Independent School District No. 877
Buffalo-Hanover-Montrose, Minnesota

Basic Financial Statements

June 30, 2024

Buffalo
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Independent School District No. 877
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Independent School District No. 877
Board of Education and Administration
June 30, 2024

Board of Education	Position	Term Expires
Melissa Brings	Chairperson	December 31, 2024
Bob Sansevere	Vice Chairperson	December 31, 2026
Adam Bjorklund	Clerk	December 31, 2024
Amanda Lawrence	Treasurer	December 31, 2024
Sue Lee	Director	December 31, 2024
Matt Hoffman	Director	December 31, 2026
Sheila Smude	Director	December 31, 2026

Administration	
Scott Thielman	Superintendent
Ryan Tangen	Director of Finance and Operations
Miranda Kramer	Controller

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Independent Auditor's Report

To the School Board
Independent School District No. 877
Buffalo-Hanover-Montrose, Minnesota

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 877, Buffalo-Hanover-Montrose, Minnesota, as of and for the year ended June 30, 2024, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 877, Buffalo-Hanover-Montrose, Minnesota, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 877, Buffalo-Hanover-Montrose, Minnesota, 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
The District has adopted new accounting guidance as required by the Governmental Accounting Standards Board (GASB) Implementation Guide No. 2021-1, *Implementation Guidance Update – 2021*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements
The management of Independent School District No. 877 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *Title 2* U.S. *Code of Federal Regulations* (CFR) *Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information
Management is responsible for the other district information identified in the Table of Contents. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bergan KDV Ltd.

St. Cloud, Minnesota
November 5, 2024

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Independent School District No. 877
Management's Discussion and Analysis
June 30, 2024

This section of Independent School District No. 877's (the "District") annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2024. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of required supplementary information specified in the GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Certain comparative information between the current year (2023-2024) and the prior year (2022-2023) is required in the MD&A.

Financial Highlights
Key financial highlights for the 2023-2024 fiscal year include the following:

- The District-wide total combined net position increased 129.12% over the course of the year and was $25.25 million on June 30, 2024.
- During the year, the District-wide revenues were $99.07 million and expenses were $85.97 million. Revenues increased by $8.60 million and expenses increased by $11.14 million from the prior year.
- The General Fund reported an unassigned fund balance this year of $11.78 million, an increase of $1.63 million from the prior year.

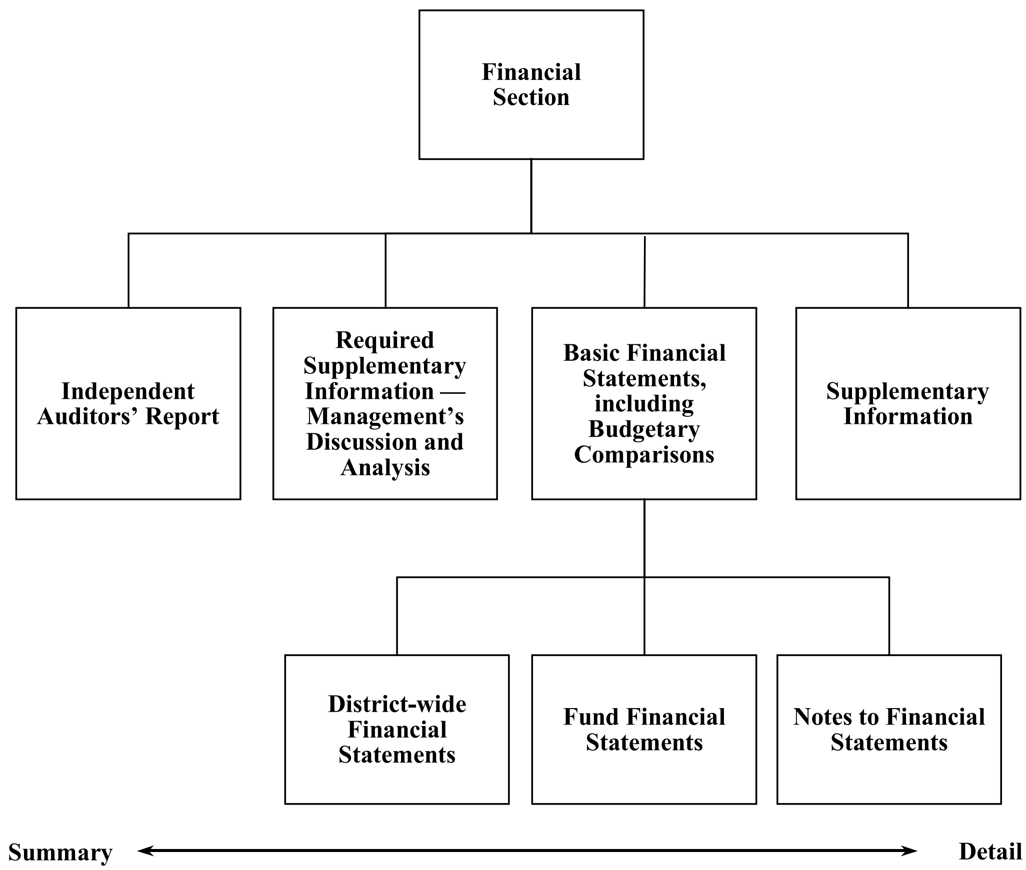
Overview of the Financial Statements
The financial section of the annual report consists of four parts: the Independent Auditor's Report, required supplementary information which includes the MD&A, the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are the district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide financial statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

Overview of the Financial Statements (Continued)
The financial statements also include notes that explain in more detail the information in the basic financial statements. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

Annual Financial Report



Overview of the Financial Statements (Continued)
Figure A-2 summarizes 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. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

Figure A-2
Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements - Governmental	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary, such as special education, building maintenance, food service and community education	Instances in which the District is the trustee or agent for someone else's resources
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resource focus
Type of asset/liability 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 consumed and liabilities paid during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

Overview of the Financial Statements (Continued)

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

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

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

- Some funds are required by state law and by bond covenants.

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

Overview of the Financial Statements (Continued)

Fund Financial Statements **(Continued)**
The District has one type of fund:

- ***Governmental Funds*****:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view to determine whether the District's working capital will be sufficient to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide reconciliations between the governmental funds statements and the district-wide statements, which do present a long-term focus.

Financial Analysis of the District as a Whole

Net Position
The District's consolidated net position increased 129.12% and was $25,247,745 on June 30, 2024 (See Table A-1). The District's total assets and deferred outflows increased 31.97% due primarily to the issuance of General Obligation Building Bonds. Total liabilities and deferred inflows increased 23.79% due primarily to the issuance of General Obligation Building Bonds and decreases in net pension liability and deferred inflows of resources related to pensions. More information about the change in pension liability can be found in Note 7 of the financial statements.

The net investment in capital assets increased due to the district paying off long-term debt faster than the rate of depreciation of assets and the change of accounting principle. The restricted net position increased due to positive changes in Long-Term Facility Maintenance Revenue, literacy incentive aid, debt service, food service, and community education. The unrestricted net position increased because of changes in the net pension liability and related deferred inflows and outflows, revenues exceeding expenditures in non-restrictive programming areas, a decrease in salaries payable, and an increase in property taxes levied for the subsequent year.

Financial Analysis of the District as a Whole (Continued)

Net Position (Continued)

Table A-1
The District's Net Position

	Governmental Activities		Percentage
	2024	2023	Change
Assets			
Current and other assets	$ 97,195,814	$ 47,439,941	104.88%
Capital and non-current assets	77,704,896	77,390,438	0.41%
Total assets	174,900,710	124,830,379	40.11%
Deferred outflows	12,352,920	17,058,707	-27.59%
Total assets and deferred outflows of resources	$ 187,253,630	$ 141,889,086	31.97%
Liabilities			
Current liabilities	$ 10,838,530	$ 11,181,988	-3.07%
Long-term liabilities	123,700,081	86,504,060	43.00%
Total liabilities	134,538,611	97,686,048	37.73%
Deferred inflows of resources	27,467,544	33,183,883	-17.23%
Total liabilities and deferred inflows of resources	162,006,155	130,869,931	23.79%
Net Position			
Restricted	8,993,726	7,049,165	27.59%
Unrestricted	(23,632,259)	(30,173,704)	21.68%
Total net position	25,247,475	11,019,155	129.12%
Total liabilities, deferred inflows of resources, and net position	$ 187,253,630	$ 141,889,086	31.97%

Financial Analysis of the District as a Whole (Continued)

Change in Net Position

The change in net position for 2023-2024 was a positive $13,100,451 based on total revenues of $99.07 million and total expenses of $85.97 million. The net position was also increased by $1,128,139 for a change in accounting principal described in note 12. Table A-2 on the following page shows the breakdown of the various revenue and expense categories.

Table A-2
Change in Net Position

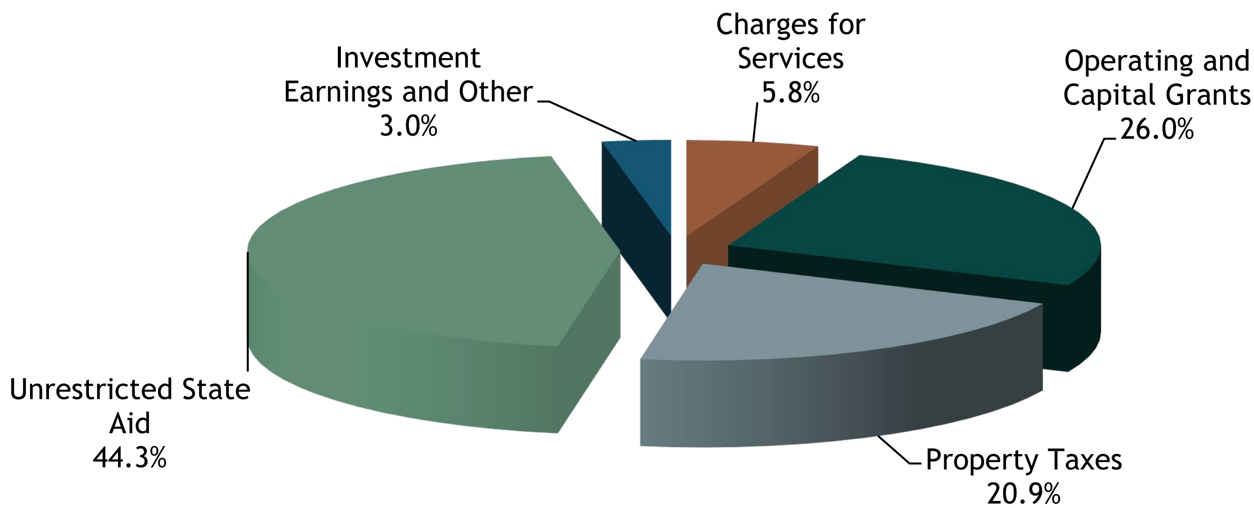
	Governmental Activities		Percentage
	2024	2023	Change
Revenues			
Program revenues			
Charges for services	$ 5,699,267	$ 6,464,072	-11.83%
Operating grants and contributions	24,076,529	17,027,501	41.40%
Capital grants and contributions	1,703,759	2,144,383	-20.55%
General revenues			
Property taxes	20,702,243	19,733,132	4.91%
Unrestricted state aid	43,935,365	42,717,614	2.85%
Investment earnings	1,854,967	844,912	119.55%
Other	1,099,985	1,543,404	-28.73%
Total revenues	99,072,115	90,475,018	9.50%
Expenses			
Administration	2,187,922	1,599,489	36.79%
District support services	1,791,324	1,760,325	1.76%
Regular instruction	34,682,597	28,361,824	22.29%
Vocational education instruction	1,848,234	1,619,136	14.15%
Special education instruction	15,185,573	12,179,547	24.68%
Instructional support services	5,239,923	4,856,287	7.90%
Pupil support services	6,949,630	6,920,392	0.42%
Sites and buildings	8,639,379	9,477,119	-8.84%
Fiscal and other fixed cost programs	319,147	327,925	-2.68%
Food service	4,107,601	3,491,573	17.64%
Community service	4,021,539	3,542,292	13.53%
Interest and fiscal charges on long-term liabilities	999,065	697,583	43.22%
Total expenses	85,971,934	74,833,492	14.88%
Change in net position	13,100,181	15,641,526	-16.25%
Change in accounting principle	1,128,139	-	100.00%
Beginning net position	11,019,155	(4,622,371)	338.39%
Ending net position	$ 25,247,475	$ 11,019,155	129.12%

Financial Analysis of the District as a Whole (Continued)

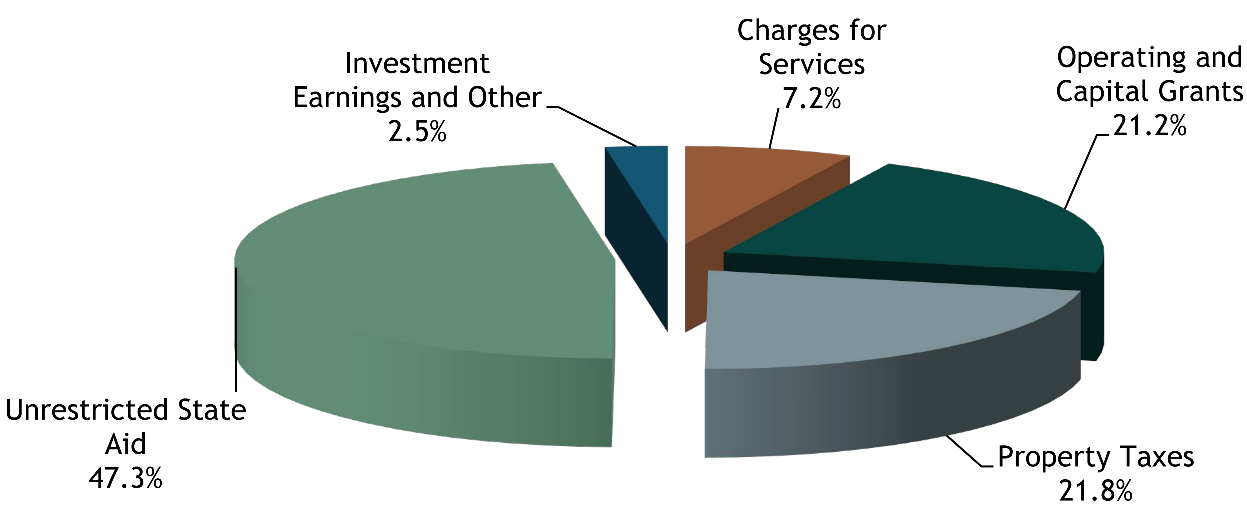
Revenues

The District's total revenues were approximately $99.07 million for the year ended June 30, 2024. Property taxes and state formula aid accounted for 65.2% of total revenue for the year (See Figure A-3). Another 3.0% came from other general revenues combined with investment earnings, and the remaining 31.8% came from program revenues.

