NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2024

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INDEPENDENT SCHOOL DISTRICT NO. 138
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NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
SCHOOL BOARD AND ADMINISTRATION
JUNE 30, 2024

BOARD OF EDUCATION

NAME	TERM ON BOARD EXPIRES	BOARD POSITION
Tim MacMillan	01/02/25	Chairperson
Sarah Grovender	01/02/27	Vice Chairperson
Heather Naegele	01/02/25	Clerk
Jesse LaValla	01/02/27	Treasurer
Shelly Johnson	01/02/25	Director
Adam Trampe	01/02/27	Director

ADMINISTRATION

Sara Paul	Superintendent
Todd Tetzlaff	Director of Finance and Human Resources
Jenna Battaglia	District Accountant
District Offices:	Independent School District No. 138 North Branch Public Schools 38705 Grand Ave. North Branch, MN 55056 (651) 674-1000

FINANCIAL SECTION

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Education
North Branch Public Schools
Independent School District No. 138
North Branch, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 138 (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' 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 District's internal control. Accordingly, no such opinion is expressed.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of revenues, expenditures, and changes in fund balances – budget and actual – general fund, the schedule of revenues, expenditures, and changes in fund balances – budget and actual – food service fund, the schedule of revenues, expenditures and changes in fund balances – budget and actual – community service fund, the schedule of changes in the District's OPEB liability and related ratios, the schedule of District's proportionate share of the net pension liability, and the schedule of District contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 uniform financial accounting and reporting standards compliance table is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the uniform financial accounting and reporting standards compliance table is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and bond schedules but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Board of Education
North Branch Public Schools
Independent School District No. 138

Report on Summarized Comparative Information

We have previously audited the District's 2023 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated November 27, 2023. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 6, 2024

REQUIRED SUPPLEMENTARY INFORMATION

This section of North Branch Schools – Independent School District No. 138's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2024. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

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

- Net position increased from District operations by $5,128,900 as compared to June 30, 2023.
- Overall General Fund revenues were $39,200,951 as compared to $35,824,379 of expenditures.
- The ending fund balance of the General Fund increased $3,609,333 from the prior year. Revenues increased 12.4% over the prior year, and expenditures increased 6.7% over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), 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 *District-wide financial statements* that provide both *short-* 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 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.
- Proprietary funds statements offer short- and long-term financial information about the activities the district operates like businesses.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data.

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 of 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.

District-Wide Statements (Continued)

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

- Over time, increases or decreases in the District's net position 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 non-financial 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 aids finance most of these activities.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

- The District uses *internal service funds* to report activities that provide supplies and services for the District's other programs and activities. The district currently has one internal service fund for self-insurance of dental benefits.

Fund Financial Statements (Continued)

- *Fiduciary Funds* – The District is the trustee, or *fiduciary*, for assets that belong to others, The District currently has one trust fund, for postemployment benefits. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's *combined* net position was $7,227,185 on June 30, 2024. This was an increase of $5,128,900 from the prior year (see Table A-1).

Table A-1
The District's Net Position

	Governmental Activities		Percentage
	2024	2023	Change
Current and Other Assets	$ 28,993,896	$ 24,901,560	16.43 %
Capital and Noncurrent Assets	80,934,191	86,180,758	(6.09)
Total Assets	109,928,087	111,082,318	(1.04)
Deferred Outflows of Resources	6,102,264	7,340,046	(16.86)
Current Liabilities	7,009,514	7,074,607	(0.92)
Long-Term Liabilities	88,707,879	92,773,802	(4.38)
Total Liabilities	95,717,393	99,848,409	(4.14)
Deferred Inflows of Resources	13,085,773	16,475,670	(20.58)
Net Position			
Net Investment in Capital Assets	11,364,683	13,433,993	(15.40)
Restricted	5,795,876	5,150,813	12.52
Unrestricted	(9,933,374)	(16,486,521)	(39.75)
Total Net Position	$ 7,227,185	$ 2,098,285	

Changes in Net Position

The District's total revenues were $49,381,917 for the year ended June 30, 2024. Property taxes and unrestricted state formula aid accounted for 65.7% of total revenue for the year. Another 4.8% came from federal sources, and the remainder from investment earnings, other general revenues and program revenues.

	Governmental Activities for the Fiscal Year Ended June 30,		Percentage
	2024	2023	Change
Revenues			
Program Revenues			
Charges for Services	$ 3,533,242	$ 4,142,313	(14.70)%
Operating Grants and Contributions	11,618,068	8,690,089	33.69
Capital Grants and Contributions	419,842	402,546	4.30
General Revenues			
Property Taxes	10,117,813	9,582,811	5.58
Unrestricted State Aid	22,348,042	20,588,032	8.55
Investment Earnings	738,723	474,668	55.63
Other	606,187	356,322	70.12
Total Revenues	49,381,917	44,236,781	11.63
Expenses			
Administration	1,775,780	1,339,218	32.60
District Support Services	1,686,885	1,723,123	(2.10)
Regular Instruction	17,771,313	14,623,182	21.53
Vocational Education Instruction	745,784	422,644	76.46
Special Education Instruction	6,507,161	5,004,708	30.02
Instructional Support Services	2,222,732	2,171,137	2.38
Pupil Support Services	3,727,753	3,790,901	(1.67)
Sites and Buildings	3,628,812	3,929,188	(7.64)
Fiscal and Other Fixed Cost Programs	323,109	380,224	(15.02)
Food Service	1,827,399	1,713,515	6.65
Community Service	1,830,150	1,484,452	23.29
Interest and Fiscal Charges on Long-Term Liabilities	2,206,139	2,324,756	(5.10)
Total Expenses	44,253,017	38,907,048	13.74
Increase (Decrease) in Net Position	5,128,900	5,329,733	
Net Position - Beginning of Year	2,098,285	(3,231,448)	
Net Position - End of Year	$ 7,227,185	$ 2,098,285	

The total cost of all programs and services including interest and fiscal charges, was $44,253,017. Total revenues exceeded expenses, increasing net position by $5,128,900 over last year. The increase in charges for services is due to more participation for community service programs and investment earnings. The increase in operating grants and unrestricted state aid is due to an increase in state funding. The increase in expenses is due to an increase in salaries and benefits.

Changes in Net Position (Continued)

The cost of all *governmental* activities this year was $44,253,017.

- Some of the cost was paid by the users of the District's programs ($3,533,242).
- The federal and state governments subsidized certain programs with operating and capital grants and contributions ($12,037,910).
- Most of the District's costs, however, were paid for by District taxpayers and the taxpayers of our state.
- This portion of governmental activities was paid for with $10,117,813 in property taxes, $22,348,042 of state aid based on the statewide education aid formula, and $1,344,910 with investment earnings and other general revenues.

Figure A-1
Sources of District's Revenues for Fiscal 2024

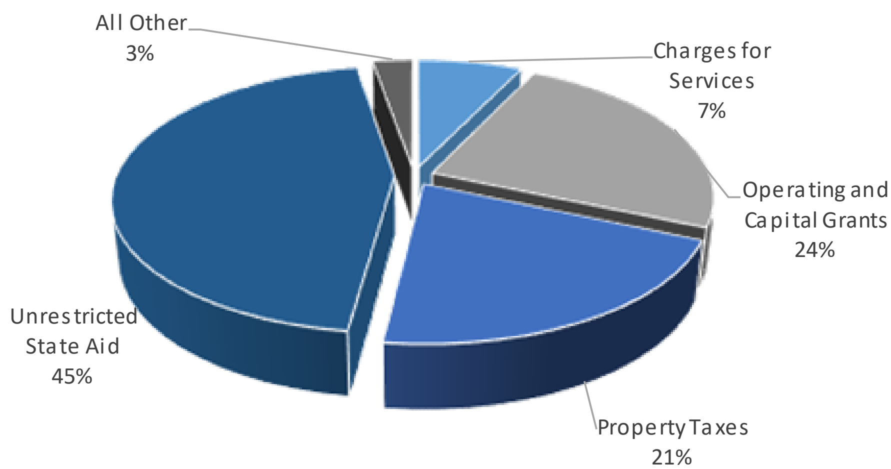
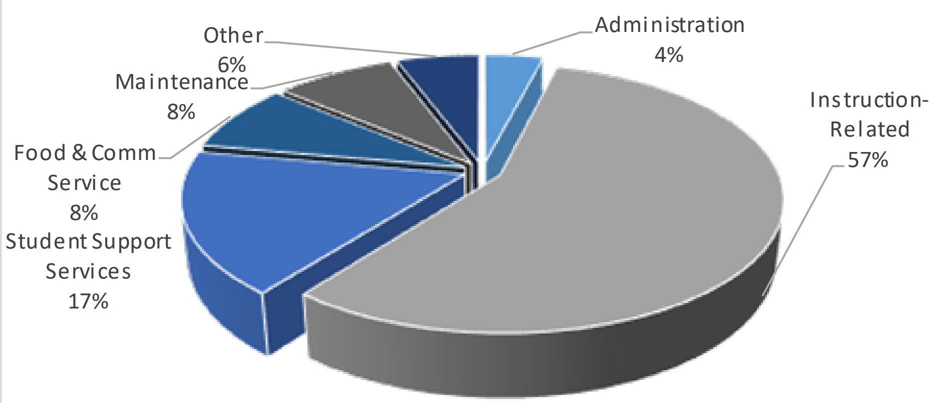


Figure A-2
District Expenses for Fiscal 2024



Changes in Net Position (Continued)

Typically, the District does not include in an analysis of all governmental funds a breakout of expenses as depicted in Figure A-2. To do so distorts the latitude available to the District to allocate resources to instruction. All governmental funds includes not only funds received for the general operation of the District, which are used for classroom instruction, but also includes resources from the entrepreneurial-type funds of Food Service and Community Education, and from resources for fiscal service transactions. 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 in Food Service or Community Education or for fiscal services to enhance classroom instruction resources. The District cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction. The preceding graph, by pooling all expenses, implies that the District does have equal access to all funds to impact classroom instruction. In Minnesota, that is simply not an option. Therefore, a more accurate analysis of resources allocated to instruction should be limited to an analysis of resources received for the general operation of the District and that analysis would show that 60.4% of those resources are spent on instruction.

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	$ 1,775,780	$ 1,339,218	32.60 %	$ 1,665,235	$ 1,249,087	33.32 %
District Support Services	1,686,885	1,723,123	(2.10)	1,669,957	1,705,779	(2.10)
Regular Instruction	17,771,313	14,623,182	21.53	13,649,224	11,343,169	20.33
Vocational Education Instruction	745,784	422,644	76.46	732,445	417,373	75.49
Special Education Instruction	6,507,161	5,004,708	30.02	955,533	526,535	81.48
Instructional Support Services	2,222,732	2,171,137	2.38	1,050,183	1,022,288	2.73
Pupil Support Services	3,727,753	3,790,901	(1.67)	3,253,395	3,064,185	(6.17)
Sites and Buildings	3,628,812	3,929,188	(7.64)	3,333,763	3,611,622	(7.69)
Fiscal and Other Fixed Cost Programs	323,109	380,224	(15.02)	323,109	380,224	(15.02)
Food Service	1,827,399	1,713,515	6.65	(289,561)	101,314	385.81
Community Service	1,830,150	1,484,452	23.29	132,443	(74,232)	(278.42)
Interest and Fiscal Charges on Long-Term Liabilities	2,206,139	2,324,756	(5.10)	2,206,139	2,324,756	(5.10)
Total	$ 44,253,017	$ 38,907,048	13.74	$ 28,681,865	$ 25,672,100	11.72

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 $14,903,657 which is $4,008,535 higher last year's ending fund balance of $10,895,122. Revenues and other financing sources for the District's governmental funds were $49,512,523 while total expenditures and other financing uses were $45,503,988. Other financing sources and uses included transfers.

GENERAL FUND

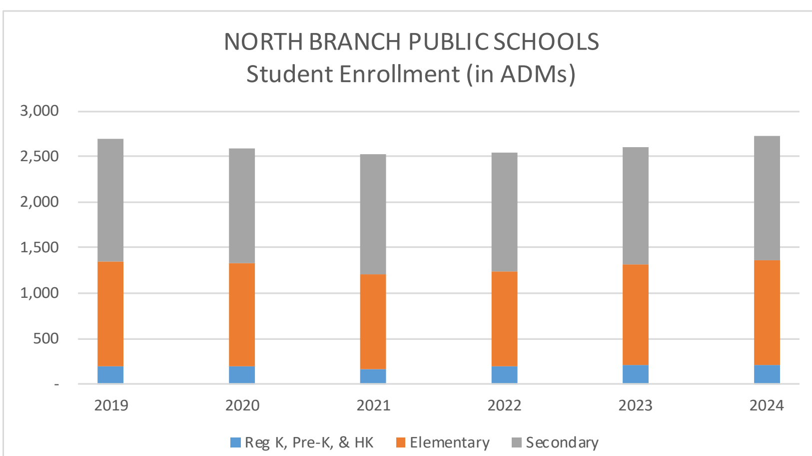
The General Fund includes the primary operations of the District in providing educational services to students from kindergarten through grade 12 including pupil transportation activities and capital outlay projects. Approximately 80.7% of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model providing approximately 50% of related expenditures. Other state formulas then determine what portion of the revenue will be provided by property taxes and what portion will come from state aid.

