million contribution.

At June 30, 2024, the District reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 79,729	$ 15,871
Changes in actuarial assumptions	373,324	671,318
Differences between projected and actual investment earnings	-	78,299
Changes in proportion	126,884	-
Contributions paid to PERA subsequent to the measurement date	249,337	-
Total	$ 829,274	$ 765,488

The $249,337 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 deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2025	$ 100,776
2026	$ (310,599)
2027	$ 77,404
2028	$ (53,132)

Total Pension Expense

The total pension expense for the plan recognized by the District for the year ended June 30, 2024, including the amortization of deferred balances from prior years, was $183,287.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

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 Stocks	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	100%	

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 7.00 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.00 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.00 percent after 27 years.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 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:

General Employees Fund

Changes in Actuarial Assumptions:
- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

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.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statute. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

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

Sensitivity Analysis
Net Pension Liability (Asset) at Different Discount Rates

	Rates	Amounts
1% Lower	6.00%	$4,332,915
Current Discount Rate	7.00%	$2,449,247
1% Higher	8.00%	$899,859

Pension Plan Fiduciary Net Position

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

4.B. TEACHERS RETIREMENT ASSOCIATION

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 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 Retirement Plan (DCR) administered by Minnesota State.

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.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

Tier 1 Benefits

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

With these provisions:

(a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

(b) 3 percent per year early retirement reduction factor for all years under normal retirement age.

(c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

Or

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.70 percent per year for coordinated members and 2.70 percent per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.90 percent per year for coordinated members and 2.70 percent per year for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

Members first employed after June 30, 1989, receive only the Tier II benefit 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.

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	11.00%	12.34%	11.00%	12.55%	11.25%	12.75%
Coordinated	7.50%	8.34%	7.50%	8.55%	7.75%	8.75%

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

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.

	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.

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.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information:	
Valuation date	July 1, 2023
Measurement date	June 30, 2023
Experience studies	June 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% before July 1, 2028 and 3.25% after June 30, 2028
Projected salary increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of living adjustment	1.00% for January 2019 through January 2023, then increasing by 0.10% each year up to 1.50% annually.

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

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

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 (Geometric Mean)
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	25.00%	5.90%
Total	100%	

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.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

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% 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.

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 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).

Net Pension Liability

At June 30, 2024, the District reported a liability of $11,641,276 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's proportionate share was 0.1410 percent at the end of the measurement period and 0.1436 percent for the beginning of the year.

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

District's proportionate share of net pension liability	$11,641,276
State's proportionate share of the net pension liability associated with the District	$815,580

For the year ended June 30, 2024, the District recognized pension expense of $1,707,277. It also recognized $114,840 as an increase to pension expense for the support provided by direct aid.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (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 experience	$ 115,578	$ 169,998
Changes in assumptions	1,372,441	-
Differences between projected and actual investment earnings	-	21,236
Changes in proportion	273,315	173,495
Contributions made to TRA subsequent to the measurement date	792,450	-
Total Deferred Outflows/Inflows	$ 2,553,784	$ 364,729

Deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2025	$ 246,176
2026	$ 26,231
2027	$ 1,350,828
2028	$ (170,625)
2029	$ (56,005)

Pension Liability Sensitivity

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

Sensitivity of Net Pension Liability (NPL) to changes in the discount rate

1 percent decrease (6.00%)	Current (7.00%)	1 percent increase (8.00%)
$18,566,979	$11,641,276	$5,971,745

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.

Pension Plan Fiduciary Net Position

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

NOTE 5 OTHER INFORMATION

5.A. COMMITMENTS AND CONTINGENCIES

Federal and State Programs

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time. However, management of the District expects such amounts, if any, to be immaterial.

Construction Contracts

The District has entered into contracts for construction and engineering services related to a roof replacement project. Remaining commitments under these contracts at June 30, 2024, not including retainage accrued in these financial statements, total $322,000.

5.B. RISK MANAGEMENT

Claims and Judgements

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To manage these risks, the District purchases commercial insurance. The District retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years. The District is also self-insured for state reemployment compensation insurance.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have incurred but not reported. The District's management is not aware of any incurred but no reported claims.

5.C. OTHER EMPLOYEE BENEFITS

Flexible Payment Plan

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

Before the beginning of the plan year, which is January 1 to December 31, each participant designates a total amount of pre-tax dollars to be contributed to the plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the plan, whether or not such contributions have been made.

All assets of the plan are administered by a third-party administrator. Payments are made by the third-party administrator to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the participant. Payments of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated insurance companies.

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

NOTE 5 OTHER INFORMATION (Continued)

5.C. OTHER EMPLOYEE BENEFITS (Continued)

Defined Contribution Plan

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the Plan). The District has contracted with a private brokerage firm to establish the Plan, and plan assets are not held in a formal trust meeting the criteria defined by GASB No. 73, par 4. The District's Board of Education acts as the plan administrator, but the District is not involved with the investment decisions for plan assets. Contributions are invested in tax deferred annuities selected and owned by Plan participants. Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. The District's contributions to the plan total $118,351 for the year ended June 30, 2024.