Figure A-3
Sources of District's Revenues for Fiscal 2024



Sources of District's Revenues for Fiscal 2023

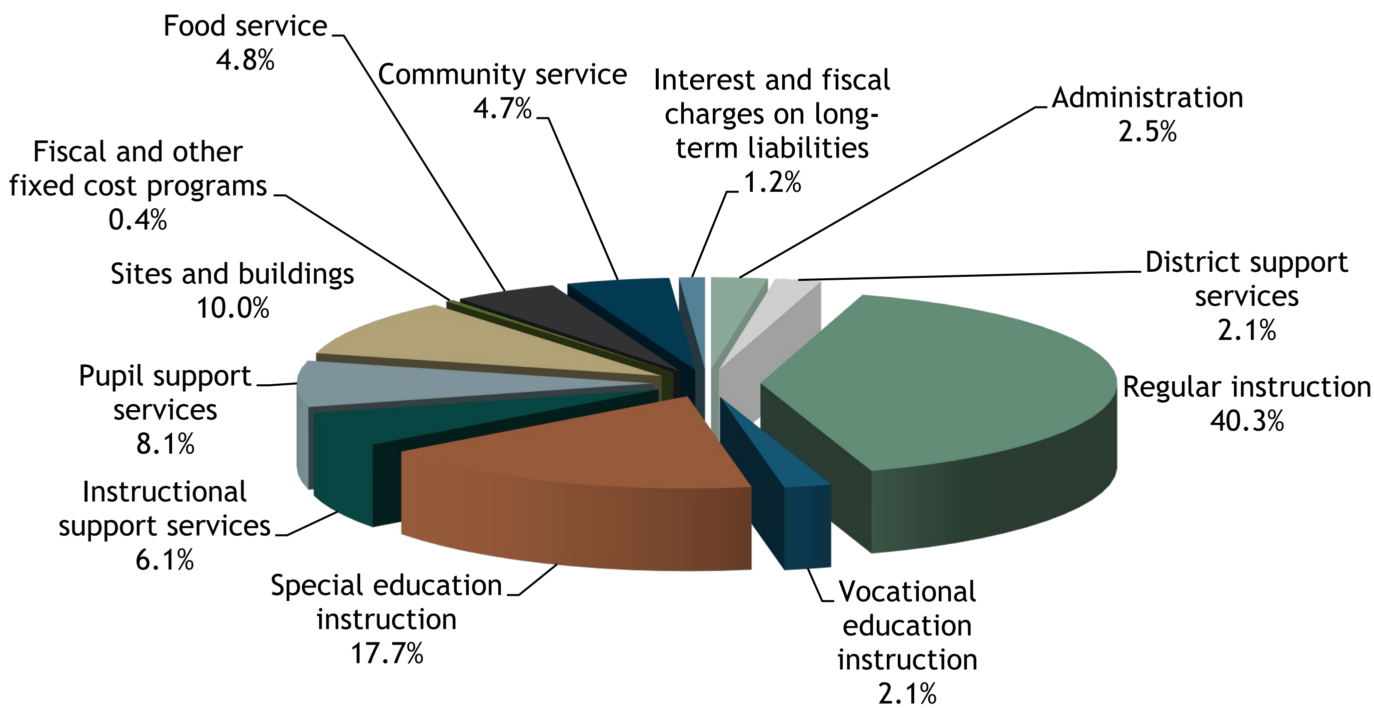


Financial Analysis of the District as a Whole (Continued)

Expenses

The District's total expenditures were approximately $85.97 million for the year ended June 30, 2024. The District's expenses are predominantly related to educating, caring for, and transporting students. The administrative expenses of the District accounted for 2.5% of total costs for 2023-24 and for 2.1% of total costs for 2022-23 (see Figure A-4).

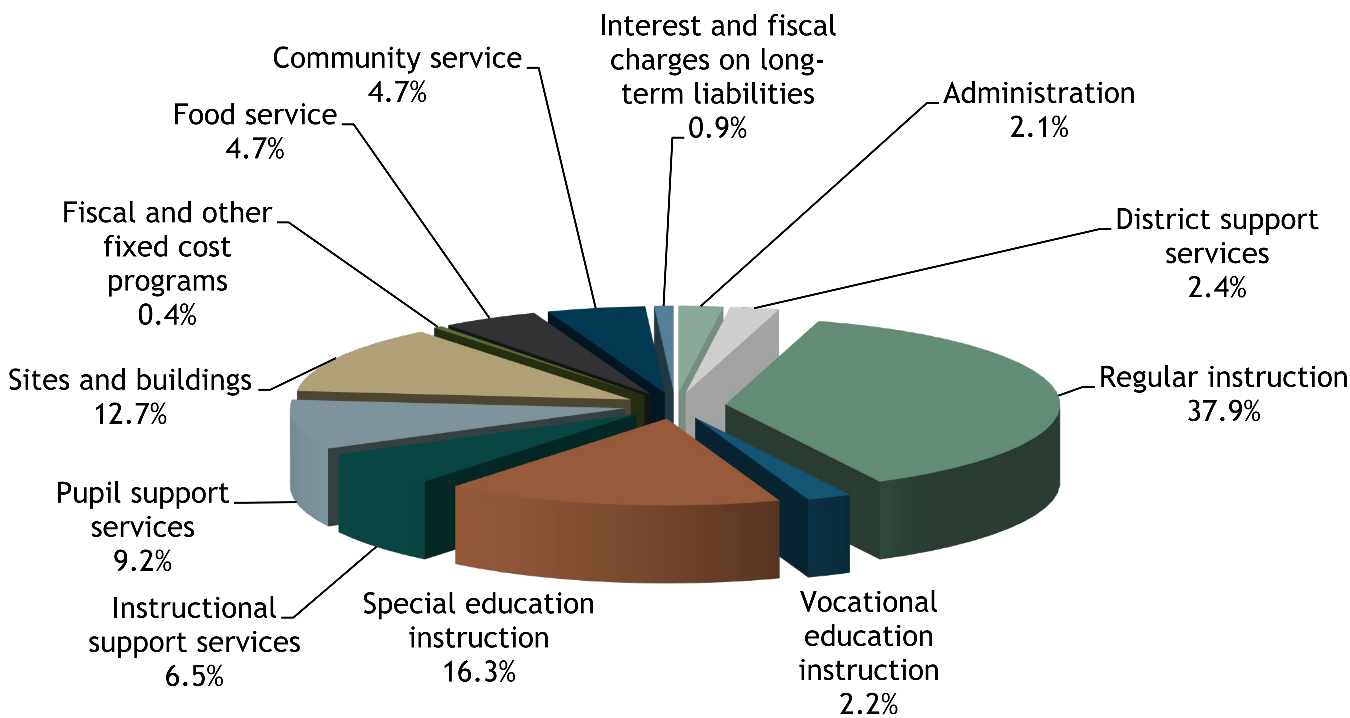
Figure A-4
District Expenditures for Fiscal 2024



Financial Analysis of the District as a Whole (Continued)

Expenses (Continued)

District Expenditures for Fiscal 2023



Financial Analysis of the District as a Whole (Continued)

Governmental Activities

Typically, the District does not incorporate funds allocated to direct instruction as part of an analysis of expenditures in all governmental funds. Funding for the general operation of the District is controlled by the state and the District does not have the latitude to allocate money received from entrepreneurial-type funds for food service and community education. Therefore, a more accurate analysis would be limited to the allocation of resources received for the general operation of the District and would show that 75.09% of those resources are spent on instruction and support services associated with the instruction.

Table A-3 presents the cost of 12 major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

Users of District programs paid $5,699,267 to the District as shown in the Statement of Activities in the financial statements. The federal and state governments subsidized certain programs with grants and contributions; $24,076,529 for operating purposes and $1,703,759 for capital purposes. District taxpayers and the taxpayers of the State of Minnesota, however, paid for most of the District's costs with general revenue of $64,592,560. Of that amount, a major portion of governmental activities came from $20,702,243 in property taxes and $43,935,365 of state aid based on the statewide education aid formula. Investment earnings, other general revenues, and net change from the joint venture accounted for the remaining revenue of $2,954,952.

Financial Analysis of the District as a Whole (Continued)

Governmental Activities (Continued)

Table A-3
Program Expenses and Net Cost of Services

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2024	2023	Change	2024	2023	Change
Administration	$ 2,187,922	$ 1,599,489	36.79%	$ 2,187,922	$ 1,599,489	36.79%
District support services	1,791,324	1,760,325	1.76%	1,769,585	1,739,478	1.73%
Regular instruction	34,682,597	28,361,824	22.29%	28,511,114	23,489,358	21.38%
Vocational education instruction	1,848,234	1,619,136	14.15%	1,174,656	863,761	35.99%
Special education instruction	15,185,573	12,179,547	24.68%	1,730,204	2,250,798	-23.13%
Instructional support services	5,239,923	4,856,287	7.90%	4,726,719	4,474,117	5.65%
Pupil support services	6,949,630	6,920,392	0.42%	6,571,924	6,390,389	2.84%
Sites and buildings	8,639,379	9,477,119	-8.84%	7,142,480	7,683,699	-7.04%
Fiscal and other fixed cost programs	319,147	327,925	-2.68%	319,147	327,925	-2.68%
Food service	4,107,601	3,491,573	17.64%	(723,001)	(325,994)	121.78%
Community service	4,021,539	3,542,292	13.53%	82,564	6,933	1090.88%
Interest and fiscal charges on long-term liabilities	999,065	697,583	43.22%	999,065	697,583	43.22%
Total	$ 85,971,934	$ 74,833,492	14.88%	$ 54,492,379	$ 49,197,536	10.76%

Financial Analysis of the District's Funds

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of $72,314,898. Of this amount, $55,032,366 is restricted to cover building project costs, future debt obligations, and other purposes.

Revenues for the District's governmental funds were $98,689,046 while total expenditures were $95,854,068. After factoring in other financing sources of $46,032,466, the District completed the year with a net change in fund balance of $48,867,444. The most significant factors leading to the change in fund balance were student enrollment changes, capital projects, issuance of school building bonds, and increases in the Debt Service, Food Service, and Community Education funds.

General Fund

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

The following schedule presents a summary of General Fund revenues.

General Fund (Continued)

Table A-4
General Fund Revenues

	Year Ended June 30,		Change	
	2024	2023	Increase (Decrease)	Percent
Property taxes	$ 13,673,769	$ 11,525,162	$ 2,148,607	18.64%
Other local and county revenues	3,906,823	3,116,169	790,654	25.37%
State sources	60,077,881	54,427,728	5,650,153	10.38%
Federal sources	3,280,688	4,874,318	(1,593,630)	-32.69%
Sales and other conversion of assets	28,673	37,690	(9,017)	-23.92%
Total revenue	$ 80,967,834	$ 73,981,067	$ 6,986,767	9.44%

Total General Fund revenue increased from the previous year by $6,986,767, or 9.44%. Property tax revenue increased by $2,148,607 due to changes in long-term facilities maintenance revenue and equalization aids. Revenue from state sources increased by $5,650,153 due to increases in special education funding and new program specific revenue. Federal sources decreased by $1,593,630 due to exhaustion of the federal pandemic relief funds. The revenue from other local and county sources and sales and other conversions of assets increased by $781,637, due to increases in revenue from interest income and student activities.

The following schedule presents a summary of General Fund expenditures.

General Fund (Continued)

Table A-5
General Fund Expenditures

	Year Ended June 30,		Change	
	2024	2023	Increase (Decrease)	Percent
Salaries	$ 43,976,168	$ 40,868,518	$ 3,107,650	7.60%
Employee benefits	16,618,548	14,865,266	1,753,282	11.79%
Purchased services	13,264,549	13,701,054	(436,505)	-3.19%
Supplies and materials	3,246,306	3,492,919	(246,613)	-7.06%
Capital expenditures	1,261,634	1,877,113	(615,479)	-32.79%
Other expenditures	622,190	637,348	(15,158)	-2.38%
Total expenditures	$ 78,989,395	$ 75,442,218	$ 3,547,177	4.70%

Total General Fund expenditures increased $3,547,177, or 4.70% from the previous year due to salary and benefit negotiated increases.

In the 2023-2024 school year, General Fund revenues of $80,967,834 and other financing sources of $12,211 were higher than expenditures by $1,990,650. As a result, the total fund balance on June 30, 2024, increased to $20,201,967 of which $7,597,443 was restricted, committed, or assigned (negative balances are reported as unassigned but still considered restricted, committed, or assigned for fund balance analysis). The combined unassigned and non-spendable fund balance increased from the prior year, ending at a balance of $12,604,524 on June 30, 2024, or 15.96% of expenditures. The non-spendable fund balance was $821,258 at year end.

General Fund Budgetary Highlights

The District revises its annual budget once each year. The budget amendment caused the changes between the original budget amount and the final budget amounts shown in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. The changes focused on the following categories:

- Change in number of positions, salaries, and benefits. Changes occur due to staffing for enrollment, special education needs, and contract settlements.
- Changes in revenue entitlements from state aid proration based on enrollment projections.

General Fund Budgetary Highlights (Continued)

- Changes in revenue from the special education program.
- Changes in revenue and expenditures for COVID-19 federal pandemic relief funds.

The District's final budget for the General Fund anticipated that revenues would exceed expenditures by $509,299. The actual results for the year show revenues exceeding expenditures by $1,990,650. Revenues and other financing sources exceeded the District's final budget by 0.85% and expenditures were under budget by 0.99%.

- Actual revenues and other financing sources were higher than expected by $685,760 due primarily to higher-than-anticipated state aid generated from average daily membership, current year and prior year special education aid due to tuition billing, and interest income, offset by, lower-than-anticipated between term unemployment reimbursement.
- Actual expenditures were under budget by $795,591. The District had lower than anticipated staffing expenditures and related costs, utility costs, capital and Long-Term Facilities projects, materials purchases, and activities.

Capital Projects and Debt Service Funds

The Building Construction Fund recorded the revenues and expenditures for the 2024 General Obligation School Building Bonds. The building project is a four-year project anticipated to be completed in the fall of 2027. The Building Construction Fund balance was $45,289,290 on June 30, 2024, which was an increase of the same.

The Debt Service Fund balance increased by $827,741 resulting in an ending balance of $2,082,837 as of June 30, 2024. All of this balance is restricted to meet future debt obligations of the District.

The Post Employment Debt Service Fund was closed during the 2024 fiscal year transferring the remaining fund balance to the Debt Service Fund. The last payment for the Other Post Employment Benefits bonds was made on February 1, 2023. The ending fund balance is $0 on June 30, 2024.

Other Nonmajor Funds

The Food Service Fund revenues exceeded expenditures causing the fund balance to increase by $610,605 to $3,628,141. Food Service revenues were over budget by $54,052 or 1.10% and the expenditures were under budget by $848,649 or 16.24%. Revenue was higher than anticipated due primarily to interest income and al la carte sales. Expenditures were under budget primarily because the actual food purchases were lower than the projected per meal cost. The new state program providing free meals for all students resulted in 236,967 more meals served than the prior year's total.