ENROLLMENT

Enrollment is a critical factor in determining revenue with approximately 63.6% of General Fund revenue being determined by enrollment. The following chart shows that the number of students has decreased over the last several years.

Table A-4
Six-Year Enrollment Trend
Average Daily Membership (ADM)

	2019	2020	2021	2022	2023	2024
Reg K, Pre-K, & HK	191	197	166	192	213	201
Elementary	1,150	1,130	1,038	1,049	1,097	1,157
Secondary	1,352	1,258	1,330	1,301	1,296	1,365
Total Students for Aid	2,693	2,585	2,534	2,542	2,606	2,723
Percent Change	-5.84%	-4.01%	-1.97%	0.32%	2.52%	4.49%



In 2024, the District experienced an increase in enrollment of 117 students. Overall enrollment has increased over the last 10 years.

The following schedule presents a summary of General Fund revenues.

Table A-5
General Fund Revenues

Fund	Year Ended June 30, 2024	Year Ended June 30, 2023	Change Increase (Decrease)	Change Percent
Local Sources:				
Property Taxes	$ 4,485,816	$ 3,877,782	$ 608,034	15.7 %
Earnings on Investments	738,723	471,062	267,661	56.8
Other	2,494,514	2,489,162	5,352	0.2
State Sources	30,063,744	26,010,208	4,053,536	15.6
Federal Sources	1,418,154	2,024,437	(606,283)	(29.9)
Total General Fund Revenues	$ 39,200,951	$ 34,872,651	$ 4,328,300	12.4

Total General Fund revenue increased by $4,328,300 or 12.4% from the previous year. The increase in state sources is due to additional funding sources for the current year. Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in total revenue. The state basic general education revenue formula per student decreased compared to the prior year.

The following schedule presents a summary of General Fund expenditures.

Table A-6
General Fund Expenditures

	Year Ended June 30, 2024	Year Ended June 30, 2023	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	$ 19,647,731	$ 18,294,943	$ 1,352,788	7.4 %
Employee Benefits	5,971,807	5,504,127	467,680	8.5
Purchased Services	7,133,759	6,644,883	488,876	7.4
Supplies and Materials	1,926,951	2,082,321	(155,370)	(7.5)
Capital Expenditures	692,646	429,855	262,791	61.1
Other Expenditures	451,485	608,716	(157,231)	(25.8)
Total Expenditures	$ 35,824,379	$ 33,564,845	$ 2,259,534	6.7

Total General Fund expenditures increased $2,259,534 or 6.7% from the previous year. Increases in salaries and employee benefits occurred as a result of additional staff and overall salary increases.

In 2023-2024, General Fund revenues and other financing sources exceeded expenditures and other financing uses by $3,609,333. Therefore, total fund balance increased to $11,738,400 at June 30, 2024. After deducting statutory restrictions, the unassigned fund balance increased from $3,642,045 at June 30, 2023 to $4,266,536 at June 30, 2024 due to an increase in state aids and property taxes. Unassigned fund balance is the single best measure of overall financial health.

General Fund Budgetary Highlights

Following approval of the budget prior to the beginning of the fiscal year, the District revises the annual operating budget in mid-year. The Board was presented with and adopted a revised General Fund budget in February 2024 and was presented with and adopted a revised budget for all funds in June 2024. These budget amendments typically fall into two categories:

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating unexpended funds being carried over, and budgeting for clearing accounts.
- Legislation passed subsequent to budget adoption, changes necessitated by collective bargaining agreements, changes in student enrollments, staffing changes, and increases in appropriations for significant unbudgeted costs.

In the case of either budget amendments, depending on how actual revenue and expenditures items are tracking against the preliminary budget amounts, adjustments are proposed to specific categories for review and approval by the school board.

Actual revenues were $1,042,089 higher than expected, mainly due to higher than expected earnings on investments and other revenue.

The actual expenditures were $1,130,357 lower than budget, mainly due to a decrease in expected special education costs and a decrease in sites and buildings.

The District's final budget for the General Fund anticipated an increase in fund balance of $1,214,293, the actual results for the year show an increase of $3,609,333, so the ending fund balance was more than budget by $2,395,040. The majority of the fund balance in this area consists of Long-Term Facility Maintenance Funds, operating capital, and capital projects levy and are allocated to projects related to construction and capital outlay.

DEBT SERVICE FUND

The Debt Service Fund revenue exceeded expenditures by $151,239 in 2023-2024. The remaining fund balance of $1,231,552 is restricted at June 30, 2024.

OTHER MAJOR FUNDS

Expenditures exceeded revenues in the Food Service Fund by $289,561, leaving a fund balance of $743,914.

The total fund balance of the Community Service Fund increased by $191,163. The increase related to increased participation in various programs during the current fiscal year.

OTHER MAJOR FUNDS (CONTINUED)

From the standpoint of maintaining current operating expenditures within the range of annual revenue and maintaining a sound fund balance, both the Community Service and Food Service Funds continue to operate on a sound financial basis. The District utilizes price increases and expenditure reductions as necessary to bring expenditures and revenues in these funds into balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2024, the District had invested about $149,121,000 in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and school buses (see Table A-7). (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year was approximately $5,796,000.

Table A-7
The District's Capital Assets

	2024	2023	Percentage Change
Land	$ 509,000	$ 509,000	- %
Construction in Progress	178,543	-	N/A
Land Improvements	10,507,217	10,484,593	0.2
Buildings and Improvements	121,278,993	121,242,375	0.0
Equipment	16,646,862	16,358,015	1.8
Less: Accumulated Depreciation	(68,186,424)	(62,413,225)	9.2
Total	$ 80,934,191	$ 86,180,758	(6.1)

Long-Term Liabilities

At year-end, the District had $67,865,000 in general obligation bonds outstanding – a decrease of 4.5% from last year – as shown in Note 6 to the financial statements.

Table A-8
The District's Long-Term Liabilities

	2024	2023	Percentage Change
General Obligation Bonds	$ 67,865,000	$ 71,075,000	(4.5)%
Net Bond Premium and (Discount)	2,109,508	2,337,074	(9.7)
Finance Purchase Obligations	-	129,691	(100.0)
Compensated Absences	694,598	950,289	
Total	$ 70,669,106	$ 74,492,054	(5.1)
Long-Term Liabilities:			
Due Within One Year	$ 3,475,417	$ 3,543,737	
Due in More Than One Year	67,193,689	70,948,317	
Total	$ 70,669,106	$ 74,492,054	

Bond Ratings

The District's bonds presently carry a Moody's "A1" underlying rating with an Enhanced rating of "Aa2".

Limitations on Debt

The state limits the amount of general obligation debt the District can issue to 15% of the assessed value of all taxable property within the District's corporate limits. Our outstanding debt is significantly below this limit – which is currently $254 million.

FACTORS BEARING ON THE DISTRICT'S FUTURE

North Branch Area Public Schools is dependent on the State of Minnesota for its revenue authority. The District has been unsuccessful in attempts to gain voter approval for an excess operating referendum, and so remains at the basic state funding level. The School Board is committed to maintaining a balanced budget and maintaining the unassigned General Fund balance within the School Board fund balance target. Revenue has not kept pace with inflation, which has posed a persistent challenge to the school district's budgets. That is especially true when considering inflationary increases in the cost of food, fuel, energy and supplies. Over the past 12 months, we have reached agreements with bargaining groups that are higher than historical average increases to salaries and benefits.

The School Board revised its fund balance policy from a target of between 5% and 10% to a targeted fund balance policy in our unassigned general fund of between 10% and 15% in July 2021. The fund balance policy was revised to ensure the District is not in a position that requires cash-flow borrowing while operating within the school boards' established target. Recent increases in interest rates add to the cost of cash-flow borrowing and that added cost has been avoided because the District has been able to maintain a fund balance within our established target. The audited fund balance in the unassigned general fund has improved from a recent low of -1.19% in 2018 to 10.85% in 2023 and 11.31% in 2024 based on the preliminary financial statements. This improved fund balance positions the school district within the established fund balance target. The District will continue striving to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

After several years of enrollment decline, the District has increased enrollment for each of the past two years. Two factors are leading to improved student enrollment; housing starts in the community and an increase in families choosing to enroll in the school district who were previously enrolled elsewhere. Housing options continue to be constructed within the school district and this construction is projected to continue into future years. The school district will continue to communicate the high-quality education services available to students and remains committed to continuous improvement efforts to ensure continued growth into the future. Growth potential exists because of the geographic proximity to the Minneapolis/St. Paul metropolitan area on a major interstate corridor. In addition, birth rates within the District have historically been higher than the state average. Enrollment growth will depend on the level of residential development in the District. The District will continue to review these trends closely.

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

Additional federal revenue dedicated to COVID-related expenses were utilized during the 2023 – 2024 school year for items such as, but not limited to; staffing for Distance Learning Academy, staffing to reduce class sizes to improve safety by providing for greater social distancing, digital curriculum, technology for students and staff to connect virtually, intervention support for students after school and in the summer and transporting students at reduced capacity. In FY24, the school district spent $1,024,758 in federal funds to address these needs. Moving into FY 25, the District has allocated and expended all of the available federal funds dedicated to COVID-related expenses and will not have access to these funds moving forward.

Construction and Facilities Maintenance

The District regularly monitors enrollments to plan for needed capacity. Current projections suggest that building capacity District-wide should be adequate for at least the next decade and until significant new residential development occurs in the District. A facilities and recommissioning study was completed in the 2013-2014 fiscal year, which identified deferred maintenance needs too large to be addressed with annual maintenance revenues. A successful election was held in May 2017 to authorize bonds of $70,165,000 for deferred maintenance and improvements. The process of making significant capital improvements to existing facilities concluded during FY22. Updates to mechanical systems, electrical systems, and HVAC have significantly improved the functioning and efficiency of the building sites and the majority of spaces had new furniture. An expanded fitness center and gym space were added to the high school and Kindergarten classrooms were added to the Education Center.

Long Term Facilities Maintenance bonds were sold during the construction process to direct more revenue to the construction process while it was underway. Those resources were efficiently and effectively applied during construction and the District will service those bonds through 2029 using Long Term Facilities Maintenance funds. However, deferred maintenance projects remain that need to be addressed and additional repair and maintenance needs continue to be identified. Funds have been assigned to assure the necessary funds are available to meet District needs in the absence of available Long Term Facilities Maintenance revenue.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District 138, District Office, 38705 Grand Ave., North Branch, Minnesota 55056.

BASIC FINANCIAL STATEMENTS

NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
STATEMENT OF NET POSITION
JUNE 30, 2024
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2023)

	Governmental Activities 2024	Governmental Activities 2023
ASSETS		
Cash and Investments	$ 17,451,026	$ 13,754,018
Receivables:		
Property Taxes	6,674,638	6,640,828
Other Governments	3,280,728	3,255,373
Other	653,880	151,236
Prepaid Items	20,981	296,148
Inventory	55,019	61,978
Due From Trust	113,055	-
Net OPEB Asset	744,569	741,979
Capital Assets:		
Land	509,000	509,000
Construction in Progress	178,543	-
Other Capital Assets, Net of Depreciation	80,246,648	85,671,758
Total Assets	109,928,087	111,082,318
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	5,806,336	6,909,896
OPEB Related	295,928	430,150
Total Deferred Outflows of Resources	6,102,264	7,340,046
LIABILITIES		
Salaries Payable and Other Payroll Related Items	1,802,373	1,687,528
Accounts, Contracts, and Claims Payable	512,378	596,964
Accrued Interest	980,941	1,041,533
Due to Other Governmental Units	123,899	78,542
Unearned Revenue	114,506	126,303
Long-Term Liabilities:		
Net Pension Liability	21,514,190	21,825,485
Portion Due Within One Year	3,475,417	3,543,737
Portion Due in More Than One Year	67,193,689	70,948,317
Total Liabilities	95,717,393	99,848,409
DEFERRED INFLOWS OF RESOURCES		
Pension Related	3,019,091	6,309,580
OPEB Related	301,720	433,874
Property Taxes Levied for Subsequent Year	9,764,962	9,732,216
Total Deferred Inflows of Resources	13,085,773	16,475,670
NET POSITION		
Net Investment in Capital Assets	11,364,683	13,433,993
Restricted for:		
General Fund Operating Capital Purposes	450,520	463,056
General Fund State-Mandated Reserves	2,272,312	2,076,042
General Fund Grant Restricted	81,387	81,387
Food Service	743,914	454,353
Community Service	1,192,763	1,001,201
Other Postemployment Benefits	744,569	741,979
Debt Service	310,411	100,034
Capital Projects - Building Construction	-	232,761
Unrestricted	(9,933,374)	(16,486,521)
Total Net Position	$ 7,227,185	$ 2,098,285

See accompanying Notes to Basic Financial Statements.

NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024
(WITH SUMMARIZED FINANCIAL STATEMENT INFORMATION FOR YEAR ENDED JUNE 30, 2023)

	2024					2023
		Program Revenues			Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Governmental Activities
Governmental Activities						
Administration	$ 1,775,780	$ -	$ 110,545	$ -	$ (1,665,235)	$ (1,249,087)
District Support Services	1,686,885	-	(8)	16,936	(1,669,957)	(1,705,779)
Regular Instruction	17,771,313	682,921	3,306,280	132,888	(13,649,224)	(11,343,169)
Vocational Education Instruction	745,784	-	13,339	-	(732,445)	(417,373)
Special Education Instruction	6,507,161	792,835	4,758,793	-	(955,533)	(526,535)
Instructional Support Services	2,222,732	69,527	1,089,687	13,335	(1,050,183)	(1,022,288)
Pupil Support Services	3,727,753	299,215	175,143	-	(3,253,395)	(3,064,185)
Sites and Buildings	3,628,812	38,488	(122)	256,683	(3,333,763)	(3,611,622)
Fiscal and Other Fixed Cost Programs	323,109	-	-	-	(323,109)	(380,224)
Food Service	1,827,399	241,126	1,875,834	-	289,561	(101,314)
Community Service	1,830,150	1,409,130	288,577	-	(132,443)	74,232
Interest and Fiscal Charges on Long-Term Liabilities	2,206,139	-	-	-	(2,206,139)	(2,324,756)
Total School District	$ 44,253,017	$ 3,533,242	$ 11,618,068	$ 419,842	(28,681,865)	(25,672,100)
	General Revenues					
	Property Taxes Levied for:					
	General Purposes				4,490,169	3,859,148
	Community Service				239,444	234,174
	Debt Service				5,388,200	5,489,489
	State Aid Not Restricted to Specific Purposes				22,348,042	20,588,032
	Earnings on Investments				738,723	474,668
	Miscellaneous				606,187	356,322
	Total General Revenues				33,810,765	31,001,833
	CHANGE IN NET POSITION				5,128,900	5,329,733
	Net Position - Beginning of Year				2,098,285	(3,231,448)
	NET POSITION - END OF YEAR				$ 7,227,185	$ 2,098,285

See accompanying Notes to Basic Financial Statements.

NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2024
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2023)

	Major Funds		
	General	Food Service	Community Service
ASSETS			
Cash and Investments	$ 11,669,298	$ 532,342	$ 1,360,285
Receivables:			
Current Property Taxes	2,853,943	-	117,484
Delinquent Property Taxes	73,125	-	4,315
Due from Other Minnesota School Districts	229,696	-	-
Due from Minnesota Department of Education	2,671,072	57,704	27,700
Due from Federal through Minnesota Department of Education	56,243	47,338	-
Due from Other Governmental Units	137,326	-	7,062
Other Receivables	513,554	123,192	17,134
Due from Other Funds	113,055	-	-
Prepaid Items	14,134	-	6,847
Inventory	29,531	25,488	-
Total Assets	$ 18,360,977	$ 786,064	$ 1,540,827
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities:			
Salaries Payable	$ 1,874,115	$ -	$ 58,675
Accounts and Contracts Payable	456,673	27,901	3,209
Due to Other Governmental Units	123,209	690	-
Unearned Revenue	-	13,559	100,947
Total Liabilities	2,453,997	42,150	162,831
Deferred Inflows of Resources:			
Property Taxes Levied for Subsequent Year	4,128,248	-	185,233
Unavailable Revenue - Delinquent Taxes	40,332	-	2,972
Total Deferred Inflows of Resources	4,168,580	-	188,205
Fund Balance:			
Nonspendable:			
Prepaid Items	14,134	-	6,847
Inventory	29,531	25,488	-
Restricted:			
Student Activities	192,547	-	-
Scholarships	160,965	-	-
Staff Development	155,523	-	-
Capital Projects Levy	503,109	-	-
School Library Aid	4,807	-	-
Literacy Incentive Aid	9,449	-	-
American Indian Education	45,943	-	-
Operating Capital	450,520	-	-
Community Education Programs	-	-	574,851
Early Childhood and Family Educations Programs	-	-	511,262
Basic Skills Ext Time	-	-	-
Long-Term Facilities Maintenance	927,806	-	-
Medical Assistance	272,163	-	-
Other Restricted	81,387	718,426	96,831
Assigned:			
Capital Outlay	4,623,980	-	-
Unassigned	4,266,536	-	-
Total Fund Balance	11,738,400	743,914	1,189,791
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 18,360,977	$ 786,064	$ 1,540,827

See accompanying Notes to Basic Financial Statements.

NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
GOVERNMENTAL FUNDS
BALANCE SHEET (CONTINUED)
JUNE 30, 2024
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2023)

Capital Projects	Debt Service	Total Governmental Funds 2024	Total Governmental Funds 2023
$ -	$ 3,070,475	$ 16,632,400	$ 12,988,867
-	3,527,834	6,499,261	6,444,089
-	97,937	175,377	196,739
-	-	229,696	131,556
-	46,587	2,803,063	2,303,457
-	-	103,581	663,152
-	-	144,388	157,208
-	-	653,880	151,236
-	-	113,055	-
-	-	20,981	296,148
-	-	55,019	61,978
$ -	$ 6,742,833	$ 27,430,701	$ 23,394,430
$ -	$ -	$ 1,932,790	$ 1,891,574
-	-	487,783	570,867
-	-	123,899	78,542
-	-	114,506	126,303
-	-	2,658,978	2,667,286
-	5,451,481	9,764,962	9,732,216
-	59,800	103,104	99,806
-	5,511,281	9,868,066	9,832,022
-	-	20,981	296,148
-	-	55,019	61,978
-	-	192,547	200,944
-	-	160,965	101,369
-	-	155,523	247,322
-	-	503,109	137,540
-	-	4,807	-
-	-	9,449	-
-	-	45,943	-
-	-	450,520	463,056
-	-	574,851	499,033
-	-	511,262	394,448
-	-	-	65,732
-	-	927,806	1,328,951
-	-	272,163	226,945
-	1,231,552	2,128,196	1,704,611
-	-	4,623,980	1,525,000
-	-	4,266,536	3,642,045
-	1,231,552	14,903,657	10,895,122
$ -	$ 6,742,833	$ 27,430,701	$ 23,394,430

See accompanying Notes to Basic Financial Statements.

NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
JUNE 30, 2024
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2023)

	2024	2023
Total Fund Balance for Governmental Funds	$ 14,903,657	$ 10,895,122
Total fund balance reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	509,000	509,000
Construction in Progress	178,543	-
Land Improvements, Net of Accumulated Depreciation	4,755,380	5,202,744
Buildings and Improvements, Net of Accumulated Depreciation	67,435,885	71,841,485
Equipment, Net of Accumulated Depreciation	8,055,383	8,627,529
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are reported as deferred inflows of resources in the funds. resources in the funds.	103,104	99,806
The District's Net Pension Liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:		
Net Pension Liability	(21,514,190)	(21,825,485)
Deferred Inflows of Resources - Pension Related	(3,019,091)	(6,309,580)
Deferred Outflows of Resources - Pension Contributions	5,806,336	6,909,896
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(980,941)	(1,041,533)
The District's Net OPEB Asset and related deferred inflows and outflows are recorded only on the statement of net position. Balances year-end are:		
Net OPEB Asset	744,569	741,979
Deferred Inflows of Resources - OPEB Related	(301,720)	(433,874)
Deferred Outflows of Resources - OPEB Related	295,928	430,150
Internal service funds are used by management to charge the costs of dental insurance services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. Internal service fund net position at year-end is:	794,031	739,054
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are: year-end are:		
Bonds Payable	(67,865,000)	(71,075,000)
Unamortized Premiums	(2,109,508)	(2,337,074)
Finance Purchase Obligations	-	(129,691)
Compensated Absences Payable	(564,181)	(746,243)
Total Net Position of Governmental Activities	$ 7,227,185	$ 2,098,285

See accompanying Notes to Basic Financial Statements.

NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
YEAR ENDED JUNE 30, 2024
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2023)

	Major Funds		
	General	Food Service	Community Service
REVENUES			
Local Sources:			
Property Taxes	$ 4,485,816	$ -	$ 239,045
Earnings on Investments	738,723	-	-
Other	2,494,514	241,126	1,410,287
State Sources	30,063,744	922,845	448,650
Federal Sources	1,418,154	952,989	8,333
Total Revenues	39,200,951	2,116,960	2,106,315
EXPENDITURES			
Current:			
Administration	1,850,128	-	-
District Support Services	1,678,615	-	-
Regular Instruction	14,168,448	-	-
Vocational Education Instruction	805,736	-	-
Special Education Instruction	6,978,548	-	-
Instructional Support Services	2,160,279	-	-
Pupil Support Services	3,739,412	-	-
Sites and Buildings	3,249,216	-	-
Fiscal and Other Fixed Cost Programs	324,611	-	-
Food Service	-	1,827,399	-
Community Service	-	-	1,913,056
Capital Projects	-	-	-
Capital Outlay	733,355	-	2,096
Debt Service:			
Principal	129,691	-	-
Interest and Fiscal Charges	6,340	-	-
Total Expenditures	35,824,379	1,827,399	1,915,152
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,376,572	289,561	191,163
OTHER FINANCING SOURCES (USES)			
Transfers In	232,761	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	232,761	-	-
NET CHANGE IN FUND BALANCES	3,609,333	289,561	191,163
Fund Balances - Beginning of Year	8,129,067	454,353	998,628
FUND BALANCES - END OF YEAR	$ 11,738,400	$ 743,914	$ 1,189,791

See accompanying Notes to Basic Financial Statements.

NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE (CONTINUED)
YEAR ENDED JUNE 30, 2024
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2023)

Capital Projects	Debt Service	Total Governmental Funds 2024	Total Governmental Funds 2023
$ -	$ 5,389,654	$ 10,114,515	$ 9,610,199
-	-	738,723	474,668
-	-	4,145,927	4,529,337
-	465,882	31,901,121	26,907,675
-	-	2,379,476	2,882,679
-	5,855,536	49,279,762	44,404,558
-	-	1,850,128	1,759,576
-	-	1,678,615	1,735,230
-	-	14,168,448	12,974,478
-	-	805,736	578,535
-	-	6,978,548	6,186,832
-	-	2,160,279	2,312,918
-	-	3,739,412	3,702,581
-	-	3,249,216	3,203,717
-	-	324,611	380,224
-	-	1,827,399	1,711,174
-	-	1,913,056	1,656,553
-	-	-	86,861
-	-	735,451	655,802
-	3,210,000	3,339,691	3,307,286
-	2,494,297	2,500,637	2,657,656
-	5,704,297	45,271,227	42,909,423
-	151,239	4,008,535	1,495,135
-	-	232,761	-
(232,761)	-	(232,761)	-
(232,761)	-	-	-
(232,761)	151,239	4,008,535	1,495,135
232,761	1,080,313	10,895,122	9,399,987
$ -	$ 1,231,552	$ 14,903,657	$ 10,895,122

See accompanying Notes to Basic Financial Statements.

NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
GOVERNMENTAL FUNDS – RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES TO STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
YEAR ENDED JUNE 30, 2024
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2023)

	2024	2023
Net Change in Fund Balance - Total Governmental Funds	$ 4,008,535	$ 1,495,135
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital Outlays	549,543	425,925
Gain (Loss) on Disposal of Capital Assets	-	(96,625)
Depreciation Expense	(5,796,110)	(5,969,678)
Some capital asset additions are financed through finance purchase obligations. In governmental funds, a finance purchase obligation is considered a source of financing, but in the statement of net position, the finance purchase obligation is reported as a liability. Repayment of finance purchase obligation principal is an expenditure in the governmental funds, but repayment reduces the finance purchase obligation in the statement of net position.		
Principal Payments - Finance Purchase Obligations	129,691	227,286
Payment of OPEB benefits are recognized as expenditures at the fund level while the change in the net OPEB asset is recognized in the statement of activities.	522	71,679
Pension expenditures on the governmental funds are measured by current year employee contributions. Pension expenses on the Statement of Activities are measured by the change in Net Pension Liability and the related deferred inflows and outflows of resources.	2,498,224	5,667,362
The governmental funds report bond proceeds as financing sources, while repayment of of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities repayment of principal reduces the liability. Also, governmental funds report the effect of bond discounts and premiums when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:		
Repayment of Bond Principal	3,210,000	3,080,000
Change in Accrued Interest Expense - General Obligation Bonds	60,592	61,201
Amortization of Bond Premium	227,566	238,795
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current-period's expenditures and, therefore, are unavailable in the funds.	3,298	(27,388)
In the statement of activities, certain operating expenses - severance benefits and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	182,062	89,723
Internal service funds are used by the District to charge the costs of employee health and dental benefits to individual funds. The net revenue of the internal service funds is reported with governmental activities.	54,977	66,318
Change in Net Position of Governmental Activities	$ 5,128,900	$ 5,329,733

See accompanying Notes to Basic Financial Statements.

NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
PROPRIETARY FUND
INTERNAL SERVICE FUND
STATEMENT OF NET POSITION
JUNE 30, 2024
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2023)

	Governmental Activities - Internal Service Funds	
	2024	2023
ASSETS		
Current Assets:		
Cash and Investments	$ 818,626	$ 765,151
LIABILITIES		
Current Liabilities:		
Claims Payable for Dental Benefits	24,595	26,097
NET POSITION		
Unrestricted	$ 794,031	$ 739,054

See accompanying Notes to Basic Financial Statements.

NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
PROPRIETARY FUND
INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
YEAR ENDED JUNE 30, 2024
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2023)

	Governmental Activities - Internal Service Funds	
	2024	2023
OPERATING REVENUES		
Charges for Services	$ 296,340	$ 279,567
OPERATING EXPENSES		
Dental Claims	241,363	213,249
OPERATING INCOME	54,977	66,318
Total Net Position - Beginning of Year	739,054	672,736
TOTAL NET POSITION - END OF YEAR	$ 794,031	$ 739,054

See accompanying Notes to Basic Financial Statements.

NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
PROPRIETARY FUND
INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2023)

	Governmental Activities - Internal Service Funds	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Interfund Services Provided	$ 296,340	$ 279,567
Payments for Dental Fees and Insurance Claims	(242,865)	(210,760)
Net Cash Provided by Operating Activities	53,475	68,807
Cash and Cash Equivalents - Beginning of Year	765,151	696,344
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 818,626	$ 765,151
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$ 54,977	$ 66,318
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Increase (Decrease) in Claims Payable	(1,502)	2,489
Net Cash Provided by Operating Activities	$ 53,475	$ 68,807

See accompanying Notes to Basic Financial Statements.

NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2024

	Postemployment Benefits Irrevocable Trust Fund
ASSETS	
Cash and Deposits	$ 195,445
Investments:	
Equities	1,080,767
Fixed Income	1,167,338
Real Assets	134,263
Total Assets	2,577,813
LIABILITIES	
Due to General Government	113,055
NET POSITION	
Restricted for Postemployment Benefits Other Than Pensions	$ 2,464,758

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2024

	Postemployment Benefits Irrevocable Trust Fund
ADDITIONS	
Investment Income:	
Net Increase (Decrease) in Fair Value of Investments	$ 185,663
Interest and Dividends	66,608
Less: Investment Expense	(36,052)
Total Additions	216,219
DEDUCTIONS	
Benefit Payments	247,532
Administrative Expense	36,052
Total Deductions	283,584
CHANGE IN NET POSITION	(67,365)
Net Position - Beginning of Year	2,532,123
NET POSITION - END OF YEAR	$ 2,464,758

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 138 (the District) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. This financial report has been prepared in conformity with GASB Statement No. 34.

B. Financial Reporting Entity

The District is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

GAAP require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separate from the District. In addition, the District's financial statements are to include all component units – entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. There are no other entities for which the District is financially accountable.

C. Basic Financial Statement Presentation

The District-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 Fund is only reported in the Statement of Fiduciary Net Position at the Fund Financial Statement level.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation (Continued)

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material interfund activity has been removed from the District-wide financial statements.

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The fiduciary fund, postemployment benefits irrevocable trust fund, is presented in the fiduciary fund financial statements. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, this fund is excluded from the District-wide statements.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service fund is charges for service in the form of insurance premiums. Operating expenses for the internal service fund include the cost of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and GAAP. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

Description of Funds

The existence of the various District funds has been established by the State of Minnesota, Department of Education. The accounts of the district are organized on the basis of funds, each of which is considered a separate accounting entity. A description of the funds included in this report is as follows:

Major Governmental Funds

General Fund

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities equipment purchases, health and safety projects, and disabled accessibility projects.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Major Governmental Funds (Continued)

Food Service Special Revenue Fund

The Food Service Fund is used to account for food service revenues and expenditures. Revenues for the Food Service Fund are generated from user fees, federal reimbursements and state aids.

Community Service Special Revenue Fund

The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, K-6 extended day programs or other similar services. Revenues for the Community Service Fund are generated primarily from user fees, local property taxes and state credits.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources restricted, committed, or assigned to be used for the acquisition or construction of major capital facilities. The Fund was established for building construction activity authorized by specific voter-approved bond issues.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general long-term obligation bond principal, interest, and related costs. The regular debt service account is used for all general obligation bond and energy conservation loan debt service.

Proprietary Fund

Internal Service Fund

The Internal Service Fund accounts for financing of services provided by one department to other departments of the District on a cost-reimbursement basis. The District’s Internal Service Fund includes its self-insured dental insurance plan for its employees.

Fiduciary Fund

Postemployment Benefits Irrevocable Trust Fund

This trust fund is used for reporting resources set aside and held in an irrevocable trust arrangement for postemployment benefits. District contributions to this fund must be expensed to an operating fund.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with GAAP. Each June, the Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper. Reported budget amounts represent the amended budget as adopted by the Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by Board action. Revisions to budgeted amounts must be approved by the Board.

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

Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

At the end of each fiscal year, if the General Fund has a net unassigned deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota school districts which excludes certain restricted balances specified in Minnesota Statutes, exceeding 2.5% of expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with a "special operating plan" approved by the Commissioner of the Department of Education.

F. Cash and Investments

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

Money market investments are short-term, highly liquid debt instruments including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations.

G. Accounts Receivable

Represents amounts receivable from individuals and governments for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Inventories

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

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

J. Property Taxes

Property tax levies are established by the Board in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes and are responsible for spreading all levies over taxable property. Such taxes become a lien on January 1. Taxes are generally due on May 15 and October 15 and counties generally remit taxes to Districts at periodic intervals as they are collected. A portion of property taxes levied is paid through state credits which are included in revenue from state sources in the financial statements.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as deferred revenue (property taxes levied for subsequent year). The majority of District revenue in the General Fund (and to a lesser extent in the District's Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift."

In accordance with state law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy (frozen at $124,195) for the District. Certain other portions of the District's 2023 Pay 2024 levy, normally revenue for the 2024-2025 fiscal year, are also advance recognized at June 30, 2024, as required by state statute to match revenue with the same fiscal year as the related expenditures.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Taxes (Continued)

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is unavailable because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2024, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

K. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The District maintains a threshold level of $5,000 or more for capitalizing capital assets. For bulk purchases of furniture, textbooks, or technology, the capitalization threshold is $25,000 in aggregate. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the District-wide financial statement, but are not reported in the fund financial statements. 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 purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 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. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

Right-to-use assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Outflows of Resources

In addition to assets, the statement of net position reports 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. The District will not recognize the related outflow until a future event occurs.

M. Long-Term Obligations

In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates 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 from the actual debt proceeds received, are reported as debt service expenditures.

N. Accrued Employee Benefits

Sick Pay

Substantially all district employees are entitled to sick leave at various rates. Unused sick leave is a factor in the calculation of an employee’s severance pay upon retirement. Sick pay is generally liquidated by the General Fund.

Severance and Health Benefits

Severance and health benefits consist of lump sum early retirement incentive payments and post-employment health care benefits. Accounting policies for severance and health benefits are described below. Severance and Health Benefits are generally liquidated by the General Fund.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Accrued Employee Benefits (Continued)

Severance and Health Benefits (Continued)

1. Early Retirement Incentive and Convertible Sick Leave

The District maintains various early retirement incentive payment plans for its employee groups. Each employee group plan contains 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. In addition, certain bargaining unit members are eligible to be compensated for unused accumulated sick leave upon termination subject to certain conditions. If early retirement incentive or convertible sick leave payments are owed at year-end, an accrual is made in the governmental fund incurring the liability. The amount of early retirement incentive payment that is based on years of service is not considered vested or recorded as long-term until actual turnover occurs. The amount of early retirement incentive payment that is based on convertible sick leave is recorded as a liability in the long-term debt as it is earned and when it becomes probable that it will vest at some point in the future.

The District provides a longevity benefit to its principal employee group which begins with 10 or more years of administrative experience with the District. Beginning with the school year in which an administrator reaches the age of 40, the principal is entitled to payment of unused sick leave up to specified maximums. The percentage of unused sick leave that a principal is entitled to payment for increases incrementally from age 40 up to age 55, at which point the principal is entitled to 100% of the specified maximum. The maximum benefit is equal to the administrator's annual salary and is payable in two equal installments upon separation from the District. If early retirement incentive and administrator longevity benefits are owed at year-end based on an event which has occurred prior to year-end, an accrual is made in the governmental fund incurring the liability. The long-term portion of early retirement incentive and administrator experience benefits are recognized as part of severance and health benefits payable. These benefits have been sunset in employment agreements.

2. Postemployment Health Care Benefits

For purposes of measuring the net OPEB liability (asset), 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 amortized cost. OPEB payments are liquidated by the Trust Fund first, and then the remaining liability will be liquidated by the General Fund.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time.

Q. Unearned Revenue

Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported unearned revenues for the school lunch deposits, charges for services and unearned grant revenue.

R. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and 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. Pension costs are liquidated by the fund in which the cost was incurred.

S. Statement of Cash Flows

For purposes of the statement of cash flows, the District considers all highly liquid investments with an original maturity from the time of purchase by the District of three months or less to be cash equivalents. The Proprietary Fund's equity in the District-wide cash and investment management pool is considered to be cash equivalents.

T. Fund Balance

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance are related to prepaids, inventories, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Fund Balance (Continued)

The Board of Education passed a resolution authorizing the Superintendent and Director of Business and Human Resources to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

It is also the District's policy to strive to maintain a minimum unassigned fund balance of the General Fund equal to 10% of expenditures. The District considers a balance of less than 5% to be cause for concern, barring unusual or deliberate circumstances. If unassigned fund balance is projected to fall below 5%, the Superintendent will develop a recommendation to the Board to address fund balance as part of the annual budget process.

U. Net Position

Net position represents the difference between assets and deferred inflows of resources and liabilities and deferred outflows of resources in the District-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulation depreciation, reduced by the outstanding balance (less any unspent bond proceeds) of any debt used to build or acquire the capital assets. Net position is reported as restricted in the District-wide financial statement when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws or regulations of other governments. Unrestricted net position represents all net position remaining after net investment in capital assets and restricted net position. When an expenditure is incurred for purposes for which both restricted and unrestricted net position is available, it is the District's policy to use restricted first, then unrestricted net position.

V. Comparative Data

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2023, from with the summarized information was derived.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

Expenditures exceeded budgeted amounts in the following funds at June 30, 2024:

	Budget	Expenditures	Excess
Special Revenue Fund:			
Food Service Fund	$ 1,641,140	$ 1,827,399	$ 186,259
Community Service Fund	1,601,059	1,915,152	314,093

The overages above were considered by District management to be the result of necessary expenditures critical to operations.

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the Statement of Net Position and the balance sheet as "Cash and Investments." In accordance with Minnesota Statutes, the District maintains deposits at financial institutions which are authorized by the School District's Board.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

The District's deposits in various banks at June 30, 2024 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

With the exception of the fiduciary funds held in the District's Other Postemployment Benefit Trust account discussed in Note 3, C, the District may invest its idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less.
- General obligations rated "A" or better; revenue obligations rated "AA" or better.
- General obligations of the Minnesota Housing Finance Agency rate "A" or better.
- Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less.
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories.
- Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

At June 30, 2024, the District had the following investments:

	Amount
MN Trust Investment Shares	$ 9,070,075
MN Trust Term Series	2,000,000
U.S. Treasury	1,196,268
OPEB Trust	
Money Markets	195,068
Government Agency	695,312
Corporate Bonds	448,756
Mutual Bond Fund	4,199
Equities	1,080,767
Mortgage Backed Securities	19,071
Alternative Investments	134,263
Total Investments	$ 14,843,779

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

MN Trust is an external investment pool (Pool). The Pool is regulated by Minnesota statutes and is not registered with the Securities and Exchange Commission (SEC) as an investment company. The MN Trust Investment Series and Term Series is managed to maintain a dollar-weighted average portfolio maturity of no greater than 60 days and seeks to maintain a constant net asset value (NAV) per share of $1.00. The Pool elects to measure its investments at amortized cost in accordance with accounting statements issued by the Governmental Accounting Standards Board. The MN Trust Term Series withdraws requires a seven-day notice of redemption and would likely carry a penalty. The MN Trust Investment Series withdrawals may only be made on the third Wednesday of each month upon advance written notice, with no penalties assessed.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities to meet cash requirements for ongoing operations. Information about the sensitivity of the fair values of the District's investments to market interest rate risk fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
MN Trust Investment Shares	$ 9,070,075	$ 9,070,075	$ -	$ -	$ -
MN Trust Term Series	2,000,000	2,000,000	-	-	-
U.S. Treasury	1,196,268	1,196,268	-	-	-
OPEB Trust					
Money Markets	195,068	195,068	-	-	-
Government Agency	695,312	-	24,034	104,562	566,716
Corporate Bonds	448,756	34,503	43,942	109,682	260,629
Mutual Bond Fund	4,199	4,199	-	-	-
Equities	1,080,767	1,080,767	-	-	-
Mortgage Backed Securities	19,071	-	-	-	19,071
Alternative Investments	134,263	134,263	-	-	-
Total	$ 14,843,779	$ 13,715,143	$ 67,976	$ 214,244	$ 846,416

Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following chart summarizes year-end ratings for the District's investments as rated by Moody's Investors Service:

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Type	Credit Quality Rating	Amount
MN Trust Investment Shares	NR	$ 9,070,075
MN Trust Term Series	NR	2,000,000
U.S. Treasury	Aaa/AA+	1,196,268
OPEB Trust		
Money Markets	NR	195,068
Government Agency	AAA/AA+	695,312
Corporate Bonds	A-BBB	448,756
Mutual Bond Fund	NR	4,199
Equities	NR	1,080,767
Mortgage Backed Securities	AAA	19,071
Alternative Investments	NR	134,263
Total		$ 14,843,779

Custodial Credit Risk – For an investment, custodial risk is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's bond documents require insurance of all balances held with each investment account. As of June 30, 2024, the investment balances were fully covered by insurance.