5.D. NEW ACCOUNTING STANDARD

In June 2022, the Government Accounting Standards Board (GASB) issued Statement No. 101, *Compensated Absences.* GASB Statement No. 101 (GASB 101) increases the usefulness of governmental financial statements by updating the recognition and measurement guidance for compensated absences. GASB 101 will be effective for the District's fiscal year ended June 30, 2025. The effect on net position may be significant.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 883
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Local Property Tax Levies	$ 3,644,550	$ 3,566,057	$ 3,597,215	$ 31,158
Other Local and County Revenues	629,000	629,000	1,173,983	544,983
State Sources	18,062,206	18,043,103	18,874,530	831,427
Federal Sources	369,744	369,744	433,583	63,839
Sales and Other Conversions of Assets	-	-	26,972	26,972
TOTAL REVENUES	22,705,500	22,607,904	24,106,283	1,498,379
EXPENDITURES				
Salaries and Wages	11,640,296	11,663,696	11,865,158	201,462
Employee Benefits	4,169,426	4,249,426	3,913,174	(336,252)
Purchased Services	5,444,078	5,736,438	5,088,472	(647,966)
Supplies & Materials	854,015	934,015	1,094,134	160,119
Capital Expenditures	194,723	294,723	347,738	53,015
Other Expenditures	115,751	115,751	64,795	(50,956)
TOTAL EXPENDITURES	22,418,289	22,994,049	22,373,471	(620,578)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	287,211	(386,145)	1,732,812	2,118,957
OTHER FINANCING SOURCES (USES)				
Sale of Equipment	-	-	8,562	8,562
NET CHANGE IN FUND BALANCE	$ 287,211	$ (386,145)	1,741,374	$ 2,127,519
FUND BALANCE - BEGINNING			4,232,821	
FUND BALANCE - ENDING			$ 5,974,195	

INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF CHANGES IN DISTRICT'S NET OPEB LIABILITY
LAST TEN YEARS (Presented Prospectively)

	Measurement Period Ending June 30,						
	2023*	2022	2021	2020	2019	2018	2017
Changes in Total OPEB Liability (TOL)							
Balance at July 1st	$ 398,675	$ 405,044	$ 679,201	$ 548,884	$ 582,434	$ 526,163	$ 493,563
Service Cost	39,838	38,887	60,824	66,414	61,718	57,124	53,517
Interest Cost	8,761	8,538	19,254	17,950	22,022	19,886	18,459
Differences between Expected and Actual Experience	(5,649)	(23,074)	(157,250)	107,858	(51,454)	-	-
Changes in Actuarial Assumptions	(91,480)	(956)	(127,465)	(4,517)	(25,247)	9,471	-
Benefit Payments	(13,836)	(29,764)	(69,520)	(57,388)	(40,589)	(30,210)	(39,376)
Balance at June 30th	$ 336,309	$ 398,675	$ 405,044	$ 679,201	$ 548,884	$ 582,434	$ 526,163
Plan Fiduciary Net Position (FNP)							
Balance at July 1st	$ 1,070,087	$ 1,082,532	$ 1,142,350	$ 1,172,909	$ 1,184,324	$ 1,196,480	$ 1,227,982
Employer Contributions	-	11,583	-	-	-	-	-
Net Investment Income	12,058	6,006	9,952	27,079	29,424	18,304	8,124
Total Additions	12,058	17,589	9,952	27,079	29,424	18,304	8,124
Benefit Payments	(13,836)	(29,764)	(69,520)	(57,388)	(40,589)	(30,210)	(39,376)
Administrative Expenses	(250)	(270)	(250)	(250)	(250)	(250)	(250)
Total Reductions	(14,086)	(30,034)	(69,770)	(57,638)	(40,839)	(30,460)	(39,626)
Balance at June 30th	$ 1,068,059	$ 1,070,087	$ 1,082,532	$ 1,142,350	$ 1,172,909	$ 1,184,324	$ 1,196,480
Net OPEB Liability (Asset) - June 30th	$ (731,750)	$ (671,412)	$ (677,488)	$ (463,149)	$ (624,025)	$ (601,890)	$ (670,317)
Plan Fiduciary Net Position / Total OPEB Liability	317.6%	268.4%	267.3%	168.2%	213.7%	203.3%	227.4%
Covered Payroll	$ 9,923,947	$ 9,816,636	$ 9,417,094	$ 11,504,615	$ 9,684,811	$ 10,495,521	$ 9,958,587
Net OPEB Liability / Covered Payroll	-7.4%	-6.8%	-7.2%	-4.0%	-6.4%	-5.7%	-6.7%

Note: This schedule is provided prospectively beginning with the District’s fiscal year ended June 30, 2018 (June 30, 2017 measurement date) and is intended to show a ten year trend. Additional years will be reported as they become available.

* Effective for the reporting period ending June 30, 2024, the District converted to the “look-back method” of accounting for the OPEB activities, under which the actuarial study from the preceding year is used for financial reporting purposes.

INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN ON OPEB PLAN ASSETS
LAST TEN YEARS (Presented Prospectively)

For the Measurement Year Ended June 30,	Annual Money-Weighted Rate of Return, Net of Investment Expense
2023	1.13%
2022	0.55%
2021	0.87%
2020	2.31%
2019	2.48%
2018	1.61%
2017	0.61%

Note: This schedule is provided prospectively beginning with the District's fiscal year ended June 30, 2018 (June 30, 2017 measurement date) and is intended to show a ten year trend. Additional years will be reported as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF DISTRICT'S PROPORTIONATE
SHARE OF NET PENSION LIABILITY
LAST TEN YEARS

For the Measurement Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the District (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Public Employees Retirement Association							
2023	0.0438%	$ 2,449,247	$ 67,506	$ 2,516,753	$ 3,389,987	74.24%	83.10%
2022	0.0422%	$ 3,342,254	$ 97,901	$ 3,440,155	$ 3,211,867	107.11%	76.70%
2021	0.0412%	$ 1,759,425	$ 53,782	$ 1,813,207	$ 2,967,947	61.09%	87.00%
2020	0.0405%	$ 2,428,160	$ 74,788	$ 2,502,948	$ 2,878,000	86.97%	79.06%
2019	0.0386%	$ 2,134,108	$ 66,330	$ 2,200,438	$ 2,735,307	80.45%	80.23%
2018	0.0398%	$ 2,207,941	$ 72,415	$ 2,280,356	$ 2,676,693	85.19%	79.50%
2017	0.0400%	$ 2,553,574	$ 32,094	$ 2,585,668	$ 2,550,173	101.39%	75.90%
2016	0.0439%	$ 3,564,462	$ 46,581	$ 3,611,043	$ 2,724,708	132.53%	68.90%
2015	0.0456%	$ 2,363,299	$ -	$ 2,363,299	$ 2,551,634	92.62%	78.20%
2014	0.0432%	$ 2,030,005	$ -	$ 2,030,005	$ 2,278,585	89.09%	78.70%
Teachers Retirement Association							
2023	0.1410%	$ 11,641,276	$ 815,580	$ 12,456,856	$ 8,960,959	139.01%	76.42%
2022	0.1436%	$ 11,498,728	$ 852,460	$ 12,351,188	$ 9,014,520	137.01%	76.17%
2021	0.1427%	$ 6,244,979	$ 526,574	$ 6,771,553	$ 8,661,624	78.18%	86.63%
2020	0.1403%	$ 10,365,552	$ 868,906	$ 11,234,458	$ 8,203,712	136.94%	75.48%
2019	0.1365%	$ 8,700,539	$ 769,972	$ 9,470,511	$ 7,807,471	121.30%	78.21%
2018	0.1346%	$ 8,456,848	$ 794,544	$ 9,251,392	$ 7,483,213	123.63%	78.10%
2017	0.1319%	$ 26,329,632	$ 2,546,075	$ 28,875,707	$ 7,113,973	405.90%	51.60%
2016	0.1386%	$ 33,059,407	$ 3,318,302	$ 36,377,709	$ 7,178,669	506.75%	44.90%
2015	0.1404%	$ 8,685,129	$ 1,065,169	$ 9,750,298	$ 7,177,021	135.85%	76.80%
2014	0.1487%	$ 6,853,290	$ -	$ 6,853,290	$ 6,892,344	99.43%	81.50%

INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
LAST TEN YEARS

For the Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
Public Employees Retirement Association					
2024	$ 249,337	$ 249,337	$ -	$ 3,324,493	7.50%
2023	$ 254,249	$ 254,249	$ -	$ 3,389,987	7.50%
2022	$ 240,890	$ 240,890	$ -	$ 3,211,867	7.50%
2021	$ 232,006	$ 232,006	$ -	$ 2,967,947	7.82%
2020	$ 215,850	$ 215,850	$ -	$ 2,878,000	7.50%
2019	$ 205,148	$ 205,148	$ -	$ 2,735,307	7.50%
2018	$ 200,752	$ 200,752	$ -	$ 2,676,693	7.50%
2017	$ 191,263	$ 191,263	$ -	$ 2,550,173	7.50%
2016	$ 204,438	$ 204,438	$ -	$ 2,724,708	7.50%
2015	$ 188,695	$ 188,695	$ -	$ 2,551,634	7.40%
Teachers Retirement Association					
2024	$ 792,450	$ 792,450	$ -	$ 9,056,571	8.75%
2023	$ 766,162	$ 766,162	$ -	$ 8,960,959	8.55%
2022	$ 751,811	$ 751,811	$ -	$ 9,014,520	8.34%
2021	$ 704,190	$ 704,190	$ -	$ 8,661,624	8.13%
2020	$ 649,734	$ 649,734	$ -	$ 8,203,712	7.92%
2019	$ 601,956	$ 601,956	$ -	$ 7,807,471	7.71%
2018	$ 561,241	$ 561,241	$ -	$ 7,483,213	7.50%
2017	$ 533,548	$ 533,548	$ -	$ 7,113,973	7.50%
2016	$ 538,361	$ 538,361	$ -	$ 7,178,669	7.50%
2015	$ 538,422	$ 538,422	$ -	$ 7,177,021	7.50%

NOTE 1 OTHER POSTEMPLOYMENT BENEFIT PLAN

2024 Reporting Period Changes

During the District's reporting period ending June 30, 2024, the District began reporting OPEB balances and activity using actuarial reports for the measurement period ending one year prior to the District's current reporting period. Prior to this change, the District's reporting period had coincided with the measurement period date.