Other Nonmajor Funds (Continued)
The Community Service Fund revenues exceeded expenditures and other financing sources by $585,342 and increased its fund balance to $1,112,663 as of June 30, 2024. Programming participation fees continues to increase and were higher than anticipated. Expenditures increased to meet the programming needs and were within 0.30% of the budget.

Fiduciary Funds
The District created a sunset clause in certain contracts for retiree insurance contributions. Individuals hired after the sunset date are no longer eligible for the grandfathered post-retirement insurance benefits. The new provisions require the District to make ongoing contributions to the new employee's HRA account held in an outside irrevocable trust. Each contract has a contribution limit for the individual employee. The value of the irrevocable trust was $4,049,836 as of June 30, 2024.

During the 2009-2010 school year, the District issued $10.845 million in OPEB Bonds and at the same time, created an irrevocable trust to fund the District's post-employment benefits. The District started to use the Trust in the 2012-2013 year to cover post-employment obligations. The amount held in trust for OPEB as of June 30, 2024, increased by $810,317 to $13,587,627.

Capital Asset and Debt Administration

Capital Assets
At the end of 2024, the District had invested approximately $167.12 million in a broad range of capital assets, including school buildings, athletic facilities, computers, and audio-visual equipment, (see Table A-6). This amount represents a net increase of $5.97 million or 3.70%, from last year. Total depreciation and amortization expense for the year was approximately $5.70 million. More detailed information about capital assets can be found in Note 4 to the financial statements.

Capital Asset and Debt Administration (Continued)

Capital Assets(Continued)

Table A-6
The District's Capital Assets

	2024	2023	Percentage Change
Land	$ 4,222,035	$ 4,222,035	0.00%
Construction in progress	1,811,413	106,413	1602.25%
Land improvements	14,099,664	13,972,204	0.91%
Buildings	134,870,305	133,804,866	0.80%
Equipment and transportation vehicles	11,914,244	8,844,690	34.71%
Leased equipment	199,757	199,757	0.00%
Total historical cost	167,117,418	161,149,965	3.70%
Less accumulated depreciation/amortization	(93,037,251)	(86,544,097)	-7.50%
Total	$ 74,080,167	$ 74,605,868	-0.70%

Construction – Next Five Years

The District will continue to improve buildings and building sites utilizing Long Term Facilities Maintenance funding and bonded debt. During fiscal year 2024, $41.5 General Obligation School Building Bonds were voter approved and issued for projects to be completed over the next four years.

Long-Term Debt

At year-end, the District had $79,483,449 in general obligation (G.O.) bonds, unamortized bond premium, financed purchases from direct borrowing, and lease liabilities, an increase of 94.44% from last year as shown in Table A-7. The increase is due to the issuance of $41.5 million GO School Building Bonds during fiscal year 2024. The District also had $1,253,713 in future post-employment severance benefits payable on June 30, 2024. The School Board has committed $2,890,038 for payment of future post-employment severance and health benefits. More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

Capital Asset and Debt Administration (Continued)

Long-Term Debt (Continued)

Table A-7
The District's Long-Term Liabilities

	2024	2023	Percentage Change
G.O. bonds	$ 74,120,000	$ 38,675,000	91.65%
Net bond premium and discount	4,717,964	549,416	758.72%
Net G.O. bonds	78,837,964	39,224,416	100.99%
Obligations under leases	123,261	148,420	-16.95%
Financed purchases from direct borrowing	522,224	738,238	-29.26%
Net G.O. bonds, capital leases and direct borrowing	79,483,449	40,111,074	98.16%
Severance payable	915,985	1,064,413	-13.94%
Compensated absences payable	337,728	347,575	-2.83%
Total	$ 80,737,162	$ 41,523,062	94.44%

Bond Ratings

The District's G.O. bonds carry an MSDE enhanced rating of Aa1 according to the most recent Moody's Investor Service Rating. The District’s standalone rating was upgraded from Aa2 to Aa1 on July 29, 2022.

Limitations on Debt

The state limits the amount of General Obligation debt the District can issue to 15% of the market value of all taxable property within the District's corporate limits. The District's outstanding debt is significantly below this limit.

Factors Bearing on the District's Future

The District's future financial outlook largely depends on state funding allocations and legislative actions, as we rely heavily on state support for our operating budget. In the last legislative session, progress was made toward increased special education funding, although current allocations cover only 44% of actual costs, leaving a gap that must be supplemented from other funding sources. Like many districts, we have experienced enrollment declines due to both a shift to non-public education options and historically low birth rates within the District. However, recent data indicates a positive shift in birth rates, which will help stabilize enrollment in the coming years. Despite these challenges, the District benefits from strong economic conditions within the local community, which provides a stable foundation for future planning and growth.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District No. 877, 214 1st Avenue NE, Buffalo, Minnesota 55313.

Buffalo
Hanover
Montrose

BHM SCHOOLS

BASIC FINANCIAL STATEMENTS

Independent School District No. 877
Statement of Net Position
June 30, 2024

	Governmental Activities
Assets	
Cash and investments	$ 76,889,051
Current property taxes receivable	10,654,952
Delinquent property taxes receivable	297,934
Accounts receivable	582,759
Interest receivable	334,385
Due from Department of Education	6,113,756
Due from Federal Government through Department of Education	1,067,027
Due from other Minnesota school districts	108,351
Due from other governmental units	217,143
Inventory	194,800
Prepaid items	735,656
Equity interest in joint venture	635,422
Net OPEB asset	2,989,307
Capital assets not being depreciated	
Land	4,222,035
Construction in progress	1,811,413
Capital assets, net of accumulated depreciation/ amortization	
Land improvements	7,709,875
Buildings	55,742,590
Machinery and equipment	4,493,582
Lease equipment	100,672
Total assets	174,900,710
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	10,739,450
Deferred outflows of resources related to OPEB	1,613,470
Total deferred inflows of resources	12,352,920
Total assets and deferred outflows of resources	$ 187,253,630
Liabilities	
Accounts payable	$ 766,161
Salaries and benefits payable	1,386,615
Interest payable	980,048
Due to other Minnesota school districts	648,034
Due to other governmental units	279,186
Unearned revenue	292,250
Bond payable, net	
Payable within one year	6,005,000
Payable after one year	72,832,964
Financed purchase from direct borrowing	
Payable within one year	70,546
Payable after one year	451,678
Lease payable	
Payable within one year	37,061
Payable after one year	86,200
Severance payable	
Payable within one year	35,901
Payable after one year	880,084
Compensated absences payable	
Payable within one year	337,728
Net pension liability	49,449,155
Total liabilities	134,538,611
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	21,174,835
Deferred inflows of resources related to pensions	4,058,005
Deferred inflows of resources related to OPEB	2,234,704
Total deferred inflows of resources	27,467,544
Net Position	
Net investment in capital assets	39,886,008
Restricted for	
Debt service	1,215,162
Other purposes	7,778,564
Unrestricted	(23,632,259)
Total net position	25,247,475
Total liabilities, deferred inflows of resources, and net position	$ 187,253,630

See notes to basic financial statements.

Independent School District No. 877
Statement of Activities
For the Year Ended June 30, 2024

		Program Revenues			Net (Expense) Revenues and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Administration	$ 2,187,922	$ -	$ -	$ -	$ (2,187,922)
District support services	1,791,324	21,739	-	-	(1,769,585)
Elementary and secondary regular instruction	34,682,597	849,005	5,048,644	273,834	(28,511,114)
Vocational education instruction	1,848,234	673,578	-	-	(1,174,656)
Special education instruction	15,185,573	225,133	13,230,236	-	(1,730,204)
Instructional support services	5,239,923	100	513,104	-	(4,726,719)
Pupil support services	6,949,630	98,400	279,306	-	(6,571,924)
Sites and buildings	8,639,379	60,583	6,391	1,429,925	(7,142,480)
Fiscal and other fixed cost programs	319,147	-	-	-	(319,147)
Food service	4,107,601	544,421	4,286,181	-	723,001
Community education and services	4,021,539	3,226,308	712,667	-	(82,564)
Interest and fiscal charges on long-term debt	999,065	-	-	-	(999,065)
Total governmental activities	$ 85,971,934	$ 5,699,267	$ 24,076,529	$ 1,703,759	(54,492,379)

General revenues	
Taxes	
Property taxes, levied for general purposes	13,707,172
Property taxes, levied for community service	663,056
Property taxes, levied for debt service	6,332,015
State aid-formula grants	43,935,365
Other general revenues	972,796
Investment income	1,854,967
Net change from joint venture	127,189
Total general revenues	67,592,560
Change in net position	13,100,181
Net position - beginning	11,019,155
Change in accounting principle (See Note 12)	1,128,139
Net position - beginning, as restated	12,147,294
Net position - ending	$ 25,247,475

See notes to basic financial statements.

Independent School District No. 877
Balance Sheet - Governmental Funds
June 30, 2024

	General	Debt Service	Building Construction	Other Nonmajor Funds	Governmental
Assets					
Cash and investments	$ 20,437,330	$ 6,484,682	$ 45,079,042	$ 4,887,997	$ 76,889,051
Current property taxes receivable	6,008,041	4,390,640	-	256,271	10,654,952
Delinquent property taxes receivable	176,434	112,373	-	9,127	297,934
Accounts receivable	274,867	-	72,913	234,979	582,759
Interest receivable	93,433	-	240,952	-	334,385
Due from Department of Education	5,878,348	110,189	-	125,219	6,113,756
Due from Federal Government through Department of Education	1,018,402	-	-	48,625	1,067,027
Due from other Minnesota school districts	82,261	-	-	26,090	108,351
Due from other governmental units	194,324	-	-	22,819	217,143
Inventory	123,597	-	-	71,203	194,800
Prepaid items	697,661	-	-	37,995	735,656
Total assets	$ 34,984,698	$ 11,097,884	$ 45,392,907	$ 5,720,325	$ 97,195,814
Liabilities					
Accounts payable	$ 632,165	$ -	$ 103,617	$ 30,379	$ 766,161
Salaries and benefits payable	1,198,346	-	-	188,269	1,386,615
Due to other Minnesota school districts	647,787	-	-	247	648,034
Due to other governmental units	279,156	-	-	30	279,186
Unearned revenue	78,129	-	-	214,121	292,250
Severance payable	35,901	-	-	-	35,901
Total liabilities	2,871,484	-	103,617	433,046	3,408,147
Deferred Inflows of Resources					
Unavailable revenue - property taxes levied for subsequent year's expenditures	11,734,813	8,902,674	-	537,348	21,174,835
Unavailable revenue - delinquent property taxes	176,434	112,373	-	9,127	297,934
Total deferred inflows of resources	11,911,247	9,015,047	-	546,475	21,472,769
Fund Balances					
Nonspendable	821,258	-	-	109,198	930,456
Restricted	2,934,958	2,082,837	45,289,290	4,725,281	55,032,366
Committed	2,890,038	-	-	-	2,890,038
Assigned	1,772,447	-	-	-	1,772,447
Unassigned	11,783,266	-	-	(93,675)	11,689,591
Total fund balances	20,201,967	2,082,837	45,289,290	4,740,804	72,314,898
Total liabilities, deferred inflows of resources, and fund balances	$ 34,984,698	$ 11,097,884	$ 45,392,907	$ 5,720,325	$ 97,195,814

Independent School District No. 877
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2024

Total fund balances - governmental funds	$ 72,314,898
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	167,117,418
Less accumulated depreciation/ amortization	(93,037,251)
Equity interests in underlying capital assets of joint ventures are not reported in the funds because they do not represent current financial assets.	
Equity interest in joint venture - Wright Technical Center	635,422
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bond principal payable	(74,120,000)
Net premium on bonds payable	(4,717,964)
Financed purchase from direct borrowing	(522,224)
Lease Payable	(123,261)
Severance payable	(880,084)
Compensated absences payable	(337,728)
Net pension liability	(49,449,155)
Net OPEB asset created through treatment of general obligation (G.O.) taxable OPEB bonds as employer contribution to defined benefit OPEB plan is not recognized in the governmental funds.	2,989,307
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions, OPEB and a bond refunding that are not recognized in the governmental funds.	
Deferred outflows of resources related to pensions	10,739,450
Deferred inflows of resources related to pensions	(4,058,005)
Deferred outflows of resources related to OPEB	1,613,470
Deferred inflows of resources related to OPEB	(2,234,704)
Delinquent property taxes receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	297,934
Governmental funds do not report a liability for accrued interest on bonds and capital leases until due and payable.	(980,048)
Total net position - governmental activities	$ 25,247,475

See notes to basic financial statements.

Independent School District No. 877
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2024

	General	Debt Service	Building Construction	Other Nonmajor Funds	Total Governmental Funds
Revenues					
Local property taxes	$ 13,673,769	$ 6,323,941	$ -	$ 661,427	$ 20,659,137
Other local and county revenues	3,906,823	198,479	402,783	3,589,677	8,097,762
Revenue from state sources	60,077,881	1,101,912	-	2,896,933	64,076,726
Revenue from federal sources	3,280,688	-	-	2,011,036	5,291,724
Sales and other conversion of assets	28,673	-	-	535,024	563,697
Total revenues	80,967,834	7,624,332	402,783	9,694,097	98,689,046
Expenditures					
Current					
Administration	2,442,897	-	-	-	2,442,897
District support services	1,829,874	-	-	-	1,829,874
Elementary and secondary regular instruction	35,260,922	-	-	-	35,260,922
Vocational education instruction	1,977,946	-	-	-	1,977,946
Special education instruction	16,315,831	-	-	-	16,315,831
Instructional support services	5,509,031	-	-	-	5,509,031
Pupil support services	7,079,494	-	-	-	7,079,494
Sites and buildings	6,992,618	-	-	-	6,992,618
Fiscal and other fixed cost programs	319,147	-	-	-	319,147
Food service	-	-	-	3,995,679	3,995,679
Community education and services	-	-	-	4,089,184	4,089,184
Capital outlay					
District support services	705	-	-	-	705
Elementary and secondary regular instruction	76,924	-	-	-	76,924
Instructional support services	142,174	-	-	-	142,174
Sites and buildings	783,796	-	1,133,482	-	1,917,278
Food service	-	-	-	380,822	380,822
Community education and services	-	-	-	9,995	9,995
Debt service					
Principal	241,173	6,055,000	-	-	6,296,173
Interest and fiscal charges	16,863	1,200,511	-	-	1,217,374
Total expenditures	78,989,395	7,255,511	1,133,482	8,475,680	95,854,068
Excess of revenues over (under) expenditures	1,978,439	368,821	(730,699)	1,218,417	2,834,978
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	12,211	-	-	-	12,211
Insurance recovery	-	-	-	266	266
Bond issuance	-	-	41,500,000	-	41,500,000
Bond premium	-	-	4,519,989	-	4,519,989
Transfers in	-	458,920	-	-	458,920
Transfers out	-	-	-	(458,920)	(458,920)
Total other financing sources (uses)	12,211	458,920	46,019,989	(458,654)	46,032,466
Net change in fund balances	1,990,650	827,741	45,289,290	759,763	48,867,444
Fund Balances					
Beginning of year	18,211,317	1,255,096	-	3,981,041	23,447,454
End of year	$ 20,201,967	$ 2,082,837	$ 45,289,290	$ 4,740,804	$ 72,314,898

See notes to basic financial statements.