Concentration of Credit Risk – The District places no limit on the amount the District may invest in any one issuer. For the year ended June 30, 2024, none of the individual investments held by the District were over the 5% threshold.

The deposits and investments are made up of the following:

Deposits	$ 5,184,683
OPEB Trust Deposits	377
Investments	12,266,343
OPEB Trust Investments	2,577,436
Total Cash and Investments	$ 20,028,839

The deposits and investments are presented in the financial statements as follows:

Cash and Investments - Statement of Net Position	$ 17,451,026
Cash and Investments - Statement of Fiduciary Fund Net Position	2,577,813
Total Cash and Investments	$ 20,028,839

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Other Postemployment Benefit Trust Account

Fiduciary Funds held in the District's Other Postemployment Benefit Trust account may be invested as authorized by Minnesota Statutes Chapter 356A. The District has further restricted and defined its authorized statute investment parameters within an OPEB Trust investment policy statement as follows:

Following is a list of the permissible assets for the OPEB Trust portfolio:

- *Securities of the U.S. government, its agencies and/or instrumentality*
- Commercial Paper; Domestic and Eurodollar
- Corporate Notes/Bonds; Domestic and International
- Asset-Backed Securities
- Certificates of Deposit
- Tax-Exempt and Taxable Municipal bonds
- Mortgage-backed securities (U.S. government-backed)
- Domestic Equities traded on a major exchange
- International Equities traded on a U.S. exchange (ADRs)
- Open-ended mutual funds that invest substantially all their assets in the asset classes listed above, such as: money market funds, domestic and foreign equity and fixed income funds
- Alternative funds that employ nontraditional strategies

D. Fair Value Measurements

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The District follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

D. Fair Value Measurements (Continued)

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

- *Level 1* – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.
- *Level 2* – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. These inputs include similarly traded investments valued by a pricing service that uses matrix pricing and valuation multiples.
- *Level 3* – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

Assets measured at fair value on a recurring basis:

Type	Level 1	Level 2	Level 3	Total
Government/Agency Obligations	$ 695,312	$ -	$ -	$ 695,312
Mortgage Backed Securities	-	19,071	-	19,071
Corporate Bonds	448,756	-	-	448,756
U.S. Treasury	-	1,196,268	-	1,196,268
Equity Securities	1,080,767	-	-	1,080,767
Alternative Investments	134,263	-	-	134,263
Total	$ 2,359,098	$ 1,215,339	$ -	$ 3,574,437
Investments Measured at Amortized Cost				11,269,342
Total Investments				$ 14,843,779

NOTE 4 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 509,000	$ -	$ -	$ 509,000
Construction in Progress	-	178,543	-	178,543
Total Capital Assets, Not Being Depreciated	509,000	178,543	-	687,543
Capital Assets, Being Depreciated:				
Land Improvements	10,484,593	22,624	-	10,507,217
Buildings and Improvements	121,242,375	36,618	-	121,278,993
Equipment	16,358,015	311,758	(22,911)	16,646,862
Total Capital Assets, Being Depreciated	148,084,983	371,000	(22,911)	148,433,072
Accumulated Depreciation for:				
Land Improvements	(5,281,849)	(469,988)	-	(5,751,837)
Buildings and Improvements	(49,400,890)	(4,442,218)	-	(53,843,108)
Equipment	(7,730,486)	(883,904)	22,911	(8,591,479)
Total Accumulated Depreciation	(62,413,225)	(5,796,110)	22,911	(68,186,424)
Total Capital Assets, Being Depreciated, Net	85,671,758	(5,425,110)	-	80,246,648
Governmental Activities Capital Assets, Net	$ 86,180,758	$ (5,246,567)	$ -	$ 80,934,191

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

Governmental Activities	
Administration	$ 25,735
Regular Instruction	5,360,444
Instructional Support Services	165,787
Pupil Support Services	83,553
Sites and Buildings	160,591
Total Depreciation Expense, Governmental Activities	$ 5,796,110

NOTE 5 LONG-TERM LIABILITIES

The District has issued general obligation school building bonds to finance the construction of capital facilities or to refinance previous bond issues. Assets of the Debt Service Fund, together with scheduled future tax levies are dedicated for the retirement of these bonds. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

A. Components of Long-Term Debt

				Principal Outstanding	
Issue Date	Net Interest Rate	Original Issue	Final Maturity	Due Within One Year	Total
11/16/2016	2.00% - 2.25%	$ 1,770,000	2/1/2031	$ 125,000	$ 950,000
11/9/2017	2.00% - 3.25%	67,590,000	2/1/2043	2,170,000	63,085,000
11/9/2017	1.79% - 2.64%	2,260,000	2/1/2025	405,000	405,000
7/19/2018	3.00%	6,385,000	2/1/2029	645,000	3,425,000
Total General Obligation Bonds				3,345,000	67,865,000
Bond Premium - Net				-	2,109,508
Compensated Absences Payable				130,417	694,598
Total				$ 3,475,417	$ 70,669,106

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term debt, not including compensated absences, are as follows:

	General Obligation Bonds Payable	
Year Ending June 30,	Principal	Interest
2025	$ 3,345,000	$ 2,354,159
2026	3,205,000	2,213,217
2027	3,350,000	2,070,167
2028	3,495,000	1,920,417
2029	3,655,000	1,763,817
2030 - 2034	15,890,000	7,003,395
2035 - 2039	18,205,000	4,397,698
2040 - 2043	16,720,000	1,365,584
Total	$ 67,865,000	$ 23,088,454

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt

1. General Obligation School Building Bonds

These bonds were issued to finance acquisition and/or construction/improvement of capital facilities. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies are dedicated for the retirement of these bonds. Total deferred tax levies available to retire bond principal and interest payable at June 30, 2024 are $95,501,127. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota Statute.

2. General Obligation Taxable OPEB Bonds

On November 9, 2017, the District issued $2,260,000 General Obligation OPEB Refunding Bonds, Series 2017B to refund the General Obligation Taxable OPEB Bond, Series 2009A. The interest rates on the new bonds range from 1.79% to 2.64%, compared with rates of 2.00% to 5.25% on the 2009A Bonds.

3. Finance Purchase Obligations

On September 30, 2008, the District entered into a finance purchase obligation for building improvements. The finance purchase obligation is in the amount of $1,403,094. The finance purchase obligation required semiannual payments of $71,197 for 15 years, and the final payment related to the obligation was made in fiscal year 2024.

On November 11, 2018, the District entered into a finance purchase obligation with Lease Finance Group, Inc. for a scoreboard. The finance purchase obligation is in the amount of $327,286 bearing interest at 7.5%. The finance purchase obligation required annual payments of $64,833 for six years, and the final payment related to the obligation was made in fiscal year 2024.

D. Changes in Long-Term Debt

	June 30, 2023	Additions	Retirements	June 30, 2024
Bonds Payable	$ 71,075,000	$ -	$ 3,210,000	$ 67,865,000
Bond Premium	2,337,074	-	227,566	2,109,508
Finance Purchase Obligations	129,691	-	129,691	-
Compensated Absences Payable - Net	950,289	-	255,691	694,598
Total	$ 74,492,054	$ -	$ 3,822,948	$ 70,669,106

NOTE 6 RESTRICTED, COMMITTED, AND ASSIGNED FUND BALANCE

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. In addition, certain portions of fund balance have been committed and assigned by the District for specific purposes.

A. Restricted for Student Activities

Represents available resources to be used for extracurricular activity funds raised by students.

B. Restricted for Scholarships

The fund balance restriction represents accumulated resources available to provide scholarships for students.

C. Restricted for Staff Development

In accordance with state statute, represents available resources dedicated exclusively for staff development.

D. Restricted for Capital Projects Levy

Represents tax levies to be used for capital projects.

E. Restricted for School Library Aid

Represents the resources available for the school library aid uses.

F. Restricted for Literacy Incentive Aid

Represents the resources available to support implementation of evidence-based reading instruction.

G. Restricted for Operating Capital

Represents tax levies and state aid in the General Fund to be used for purchase of equipment and facilities.

H. Restricted for American Indian Education Aid

Represents available resources remaining in the American Indian Education funds levels in accordance with Minnesota Statutes 124D.81, Subdivision 2b.

I. Restricted for Community Education Programs

The fund balance restriction represents accumulated resources available to provide general community education programming.

NOTE 6 RESTRICTED, COMMITTED, AND ASSIGNED FUND BALANCE (CONTINUED)

J. Restricted for Early Childhood and Family Education Programs

This fund balance restriction represents accumulated resources available to provide services for early childhood and family education programming.

K. Restricted for Long-Term Facilities Maintenance (LTFM)

This restriction represents available resources to be used for LTFM projects in accordance with the 10 year capital plan.

L. Restricted for Medical Assistance

Represents available resources to be used for Medical Assistance expenditures.

M. Restricted for Other Purposes

Restricted for other purposes represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Other Restricted:	
Restricted for Grant Related Costs	$ 81,387
Restricted for Food Service	718,426
Restricted for Community Service	96,831
Restricted for Debt Service	1,231,552
Total Other Restricted	$ 2,128,196

N. Assigned for Capital Outlay

This assignment represents resources to support expenditures for the future capital outlay.

NOTE 7 PENSION PLANS

A. Plan Description

1. General Employees Retirement Plan (General Employees Plan)

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

NOTE 7 PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

1. General Employees Retirement Plan (General Employees Plan) (Continued)

All full-time and certain part-time employees of the District, other than teachers, are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Teachers Retirement Fund (TRA)

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

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

B. Benefits Provided

1. General Employees Plan Benefits

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

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary 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.

NOTE 7 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% 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.

2. TRA Benefits

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

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

Tier I Benefits

Tier 1	Step Rate Formula	Percentage
Basic	First Ten Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First Ten Years of Service are Up to July 1, 2006	1.2% per Year
	First Ten Years, If Service Years are July 1, 2006 or After	1.4% per Year
	All Other Years of Service If Service Years are Up to July 1, 2006	1.7% per Year
	All Other Years of Service If Services Years are July 1, 2006 or After	1.9% per Year

NOTE 7 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

Tier II Benefits

With these provisions:

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

(b) 3.0% per year early retirement reduction factor for all years under normal retirement age.

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

or

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. 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 I, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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

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

The benefit provisions stated apply to active plan participants. Vested, terminated employees who are entitled to benefits but not yet receiving them are bound by the provisions in effect at the time they last terminated their public service.

NOTE 7 PENSION PLANS (CONTINUED)

C. Contributions

1. General Employees Plan Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature. 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 Plan for the Plan's fiscal year ended June 30, 2024, were $429,330. The District's contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

Per Minnesota Statutes, Chapter 354 rates for the fiscal year 2024 coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2024, were $1,269,795. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

1. General Employees Plan Pension Costs

At June 30, 2024, the District reported a liability of $3,936,689 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 $108,460, for a total of $4,045,149 associated with the District. 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 0.0704% at the end of the measurement period and 0.0674% for the beginning of the period.

For the year ended June 30, 2024, the District recognized pension expense of $514,221 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized $487 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.

NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Plan Pension Costs (Continued)

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 129,282	$ 27,119
Changes in Actuarial Assumptions	637,295	1,079,013
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	147,219
Changes in Proportion	199,863	76,027
District Contributions Subsequent to the Measurement Date	429,330	-
Total	$ 1,395,770	$ 1,329,378

$429,330 reported as deferred outflows of resources related to pensions resulting from District contributions to General Employees Plan 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 General Employees Plan pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2025	$ 97,977
2026	(512,734)
2027	137,219
2028	(85,400)

2. TRA Pension Costs

At June 30, 2024, the District reported a liability of $17,577,501 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.2129% at the end of the measurement period and 0.2059% for the beginning of the period.

NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

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:

Description	Amount
District's Proportionate Share of the TRA Net Pension Liability	$ 17,577,501
State's Proportionate Share of TRA's Net Pension Liability Associated with the District	1,231,279
Total	$ 18,808,780

For the year ended June 30, 2024, the District recognized a reduction of pension expense of $1,305,374 for its proportionate share of the TRA's pension expense. In addition, the District recognized $121,717 as a decrease to pension expense and grant revenue for the support provided by direct aid.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 174,255	$ 255,955
Changes in Actuarial Assumptions	2,047,680	-
Net Difference Between Projected and Actual Investment Earnings	-	65,194
Changes in Proportion	918,836	1,368,564
District Contributions Subsequent to the Measurement Date	1,269,795	-
Total	$ 4,410,566	$ 1,689,713

NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

The $1,269,795 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 and inflows of resources related to TRA will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2025	$ (303,159)
2026	(388,926)
2027	2,089,692
2028	(9,429)
2029	62,880

3. Pension Totals

The aggregate amount of net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense for the District's defined benefit pension plans are summarized below. These liabilities are typically liquidated by the individual activity in which the employee's costs are associated.

	General Employees Fund	Teachers Retirement Fund	Total
Net Pension Liability	$ 3,936,689	$ 17,577,501	$ 21,514,190
Deferred Outflows of Resources	1,395,770	4,410,566	5,806,336
Deferred Inflows of Resources	1,329,378	1,689,713	3,019,091
Pension (Revenue) Expense	514,708	(1,427,091)	(912,383)

NOTE 7 PENSION PLANS (CONTINUED)

E. Long-Term Expected Return on Investment

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

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

The long-term expected rate of return on TRA 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 allocations 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
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	100.0 %	

NOTE 7 PENSION PLANS (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 7.0% for PERA and 7.0% for TRA. 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 7.0% for PERA and 7.0% for TRA 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 Plan.

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.

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.

TRA pre-retirement mortality rates were based on 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. Post-retirement mortality rates were based on 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 theMP-2015 scale. Post-disability mortality rates were based on the RP-2014 disabled retiree mortality table, without adjustment.

Inflation is assumed to be 2.5% for TRA. Benefit increases after retirement are assumed to be 1.0% for January 2019 through January 2023 then increasing by 0.10% each year up to 1.5% annually.

Salary growth assumptions for TRA range in annual increments from 2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% after June 30, 2028.

NOTE 7 PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

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

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.50% to 7.00%.

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, noncompounding benefit increase of 2.50% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

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

Changes in Actuarial Assumptions:

- There were no changes in actuarial assumptions since the prior valuation.

Changes in Plan Provisions:

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

G. Discount Rate

The discount rate used to measure the PERA General Employees Plan liability in 2023 was 7.00%. 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 of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 7 PENSION PLANS (CONTINUED)

G. Discount Rate (Continued)

The discount rate used to measure the TRA pension liability in 2023 was 7.00%. 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 contribution 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).

H. Pension Liability Sensitivity

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

Description	1% Decrease	Current Discount Rate	1% Increase
General Employees Plan Discount Rate	6.00%	7.00%	8.00%
District's Proportionate Share of the General Employees Plan Net Pension Liability	$ 6,964,319	$ 3,936,689	$ 1,446,348
TRA Discount Rate	6.00%	7.00%	8.00%
District's Proportionate Share of the TRA Net Pension Liability	$ 28,034,821	$ 17,577,501	$ 9,016,911

I. Pension Plan Fiduciary Net Position

Detailed information about General Employees Plan's fiduciary's net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org.

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org; by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-657-3669.

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District operates and administers a single-employer defined benefit plan (the Plan) that provides health and dental insurance to eligible retired employees and their spouses through the District's health insurance plan. There are 293 active participants, 6 spouse participants and 24 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report. The Plan does not have a separate board other than the board of education.

B. Funding Policy

The District has assets in a qualified irrevocable trust which is included as a fiduciary fund in these financial statements. The District's investment policy is to follow state statutes as listed in Note 3. The District is assumed to make no future contributions to the trust. Benefit payments equal to the annual direct subsidy plus implicit subsidy are assumed to be made from the trust. Contribution requirements are negotiated between the District and union representatives. For fiscal year 2024, the District made no contributions to the plan. All current year benefits were paid from the District's OPEB Trust Fund.

C. Net OPEB Liability (Asset) of the District

The components of the net OPEB liability (asset) of the District at June 30, 2024, were as follows:

Total OPEB Liability	$	1,720,189
Plan Fiduciary Net Position		2,464,758
District's Net OPEB Liability (Asset)	$	(744,569)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)		143%

D. Actuarial Methods and Assumptions

The long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that (1) the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and (2) OPEB plan assets are expected to be invested using a strategy to achieve that return, and a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), to the extent that the conditions above are not met.

The District's net OPEB liability (asset) was measured as of June 30, 2024, and the total OPEB liability (asset) used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2022.

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Actuarial Methods and Assumptions (Continued)

Liabilities in this report were calculated as of the valuation date and rolled forward to the measurement date using standard actuarial roll forward techniques. The total OPEB liability was determined by an actuarial valuation as of July 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	Service Graded Table
Investment Rate of Return	6.10%
Health Care Trend Rates	6.25% Decreasing to 5.00% over 6 years then to 4.00% over the next 48 years

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale and other adjustments.

Economic assumptions are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

For the year ended June 30, 2024, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan expenditures, was 8.50%. The money-weighted rate of return expresses investment performance, net of investment expenditures, adjusted for the changing amounts actually invested.

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 OPEB plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.50%). Best estimates of geometric real and nominal rates of return for each major asset class included in the OPEB plan's asset allocation as of the measurement date are summarized in the following table:

Asset Class	Target Allocation	Expected Class Return
Equities	36.00 %	7.90 %
Fixed Income	46.00	4.10
International Equity	12.00	7.30
Real Estate	6.00	8.10
Total	100.00 %	
Net Assumed Investment Return (Weighted Avg, Rounded to 1/4%)		6.10 %

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Actuarial Methods and Assumptions (Continued)

The discount rate used to measure the total OPEB liability was 6.10%. The projection of cash flows and OPEB trust assets used to determine the discount rate were based on recent employer contribution history and their stated funding policy. The OPEB trust's long-term assumed investment return was used to discount projected benefit payments for as long as projected trust assets are available to fund OPEB payments. Once projected trust assets are exhausted, the municipal bond index rate was applied to the remaining expected benefit payments.

The expected employer asset return is based on plan's target investment allocation along with long-term return expectations by asset class. Where there is sufficient historical evidence of market outperformance, historical average returns may be considered.

Since the most recent valuation, the following changes have been made:

- No changes noted.

E. Changes in the Net OPEB Liability (Asset)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2023	$ 1,790,144	$ 2,532,123	$ (741,979)
Changes for the Year:			
Service Cost	71,457	-	71,457
Interest	106,120	-	106,120
Differences Between Expected and Actual Experience	-	61,759	(61,759)
Net Investment Return	-	154,460	(154,460)
Benefit Payments	(247,532)	(247,532)	-
Administrative Expense	-	(36,052)	36,052
Net Changes	(69,955)	(67,365)	(2,590)
Balances at June 30, 2024	$ 1,720,189	$ 2,464,758	$ (744,569)

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

E. Changes in the Net OPEB Liability (Asset) (Continued)

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

	1% Decrease (5.10%)	Discount Rate (6.10%)	1% Increase (7.10%)
Net OPEB Liability (Asset)	$ (656,522)	$ (744,569)	$ (830,015)

The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1% lower (5.25% decreasing to 4.00% over six years then 3.00% over the next 48 years) or 1% higher (7.25% decreasing to 6.00% over six years then 5.00% over the next 48 years) than the current healthcare cost trend rates:

		Healthcare Cost	
	1% Decrease	Current Trend Rates	1% Increase
Medical Trend Rate	5.00% Decreasing to 4.00% then 3.00%	6.00% Decreasing to 5.00% then 4.00%	7.00% Decreasing to 6.00% then 5.00%
Net OPEB Liability (Asset)	$ (830,635)	$ (744,569)	$ (647,108)

For the year ended June 30, 2024, the District recognized OPEB revenue of $522. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Liability	$ 189,519	$ 164,970
Change of Assumptions	19,527	136,750
Net Difference Between Projected and Actual Investment Earnings	86,882	-
Total	$ 295,928	$ 301,720

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,	Future Recognition
2025	$ (58,608)
2026	71,310
2027	(32,017)
2028	13,523
Total	$ (5,792)

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 group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the plan for health care and dependent care benefits.

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

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 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 of general creditors of the District in an amount equal to eligible health care and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 10 DEFINED CONTRIBUTION PLAN

The District provides eligible employees future retirement benefits through the District’s 403(b) 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. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. Contributions are invested in tax-deferred annuities selected and owned by Plan participants. The District contributions for the year ended June 30, 2024 was $221,301.

NOTE 11 COMMITMENTS AND CONTINGENCIES

Federal and State Programs

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

NOTE 12 DENTAL SELF-INSURANCE PLAN

The District maintains an Internal Service Fund to account for and finance a self-insurance program for dental benefits. Accordingly, the District has not purchased outside insurance for the risks of losses to which it is exposed. District management believes it is more economical to manage its risks internally and set aside assets for claim settlement. The Internal Service Fund currently services all claims and risk of loss to which the District is exposed for dental expenses.

Participants in the program make premium payments to the fund based on the insurance premium. The excess amount received above current year claims is used to establish a reserve for future claims.

District liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing a claim liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. There is a possibility for loss if claims are in excess of the premiums collected. The District does not believe this occurrence would have a material financial effect on the District. The District held $818,626 in cash and investments at June 30, 2024 for payment of claims.

There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 12 DENTAL SELF-INSURANCE PLAN (CONTINUED)

Changes in the balances of claim liabilities during fiscal year 2024 and 2023 were as follows:

	2024	2023
Beginning of Fiscal Year Liability - July 1,	$ 26,097	$ 23,608
Current Year Claims, Changes in Estimates and Other Charges	241,363	213,249
Payments to Dental Care Providers	(242,865)	(210,760)
End of Fiscal Year Liability - June 30,	$ 24,595	$ 26,097

NOTE 13 INTERFUND ACTIVITY

During fiscal year 2024, the following interfund transfers were recorded:

Transfer Out:	Transfer In: General Fund	Reason for Transfer
Capital Projects Fund	$ 232,761	Closeout of the capital projects fund.

NOTE 14 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; injuries to employees; and natural disasters. The District purchases commercial insurance coverage for such risks. The District purchases workers compensation insurance from Employers Mutual Insurance Company. The District pays an annual premium to Employers Mutual Insurance Company for its insurance coverage.

There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL

	Budgeted Amounts		Actual	Over (Under) Final
	Original	Final	Amounts	Budget
REVENUES				
Local Sources:				
Property Taxes	$ 4,290,182	$ 4,348,579	$ 4,485,816	$ 137,237
Earnings on Investments	39,587	400,272	738,723	338,451
Other	1,720,081	1,855,167	2,494,514	639,347
State Sources	29,223,791	30,146,181	30,063,744	(82,437)
Federal Sources	1,490,048	1,408,663	1,418,154	9,491
Total Revenues	36,763,689	38,158,862	39,200,951	1,042,089
EXPENDITURES				
Current:				
Administration	1,768,730	1,905,984	1,850,128	(55,856)
District Support Services	1,822,803	1,915,632	1,678,615	(237,017)
Elementary and Secondary Regular Instruction	13,302,857	14,356,033	14,168,448	(187,585)
Vocational Education Instruction	556,722	643,756	805,736	161,980
Special Education Instruction	7,259,374	7,492,724	6,978,548	(514,176)
Instructional Support Services	2,932,915	2,306,566	2,160,279	(146,287)
Pupil Support Services	3,823,851	3,637,586	3,739,412	101,826
Sites and Buildings	3,461,797	3,778,767	3,249,216	(529,551)
Fiscal and Other Fixed Cost Programs	179,786	179,786	324,611	144,825
Capital Outlay	673,462	576,990	733,355	156,365
Debt Service:				
Principal	326,017	144,783	129,691	(15,092)
Interest and Fiscal Charges	42,453	16,129	6,340	(9,789)
Total Expenditures	36,150,767	36,954,736	35,824,379	(1,130,357)
Excess (Deficiency) of Revenues Over (Under) Expenditures	612,922	1,204,126	3,376,572	2,172,446
OTHER FINANCING SOURCES				
Sale of Equipment	10,167	10,167	-	(10,167)
Transfers In	-	-	232,761	232,761
Total Other Financing Sources	10,167	10,167	232,761	222,594
Net Change in Fund Balance	$ 623,089	$ 1,214,293	3,609,333	$ 2,395,040
FUND BALANCE				
Beginning of Year			8,129,067	
End of Year			$ 11,738,400	

See accompanying Notes to Required Supplementary Information.

NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
MAJOR FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL

	Budgeted Amounts		Actual	Over (Under) Final
	Original	Final	Amounts	Budget
REVENUES				
Local Sources:				
Other - Primarily Meal Sales	$ 311,854	$ 235,854	$ 241,126	$ 5,272
State Sources	69,161	543,660	922,845	379,185
Federal Sources	1,339,492	769,100	952,989	183,889
Total Revenues	1,720,507	1,548,614	2,116,960	568,346
EXPENDITURES				
Current:				
Food Service	1,481,170	1,640,440	1,827,399	186,959
Capital Outlay	-	700	-	(700)
Total Expenditures	1,481,170	1,641,140	1,827,399	186,259
Net Change in Fund Balance	$ 239,337	$ (92,526)	289,561	$ 382,087
FUND BALANCE				
Beginning of Year			454,353	
End of Year			$ 743,914	

See accompanying Notes to Required Supplementary Information.

NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
MAJOR COMMUNITY SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL

	Budgeted Amounts		Actual	Over (Under) Final
	Original	Final	Amounts	Budget
REVENUES				
Local Sources:				
Property Taxes	$ 232,425	$ 273,117	$ 239,045	$ (34,072)
Other - Primarily Tuition and Fees	973,870	1,137,597	1,410,287	272,690
State Sources	355,322	385,399	448,650	63,251
Federal Sources	53,123	53,123	8,333	(44,790)
Total Revenues	1,614,740	1,849,236	2,106,315	257,079
EXPENDITURES				
Current:				
Community Service	1,607,461	1,596,886	1,913,056	316,170
Capital Outlay	-	4,173	2,096	(2,077)
Total Expenditures	1,607,461	1,601,059	1,915,152	314,093
Net Change in Fund Balance	$ 7,279	$ 248,177	191,163	$ (57,014)
FUND BALANCE				
Beginning of Year			998,628	
End of Year			$ 1,189,791	

See accompanying Notes to Required Supplementary Information.

NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY (ASSET) AND RELATED RATIOS
JUNE 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability								
Service Cost	$ 71,457	$ 69,376	$ 82,858	$ 79,194	$ 105,290	$ 94,096	$ 118,980	$ 119,345
Interest	106,120	74,509	81,841	87,990	98,192	112,235	112,795	114,479
Differences Between Expected and Actual Experience	-	284,279	-	(262,087)	-	(368,529)	-	-
Changes of Assumptions	-	(135,531)	7,238	(107,301)	53,215	(2,896)	(26,138)	-
Benefit Payments	(247,532)	(328,306)	(243,924)	(270,125)	(128,275)	(339,244)	(317,871)	(234,057)
Net Change in Total OPEB Liability	(69,955)	(35,673)	(71,987)	(472,329)	128,422	(504,338)	(112,234)	(233)
Total OPEB Liability - Beginning	1,790,144	1,825,817	1,897,804	2,370,133	2,241,711	2,746,049	2,858,283	2,858,516
Total OPEB Liability - Ending (a)	$ 1,720,189	$ 1,790,144	$ 1,825,817	$ 1,897,804	$ 2,370,133	$ 2,241,711	$ 2,746,049	$ 2,858,283
Plan Fiduciary Net Position								
Contributions - Employer	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,262
Net Investment Income	154,460	166,534	145,527	135,702	137,041	164,353	162,475	317,045
Differences Between Expected and Actual Experience	61,759	(36,166)	(435,660)	384,341	(13,293)	-	55,347	-
Benefit Payments	(247,532)	(328,306)	(243,924)	(270,125)	(128,275)	(339,244)	(317,871)	(234,057)
Administrative Expense	(36,052)	-	(43,315)	(26,624)	(25,906)	(27,052)	(40,352)	(16,546)
Net Change in Plan Fiduciary Net Position	(67,365)	(197,938)	(577,372)	223,294	(30,433)	(201,943)	(140,401)	67,704
Plan Fiduciary Net Position - Beginning	2,532,123	2,730,061	3,307,433	3,084,139	3,114,572	3,316,515	3,456,916	3,389,212
Plan Fiduciary Net Position - Ending (b)	$ 2,464,758	$ 2,532,123	$ 2,730,061	$ 3,307,433	$ 3,084,139	$ 3,114,572	$ 3,316,515	$ 3,456,916
District's Net OPEB Asset - Ending (a) - (b)	$ (744,569)	$ (741,979)	$ (904,244)	$ (1,409,629)	$ (714,006)	$ (872,861)	$ (570,466)	$ (598,633)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Asset	143.28%	141.45%	149.53%	174.28%	130.13%	138.94%	120.77%	120.94%
Covered-Employee Payroll	$ 17,714,884	$ 17,198,916	$ 16,214,679	$ 15,742,407	$ 17,398,253	$ 16,891,508	$ 18,465,734	$ 17,927,897
District's Net OPEB Asset as a Percentage of Covered Payroll	-4.20%	-4.31%	-5.58%	-8.95%	-4.10%	-5.17%	-3.09%	-3.34%

The District implement GASB Statement Nos. 74 and 75 in fiscal year 2017, and the above table will be expanded to 10 years of information as the information becomes available.

See accompanying Notes to Required Supplementary Information.

NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN ON OPEB PLAN ASSETS
JUNE 30, 2024

Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2024	8.50%
2023	4.80%
2022	-10.10%
2021	4.40%
2020	5.00%
2019	5.80%
2018	6.30%
2017	-1.40%

The District implemented GASB Statement Nos. 74 and 75 in fiscal year 2017, and the above table will be expanded to 10 years of information as the information becomes available.

See accompanying Notes to Required Supplementary Information.

NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN MEASUREMENT PERIODS

	Measurement Date June 30, 2023	Measurement Date June 30, 2022	Measurement Date June 30, 2021	Measurement Date June 30, 2020	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015	Measurement Date June 30, 2014
PERA										
District's Proportion of the Net Pension Liability	0.0704%	0.0674%	0.0651%	0.0701%	0.0750%	0.0905%	0.0935%	0.0941%	0.0927%	0.0932%
District's Proportionate Share of the Net Pension Liability	$ 3,936,689	$ 5,338,102	$ 2,780,062	$ 4,202,815	$ 4,146,582	$ 5,020,569	$ 5,968,978	$ 7,640,453	$ 4,804,195	$ 4,378,069
State's Proportionate Share of the Net Pension Liability	108,460	156,326	84,786	129,669	128,828	164,739	75,020	99,757	-	-
District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability	$ 4,045,149	$ 5,494,428	$ 2,864,848	$ 4,332,484	$ 4,275,410	$ 5,185,308	$ 6,043,998	$ 7,740,210	$ 4,804,195	$ 4,378,069
District's Covered Payroll	$ 5,469,253	$ 5,076,013	$ 4,744,347	$ 5,006,787	$ 5,300,213	$ 6,089,760	$ 6,026,107	$ 5,871,013	$ 5,355,413	$ 4,890,875
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	71.98%	105.16%	58.60%	83.94%	78.23%	82.44%	99.05%	130.14%	89.71%	89.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.10%	76.70%	87.00%	79.10%	80.23%	79.53%	75.90%	68.91%	78.20%	78.75%
TRA										
District's Proportion of the Net Pension Liability	0.2129%	0.2059%	0.1995%	0.2060%	0.2301%	0.2430%	0.2565%	0.2574%	0.2587%	0.2574%
District's Proportionate Share of the Net Pension Liability	$ 17,577,501	$ 16,487,383	$ 8,730,717	$ 15,219,556	$ 14,666,622	$ 15,262,986	$ 51,202,053	$ 61,396,042	$ 16,003,154	$ 11,860,807
State's Proportionate Share of the Net Pension Liability Associated with District	1,231,279	1,222,685	736,339	1,275,652	1,298,143	1,434,000	4,949,626	6,162,560	1,962,723	834,368
Total of District's and State's Proportionate Share of the Net Pension Liability	$ 18,808,780	$ 17,710,068	$ 9,467,056	$ 16,495,208	$ 15,964,765	$ 16,696,986	$ 56,151,679	$ 67,558,602	$ 17,965,877	$ 12,695,175
District's Covered Payroll	$ 13,580,129	$ 13,070,683	$ 12,668,499	$ 12,132,260	$ 13,315,383	$ 13,668,027	$ 13,700,893	$ 13,387,387	$ 13,129,392	$ 11,744,179
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	129.44%	126.14%	68.92%	125.45%	110.15%	111.67%	373.71%	458.61%	121.89%	100.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.42%	76.17%	86.63%	75.48%	78.21%	78.07%	51.57%	44.88%	76.80%	81.50%

See accompanying Notes to Required Supplementary Information.

NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
PERA										
Contractually Required Contribution	$ 429,330	$ 410,194	$ 380,701	$ 355,826	$ 375,509	$ 397,516	$ 456,732	$ 451,958	$ 440,326	$ 401,656
Contributions in Relation to the Contractually Required Contribution	(429,330)	(410,194)	(380,701)	(355,826)	(375,509)	(397,516)	(456,732)	(451,958)	(440,326)	(401,656)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	5,724,400	5,469,253	5,076,013	$ 4,744,347	$ 5,006,787	$ 5,300,213	$ 6,089,760	$ 6,026,107	$ 5,871,013	$ 5,355,413
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
TRA										
Contractually Required Contribution	$ 1,269,795	$ 1,161,101	$ 1,090,095	$ 1,029,949	$ 960,875	$ 1,026,616	$ 1,025,102	$ 1,027,567	$ 1,004,054	$ 984,624
Contributions in Relation to the Contractually Required Contribution	(1,269,795)	(1,161,101)	(1,090,095)	(1,029,949)	(960,875)	(1,026,616)	(1,025,102)	(1,027,567)	(1,004,054)	(984,624)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 14,511,943	$ 13,580,129	$ 13,070,683	$ 12,668,499	$ 12,132,260	$ 13,315,383	$ 13,668,027	$ 13,700,893	$ 13,387,387	$ 13,129,392
Contributions as a Percentage of Covered Payroll	8.75%	8.55%	8.34%	8.13%	7.92%	7.71%	7.50%	7.50%	7.50%	7.50%

See accompanying Notes to Required Supplementary Information.

NOTE 1 COMPLIANCE – BUDGETS

The budget and the actual amounts are both prepared on the modified accrual basis of accounting in accordance with GAAP.

In the following funds, expenditures exceeded the appropriations during the year ended June 30, 2024:

	Budget	Expenditures	Excess
Special Revenue Fund:			
Food Service Fund	$ 1,641,140	$ 1,827,399	$ 186,259
Community Service Fund	1,601,059	1,915,152	314,093

The overages above were considered by District management to be the result of necessary expenditures critical to operations.

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

2023

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.50% to 7.00%.

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, noncompounding benefit increase of 2.50% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scales MP-2021.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2021

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scales MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2020 (Continued)

Changes in Plan Provisions

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

2019

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, decreased from $31.0 million to $21.0 million per year. The State's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018

Changes in Actuarial Assumption

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed postretirement benefit increase was changed from 1.0% per year through 2044 and 2.50% 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 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50% beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2017

Changes in Actuarial Assumption

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for nonvested deferred member liability.
- The assumed postretirement 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 in Actuarial Assumptions

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

Changes in Actuarial Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

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

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2015 (Continued)

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.

The following changes were reflected in the valuation performed on behalf of the Teachers Retirement Association for the year ended June 30:

2023

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2022

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021

Changes in Actuarial Assumptions

- The investment return assumption was changed from 7.50% to 7.00%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2020

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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018

Changes in Actuarial Assumptions

- The investment return assumption was changed from 8.5% to 7.5%.
- The price inflation assumption was lowered from 3.0% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for the next 10 years, and 0.75% thereafter.
- The total salary increase assumption was adjusted by the wage inflation change.
- The amortization date for the funding of the Unfunded Actuarial Accrual Liability (UAAL) was reset to June 30, 2048 (30 years).
- The mechanism in the law that provided the TRA Board with some authority is set contribution rates was eliminated.

Changes in Plan Provisions

- The 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% in January 1, 2028.

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2018 (Continued)

Changes in Plan Provisions (Continued)

- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to0% 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 is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next four years, (7.92% in 2019, 8.13% 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 in Actuarial Assumptions

- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- Adjustment 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 nonvested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The COLA was not assumed to increase to 2.5%, but remain at 2.0% for all future years.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for 10 years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2016

Changes in Actuarial Assumptions

- The cost of living adjustment was not assumed to increase (it remained at 2.0% for all future years).
- The price inflation assumption was lowered from 3.0% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes at some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back six years, and female rates set back five years. Generational projection uses the MP-2015 scale.
- The post-retirement mortality assumption was changed to the RP-2014 while collar annuitant table, male rates set back three years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustments.
- 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 forms of payment at retirement were made.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2037.
- The investment return assumption was changed from 8.25% to 8.0%.