2023 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 2.03% to 3.25% based on updated investment return assumptions, 20-year municipal bond rates, and updated asset sufficiency projections.
- The long-term investment return assumption was changed from 2.00% to 3.25% based on updated capital market assumptions.
- 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.
- Withdrawal, retirement, mortality, disability, and salary increase rates were updated from the rates used in the 7/1/2020 PERA General Employees Plan and 7/1/2020 Teachers Retirement Association valuations to the rates used in the 7/1/2022 valuations.
- The percent of future retirees assumed to elect coverage at retirement changed from 30% for Teachers and 10% for non-Teachers to 20% to reflect recent plan experience.
- The percent of future retirees assumed to elect spouse coverage at retirement changed from 20% to 10% 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.

Changes in Plan Provisions

- Retiree premiums were updated to current levels.
- The Explicit Subsidy provision was removed, as the last person eligible for s subsidy left the District and no future retirees are eligible for a subsidy.

2022 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 1.99 percent to 2.03 percent.
- Index rate for 20-year, tax-exempt municipal bonds (Fidelity 20-year Municipal GO AA Index) used in discount rate determination changed from 1.92 percent to 3.69 percent.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 2.73 percent to 1.99 percent based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates.
- The long-term expected rate of return on OPEB plan investments was changed from 3.00 percent to 2.00 percent based on updated capital market assumptions.

NOTE 1 OTHER POSTEMPLOYMENT BENEFIT PLAN (Continued)

- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience, including an adjustment to reflect age/gender based risk scores published by the Society of Actuaries.
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the 7/1/2018 PERA General Employees Plan and 7/1/2018 Teachers Retirement Association valuations to the rates used in the 7/1/20 valuations.
- Participation and spousal assumption for future Superintendent retirees were removed as the explicit subsidy benefit for Superintendents are no longer offered to future Superintendent retirees. Superintendents are valued using the assumptions applicable to teachers.
- The percent of all other future Teacher retirees assumed to elect coverage at retirement changed for 40.00 percent to 30.00 percent to reflect recent plan experience.
- The percent of all other future retirees assumed to elect coverage at retirement changed from 20.00 percent to 10.00 percent 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 2.50 percent to 2.25 percent based on an updated historical analysis of inflation rates and forward-looking market expectations.
- The payroll growth assumption was changed from 3.50 percent to 3.00 percent based on the 7/1/2020 Teachers Retirement Association valuation.
- The dental increase rate was changed from 4.00 percent to 3.50 percent to reflect updated increase expectations.

<u>Changes in Plan Provisions</u>

- There have been no changes since the prior valuation.

2020 Changes

<u>Changes in Actuarial Assumptions</u>

- The discount rate was changed from 3.06 percent to 2.73 percent based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates.
- Index rate for 20-year, tax-exempt bonds used in discount rate determination went from 3.13 percent to 2.45 percent.

<u>Changes in Plan Provisions</u>

- There have been no changes since the prior valuation.

2019 Changes

<u>Changes in Actuarial Assumptions</u>

- The discount rate was changed from 3.53 percent to 3.06 percent based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates.
- The heath care trend rates were changed to reflect recent experience and new plan offerings.
- 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 7/1/2016 Teachers Retirement Association valuations to the rates used in the 7/1/2018 valuations.
- The percent of future Teacher retirees assumed to elect coverage at retirement changed from 60.00 percent to 40.00 percent to reflect recent plan experience.
- The percent of future retirees other than the Superintendent assumed to elect spouse coverage at retirement changed from 0.00 percent to 20.00 percent based on recent plan experience.
- The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience.

NOTE 1 OTHER POSTEMPLOYMENT BENEFIT PLAN (Continued)

- The inflation assumption was changed from 2.75 percent to 2.50 percent based on an updated historical analysis of inflation rates and forward-looking market expectations.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.50 percent to 3.53.
- The health care trend rates were changed to better anticipate short term and long term medical increases.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2017 Changes

Changes in Actuarial Assumptions

- The actuarial cost method changed from using the Projected Unit Credit cost method to the Entry Age Normal level percentage of pay cost method.
- The discount rate was changed from 3.00 percent to 3.50 percent.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect the costs method change.
- The percent of future Teacher retirees assumed to elect coverage at retirement changes from 80.00 percent to 60.00 percent to reflect recent plan experience.
- The percent of future Superintendent retirees assumed to elect coverage at retirement changed from 0.00 percent to 100 percent to reflect the addition of the direct subsidy benefits.
- The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND

2023 Changes

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

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.