Independent School District No. 877
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to
the Statement of Activities - Governmental Funds
Year Ended June 30, 2024

Net change in fund balances - total governmental funds	$ 48,867,444
Amounts reported for governmental activities in the Statement of Activities are different because: are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation\ amortization expense.	
Capital outlays	4,044,348
Depreciation/ amortization expense	(5,698,188)
Net income from the equity interest in joint venture does not provide current financial resources and is not reported as revenue in the funds.	127,189
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	9,847
Severance benefits are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	99,664
Proceeds of G.O. Taxable OPEB bonds issued during 2010 were contributed to the OPEB plan to retire the unfunded obligation. Governmental funds report such outlay as expenditures. The impact on the Statement of Activities is the creation of a new net OPEB asset which is a combination of the contribution to the irrevocable trust from the proceeds of the OPEB bond issue and the amortization of the net OPEB obligation for the current year.	404,338
Principal payments on long-term debt and leases are recognized as expenditures in the governmental funds but have no effect on net position in the Statement of Activities.	6,296,173
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. of when it is due.	(484,232)
Proceeds from the issuance of long term debt are recognized as other financing sources in the governmental funds increasing fund balance but have no effect on net position in the Statement of Activities.	(41,500,000)
Governmental funds report the effect of bond premiums when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Premium on new issuance	(4,519,989)
Amortization of premiums	351,441
Governmental funds report the effect of bond refundings when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	351,100
Governmental funds recognize pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	4,707,940
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	43,106
Change in net position - governmental activities	$ 13,100,181

Independent School District No. 877
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund
Year Ended June 30, 2024

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues				
Local property taxes	$ 13,318,373	$ 13,634,498	$ 13,673,769	$ 39,271
Other local and county revenues	2,884,564	3,373,395	3,906,823	533,428
Revenue from state sources	59,481,830	59,862,463	60,077,881	215,418
Revenue from federal sources	2,464,307	3,400,429	3,280,688	(119,741)
Sales and other conversion of assets	22,000	22,000	28,673	6,673
Total revenues	78,171,074	80,292,785	80,967,834	675,049
Expenditures				
Current				
Administration	2,421,089	2,409,103	2,442,897	33,794
District support services	1,762,799	1,911,860	1,829,874	(81,986)
Elementary and secondary regular instruction	33,900,258	35,667,732	35,260,922	(406,810)
Vocational education instruction	1,918,816	2,022,365	1,977,946	(44,419)
Special education instruction	15,898,590	16,131,171	16,315,831	184,660
Instructional support services	4,513,188	4,947,060	5,509,031	561,971
Pupil support services	7,093,714	7,046,574	7,079,494	32,920
Sites and buildings	7,186,389	6,604,014	6,992,618	388,604
Fiscal and other fixed cost programs	356,863	346,161	319,147	(27,014)
Capital outlay				
Administration	450	450	-	(450)
District support services	10,116	10,116	705	(9,411)
Elementary and secondary regular instruction	94,128	130,128	76,924	(53,204)
Vocational education instruction	5,000	5,000	-	(5,000)
Special education instruction	1,000	1,000	-	(1,000)
Instructional support services	213,900	264,392	142,174	(122,218)
Pupil support services	3,546	3,546	-	(3,546)
Sites and buildings	1,864,555	2,026,276	783,796	(1,242,480)
Debt service				
Principal	243,974	241,174	241,173	(1)
Interest and fiscal charges	16,864	16,864	16,863	(1)
Total expenditures	77,505,239	79,784,986	78,989,395	(795,591)
Excess of revenues over expenditures	665,835	507,799	1,978,439	1,470,640
Other Financing Sources				
Proceeds from sale of capital assets	1,500	1,500	12,211	10,711
Net change in fund balance	$ 667,335	$ 509,299	1,990,650	$ 1,481,351
Fund Balance				
Beginning of year			18,211,317	
End of year			$ 20,201,967	

Independent School District No. 877
Statement of Fiduciary Net Position
June 30, 2024

	Total Trust Funds
Assets	
Current	
Investments	
Brokered money market	$ 4,196,440
Fixed income	6,700,565
Equities	6,850,922
Total investments	17,747,927
Accounts and interest receivable	20,438
Total assets	$ 17,768,365
Liabilities	
Accounts payable	$ 130,902
Net Position	
Held in trust for OPEB	$ 13,587,627
Held in trust for HRA	4,049,836
Total net position	$ 17,637,463

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

	Total Trust Funds
Additions	
Contributions	$ 440,204
Investment income	
Interest, dividends, change in fair value	1,369,982
Total additions	1,810,186
Deductions	
Employee benefit deductions	755,833
Change in net position	1,054,353
Net Position	
Beginning of year	16,583,110
End of year	$ 17,637,463

Buffalo
Hanover
Montrose

BHM SCHOOLS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the District.

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

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

B. Basic Financial Statement Information

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

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

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation expense relating to assets that serve multiple functions is presented as unallocated depreciation in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

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

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

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner.

1. Revenue Recognition

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

2. Recording of Expenditures

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

The District applies resources in the following order when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available: restricted, committed, assigned, and unassigned.

Description of Funds

Major Funds:

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds (Continued)

Major Funds: (Continued)

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

Nonmajor Funds:

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

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

Post Employment Debt Service Fund – This fund is used to account for the financial resources relating to the bond issued for post-employment benefits.

Fiduciary Funds:

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

HRA Trust Fund – This fund is used for reporting resources set aside and held in a trust arrangement for HRA contributions.

D. Deposits and Investments

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

1. District Funds Other than OPEB and HRA Trust Funds

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

1. District Funds Other than OPEB and HRA Trust Funds (Continued)

Cash and investments as of June 30, 2024, were comprised of deposits, shares in the Minnesota School District Liquid Asset Fund (MSDLAF) Liquid, MSDLAF – Term securities, and MSDLAF - Max securities, Minnesota Trust (MNTrust) investment shares, U.S. Treasury securities, and a brokered certificate of deposit through MNTrust. MSDLAF securities and MNTrust investment shares are valued at amortized cost, which approximates fair value.

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

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

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

2. OPEB and HRA Trust Funds

These funds represent investments administered by the District's OPEB and HRA Trust investment managers. As of June 30, 2024, they were comprised of brokered money markets, fixed income government agencies and corporate securities, and mutual funds.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Property Tax Receivable

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

F. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2023, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in fiscal year 2024. The remaining portion of the levy will be recognized when measurable and available.

G. Inventories

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

H. Prepaid Items

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

I. Property Taxes

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

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

J. Capital Assets

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

Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 or with an aggregate cost of more than $50,000 with an estimated useful life in excess of one year, including all computer equipment regardless of the value. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at its acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 50 years for land improvements and buildings and 5 to 20 years for equipment.

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

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

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

Key estimates and judgments related to leases include (1) the discount rate, (2) lease term, (3) lease payments, and (4) amortization.

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

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

L. Deferred Outflows/Inflows of Resources

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Outflows/Inflows of Resources (Continued)

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

M. Long-Term Obligations

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

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

N. Compensated Absences

Vacation pay is earned at various rates by employees and accrued as compensated absences in the Statement of Net Position. Substantially all employees are entitled to sick leave at various rates. Classified employees are not compensated for unused sick leave upon a qualified termination of employment.

Non-classified employees receive payment for a set number of sick days after reaching age 55 and completing 15 years of service. The amount of compensated absences for sick leave anticipated to be paid upon employees' retirements is recorded as severance payable in the Statement of Net Position.

O. Post Employment Severance and Health Benefits

Severance and health benefits consist of lump sum retirement payments and post employment health care benefits.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Post Employment Severance and Health Benefits (Continued)

The District maintains various early retirement incentive payment plans for its employee groups. Teacher and administrator employee group plans contain benefit formulas based on years of service and/or minimum age requirements. No employee can receive early retirement incentive payments exceeding one year's salary.

Under the terms of certain collectively bargained employment contracts, the District is required to pay the medical and dental insurance premiums for retired teachers and administrators until they reach specific age requirements such as Medicare eligibility. The amount to be paid is equal to the full monthly premium cost for insurance coverage available under the appropriate current employment contract.

P. Pensions

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

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

Q. Postemployment Benefits Other Than Pensions (OPEB)

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

R. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2024.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Fund Equity

In the fund financial statements, governmental funds report fund classifications that compromise a hierarchy based primarily on the extent to which the District is bound to honor the constraints on the specific purpose for which amounts in these funds can be spent.

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, nonfinancial assets held for resale, or the permanent principal of endowment funds.

- Restricted Fund Balances – These are amounts that are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

- Committed Fund Balances – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the School Board by formal action. Constraints are only removed by formal board action.

- Assigned Fund Balances – These are amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the Director of Finance and Operations or the School Board.

- Unassigned Fund Balances – These are amounts that are the residual amounts in the General Fund not reported in any other classification. Unassigned amounts in the General Fund are technically available for expenditure for any purpose. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

- Minimum Fund Balance Policy – The School Board shall strive to maintain a fund balance of between 8% and 12% of fund balance to total operating expenditures in the General Fund. The fund balance shall be defined as the sum of the unassigned fund balance, the restricted next year's approved budget deficit fund balance, and the nonspendable fund balances.

- The Business Office shall monitor the fund balance. If the fund balance falls below 8%, the School Board shall implement a procedure to stabilize the District's financial position. This shall involve:

  1. No new programs will be added at the District level unless matched by a like revenue source.
  2. Allocations such as textbooks, supplies, etc., shall be frozen.
  3. The District will review other measures which will not immediately affect delivery of programs but could have a cost savings. An example might be areas where expenses have historically been lower than budgeted levels.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Fund Equity (Continued)

- If the fund balance is projected to fall below 6%, the District shall take measures to either generate additional revenues or to reduce expenditures through budget cuts or a combination of both.

T. Net Position

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

U. Use of Estimates

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

V. Budgetary Information

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

1. Prior to July 1, the School Superintendent submits to the School Board, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. Formal budgetary integration is not required for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls.
4. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. District Funds Other than OPEB and HRA Trust Funds

1. Deposits

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

Custodial Credit Risk – Deposits: This is the risk that in the event of the failure of a depository financial institution, the District will not be able to recover deposits or collateral securities that are in possession of an outside party. *Minnesota Statutes* § 118A requires all deposits be protected by federal deposit insurance, corporate security bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds. The District has a deposit policy that requires the District's deposits to be collateralized as required by *Minnesota Statutes* § 118.03 for an amount exceeding FDIC or FSLIC coverage. *Minnesota Statutes* require all deposits be protected by federal depository insurance. As of June 30, 2024, the District's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

As of June 30, 2024, District had the following deposits:

Pooled Deposits	
Checking	$ 244,790
Certificates of deposit	2,253,000
Savings	2,946
Total pooled deposits	$ 2,500,736

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. District Funds Other than OPEB and HRA Trust Funds (Continued)

2. Investments

As of June 30, 2024, the District had the following pooled investments and non-pooled investments related to bond proceeds in the Building Construction Fund:

Pooled Investments

Investment Type	Fair Value	Investment Maturities Less than 1 Year	Investment Maturities 1-5 Years	Credit Rating
MNTrust Investment Shares	$ 834,513	$ 834,513	$ -	N/A
MNTrust Negotiable Certificate of Deposit	244,963	-	244,963	N/A
MSDLAF - Liquid Asset Fund	1,787,442	1,787,442	-	AAAm
MSDLAF - Max	26,119,128	26,119,128	-	AAAm
Total investments	$ 28,986,046	$ 28,741,083	$ 244,963	

Non-Pooled Investments

Investment Type	Fair Value	Investment Maturities Less than 1 Year	Investment Maturities 1-5 Years	Credit Rating
MSDLAF - Liquid Asset Fund	$ 3,002,397	$ 3,002,397	$ -	AAAm
U.S. Treasury Notes	36,033,872	3,050,530	32,983,342	AAA
MSDLAF - Term	6,360,000	6,360,000	-	AAAm
Total investments	$ 45,396,269	$ 12,412,927	$ 32,983,342	

Interest Rate Risk: This is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The District's investment policy states the portfolio shall be managed in a manner to attain a market rate of return through budgetary and economic cycles while preserving and protecting capital in the overall portfolio. Investment maturities shall be scheduled to coincide with projected cash flow needs.

Credit Risk: This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The District's investment policy refers to *Minnesota Statutes* §§ 118A.01 through 118A.06. Statutes limit investments in the top two ratings issued by nationally recognized statistical rating organizations. The District will minimize credit risk by limiting investments to those allowed by statutory constraints. The District's investments are rated in the previous table. Also as indicated in the previous table, there are certain investments that are not subject to credit risk and therefore, not rated.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy places no limit on the amount the District may invest in any one issuer, though it does state the District shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities and that no more than 50% of the total portfolio will be with any one instrument.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. District Funds Other than OPEB and HRA Trust Funds (Continued)

2. Investments (Continued)

Custodial Credit Risk – Investments: This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy states investments shall be held by institutions designated by the School Board.

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

- $36,033,872 of investments are valued using a quoted market prices (Level 1 inputs)
- $244,963 of investments are valued using a matrix pricing model (Level 2 inputs)

B. Trust Fund Investments

As of June 30, 2024, the District's OPEB and HRA Trust Fund had the following investments:

		Investment Maturities				
Investment Type	Fair Value	Less than 1 Year	1-2 Years	2-5 Years	5-10 Years	Greater than 10 years
Brokered Money Markets	$ 4,196,440	$ 4,196,440	$ -	$ -	$ -	$ -
Fixed Income:						
Government Agencies	4,225,938	465,042	488,803	1,399,743	1,673,521	198,829
Corporate Securities	2,474,627	105,193	393,336	875,545	872,305	228,248
Mutual Funds	6,850,922	6,850,922	-	-	-	-
Total investments	$ 17,747,927	$ 11,617,597	$ 882,139	$ 2,275,288	$ 2,545,826	$ 427,077

Interest Rate Risk: The District's OPEB Trust Investment Policy states the investment emphasis is on the current income requirements and capital preservation, with a secondary emphasis on capital appreciation. The District has a moderate risk tolerance. The asset allocation strategy for the trust is as follows:

Asset Class	Percent	Range
Cash equivalents	2 %	0-100 %
Bonds	48	+/- 15
Equities	50	+/- 15

Credit Risk: The District will minimize credit risk by limiting investments to those allowed in the Trust portfolio. The Trust's investments in government agencies and corporate securities were rated Baa3 or greater by Moody's. The remaining investments are not subject to credit risk and, therefore, not rated. The District's OPEB Investment Policy states investments must have a rating of Baa3 or greater.