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)

- 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 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

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

2020 Changes

Changes in Actuarial Assumptions

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

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023 and 0.00 percent after. 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 $31.0 million to $21.0 million per year. The State's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA loads are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

NOTE 3 TEACHERS RETIREMENT ASSOCIATION

2023 Changes

Changes in Actuarial Assumptions

- 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% 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 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 3 TEACHERS RETIREMENT ASSOCIATION (Continued)

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2022 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions

- For GASB Valuation:
  - The investment return assumption was changed from 7.50 percent to 7.00 percent.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

- The COLA was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent on January 1, 2028.

NOTE 3 TEACHERS RETIREMENT ASSOCIATION (Continued)

- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.50 percent if the funded ratio was at least 90 percent for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The State provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

<u>Changes in Plan Provisions</u>

- There have been no changes since the prior valuation.

2017 Changes

<u>Changes in Actuarial Assumptions</u>

- The Cost of Living Adjustment (COLA) was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.40 percent to 0.00 percent, the vested inactive load increased from 4.00 percent to 7.00 percent and the non-vested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for ten years followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

<u>Changes in Plan Provisions</u>

- There have been no changes since the prior valuation.

2016 Changes

<u>Changes in Actuarial Assumptions</u>

- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2.00 percent for all future years.
- The price inflation assumption was lowered from 3.00 percent to 2.75 percent.
- The general wage growth and payroll growth assumptions were lowered from 3.75 percent to 3.50 percent.
- 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 6 years and female rates set back 5 years. Generational projection uses the MP-2015 scale.

NOTE 3 TEACHERS RETIREMENT ASSOCIATION (Continued)

- The post-retirement mortality assumption was changed to the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustment.
- 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.

<u>Changes in Plan Provisions</u>

- There have been no changes since the prior valuation.

2015 Changes

<u>Changes in Actuarial Assumptions</u>

- The annual COLA for the June 30, 2015, valuation assumed 2.00 percent. The prior year valuation used 2.00 percent with an increase to 2.50 percent commencing in 2034.
- The discount rate used to measure the total pension liability was 8.00 percent. This is a decrease from the discount rate at the prior measurement date of 8.25 percent.

<u>Changes in Plan Provisions</u>

- The DTRFA was merged into TRA on June 30, 2015.

SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 883
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2024

	Special Revenue		Total Nonmajor
	Food Service Fund	Community Service Fund	Governmental Funds
ASSETS			
Cash and Temporary Investments	$ 675,146	$ 395,374	$ 1,070,520
Property Taxes Receivable:			
Current	-	62,420	62,420
Delinquent	-	11,988	11,988
Accounts Receivable	-	3,003	3,003
Due from Minnesota Department of Education	87,183	15,748	102,931
Due from Federal through Minnesota Department of Education	61,472	-	61,472
TOTAL ASSETS	$ 823,801	$ 488,533	$ 1,312,334
LIABILITIES			
Accounts Payable	$ 133,655	$ 1,979	$ 135,634
Salaries Payable	-	33,570	33,570
Unearned Revenue	8,309	67,192	75,501
Total Liabilities	141,964	102,741	244,705
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue:			
Delinquent Property Taxes	-	11,530	11,530
Property Taxes Levied for Subsequent Years	-	125,515	125,515
Total Deferred Inflows of Resources	-	137,045	137,045
FUND BALANCES			
Restricted for:			
Food Service	681,837	-	681,837
Community Education	-	35,130	35,130
Early Childhood and Family Education	-	44,947	44,947
School Readiness	-	29,144	29,144
Community Service	-	139,526	139,526
Total Fund Balances	681,837	248,747	930,584
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 823,801	$ 488,533	$ 1,312,334

INDEPENDENT SCHOOL DISTRICT NO. 883
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Special Revenue		Total Nonmajor Governmental Funds
	Food Service Fund	Community Service Fund	
REVENUES			
Local Property Tax Levies	$ -	$ 120,804	$ 120,804
Other Local and County Revenues	1,470	1,125,044	1,126,514
State Sources	601,116	194,037	795,153
Federal Sources	558,624	-	558,624
Sales and Other Conversions of Assets	135,950	1,810	137,760
TOTAL REVENUES	1,297,160	1,441,695	2,738,855
EXPENDITURES			
Current:			
Regular Instruction	-	35	35
Community Education and Services	-	1,456,479	1,456,479
Pupil Support Services	1,069,911	-	1,069,911
Capital Outlay	-	84,924	84,924
TOTAL EXPENDITURES	1,069,911	1,541,438	2,611,349
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	227,249	(99,743)	127,506
OTHER FINANCING SOURCES (USES)			
Sale of Equipment	7,420	-	7,420
NET CHANGE IN FUND BALANCES	234,669	(99,743)	134,926
FUND BALANCES - BEGINNING	447,168	348,490	795,658
FUND BALANCES - ENDING	$ 681,837	$ 248,747	$ 930,584

INDEPENDENT SCHOOL DISTRICT NO. 883
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
FOR THE YEAR ENDED JUNE 30, 2024