Concentration of Credit Risk: The District's OPEB Trust Investment Policy states no single security, with the exception of a security issued by the U.S. Government, its agencies and/or instrumentalities, shall at the time of purchase, constitute more than 5% of the value of the portfolio. The Policy also indicates the District has an investment horizon which is considered to be long-term, in excess of ten years. The District's OPEB investments in Vanguard 500 Index Fund (13.6%), Federal Home Loan Bank (8.2%), and Federal Farm Credit Banks Funding Corp (8.5%) exceeded 5% of total OPEB investments.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Trust Fund Investments (Continued)
Custodial Credit Risk: The District's OPEB Trust Investment Policy does not address custodial credit risk.

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

- $11,047,362 of investments are valued using a quoted market prices (Level 1 inputs)
- $6,700,565 of investments are valued using a matrix pricing model (Level 2 inputs)

C. Deposits and Investments
The following is a summary of total deposits and investments:

District governmental funds	
Deposits - pooled (Note 2.A.)	$ 2,500,736
Investments pooled (Note 2.B.)	28,986,046
Investments non-pooled (Note 2.B.)	45,396,269
Petty cash	6,000
OPEB and HRA irrevocable trust funds	
Investments (Note 2.C.)	17,747,927
Total deposits and investments	$ 94,636,978

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

Statement of Net Position	
Cash and investments	$ 76,889,051
Statement of Fiduciary Net Position	
Trust funds	17,747,927
Total deposits and investments	$ 94,636,978

NOTE 3 – INTERFUND ACTIVITY

During the year-ended June 30, 2024, the Post Employment Benefits Debt Service Fund transferred $458,920 to the Debt Service Fund to close the Post Employment Benefits Debt Service Fund.

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Change in Accounting Principle	Beginning Balance, Restated	Increases	Decreases	Ending Balance
Governmental activities						
Capital assets not being depreciated						
Land	$ 4,222,035	$ -	$ 4,222,035	$ -	$ -	$ 4,222,035
Construction in progress	106,413	-	106,413	2,555,436	850,436	1,811,413
Total capital assets not being depreciated	4,328,448	-	4,328,448	2,555,436	850,436	6,033,448
Capital assets being depreciated						
Land improvements	13,972,204	98,885	14,071,089	28,575	-	14,099,664
Buildings	133,804,866	149,601	133,954,467	915,838	-	134,870,305
Equipment and vehicles	8,844,690	1,758,752	10,603,442	1,394,935	84,133	11,914,244
Total capital assets being depreciated	156,621,760	2,007,238	158,628,998	2,339,348	84,133	160,884,213
Less accumulated depreciation for						
Land improvements	5,754,076	9,888	5,763,964	625,825	-	6,389,789
Buildings	75,119,425	13,177	75,132,602	3,995,113	-	79,127,715
Equipment and vehicles	5,607,585	856,034	6,463,619	1,041,176	84,133	7,420,662
Total accumulated depreciation	86,481,086	879,099	87,360,185	5,662,114	84,133	92,938,166
Total capital assets being depreciated, net	70,140,674	1,128,139	71,268,813	(3,322,766)	-	67,946,047
Governmental activities, capital assets, net	$74,469,122	$ 1,128,139	$75,597,261	$ (767,330)	$ 850,436	$73,979,495

	Beginning Balance	Change in Accounting Principle	Beginning Balance, Restated	Increases	Decreases	Ending Balance
Governmental activities						
Right-to-use assets being amortized						
Equipment	$ 199,757	$ -	$ 199,757	$ -	$ -	$ 199,757
Less accumulated amortization for						
Equipment	63,011	-	63,011	36,074	-	99,085
Governmental activities, right-to-use assets, net	$ 136,746	$ -	$ 136,746	$ (36,074)	$ -	$ 100,672

See Note 12 for an explanation of the change in accounting principle.

NOTE 4 – CAPITAL ASSETS (CONTINUED)

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

District Support Services	$ 10,632
Elementary and Secondary Regular Instruction	2,584,655
Vocational Education Instruction	333
Special Education Instruction	1,688
Instructional Support Services	385,594
Pupil Support	4,073
Sites and Buildings	2,626,306
Food Service	78,074
Community Service	6,833
Total depreciation/ amortization expense	$ 5,698,188

NOTE 5 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One year
Long-term liabilities						
G.O. Bonds, including						
2015A School Building Bonds	02/04/15	2.75%-3.00%	$ 32,620,000	02/01/30	$ 32,620,000	$ 5,035,000
2024A School Building Bonds	03/21/24	4.00%-5.00%	41,500,000	02/01/44	41,500,000	970,000
Total G.O. bonds					74,120,000	6,005,000
Unamortized bond premium					4,717,964	-
Net bonds payable					78,837,964	6,005,000
Financed purchases from direct borrowing					522,224	70,546
Leases payable					123,261	37,061
Severance payable					915,985	35,901
Compensated absences payable					337,728	337,728
Total all long-term liabilities					$ 80,737,162	$ 6,486,236

Long-term bond liabilities listed above were issued to finance acquisition and construction of capital facilities. Other long-term liabilities, such as financed purchases, leases payable, severance and compensated absences, are typically liquidated through the General Fund.

NOTE 5 – LONG-TERM DEBT (CONTINUED)

B. Minimum Debt Payments for Bonds. Financed Purchases and Leases
Minimum annual principal and interest payments required to retire bond, financed purchase, and lease liabilities:

Year Ending	G.O. Bonds		
June 30,	Principal	Interest	Total
2025	$ 6,005,000	$ 2,647,972	$ 8,652,972
2026	6,330,000	2,721,173	9,051,173
2027	6,420,000	2,508,772	8,928,772
2028	6,740,000	2,308,485	9,048,485
2029	6,955,000	2,089,950	9,044,950
2030-2034	24,605,000	6,414,450	31,019,450
2035-2039	7,620,000	2,985,000	10,605,000
2040-2044	9,445,000	1,162,800	10,607,800
Total	$ 74,120,000	$ 22,838,602	$ 96,958,602

Year Ending	Financed Purchases		
June 30,	Principal	Interest	Total
2025	$ 70,546	$ 9,336	$ 79,882
2026	71,857	8,025	79,882
2027	73,193	6,690	79,883
2028	74,553	5,329	79,882
2029	75,938	3,944	79,882
2030-2031	156,137	3,628	159,765
Total	$ 522,224	$ 36,952	$ 559,176

Year Ending	Leases		
June 30,	Principal	Interest	Total
2025	$ 37,061	$ 5,899	$ 42,960
2026	38,858	4,102	42,960
2027	19,513	2,477	21,990
2028	13,474	1,526	15,000
2029	14,355	645	15,000
Total	$ 123,261	$ 14,649	$ 137,910

NOTE 5 – LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

	Balance	Additions	Reductions	Balance
Long-term liabilities				
G.O. Bonds	$ 38,675,000	$ 41,500,000	$ 6,055,000	$ 74,120,000
Net premium	549,416	4,519,989	351,441	4,717,964
Financed purchases from direct borrowing	738,238	-	216,014	522,224
Leases payable	148,420	-	25,159	123,261
Severance payable	1,064,413	73,607	222,035	915,985
Compensated absences payable	347,575	579,949	589,796	337,728
Total long-term liabilities	$ 41,523,062	$ 46,673,545	$ 7,459,445	$ 80,737,162

1. Financed Purchases from Direct Borrowing

In April 2010, the District entered into an agreement for the remodel of the Montrose Early Childhood Building. The total financed was $726,750 with an interest rate of 5.55% and is to be paid through the General Fund. In April 2017, the District refinanced the purchase agreement. The total financed was $839,792 with an interest rate of 2.99% and is to be paid through the General Fund. The agreement required the District to make annual payments through May 1, 2024.

In April 2021, the District entered into a purchase agreement for the tennis court reconstruction. The total financed was $1,324,474 with an interest rate of 1.85% and is to be paid through the General Fund. The agreement requires the District to make annual payments through April 1, 2031.

2. Leases payable

In October 2021, the District entered into a lease agreement for copiers. The total financed was $127,170 with an interest rate of 3.79% and is to be paid through the General Fund. The agreement requires the District to make annual payments through September 2026.

In June 2023, the District entered into a lease agreement for a turf robot. The total financed was $72,857 with an interest rate of 8.5% and is to be paid through the General Fund. The agreement requires the District to make annual payments through August 2028.

NOTE 6 – FUND BALANCES/NET POSITION

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities or as required by other outside parties.

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

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balance

	General Fund	Debt Service	Building Construction Capital Project	Other Nonmajor Funds	Total
Nonspendable for					
Inventory	$ 123,597	$ -	$ -	$ 71,203	$ 194,800
Prepaid items	697,661	-	-	37,995	735,656
Total nonspendable	821,258	-	-	109,198	930,456
Restricted/reserved for					
Student Activities	45,429	-	-	-	45,429
Literacy Incentive Aid	182,371	-	-	-	182,371
American Indian Education Aid	8,407				8,407
Operating Capital	1,940,960	-	-	-	1,940,960
Long-Term Facilities Maintenance	377,945	-	-	-	377,945
Medical Assistance	379,846	-	-	-	379,846
Capital projects	-	-	45,289,290	-	45,289,290
Community Education	-	-	-	875,192	875,192
Early Childhood and Family Education	-	-	-	206,487	206,487
School Readiness	-	-	-	121,692	121,692
Food Service	-	-	-	3,521,910	3,521,910
Debt Service	-	2,082,837	-	-	2,082,837
Total restricted/reserved	2,934,958	2,082,837	45,289,290	4,725,281	55,032,366
Committed for					
Separation Benefits	2,890,038	-	-	-	2,890,038
Assigned for					
Carryover	759,431	-	-	-	759,431
Technology capital	428,147	-	-	-	428,147
Student Activities - Fund 9	584,869	-	-	-	584,869
Total assigned	1,772,447	-	-	-	1,772,447
Unassigned for					
Community service*	-	-	-	(93,675)	(93,675)
Dental insurance*	(20,400)	-	-	-	(20,400)
Unassigned	11,803,666	-	-	-	11,803,666
Total unassigned	11,783,266	-	-	(93,675)	11,689,591
Total fund balance	$ 20,201,967	$ 2,082,837	$ 45,289,290	$ 4,740,804	$ 72,314,898

* Negative restricted/reserved and assigned fund balances have been reclassified to unassigned for the basic financial statements in accordance with GASB Statement No. 54.

Nonspendable for Inventory – A portion of the fund balance has been spent on inventory and is not available for other uses.

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

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balance (Continued)

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

Restricted/Reserved for Literacy Incentive Aid – This balance represents the resources available to support implementation of evidence-based reading instruction.

Restricted/Reserved for American Indian Education Aid – This balance represents resources remaining in the American Indian Education Funds.

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

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

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

Restricted for Capital Projects – This balance represents available resources from the bond issuance to be used for building construction and other projects.

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

Restricted/Reserved for Early Childhood and Family Education – This balance represents the resources available to provide for services for early childhood and family education programming.

Restricted/Reserved for School Readiness – This balance represents the resources available to provide for services for school readiness programs (*Minnesota Statutes* § 124D.16).

Restricted for Food Service – This balance represents the positive fund balance of the Food Service Fund.

Restricted for Debt Service – This balance represents the resources available for the payment of bond principal, interest, and related costs.

Committed for Separation Benefits – This balance represents the resources set aside for the payment of retirement benefits including compensated absences, pensions, OPEB, and termination benefits.

Assigned for Carryover – This balance represents unspent budget appropriations carried over for the subsequent year.

Assigned for Technology Capital – This balance represents the resources set aside for capital costs.

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balance (Continued)

Assigned for Student Activities Fund 9 – This balance represents the accumulation of the student activity accounts that are under School Board control.

Unassigned for Community Service – This balance represents the remaining negative fund balance of the Community Service Fund.

Unassigned for Dental Insurance – This balance represents the resources set aside for payment of dental insurance costs. This balance was negative as of June 30, 2024.

B. Net Position

Net position restricted for other purposes on the Statement of Net Position are comprised of the total positive restricted fund balances of the General and total fund balance of the Food Service and Community Service Funds.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans. Total pension expense for the year ended June 30, 2024, was ($448,619). The components of pension expense are noted in the following plan summaries.

The General Fund, Food Service Fund, and Community Service Fund typically liquidate the liability related to pensions.

Teachers' Retirement Association

A. Plan Description

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

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

B. Benefits Provided

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

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

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

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier 1 Benefits

Tier 1	Step Rate Formula	Percentage
Basic	First 10 years of service	2.2% per year
	All years after	2.7% per year
Coordinated	First 10 years if service years are up to July 1, 2006	1.2% per year
	First 10 years if service years are July 1, 2006 or after	1.4% per year
	All other years of service if service years are up to July 1, 2006	1.7% per year
	All other years of service if service years are July 1, 2006 or after	1.9% per year

With these provisions:

- Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- 3% per year early retirement reduction factor for all years under normal retirement age.
- Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

Or

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members is applied. For years of service July 1, 2006, and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under *Minnesota Statute*. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

Tier II Benefits
Members first employed after June 30, 1989, receive only the Tier II calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

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

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier II Benefits (Continued)
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.

C. Contribution Rate

Per *Minnesota Statutes* Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2022, June 30, 2023, and June 30, 2024, were:

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

The following is a reconciliation of employer contributions in TRA's fiscal year 2023 ACFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in *Schedule of Employer and Non-Employer Pension Allocations*. Amounts are reported in thousands.

Employer contributions reported in TRA's ACFR Statement of Changes in Fiduciary Net Position	$	508,764
Deduct Employer contributions not related to future contribution efforts		(87)
Deduct 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 Pension Allocations*	$	543,621

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

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Valuation date	July 1, 2023
Measurement date	June 30, 2023
Experience study	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	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality Assumptions	
Pre-retirement	RP 2014 white collar employee table, male rates set back 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 projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

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

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2023 is six years. The "Difference Between Expected and Actual Experience", "Changes of Assumptions", and "Changes in Proportion" use the amortization period of six years in the schedule presented. The amortization period for "Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments" is five years as required by GASB 68.

Changes in actuarial assumptions since the 2022 valuation:

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

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

The 2024 Omnibus Pensions and Retirement Bill:

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

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

Teachers' Retirement Association (Continued)

E. Discount Rate
The discount rate used to measure the total pension liability was 7.0%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2023 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

F. Net Pension Liability
On June 30, 2024, the District reported a liability of $42,090,230 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. District proportionate share was 0.5098% at the end of the measurement period and 0.5098% 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	$ 42,090,230
State's proportionate share of the net pension liability associated with the district	2,948,303

For the year ended June 30, 2024, the District recognized pension expense of ($1,495,961). Included in this amount, the District recognized $415,144 as pension expense for the support provided by direct aid.