01 GENERAL FUND	Audited	UFARS	Difference
Total Revenue	24,106,283	24,106,282	1
Total Expenditures	22,373,471	22,373,468	3
Non Spendable:			
460 Non Spendable Fund Balance	4,933	4,933	-
Restricted/Reserve:			
401 Student Activities	127,888	127,888	-
402 Scholarships	-	-	-
403 Staff Development	422,877	422,877	-
407 Capital Projects Levy	-	-	-
408 Cooperative Revenue	-	-	-
412 Literacy Incentive Aid	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maint	-	-	-
420 American Indian Ed Aid	-	-	-
424 Operating Capital	476,203	476,203	-
426 $25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning & Development	-	-	-
434 Area Learning Center	-	-	-
435 Contracted Alt. Programs	-	-	-
436 St. Approved Alt. Program	-	-	-
438 Gifted & Talented	-	-	-
439 English Learner	-	-	-
440 Teacher Development & Eval	-	-	-
441 Basic Skills Programs	513,388	513,388	-
443 School Library Aid	-	-	-
448 Achievement & Integration	-	-	-
449 Safe Schools Levy	-	-	-
451 QZAB Payments	-	-	-
452 OPEB Liab Not in Trust	-	-	-
453 Unfunded Sev. & Retirement	-	-	-
459 Basic Skills Ext Time	-	-	-
467 LTFM	(11,150)	(11,150)	-
471 Student Support Personnel	5,278	5,278	-
472 Medical Assistance	75,832	75,832	-
Restricted:			
464 Restricted Fund Balance	-	-	-
475 Title VII - Impact Aid	-	-	-
476 PILT	-	-	-
Committed:			
418 Committed for Separation	-	-	-
461 Committed Fund Balance	-	-	-
Assigned:			
462 Assigned Fund Balance	951,701	951,701	-
Unassigned:			
422 Unassigned Fund Balance	3,407,245	3,407,244	1
02 FOOD SERVICE			
Total Revenue	1,297,160	1,297,158	2
Total Expenditures	1,069,911	1,069,909	2
Non Spendable:			
460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
452 OPEB Liab. Not in Trust	-	-	-
Restricted:			
464 Restricted Fund Balance	681,837	681,837	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-
04 COMMUNITY SERVICE			
Total Revenue	1,441,695	1,441,694	1
Total Expenditures	1,541,438	1,541,436	2
Non Spendable:			
460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
426 $25 Taconite	-	-	-
431 Community Education	35,130	35,130	-
432 E.C.F.E.	44,947	44,947	-
440 Teacher Development & Eval	-	-	-
444 School Readiness	29,144	29,144	-
447 Adult Basic Education	-	-	-
452 OPEB Liab. Not in Trust	-	-	-

04 COMMUNITY SERVICE	Audited	UFARS	Difference
Restricted:			
464 Restricted Fund Balance	139,526	139,527	(1)
Unassigned:			
463 Unassigned Fund Balance	-	-	-
06 BUILDING CONSTRUCTION			
Total Revenue	196,127	196,127	-
Total Expenditures	3,126,564	3,126,565	(1)
Non Spendable:			
460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
407 Capital Projects Levy	-	-	-
413 Projects Funded by COP	-	-	-
467 LTFM	-	-	-
Restricted:			
464 Restricted Fund Balance	2,731,107	2,731,107	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-
07 DEBT SERVICE			
Total Revenue	4,969,660	4,969,661	(1)
Total Expenditures	4,896,458	4,896,460	(2)
Non Spendable:			
460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
425 Bond Refundings	-	-	-
433 Max Effor Loan	-	-	-
451 QZAB Payments	-	-	-
467 LTFM	-	-	-
Restricted:			
464 Restricted Fund Balance	253,267	253,266	1
Unassigned:			
463 Unassigned Fund Balance	-	-	-
08 TRUST			
Total Revenue	-	-	-
Total Expenditures	-	-	-
401 Student Activities	-	-	-
402 Scholarships	-	-	-
422 Net Assets	-	-	-
18 CUSTODIAL FUND			
Total Revenue	-	-	-
Total Expenditures	-	-	-
Restricted/Reserve:			
401 Student Activities	-	-	-
402 Scholarships	-	-	-
448 Achievement & Integration	-	-	-
Restricted:			
464 Restricted Fund Balance	-	-	-
20 INTERNAL SERVICE			
Total Revenue	-	-	-
Total Expenditures	-	-	-
422 Net Assets	-	-	-
25 OPEB REVOCABLE TRUST FUND			
Total Revenue	-	-	-
Total Expenditures	-	-	-
422 Net Assets	-	-	-
45 OPEB IRREVOCABLE TRUST FUND			
Total Revenue	50,011	50,011	-
Total Expenditures	11,073	11,074	(1)
422 Net Assets	1,106,997	1,106,997	-
47 OPEB DEBT SERVICE FUND			
Total Revenue	-	-	-
Total Expenditures	-	-	-
Non Spendable:			
460 Non Spendable Fund Balance	-	-	-
Restricted:			
425 Bond Refundings	-	-	-
464 Restricted Fund Balance	-	-	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-

INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal ALN(s)	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
Pass-through Programs from Minnesota Department of Education		
Child Nutrition Cluster:		
National School Breakfast Program	10.553	
Cash Assistance		$ 99,794
National School Lunch Program	10.555	
Cash Assistance		364,654
Non-Cash Assistance (Commodities)		94,176
		458,830
Child Nutrition Cluster Subtotal - 10.553, 10.555		558,624
COVID-19 - State Pandemic Electronic Benefit Transfer (P-EBT)		
Administrative Costs Grants	10.649	653
Total U.S. DEPARTMENT OF AGRICULTURE		$ 559,277
U.S. DEPARTMENT OF EDUCATION		
Pass-through Programs from Minnesota Department of Education		
Title I, Part A - Grants to Local Educational Agencies	84.010	$ 164,037
Title II, Part A - Supporting Effective Instruction State Grants	84.367	3,876
Title III, Part A - English Language Acquisition	84.365	4,113
Education Stabilization Fund:		
COVID-19 - American Rescue Plan - Elementary and Secondary School		
Emergency Relief (ARP ESSER) Fund	84.425U	532
Education Stabilization Fund Subtotal		532
Pass-through Programs from Meeker and Wright Special Education Cooperative		
Special Education Cluster:		
Grants to States (IDEA, Part B)	84.027	84,358
Preschool Grants (IDEA Preschool)	84.173	12,040
Special Education Cluster Subtotal - 84.027, 84.173		96,398
Pass-through Programs from Northwest Suburban Integration School District		
Magney Schools Assistance	84.165	99,607
Pass-through Programs from Wright Technicial Center		
Career and Technical Education - Basic Grants to States (Perkins V)	84.048	1,326
Total U.S. DEPARTMENT OF EDUCATION		$ 369,889
U.S. DEPARTMENT OF THE TREASURY		
Pass-through Programs from Minnesota Department of Education		
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027	$ 63,041
TOTAL FEDERAL EXPENDITURES		$ 992,207

INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Independent School District No. 883 (the District) under programs of the federal government for the year ended June 30, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a select portion of the operations of Independent School District No. 883, it is not intended to and does not present the financial position, or changes in financial position of Independent School District No. 883.

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 INVENTORY

Nonmonetary assistance is reported in the Schedule at the fair market value of commodities received and disbursed for the USDA National School Lunch Program Commodities (ALN # 10.555). Revenues and expenditures are recorded when commodities are received.

NOTE 4 SUBRECIPIENTS

The District did not pass any federal funds to subrecipients during the year ended June 30, 2024.

NOTE 5 PASS-THROUGH IDENTIFIER

The District's pass-through identifying numbers assigned by each pass-through entity above are unknown.

NOTE 6 INDIRECT COST RATE

The District did not use an indirect cost rate when calculating federal expenditures.

**OTHER REQUIRED
REPORTS AND SCHEDULES**

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

Members of the School Board
Independent School District No. 883
Rockford, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 883 (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Independent School District No. 883's basic financial statements, and have issued our report thereon dated December 12, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Independent School District No. 883'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 Academy's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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*.

Minnesota Legal Compliance

In connection with our audit, we noted that Independent School District No. 883 failed to comply with provisions of the contracting – bid laws section of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters as described in the *Schedule of Findings and Questioned Costs* as items 2024-001 and 2024-002. Also, in connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 883 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 Minnesota school districts (UFARS) sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, 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.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Independent School District No. 883's response to the findings identified in our audit and described in the accompanying *Schedule of Findings and Questioned Costs* and *Corrective Action Plans*. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Schlenner Wenner & Co.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota
December 12, 2024

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

Members of the School Board
Independent School District No. 883
Rockford, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Independent School District No. 883's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2024. The District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

In our opinion, Independent School District No. 883 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Independent School District No. 883 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 Independent School District No. 883'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 Independent School District No. 883's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weakness, 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.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota
December 12, 2024

INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified			
* Material weakness(es) identified?		Yes	X	No
* Significant deficiencies identified that are not considered to be material weaknesses?		Yes	X	No
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:

* Material weakness(es) identified?		Yes	X	No
* Significant deficiencies identified that are not considered to be material weakness(es)?		Yes	X	No
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?		Yes	X	No

Identification of major programs:

ALN(s)	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000			
Auditee qualified as low-risk auditee?		Yes	X	No

SECTION II: FINANCIAL STATEMENT FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

None identified.

SECTION III: FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None identified.

SECTION IV: MINNESOTA LEGAL COMPLIANCE FINDINGS

Finding 2024-001 Quotes for Purchases over $25,000

Condition: The District did not obtain quotes from competing vendors for a purchase that exceeded $25,000.

Criteria: In accordance with Minnesota Statute 471.345, the District is required to obtain and retain two or more competing quotes for any purchases exceeding $25,000.

Cause: The District obtained multiple quotes from the same vendor for different product options. However, this did not satisfy the requirements referenced above, to obtain quotes from competing vendors.