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)
On June 30, 2024, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 419,992	$ 616,844
Net difference between projected and actual earnings on plan investments	-	247,668
Changes of assumptions	4,950,405	-
Changes in proportion	34,112	463,784
Contributions to TRA subsequent to the measurement date	2,999,630	-
Total	$ 8,404,139	$ 1,328,296

The $2,999,630 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

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

Year Ended June 30,	Pension Expense Amount
2025	$ 324,607
2026	(393,598)
2027	4,773,693
2028	(551,463)
2029	(77,026)
Total	$ 4,076,213

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

Teachers' Retirement Association (Continued)

G. Pension Liability Sensitivity
The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.0%) and 1 percent higher (8.0%) than the current rate.

District Proportionate Share of NPL		
1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
$ 67,130,821	$ 42,090,230	$ 21,591,457

The District's proportion of the net pension liability was based on the employer contributions to TRA in relation to TRA's total employer contributions including direct aid contributions from the State of Minnesota, City of Minneapolis, and Minneapolis School District.

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

Public Employees' Retirement Association

A. Plan Description
The District participates in the following cost-sharing multiple-employer defined benefit pension plan administered by PERA. PERA's defined benefit pension plan is established and administered in accordance with *Minnesota Statutes* Chapters 353 and 356. PERA's defined benefit pension plan is tax qualified plan under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

The General Employees Retirement Plan covers certain full time and part time employees of the District. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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

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

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2024 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2024, were $843,636. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2024, the District reported a liability of $7,358,925 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 $202,818.

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.1316% at the end of the measurement period and 0.1376% for the beginning of the period.

School's proportionate share of net pension liability	$ 7,358,925
State of Minnesota's proportionate share of the net pension liability associated with the School	202,818
Total	$ 7,561,743

For the year ended June 30, 2024, the District recognized pension expense of $1,047,342 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized $911 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

At June 30, 2024, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 244,315	$ 53,081
Changes in actuarial assumptions	1,247,360	2,017,019
Difference between projected and actual investments earnings	-	258,470
Change in proportion	-	401,139
Contributions paid to PERA subsequent to the measurement date	843,636	-
Total	$ 2,335,311	$ 2,729,709

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

The $843,636 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2025	$ 66,639
2026	(1,241,020)
2027	95,987
2028	(159,640)
Total	$ (1,238,034)

E. Long-Term Expected Return on Investment

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

Asset Class	Final Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	33.5 %	5.10 %
International stocks	16.5	5.30
Bonds	20.0	0.75
Alternative assets	25.0	5.90
Total	100.0 %	

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

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.5% was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023, actuarial valuation.

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

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

G. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Public Employees' Retirement Association (Continued)

H. Pension Liability Sensitivity
The following table presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
District's proprionate share of the PERA net pension liability	$ 13,018,529	$ 7,358,925	$ 2,703,685

I. Pension Plan Fiduciary Net Position
Detailed information about the General Employees Fund's fiduciary net position is available in a separately-issued PERA financial report that includes the basic financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 8 – RETIREMENT PLANS

A. Post Retirement Health Care Savings Plan
The District's Post Retirement Health Care Savings Plan (the "Plan") allows employees to use individual accounts to save for medical expenses. The accounts are funded entirely with employer contributions. Employee participation is a voluntary process negotiated through the collective bargaining process. Employees cannot voluntarily contribute to this Plan. Amounts and how it will be funded must be mandated through collective bargaining or through a personnel policy. Retirees covered under the Plan may draw down the balance of the account for reimbursement of eligible medical expenses including health care premiums. Contributions to the Plan by the District totaled $872,314 for the year.

B. Defined Contribution Plan
The District provides eligible employees future retirement benefits through the District's Defined Contribution Plan (the "Plan"). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. The District makes matching contribution for some administrative employees of $257,316. Contributions are invested to tax deferred annuities selected and owned by Plan participants. Employee contributions for the fiscal year totaled $960,904.

NOTE 9 – FLEXIBLE BENEFIT PLAN

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

NOTE 9 – FLEXIBLE BENEFIT PLAN (CONTINUED)

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

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

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

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

NOTE 10 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical coverage. In addition, the plan provides severance benefits based on years of service that are placed directly in a medical savings account upon retirement. It is the District's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees.

B. Benefits Provided

Teachers who apply for early retirement shall remain eligible to receive certain health insurance benefits until the end of the school year in which the teacher becomes Medicare eligible. Full vesting of such amounts occurs upon attaining 56 years of age. The General Fund, Food Service Fund and Community Service Fund typically liquidate the liability related to OPEB.

C. Members

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

Retirees electing medical coverage	46
Retirees with only non-medical OPEB coverage	37
Active employees electing medical coverage	564
Total	647

NOTE 10 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

D. Contributions

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on contract terms. For the year-ended June 30, 2024, the District contributed $372,832 to the plan.

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation dated June 30, 2022, with a measurement date of June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Investment rate of return	6.00%, net of investment expense
Salary increases	3.00%
Inflation	2.50%
Healthcare cost trend increases	6.8% for FY2023, gradually decreasing over several decades to an ultimate rate of 3.9% in FY2076 and later years.
Mortality Assumption	
Teachers	From the July 1, 2022 Teachers Retirement Association of Minnesota (TRA) actuarial valuation, mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2015, and other adjustments.
Non-Teachers	From the July 1, 2022 PERA of Minnesota General Employees Retirement Plan actuarial valuation, mortality rates were based on the Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments.

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2021, through June 30, 2022.

NOTE 10 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic equity	35.5 %	4.91 %	7.41 %
International equity	13.5	5.32	7.82
Fixed income	48.0	2.30	4.80
Real estate and alternatives	1.0	3.79	6.29
Cash and equivalents	2.0	0.77	3.27
Total	100.0 %		6.62 %

The long-term expected nominal rate of return is reduced to 6.0% to account for assumed investment expense. The details of the investments and the investment policy are described in Note 2 of the District's basic financial statements. For the year ended June 30, 2024, the annual money-weighed rate of return on investments, net of investment expense, was 10.31%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Changes in actuarial assumptions since the previous valuation:

- The index rate for 20-year tax exempt municipal bonds increased from 3.86% to 3.97%. However, the long-term investment return assumption and discount rate remained 6.0%.

F. Discount Rate

The discount rate used to measure the total OPEB liability was 6.0%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTE 10 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. Changes in Net OPEB Asset

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2023	$ 10,500,973	$ 12,777,310	$ (2,276,337)
Changes for the year			
Service cost	350,447	-	350,447
Interest	624,750	-	624,750
Employer contributions	-	372,832	(372,832)
Net investment income	-	1,315,335	(1,315,335)
Benefit payments	(877,850)	(877,850)	-
Net changes	97,347	810,317	(712,970)
Balances at June 30, 2024	$ 10,598,320	$ 13,587,627	$ (2,989,307)

H. OPEB Sensitivity

The following presents the District's net OPEB asset calculated using the discount rate of 6.0% as well as the net OPEB asset measured using 1% lower and 1% higher than the current discount rate.

	1% Decrease in Discount Rate (5.0%)	Current Discount Rate (6.0%)	1% Increase in Discount Rate (7.0%)
Net OPEB liability (asset)	$ (2,397,899)	$ (2,989,307)	$ (3,564,959)

NOTE 10 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

H. OPEB Sensitivity (Continued)

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

	1% Decrease in Trend Rate (5.8% Decreasing to 2.9%)	Current Trend Rate (6.8% Decreasing to 3.9%)	1% Increase in Trend Rate (7.8% Decreasing to 4.9%)
Net OPEB liability (asset)	$ (3,719,561)	$ (2,989,307)	$ (2,158,717)

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

For the year ended June 30, 2024, the District recognized OPEB expense of $(31,506). As of June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	$ 46,839	$ -
Differences between expected and actual liability	1,546,344	1,157,987
Changes of assumptions	20,287	1,076,717
Total	$ 1,613,470	$ 2,234,704

NOTE 10 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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

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

Year Ending June 30,	Total
2025	$ (303,114)
2026	148,696
2027	(262,438)
2028	(262,495)
2029	(105,714)
Thereafter	163,831
Total	$ (621,234)

NOTE 11 – COMMITMENTS

A. Joint Powers Agreement

The District entered into a joint powers agreement in February 1998 with Wright Technical Center No. 966 (WTC), a cooperative center for vocational education, between and among eight other independent school districts to finance the acquisition and betterment of the addition to the existing WTC facilities.

The addition was financed through a financed purchase agreement. Each participating district annually authorizes a leading levy to cover their allocated portion of the lease payment based on the formula set out in the joint powers agreement. Participating districts will also be apportioned operating costs and continuing costs for the addition based on the current cost.

Separately issued basic financial statements can be obtained from Wright Technical Center, 1400 Highway 25 North Buffalo, Minnesota 55313-1936.

B. Rental Agreement

The District entered into a rental agreement with the City of Buffalo, Minnesota (the "City") in 2001 for use of the Civic Center by the District.

The original agreement was for a period of 15 years commencing September 1, 2000. The District approved an amended agreement extending the agreement for an additional three years and approved a second amendment extending the agreement through April 30, 2031. The agreement calls for a minimum rental of 335 hours of ice time per year at the rate of $220 per hour, increased annually at a rate equal to the Consumer Price Index Urban Measure, and an annual payment of $41,000 for use of the weight room, team and locker rooms, and additional ice time during the day when school is in session. The annual payment increases by $1,000 annually on May 1st until it is capped at $45,000.

NOTE 11 – COMMITMENTS (CONTINUED)

C. Construction Commitments
As of June 30, 2024, the District had outstanding construction commitments as follows:

Project	Project Authorization	Expended through June 30, 2024	Commitment
Playgrounds	$ 791,909	$ 79,191	$ 712,718

NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLE

As of July 1, 2023, the District implemented changes related to accounting for grouped assets as required by GASB Implementation Guide No. 2021-1. Amounts previously expensed as they were individually less than the District's capitalization threshold were required to be reported as capital assets and depreciated over the estimated useful life of the asset. This resulted in a change in accounting principle on the Statement of Activities in the amount of $1,128,239.

	Governmental Activities
Net Position June 30, 2023, as previously stated	$ 11,019,155
Change in accounting principle	1,128,139
Net Position June 30, 2023, as restated	$ 12,147,294

REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 877
Schedule of Changes in Net OPEB Liability
and Related Ratios

	June 30, 2017	June 30, 2018	June 30, 2019
Total OPEB Liability			
Service cost	$ 571,820	$ 580,052	$ 647,543
Interest	708,616	741,570	705,963
Differenced between expected and actual experience	-	-	474,926
Changes of assumptions	(164,949)	154,281	(972,096)
Changes of benefit terms	-	-	(1,703)
Benefit payments	(883,563)	(1,223,984)	(1,177,820)
Net change in total OPEB liability	231,924	251,919	(323,187)
Beginning of year	11,799,528	12,031,452	12,283,371
End of year	$ 12,031,452	$ 12,283,371	$ 11,960,184
Plan Fiduciary Net Pension (FNP)			
Employer contributions	$ 142,146	$ 324,890	$ 375,317
Net investment income	1,013,962	714,809	851,971
Benefit payments	(883,563)	(1,223,984)	(1,177,820)
Other changes	(54,610)	-	-
Net change in plan fiduciary net position	217,935	(184,285)	49,468
Beginning of year	13,264,254	13,482,189	13,297,904
End of year	$ 13,482,189	$ 13,297,904	$ 13,347,372
Net OPEB liability	$ (1,450,737)	$ (1,014,533)	$ (1,387,188)
Plan FNP as a percentage of the total OPEB liability	112.06%	108.26%	111.60%
Covered-employee payroll	$ 36,004,117	$ 36,409,652	$ 36,946,495
Net OPEB liability as a percentage of covered-employee payroll	-4.03%	-2.79%	-3.75%

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

June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024
$ 539,822	$ 545,648	$ 379,229	$ 381,603	$ 350,447
668,010	648,234	461,157	453,378	624,750
-	(2,060,899)	-	1,833,116	-
(415,739)	(446,131)	-	(397,495)	-
-	-	-	-	-
(1,014,013)	(1,038,455)	(1,085,498)	(911,178)	(877,850)
(221,920)	(2,351,603)	(245,112)	1,359,424	97,347
11,960,184	11,738,264	9,386,661	9,141,549	10,500,973
$ 11,738,264	$ 9,386,661	$ 9,141,549	$ 10,500,973	$ 10,598,320
$ 286,132	$ 248,266	$ 300,921	$ 16,220	$ 372,832
380,306	3,109,598	(1,299,680)	422,104	1,315,335
(1,014,013)	(1,038,455)	(1,085,498)	(911,178)	(877,850)
-	-	15,215	-	-
(347,575)	2,319,409	(2,069,042)	(472,854)	810,317
13,347,372	12,999,797	15,319,206	13,250,164	12,777,310
$ 12,999,797	$ 15,319,206	$ 13,250,164	$ 12,777,310	$ 13,587,627
$ (1,261,533)	$ (5,932,545)	$ (4,108,615)	$ (2,276,337)	$ (2,989,307)
110.75%	163.20%	144.94%	121.68%	128.21%
$ 35,294,307	$ 41,538,636	$ 38,080,609	$ 42,019,520	$ 42,984,691
-3.57%	-14.28%	-10.79%	-5.42%	-6.95%

Independent School District No. 877
Schedule of Investment Returns

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Annual money-weighted rate of return, net of investment expense	7.79%	5.42%	6.56%	2.90%

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

June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024
24.34%	-8.66%	7.49%	10.31%

Independent School District No. 877
Schedule of District's and Non-Employer Proportionate Share (if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered-Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.1626%	$ 7,638,133	$ -	$ 7,638,133	$ 8,537,407	89.5%	78.75%
2015	0.1537%	7,965,532	-	7,965,532	8,884,053	89.7%	78.20%
2016	0.1484%	12,049,344	157,434	12,206,778	9,210,493	130.8%	68.90%
2017	0.1489%	9,505,678	119,554	9,625,232	9,594,720	99.1%	75.90%
2018	0.1448%	8,032,910	263,406	8,296,316	9,732,547	82.5%	79.50%
2019	0.1362%	7,530,193	233,990	7,764,183	9,636,173	78.1%	80.23%
2020	0.1405%	8,423,617	225,261	8,648,878	10,022,320	84.0%	79.10%
2021	0.1378%	5,884,677	179,696	6,064,373	9,920,613	59.3%	87.00%
2022	0.1376%	10,897,965	319,419	11,217,384	10,305,240	105.8%	76.67%
2023	0.1316%	7,358,925	202,818	7,561,743	10,465,560	70.3%	83.10%

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

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered-Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.5473%	$ 25,219,190	$ 1,774,131	$ 26,993,321	$ 24,984,186	100.9%	81.50%
2015	0.5152%	31,870,215	3,909,225	35,779,440	26,147,587	121.9%	76.77%
2016	0.5235%	124,867,241	12,532,418	137,399,659	27,230,707	458.6%	44.88%
2017	0.5329%	106,376,507	10,282,834	116,659,341	28,687,733	370.8%	51.57%
2018	0.5273%	33,121,308	3,111,973	36,233,281	29,134,480	113.7%	78.07%
2019	0.5295%	33,750,441	2,987,024	36,737,465	30,063,515	112.3%	78.21%
2020	0.5144%	38,004,561	3,184,845	41,189,406	29,894,217	127.1%	75.48%
2021	0.5147%	22,524,811	1,899,684	24,424,495	30,799,053	73.1%	86.63%
2022	0.5098%	40,822,087	3,027,292	43,849,379	31,511,954	129.5%	76.17%
2023	0.5098%	42,090,230	2,948,303	45,038,533	32,412,971	129.9%	76.42%

Independent School District No. 877
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2015	$ 666,304	$ 666,304	$ -	$ 8,884,053	7.50%
2016	690,787	690,787	-	9,210,493	7.50%
2017	719,604	719,604	-	9,594,720	7.50%
2018	729,941	729,941	-	9,732,547	7.50%
2019	722,713	722,713	-	9,636,173	7.50%
2020	751,674	751,674	-	10,022,320	7.50%
2021	744,046	744,046	-	9,920,613	7.50%
2022	772,893	772,893	-	10,305,240	7.50%
2023	784,917	784,917	-	10,465,560	7.50%
2024	843,636	843,636	-	11,248,480	7.50%

Schedule of District Contributions
TRA Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2015	$ 1,961,069	$ 1,961,069	$ -	$ 26,147,587	7.50%
2016	2,042,303	2,042,303	-	27,230,707	7.50%
2017	2,151,580	2,151,580	-	28,687,733	7.50%
2018	2,185,086	2,185,086	-	29,134,480	7.50%
2019	2,317,897	2,317,897	-	30,063,515	7.71%
2020	2,367,622	2,367,622	-	29,894,217	7.92%
2021	2,503,963	2,503,963	-	30,799,053	8.13%
2022	2,628,097	2,628,097	-	31,511,954	8.34%
2023	2,771,309	2,771,309	-	32,412,971	8.55%
2024	2,999,630	2,999,630	-	34,281,486	8.75%

See notes to required supplementary information.

TRA Retirement Fund

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

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

2022 Changes
Changes in Actuarial Assumptions
- None

2021 Changes
Changes in Actuarial Assumptions
- The investment return assumption was changed from 7.5% to 7.0%.

2020 Changes
Changes in Actuarial Assumptions
- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP 2015 scale.
- Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

2019 Changes
Changes in Actuarial Assumptions
- None

2018 Changes
Changes in Actuarial Assumptions
- The discount rate was increased to 7.5% from 5.12%.
- The cost-of-living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.

TRA Retirement Fund (Continued)

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

- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes
Changes in Actuarial Assumptions

- The discount rate was increased to 5.12% from 4.66%.
- The cost-of-living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes
Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.

TRA Retirement Fund (Continued)

2016 Changes (Continued)
Changes in Actuarial Assumptions (Continued)

- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

2015 Changes
Changes of Benefit Terms

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

Changes in Actuarial Assumptions

- The annual COLA for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%.

Independent School District No. 877
Notes to the Required Supplementary Information

General Employees Fund

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

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

2022 Changes
Changes in Actuarial Assumptions
- The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.

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

2021 Changes
Changes in Actuarial Assumptions
- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions
- There have been no changes since the prior valuation.

2020 Changes
Changes in Actuarial Assumptions
- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changes as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.

General Employees Fund (Continued)

2020 Changes (Continued)
Changes in Actuarial Assumptions (Continued)
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retires electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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

2019 Changes
Changes in Actuarial Assumptions
- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions
- The employer supplemental contribution was changed prospectively, decreasing from $31 million to $21 million per year. The State's special funding contribution was changed prospectively, requiring $16 million due per year through 2031.

2018 Changes
Changes in Actuarial Assumptions
- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. This does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes
Changes in Actuarial Assumptions
- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.

General Employees Fund (Continued)

2017 Changes (Continued)
Changes in Actuarial Assumptions (Continued)
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

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

2016 Changes
Changes in Actuarial Assumptions
- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation was decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions
- There have been no changes since the prior valuation.

2015 Changes
Changes in Actuarial Assumptions
- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

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

Post Employment Health Care Plan

2024 Changes

- There were no changes.

2023 Changes

Changes in Actuarial Assumptions

- The discount rate and long-term investment return assumption was changed from 5.00% to 6.00% 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.
- Mortality rates were updated from the rates used in the 7/1/2020 PERA General Employees Plan to the rates used in the 7/1/2022 valuation.
- The percent of future retirees not eligible for an explicit subsidy (ESP or Food Service contract) assumed to elect coverage at retirement changed from 0% to 10% to reflect recent plan experience.
- 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.

SUPPLEMENTARY INFORMATION

Independent School District No. 877
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual Detail - General Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 13,318,373	$ 13,634,498	$ 13,673,769	$ 39,271
Other local and county revenues	2,884,564	3,373,395	3,906,823	533,428
Revenue from state sources	59,481,830	59,862,463	60,077,881	215,418
Revenue from federal sources	2,464,307	3,400,429	3,280,688	(119,741)
Sales and other conversion of assets	22,000	22,000	28,673	6,673
Total revenues	78,171,074	80,292,785	80,967,834	675,049
Expenditures				
Administration				
Salaries	1,682,950	1,693,620	1,699,382	5,762
Employee benefits	634,028	674,251	677,475	3,224
Purchased services	22,808	22,808	20,690	(2,118)
Supplies and materials	13,103	13,103	28,427	15,324
Capital expenditures	450	450	-	(450)
Other expenditures	68,200	5,321	16,923	11,602
Total administration	2,421,539	2,409,553	2,442,897	33,344
District support services				
Salaries	1,015,895	1,018,510	1,001,790	(16,720)
Employee benefits	332,062	439,160	461,454	22,294
Purchased services	353,947	397,795	337,594	(60,201)
Supplies and materials	34,045	29,545	7,746	(21,799)
Capital expenditures	10,116	10,116	705	(9,411)
Other expenditures	26,850	26,850	21,290	(5,560)
Total district support services	1,772,915	1,921,976	1,830,579	(91,397)
Elementary and secondary regular instruction				
Salaries	22,474,555	23,032,983	22,833,220	(199,763)
Employee benefits	8,320,448	9,278,862	9,055,056	(223,806)
Purchased services	1,556,473	1,447,345	1,993,771	546,426
Supplies and materials	1,202,464	1,562,224	1,139,738	(422,486)
Capital expenditures	94,128	130,128	76,924	(53,204)
Other expenditures	346,318	346,318	239,137	(107,181)
Total elementary and secondary regular instruction	33,994,386	35,797,860	35,337,846	(460,014)

Independent School District No. 877
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual Detail - General Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Expenditures				
Vocational education instruction				
Salaries	$ 950,038	$ 984,779	$ 982,325	$ (2,454)
Employee benefits	364,506	387,082	377,442	(9,640)
Purchased services	572,519	618,751	588,619	(30,132)
Supplies and materials	30,953	30,953	28,388	(2,565)
Capital expenditures	5,000	5,000	-	(5,000)
Other expenditures	800	800	1,172	372
Total vocational education instruction	1,923,816	2,027,365	1,977,946	(49,419)
Special education instruction				
Salaries	10,888,181	10,808,871	10,885,641	76,770
Employee benefits	3,913,455	3,942,663	3,850,261	(92,402)
Purchased services	807,317	1,072,713	1,110,804	38,091
Supplies and materials	181,764	199,051	271,217	72,166
Capital expenditures	1,000	1,000	-	(1,000)
Other expenditures	107,873	107,873	197,908	90,035
Total special education instruction	15,899,590	16,132,171	16,315,831	183,660
Instructional support services				
Salaries	2,906,223	2,941,848	2,955,295	13,447
Employee benefits	859,760	878,142	925,147	47,005
Purchased services	321,548	445,588	519,648	74,060
Supplies and materials	354,711	542,988	1,028,512	485,524
Capital expenditures	213,900	264,392	142,174	(122,218)
Other expenditures	70,946	138,494	80,429	(58,065)
Total instructional support services	4,727,088	5,211,452	5,651,205	439,753
Pupil support services				
Salaries	1,314,331	1,313,002	1,358,723	45,721
Employee benefits	413,182	435,427	503,697	68,270
Purchased services	5,283,542	5,206,969	5,179,362	(27,607)
Supplies and materials	82,159	90,676	37,143	(53,533)
Capital expenditures	3,546	3,546	-	(3,546)
Other expenditures	500	500	569	69
Total pupil support services	7,097,260	7,050,120	7,079,494	29,374

Buffalo
Hanover
Montrose

BHM SCHOOLS

Independent School District No. 877
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual Detail - General Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Expenditures				
Sites and buildings				
Salaries	$ 2,443,616	$ 2,351,777	$ 2,259,793	$ (91,984)
Employee benefits	1,415,481	789,533	768,017	(21,516)
Purchased services	2,415,130	2,548,965	3,194,912	645,947
Supplies and materials	845,562	845,548	705,135	(140,413)
Capital expenditures	1,864,555	2,026,276	783,796	(1,242,480)
Other expenditures	66,600	68,191	64,761	(3,430)
Total sites and buildings	9,050,944	8,630,290	7,776,414	(853,876)
Fiscal and other fixed cost programs				
Purchased services	356,863	346,161	319,147	(27,014)
Debt service				
Principal	243,974	241,174	241,173	(1)
Interest and fiscal charges	16,864	16,864	16,863	(1)
Total debt service	260,838	258,038	258,036	(2)
Total expenditures	77,505,239	79,784,986	78,989,395	(795,591)
Excess of revenues over expenditures	665,835	507,799	1,978,439	1,470,640
Other Financing Sources				
Proceeds from sale of capital assets	1,500	1,500	12,211	10,711
Net change in fund balance	$ 667,335	$ 509,299	1,990,650	$ 1,481,351
Fund Balance				
Beginning of year			18,211,317	
End of year			$ 20,201,967	

Independent School District No. 877
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2024

	Special Revenue		
	Food Service	Service Service	Total Nonmajor Funds
Assets			
Cash and investments	$ 3,526,717	$ 1,361,280	$ 4,887,997
Current property taxes receivable	-	256,271	256,271
Delinquent property taxes receivable	-	9,127	9,127
Accounts receivable	13,266	221,713	234,979
Due from Department of Education	52,118	73,101	125,219
Due from other Minnesota school districts	-	26,090	26,090
Due from Federal Government through Department of Education	48,625	-	48,625
Due from other governmental units	-	22,819	22,819
Inventory	71,203	-	71,203
Prepaid items	35,028	2,967	37,995
Total assets	$ 3,746,957	$ 1,973,368	$ 5,720,325
Liabilities			
Accounts payable	$ (216)	$ 30,595	$ 30,379
Salaries and benefits payable	15,301	172,968	188,269
Due to other Minnesota districts	-	247	247
Due to other governmental units	-	30	30
Unearned revenue	103,731	110,390	214,121
Total liabilities	118,816	314,230	433,046
Deferred Inflows of Resources			
Unavailable revenue - property taxes levied for subsequent year's expenditures	-	537,348	537,348
Unavailable revenue - delinquent property taxes	-	9,127	9,127
Total deferred inflows of resources	-	546,475	546,475
Fund Balances			
Nonspendable	106,231	2,967	109,198
Restricted	3,521,910	1,203,371	4,725,281
Unassigned	-	(93,675)	(93,675)
Total fund balances	3,628,141	1,112,663	4,740,804
Total liabilities, deferred inflows of resources, and fund balances	$ 3,746,957	$ 1,973,368	$ 5,720,325

Independent School District No. 877
Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2024

	Special Revenue		Debt Service	
	Food Service Service	Community Service	Post Employment Benefits Debt Service Fund	Total Nonmajor Funds
Revenues				
Local property taxes	$ -	$ 661,427	$ -	$ 661,427
Other local and county revenues	175,153	3,391,788	22,736	3,589,677
Revenue from state sources	2,265,893	631,040	-	2,896,933
Revenue from federal sources	2,011,036	-	-	2,011,036
Sales and other conversion of assets	535,024	-	-	535,024
Total revenues	4,987,106	4,684,255	22,736	9,694,097
Expenditures				
Current				
Food service	3,995,679	-	-	3,995,679
Community education and services	-	4,089,184	-	4,089,184
Capital outlay				
Food service	380,822	-	-	380,822
Community education and services	-	9,995	-	9,995
Total expenditures	4,376,501	4,099,179	-	8,475,680
Excess of revenues over expenditures	610,605	585,076	22,736	1,218,417
Other Financing Sources (Uses)				
Insurance recovery	-	266	-	266
Transfers out	-	-	(458,920)	(458,920)
Total other financing sources (uses)	-	266	(458,920)	(458,654)
Net change in fund balances	610,605	585,342	(436,184)	759,763
Fund Balances				
Beginning of year	3,017,536	527,321	436,184	3,981,041
End of year	$ 3,628,141	$ 1,112,663	$ -	$ 4,740,804

Independent School District No. 877
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Food Service Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Other local and county revenues	$ 86,111	$ 131,029	$ 175,153	$ 44,124
Revenue from state sources	2,280,526	2,269,214	2,265,893	(3,321)
Revenue from federal sources	1,592,918	1,996,470	2,011,036	14,566
Sales and other conversion of assets	548,115	536,341	535,024	(1,317)
Total revenues	4,507,670	4,933,054	4,987,106	54,052
Expenditures				
Food service				
Salaries	1,067,337	1,043,042	1,167,497	124,455
Employee benefits	616,074	623,993	589,434	(34,559)
Purchased services	154,908	153,058	173,016	19,958
Supplies and materials	2,404,593	3,004,057	2,057,960	(946,097)
Capital expenditures	256,000	380,000	380,822	822
Other expenditures	21,000	21,000	7,772	(13,228)
Total expenditures	4,519,912	5,225,150	4,376,501	(848,649)
Net change in fund balance	$ (12,242)	$ (292,096)	610,605	$ 902,701
Fund Balance				
Beginning of year			3,017,536	
End of year			$ 3,628,141	

Independent School District No. 877
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Community Service Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 656,676	$ 658,055	$ 661,427	$ 3,372
Other local and county revenues	3,036,767	2,983,249	3,391,788	408,539
Revenue from state sources	564,426	582,709	631,040	48,331
Total revenues	4,257,869	4,224,013	4,684,255	460,242
Expenditures				
Community education and services				
Salaries	2,597,185	2,617,747	2,655,358	37,611
Employee benefits	905,021	890,597	856,271	(34,326)
Purchased services	343,525	377,697	371,231	(6,466)
Supplies and materials	179,830	187,076	197,439	10,363
Capital expenditures	2,409	10,995	9,995	(1,000)
Other expenditures	3,700	2,733	8,885	6,152
Total expenditures	4,031,670	4,086,845	4,099,179	12,334
Excess of revenues over expenditures	226,199	137,168	585,076	447,908
Other Financing Sources				
Insurance recovery	-	-	266	266
Net change in fund balance	$ 226,199	$ 137,168	585,342	$ 448,174
Fund Balance				
Beginning of year			527,321	
End of year			$ 1,112,663	