Effect: The failure to obtain and retain quotes from more than one vendor resulted in the District's noncompliance with Minnesota Statues.

Recommendation: We recommend that the District implement additional procedures to ensure that quotes are obtained from more than one vendor for future purchases exceeding $25,000.

Views of Responsible Officials and Planned Corrective Action: Management agrees with the recommendation. See corresponding Corrective Action Plan.

Finding 2024-002 Withholding Affidavit for Contractors

Condition: The District failed to obtain certification from a contractor that a *Withholding Affidavit for Contractors* was submitted to the Department of Revenue prior to making final payment to the contractor.

Criteria: Under Minnesota Statute 270C.66, the District is required to obtain certification from contractors that a *Withholding Affidavit for Contractors* was submitted to the Department of Revenue prior to making final payment to each contractor. This is required for any contract involving the employment of employees for wages by said contractor.

Cause: The District failed to obtain certification before making final payment to a contractor.

Effect: The failure to obtain such certification resulted in the District's noncompliance with Minnesota Statutes.

Recommendation: We recommend management adopt a policy under which it requires contractors to provide documentation that a *Withholding Affidavit for Contractors* was submitted to the Department of Revenue prior to the District making final payment on a contract.

Views of Responsible Officials And Planned Corrective Action: Management agrees with the recommendation. See corresponding Corrective Action Plan.

Rockford Area Schools ISD 883

Mike McNulty - Director of Finance/Operations
6051 Ash St. | Rockford, MN 55373
Ph. 763-477-9165
Cell 612-308-7864
Fax 763-477-5833
www.rockford.k12.mn.us

CORRECTIVE ACTION PLANS
FOR THE YEAR ENDED JUNE 30, 2024

MINNESOTA LEGAL COMPLIANCE FINDINGS

Finding 2024-001 Quotes for Purchases over $25,000

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

2. Actions Planned in Response to the Finding
   The District will establish procedures to ensure that at least two competing quotes are obtained and retained for all purchases exceeding $25,000.

3. Office Responsible
   Dr. Jeff Ridlehoover, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date
   June 30, 2025.

5. Plan to Monitor Completion
   The Board of Education will monitor the Corrective Action Plan.

Finding 2024-002 Withholding Affidavit for Contractors

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 ensure that the required certification is obtained from all contractors prior to making final payments in the future, as required by Minnesota Statutes.

3. Official Responsible
   Dr. Jeff Ridlehoover, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date
   June 30, 2025.

5. Plan to Monitor Completion
   The Board of Education will be monitoring this Corrective Action Plan.

Rockford Area Schools ISD 883

Mike McNulty - Director of Finance/Operations
6051 Ash St. | Rockford, MN 55373
Ph. 763-477-9165
Cell 612-308-7864
Fax 763-477-5833
www.rockford.k12.mn.us

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024

PRIOR YEAR FEDERAL AWARD FINDINGS

Finding 2023-005 Household Income Verifications

Federal Program: ALN 10.553/10.555 Child Nutrition Cluster

Condition: During the annual verification process, the District failed to properly evaluate the eligibility of a selected application based on household income records provided.

Recommendation: Schlenner Wenner and Company recommend management thoroughly evaluate verified applications and household income records to ensure the information on the applications are accurate and the resulting free and reduced price eligibility statuses are appropriate. Additional training for employees involved in the process may be warranted.

Current Status: This is no longer a requirement of the Federal program. Therefore, no further issues have been noted.

Finding 2023-006 School Nutrition Program Meal Claims

Federal Program: ALN 10.553/10.555 Child Nutrition Cluster

Condition: The District failed to properly report the number of student meals that were served and reported to the State via CLiCS, for which Federal funding was received.

Recommendation: Schlenner Wenner and Company recommend that the District evaluate current procedures for accurately monitoring, recording, and reporting the number of meals served and ensure proper meal counts are reported to the State.

Current Status: During the year ended June 30, 2024, the District implemented a review process to ensure that all meal claims were reported accurately. No similar issues have been noted.

Finding 2023-007 Documentation of Personnel Expenditures

Federal Program: Education Stabilization Fund (ALN 84.425)

Condition: The District failed to prepare and retain sufficient documentation supporting salary and wage expenditures funded by ESSER aid.

Recommendation: Schlenner Wenner and Company recommend that the District evaluate current procedures to ensure proper documentation is retained supporting all salary and wage expenditures incurred and applied to the ESF Program.

Rockford Area Schools ISD 883

Mike McNulty - Director of Finance/Operations
6051 Ash St. | Rockford, MN 55373
Ph. 763-477-9165
Cell 612-308-7864
Fax 763-477-5833
www.rockford.k12.mn.us

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024

PRIOR YEAR FEDERAL AWARD FINDINGS (Continued)

Current Status: During the year ended June 30, 2024, the District implemented procedures to ensure documentation was retained to support all personnel expenditures allocated to Federal programs. No similar issues have been noted.

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Financial statement findings 2023-001, 2023-002, 2023-003, 2023-004, and 2023-009 reported in accordance with *Government Auditing Standards* in the prior year have been resolved in the current year.