Combining Statement of Fiduciary Net Position
June 30, 2024

	OPEB Irrevocable Trust Fund	HRA Trust Fund	Total Trust Funds
Assets			
Investments			
Brokered money markets	$ 146,604	$ 4,049,836	$ 4,196,440
Fixed income	6,700,565	-	6,700,565
Mutual funds	6,850,922	-	6,850,922
Total investments	13,698,091	4,049,836	17,747,927
Accounts receivable	20,438	-	20,438
Total assets	$ 13,718,529	$ 4,049,836	$ 17,768,365
Liabilities			
Accounts payable	$ 130,902	$ -	$ 130,902
Net Position			
Held in trust for OPEB	13,587,627	-	13,587,627
Held in trust for HRA	-	4,049,836	4,049,836
Total net position	$ 13,587,627	$ 4,049,836	$ 17,637,463

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

	OPEB Irrevocable Trust Fund	HRA Trust Fund	Total Trust Funds
Additions			
Contributions	$ 250,815	$ 189,389	$ 440,204
Investment income			
Interest, dividends, change in fair value	1,315,335	54,647	1,369,982
Total additions	1,566,150	244,036	1,810,186
Deductions			
Employee benefit deductions	755,833	-	755,833
Change in net position	810,317	244,036	1,054,353
Net Position			
Beginning of year	12,777,310	3,805,800	16,583,110
End of year	$ 13,587,627	$ 4,049,836	$ 17,637,463

Independent School District No. 877
Uniform Financial Accounting and Reporting Standards
Compliance Table
For the Year Ended June 30, 2024

	Audit	UFARS	Audit-UFARS
01 GENERAL FUND			
Total Revenue	$ 80,967,834	$ 80,967,832	$ 2
Total Expenditures	78,989,395	78,989,397	(2)
Nonspendable:			
4.60 Nonspendable fund balance	821,258	821,258	-
Restricted/reserved:			
4.01 Student Activities	45,429	45,429	-
4.02 Scholarships	-	-	-
4.03 Staff Development	-	-	-
4.07 Capital Projects Levy	-	-	-
4.08 Cooperative Program	-	-	-
4.12 Literacy Incentive Aid	182,371	182,371	-
4.13 Building Projects Funded by COP/LP	-	-	-
4.14 Operating Debt	-	-	-
4.16 Levy Reduction	-	-	-
4.17 Taconite Building Maintenance	-	-	-
4.20 American Indian Education Aid	8,407	8,406	1
4.24 Operating Capital	1,940,960	1,940,959	1
4.26 $25 Taconite	-	-	-
4.27 Disabled Accessibility	-	-	-
4.28 Learning and Development	-	-	-
4.34 Area Learning Center	-	-	-
4.35 Contracted Alternative Programs	-	-	-
4.36 State Approved Alternative Program	-	-	-
4.38 Gifted and Talented	-	-	-
4.39 English Learner	-	-	-
4.40 Teacher Development and Evaluations	-	-	-
4.41 Basic Skills Programs	-	-	-
4.43 School Library Aid	-	-	-
4.45 Career Technical Programs	-	-	-
4.48 Achievement and Integration Revenue	-	-	-
4.49 Safe Schools Revenue	-	-	-
4.51 QZAB Payments	-	-	-
4.52 OPEB Liabilities not Held in Trust	-	-	-
4.53 Unfunded Severance and Retirement Levy	-	-	-
4.59 Basic Skills Extended Time	-	-	-
4.67 Long-Term Facilities Maintenance	377,945	377,945	-
4.71 Student Support Personnel Aid	-	-	-
Restricted:			
4.72 Medical Assistance	379,846	379,846	-
4.64 Restricted fund balance	-	-	-
4.75 Title VII - Impact Aid	-	-	-
4.76 Payments in Lieu of Taxes	-	-	-
Committed:			
4.18 Committed for separation	2,890,038	2,890,038	-
4.61 Committed	-	-	-
Assigned:			
4.62 Assigned fund balance	1,752,047	1,752,047	-
Unassigned:			
4.22 Unassigned fund balance	11,803,666	11,803,662	4
02 FOOD SERVCICE FUND			
Total revenue	$ 4,987,106	$ 4,987,107	$ (1)
Total expenditures	4,376,501	4,376,499	2
Nonspendable:			
4.60 Nonspendable fund balance	106,231	106,231	-
Restricted/reserved:			
4.52 OPEB liabilities not held in trust	-	-	-
Restricted:			
4.64 Restricted fund balance	3,521,910	3,521,910	-
Unassigned:			
4.63 Unassigned fund balance	-	-	-
04 COMMUNITY SERVICE FUND			
Total revenue	$ 4,684,255	$ 4,684,256	$ (1)
Total expenditures	4,099,179	4,099,183	(4)
Nonspendable:			
4.60 Nonspendable fund balance	2,967	2,967	-
Restricted/reserved:			
4.26 $25 Taconite	-	-	-
4.31 Community Education	875,192	875,192	-
4.32 ECFE	206,487	206,487	-
4.40 Teacher Development and Evaluation	-	-	-
4.44 School Readiness	121,692	121,692	-
4.47 Adult Basic Education	-	-	-
4.52 OPEB Liabilities not Held in Trust	-	-	-
Restricted:			
4.64 Restricted fund balance	-	-	-
Unassigned:			
4.63 Unassigned fund balance	(93,675)	(93,675)	-

	Audit	UFARS	Audit-UFARS
06 BUILDING CONSTRUCTION FUND			
Total revenue	$ 402,783	$ 402,783	$ -
Total expenditures	1,133,482	1,133,483	(1)
Nonspendable:			
4.60 Nonspendable fund balance	-	-	-
Restricted/Reserved:			
4.07 Capital Projects Levy	-	-	-
4.09 Alternative Facility Program	-	-	-
4.13 Building Projects Funded by COP	-	-	-
Restricted:			
4.64 Restricted fund balance	45,289,290	45,289,289	1
Unassigned:			
4.63 Unassigned fund balance	-	-	-
07 DEBT SERVICE FUND			
Total revenue	$ 7,624,332	$ 7,624,331	$ 1
Total expenditures	7,255,511	7,255,510	1
Nonspendable:			
4.60 Nonspendable fund balance	-	-	-
Restricted/reserved:			
4.25 Bond refunding	-	-	-
4.33 Maximum effort load aid	-	-	-
4.51 QZAB Payments	-	-	-
4.67 LTFM	-	-	-
Restricted:			
4.64 Restricted fund balance	2,082,837	2,082,837	-
Unassigned:			
4.63 Unassigned fund balance	-	-	-
08 TRUST FUND			
Total revenue	$ 244,036	$ 244,036	$ -
Total expenditures	-	-	-
Unassigned:			
4.01 Student Activities	-	-	-
4.02 Scholarships	-	-	-
4.22 Net position	4,049,836	4,049,836	-
18 CUSTODIAL			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Restricted/Reserved:			
4.01 Student Activities	-	-	-
4.02 Scholarships	-	-	-
4.48 Achievement and Integration	-	-	-
4.64 Restricted	-	-	-
20 INTERNAL SERVICE FUND			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
4.22 Net position	-	-	-
25 OPEB REVOCABLE TRUST			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
4.22 Net position	-	-	-
45 OPEB IRREVOCABLE TRUST			
Total revenue	$ 1,566,150	$ 1,566,150	$ -
Total expenditures	755,833	755,832	1
Unassigned:			
4.22 Net position	13,587,627	13,587,627	-
47 OPEB DEBT SERVICE			
Total revenue	$ 22,736	$ 22,736	$ -
Total expenditures	-	-	-
Nonspendable:			
4.60 Nonspendable fund balance	-	-	-
Restricted:			
4.64 Restricted fund balance	-	-	-
Unassigned:			
4.63 Unassigned fund balance	-	-	-

Independent School District No. 877
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Agency/Pass Through Agency/Program Title	Federal Assistance Listing Number	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education		
Child Nutrition Cluster		
School Breakfast Program	10.553	$ 345,685
Commodities (noncash)	10.555	355,435
National School Lunch Program	10.555	1,095,267
COVID-19 - Supply Chain Assistance Funds	10.555C	134,374
Summer Food Service Program	10.559	51,449
Total Child Nutrition Cluster		1,982,210
Local Food for Schools Cooperative Agreement Program	10.185	28,500
COVID-19 - Pandemic EBT Administrative costs	10.649C	653
Total U.S. Department of Agriculture		2,011,363
U.S. Department of Treasury		
Through Minnesota Department of Education		
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Summer Academic Enrichment and Mental Health	21.027	60,285
U.S. Department of Education		
Through Minnesota Department of Education		
Title I Grants to Local Educational Agencies	84.010	372,377
Supporting Effective Instruction State Grants	84.367	114,918
English Language Acquisition State Grants	84.365	15,189
Education Stabilization Fund		
COVID-19 - American Rescue Plan (ARP) – ESSER III Fund – 90% Formula Allocation - COVID	84.425U	729,941
COVID-19 - ARP ESSER III - Learning Recovery – Lost Instructional Time	84.425U	135,430
COVID-19 - ARP ESSER III Fund – 90% Learning Loss	84.425U	84,602
Total Education Stabilization Fund		949,973
Special Education Cluster		
Special Education Grants to States	84.027	1,336,343
Coordinated Early Intervening Services	84.027	182,585
Special Education - Preschool Grants	84.173	44,128
IDEA Part B Section 619 - Centers of Excellence Discretionary Grant	84.173A	4,059
Total Special Education Cluster		1,567,115
Special Education - Grants for Infants and Families	84.181	23,712
COVID-19 - ARP IDEA Part C - Ages Birth through 2	84.181X	7,500
Total Special Education - Infants and Toddlers Cluster		31,212
Through Northwest Suburban Integration District		
Magnet Schools Assistance	84.165A	152,099
Total Department of Education		3,202,883
Total Federal Expenditures		$ 5,274,531

See notes to schedule of expenditures of federal awards.

Independent School District No. 877
Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes of net assets, or cash flows of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – PASS-THROUGH GRANT NUMBERS

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

NOTE 4 – INVENTORY

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

NOTE 5 – INDIRECT COST RATE

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

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OTHER DISTRICT INFORMATION

Independent School District No. 877
Deferred Tax Levies
(Unaudited)

Calendar Year Levied	Collected	School Building Bonds of 2024	School Building Bonds of 2015	Total
2023	2024	$ 2,794,103	$ 6,291,519	$ 9,085,622
2024	2025	3,192,315	6,311,416	9,503,731
2025	2026	3,059,753	6,315,459	9,375,212
2026	2027	3,188,115	6,312,794	9,500,909
2027	2028	3,186,540	6,310,658	9,497,198
2028	2029	3,181,815	6,315,960	9,497,775
2029	2030	9,179,940	-	9,179,940
2030	2031	9,178,365	-	9,178,365
2031	2032	2,485,403	-	2,485,403
2032	2033	2,228,940	-	2,228,940
2033	2034	2,228,153	-	2,228,153
2034	2035	2,229,203	-	2,229,203
2035	2036	2,226,578	-	2,226,578
2036	2037	2,225,528	-	2,225,528
2037	2038	2,225,790	-	2,225,790
2038	2039	2,228,940	-	2,228,940
2039	2040	2,229,150	-	2,229,150
2040	2041	2,226,420	-	2,226,420
2041	2042	2,226,000	-	2,226,000
2042	2043	2,227,680	-	2,227,680
Total		$ 63,948,731	$ 37,857,806	$101,806,537

Independent School District No. 877
Property Tax Levies, Rates, and Valuations
Last Ten Fiscal Years
(Unaudited)

Year Collectible	Net Tax Capacity Valuations	Tax Capacity Rates	General Fund	Community Service Fund	Debt Service Fund	OPEB Debt Service Fund	Total All Funds
2015	$28,598,205	0.35375	$ 5,102,489	$ 444,304	$ 7,363,703	$ 496,186	$13,406,682
2016	30,076,092	0.34489	6,299,838	464,451	5,807,758	1,290,641	13,862,688
2017	31,467,344	0.32887	6,260,288	488,197	5,914,677	1,272,597	13,935,759
2018	33,452,365	0.32471	6,963,233	493,467	5,334,875	2,069,902	14,861,477
2019	35,575,211	0.30953	7,360,503	455,473	5,398,465	2,035,660	15,250,101
2020	38,274,130	0.29184	11,795,773	476,953	5,332,883	2,030,744	19,636,353
2021	41,772,170	0.27200	12,166,462	597,305	5,363,609	2,006,174	20,133,550
2022	43,729,570	0.26546	11,294,456	582,216	5,886,980	1,935,558	19,699,210
2023	52,506,316	0.21575	13,221,891	661,619	6,531,416	-	20,414,926
2024	62,210,554	0.20928	12,660,669	537,348	8,902,674	-	22,100,691

Source: School Tax Report

Buffalo
Hanover
Montrose

BHM SCHOOLS

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

Independent Auditor's Report

To the School Board
Independent School District No. 877
Buffalo-Hanover-Montrose, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 877, Buffalo-Hanover-Montrose, Minnesota, as of and for the year ending June 30, 2024, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 5, 2024.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 may exist that have not been 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*.

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.

Bergan KDV Ltd.

St. Cloud, Minnesota
November 5, 2024

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

Independent Auditor's Report

To the School Board
Independent School District No. 877
Buffalo-Hanover-Montrose, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Independent School District No. 877's, Buffalo-Hanover-Montrose, Minnesota compliance with the types of compliance requirements identified as subject to audit in the *U.S. Office of Management and Budget* (OMB) Compliance Supplement that could have a direct and material effect on the District's major federal program for the year ended June 30, 2024. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Independent School District No. 877 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District 's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District 's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District 's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District 's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

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

Report on Internal Control over Compliance (Continued)
Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Bergan KDV Ltd.

St. Cloud, Minnesota
November 5, 2024

Buffalo
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Independent School District No. 877
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).
Internal control over financial reporting:	
◆ Material weakness(es) identified?	No
◆ Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
◆ Material weakness(es) identified?	No
◆ Significant deficiency(ies) identified?	None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No

Identification of Major Programs

Assistance Listing No:	84.027, 84.173, 84.173A
Name of Federal Program or Cluster:	Special Education Cluster
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low risk auditee?	Yes

Independent School District No. 877
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SECTION II – FINANCIAL STATEMENT FINDINGS

There were no financial statement findings.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no Federal award findings.

There were no questioned costs.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None

Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 877
Buffalo-Hanover-Montrose, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 877, Buffalo-Hanover-Montrose, Minnesota as of and for the year ended June 30, 2024, and the related notes to basic financial statements, which collectively comprise the District 's basic financial statements, and have issued our report thereon dated November 5, 2024.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

Bergan KDV Ltd.

St. Cloud, Minnesota
November 5, 2024