Changes in Plan Provisions

- The Duluth Teachers Retirement Fund Association was merged into TRA on June 30, 2015. This also resulted in a state-provided contribution stream of $14.377 million until the System becomes fully funded.

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2014

Changes in Actuarial Assumptions

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually once the legally specified criteria was met. This was estimated to occur July 1, 2031.

Changes in Plan Provisions

- The increase in the post-retirement benefit adjustment (COLA) will be made once the System is 90% funded (on a market value basis) in two consecutive years, rather than just one year.

NOTE 3 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFIT PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS

The following assumption changes were made for the measurement date June 30, 2024:

- None

The following plan change was made for the measurement date June 30, 2024:

- None

The following assumption changes were made for the measurement date June 30, 2023:

- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.
- The expected long-term investment return was changed from 4.40% to 6.10%.
- The discount rate was changed from 4.30% to 6.10%.

The following plan change was made for the measurement date June 30, 2023:

- None

NOTE 3 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFIT PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

The following assumption changes were made for the measurement date June 30, 2022:

- The discount rate was changed from 4.40% to 4.30%.

The following plan change was made for the measurement date June 30, 2022:

- None

The following assumption changes were made for the measurement date June 30, 2021:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.0% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.80% to 4.40%.

The following plan change was made for the measurement date June 30, 2021:

- None

The following assumption change was made for the measurement date June 30, 2020:

- The discount rate was changed from 4.30% to 3.80%.
- The long-term expected return on assets was changed from 4.70% to 4.40%.

The following plan change was made for the measurement date June 30, 2020:

- None

NOTE 3 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFIT PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

The following assumption changes were made for the measurement date June 30, 2019:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 4.20% to 4.30%.

The following plan change was made for the measurement date June 30, 2019:

- None

The following assumption changes were made for the measurement date June 30, 2018:

- The discount rate was changed from 4.00% to 4.20%.

The following plan change was made for the measurement date June 30, 2018:

- None

SUPPLEMENTARY INFORMATION

NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
JUNE 30, 2024

	Audit	UFARS	Audit-UFARS
01 GENERAL FUND			
Total Revenues	$ 39,200,951	$ 39,200,951	$ -
Total Expenditures	$ 35,824,379	$ 35,824,376	$ 3
Nonspendable:			
460 Nonspendable Fund Balance	$ 43,665	$ 43,665	$ -
Restricted/Reserved:			
401 Student Activities	$ 192,547	$ 192,547	$ -
402 Scholarships	$ 160,965	$ 160,965	$ -
403 Staff Development	$ 155,523	$ 155,523	$ -
407 Capital Project Levy	$ 503,109	$ 503,109	$ -
408 Cooperative Revenue	$ -	$ -	$ -
412 Literacy Incentive Aid	$ 9,449	$ 9,449	$ -
414 Operating Debt	$ -	$ -	$ -
416 Levy Reduction	$ -	$ -	$ -
417 Excess Taconite Building Maint.	$ -	$ -	$ -
420 American Indian Ed Aid	$ 45,943	$ 45,943	$ -
424 Operating Capital	$ 450,520	$ 450,520	$ -
426 $25 Taconite	$ -	$ -	$ -
427 Disabled Accessibility	$ -	$ -	$ -
428 Learning & Development	$ -	$ -	$ -
434 Area Learning Center	$ -	$ -	$ -
435 Contracted Alt. Programs	$ -	$ -	$ -
436 St. Approved Alt. Prog.	$ -	$ -	$ -
438 Gifted & Talented	$ -	$ -	$ -
441 Basic Skills	$ -	$ -	$ -
443 School Library Aid	$ 4,807	$ 4,807	$ -
448 Achievement & Integration	$ -	$ -	$ -
449 Safe Schools Levy	$ -	$ -	$ -
450 Pre-Kindergarten	$ -	$ -	$ -
451 QZAB and QSCB Payments	$ -	$ -	$ -
452 OPEB Liab. Not in Trust	$ -	$ -	$ -
459 Basic Skills Ext Time	$ -	$ -	$ -
467 LTFM	$ 927,806	$ 927,806	$ -
471 Student Support Personnel	$ -	$ -	
472 Medical Assistance	$ 272,163	$ 272,163	$ -
Restricted:			
464 Restricted Fund Balance	$ 81,387	$ 81,387	$ -
Committed:			
418 Committed for Separation	$ -	$ -	$ -
461 Committed Fund Balance	$ -	$ -	$ -
Assigned:			
462 Assigned Fund Balance	$ 4,623,980	$ 4,623,980	$ -
Unassigned:			
422 Unassigned	$ 4,266,536	$ 4,266,535	$ 1
02 FOOD SERVICE			
Total Revenues	$ 2,116,960	$ 2,116,960	$ -
Total Expenditures	$ 1,827,399	$ 1,827,399	$ -
Nonspendable:			
460 Nonspendable Fund Balance	$ 25,488	$ 25,488	$ -
Restricted/Reserved:			
452 OPEB Liab. Not in Trust	$ -	$ -	$ -
464 Restricted Fund Balance	$ 718,426	$ 718,427	$ (1)
Unassigned:			
463 Unassigned Fund Balance	$ -	$ -	$ -
04 COMMUNITY SERVICE			
Total Revenues	$ 2,106,315	$ 2,106,314	$ 1
Total Expenditures	$ 1,915,152	$ 1,915,148	$ 4
Nonspendable:			
460 Nonspendable Fund Balance	$ 6,847	$ 6,847	$ -
Restricted/Reserved:			
426 $25 Taconite	$ -	$ -	$ -
431 Community Education	$ 574,851	$ 574,851	$ -
432 E.C.F.E.	$ 511,262	$ 511,262	$ -
444 School Readiness	* $ (80,304)	$ (80,304)	$ -
447 Adult Basic Education	$ -	$ -	$ -
452 OPEB Liab. Not in Trust	$ -	$ -	$ -
Restricted:			
464 Restricted Fund Balance	* $ 177,135	$ 177,136	$ (1)
Unassigned:			
463 Unassigned Fund Balance	$ -	$ -	$ -

* Amounts differ from those reported on the fund-level balance sheet due to the need to reclassify negative restricted fund balance to unassigned fund balance for the CAFR.

	Audit	UFARS	Audit-UFARS
06 BUILDING CONSTRUCTION			
Total Revenues	$ -	$ -	$ -
Total Expenditures	$ -	$ -	$ -
Nonspendable:			
460 Nonspendable Fund Balance	$ -	$ -	$ -
Restricted/Reserved:			
407 Capital Projects Levy	$ -	$ -	$ -
409 Alternative Fac. Program	$ -	$ -	$ -
461 LTFM	$ -	$ -	$ -
Restricted:			
464 Restricted Fund Balance	$ -	$ -	$ -
Unassigned:			
463 Unassigned Fund Balance	$ -	$ -	$ -
07 DEBT SERVICE			
Total Revenues	$ 5,447,993	$ 5,447,994	$ (1)
Total Expenditures	$ 5,293,816	$ 5,293,816	$ -
Nonspendable:			
460 Nonspendable Fund Balance	$ -	$ -	$ -
Restricted/Reserved:			
425 Bond Refundings	$ -	$ -	$ -
451 QZAB and QSCB Payments	$ -	$ -	$ -
Restricted:			
464 Restricted	$ 1,152,087	$ 1,152,087	$ -
Unassigned:			
463 Unassigned Fund Balance	$ -	$ -	$ -
08 TRUST			
Total Revenues	$ -	$ -	$ -
Total Expenditures	$ -	$ -	$ -
422 Net Position	$ -	$ -	$ -
09 AGENCY			
Unrestricted: Should Always Be -0-			
422 Unassigned	$ -	$ -	$ -
20 INTERNAL SERVICE			
Total Revenues	$ 296,340	$ 296,340	$ -
Total Expenditures	$ 241,363	$ 241,363	$ -
422 Net Position	$ 794,031	$ 794,031	$ -
25 OPEB REVOCABLE TRUST			
Total Revenues	$ -	$ -	$ -
Total Expenditures	$ -	$ -	$ -
422 Net Position	$ -	$ -	$ -
45 OPEB IRREVOCABLE TRUST			
Total Revenues	$ 216,219	$ 216,219	$ -
Total Expenditures	$ 283,584	$ 283,585	$ (1)
422 Net Position	$ 2,464,758	$ 2,464,758	$ -
47 OPEB DEBT SERVICE			
Total Revenues	$ 407,543	$ 407,543	$ -
Total Expenditures	$ 410,481	$ 410,481	$ -
Nonspendable:			
460 Nonspendable Fund Balance	$ -	$ -	$ -
Restricted:			
425 Bond Refundings	$ -	$ -	$ -
464 Restricted Fund Balance	$ 79,465	$ 79,465	$ -
Unassigned:			
463 Unassigned Fund Balance	$ -	$ -	$ -

OTHER INFORMATION

NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
BOND SCHEDULES
JUNE 30, 2024
(UNAUDITED)

$1,770,000 G.O. Capital Facilities Bonds, Series 2016A, Issued 11/16/2016

Due Date	Rate %	Principal	Interest	Total Due	Deferred Tax Levy
08/01/24		$ -	$ 10,031	$ 10,031	
02/01/25	2.000	125,000	10,031	135,031	$ 152,315
08/01/25		-	8,781	8,781	
02/01/26	2.000	130,000	8,781	138,781	154,940
08/01/26		-	7,481	7,481	
02/01/27	2.000	135,000	7,481	142,481	157,460
08/01/27		-	6,131	6,131	
02/01/28	2.000	135,000	6,131	141,131	154,625
08/01/28		-	4,781	4,781	
02/01/29	2.250	140,000	4,781	144,781	157,040
08/01/29		-	3,206	3,206	
02/01/30	2.250	140,000	3,206	143,206	153,733
08/01/30		-	1,631	1,631	
02/01/31	2.250	145,000	1,631	146,631	155,675
Totals		$ 950,000	$ 84,084	$ 1,034,084	$ 1,085,788

NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
BOND SCHEDULES (CONTINUED)
JUNE 30, 2024
(UNAUDITED)

$67,590,000 G.O. School Building Bonds, Series 2017A, Issued 11/9/17

Due Date	Rate %	Principal	Interest	Total Due	Deferred Tax Levy
08/01/24		$ -	$ 1,110,377	$ 1,110,377	
02/01/25	5.000	2,170,000	1,110,377	3,280,377	$ 4,610,292
08/01/25		-	1,056,127	1,056,127	
02/01/26	5.000	2,410,000	1,056,127	3,466,127	4,748,367
08/01/26		-	995,877	995,877	
02/01/27	5.000	2,530,000	995,877	3,525,877	4,747,842
08/01/27		-	932,627	932,627	
02/01/28	5.000	2,655,000	932,627	3,587,627	4,746,267
08/01/28		-	866,252	866,252	
02/01/29	4.000	2,790,000	866,252	3,656,252	4,748,629
08/01/29		-	810,452	810,452	
02/01/30	4.000	2,900,000	810,452	3,710,452	4,746,949
08/01/30		-	752,452	752,452	
02/01/31	4.000	3,015,000	752,452	3,767,452	4,745,899
08/01/31		-	692,152	692,152	
02/01/32	3.000	3,135,000	692,152	3,827,152	4,745,269
08/01/32		-	645,127	645,127	
02/01/33	3.000	3,230,000	645,127	3,875,127	4,746,267
08/01/33		-	596,677	596,677	
02/01/34	3.000	3,325,000	596,677	3,921,677	4,744,272
08/01/34		-	546,802	546,802	
02/01/35	3.000	3,425,000	546,802	3,971,802	4,744,534
08/01/35		-	495,427	495,427	
02/01/36	3.000	3,530,000	495,427	4,025,427	4,746,897
08/01/36		-	442,477	442,477	
02/01/37	3.100	3,635,000	442,477	4,077,477	4,745,952
08/01/37		-	386,134	386,134	
02/01/38	3.100	3,750,000	386,134	4,136,134	4,748,381
08/01/38		-	328,009	328,009	
02/01/39	3.125	3,865,000	328,009	4,193,009	4,747,069
08/01/39		-	267,619	267,619	
02/01/40	3.150	3,985,000	267,619	4,252,619	4,746,250
08/01/40		-	204,855	204,855	
02/01/41	3.200	4,110,000	204,855	4,314,855	4,745,696
08/01/41		-	139,095	139,095	
02/01/42	3.250	4,245,000	139,095	4,384,095	4,749,350
08/01/42		-	71,175	71,175	
02/01/43	3.250	4,380,000	71,175	4,451,175	4,748,468
Totals		$ 63,085,000	$ 22,679,426	$ 85,764,426	$ 90,052,650

NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
BOND SCHEDULES (CONTINUED)
JUNE 30, 2024
(UNAUDITED)

$2,260,000 G.O. OPEB Refunding Bonds, Series 2017B, Issued 11/9/17

Due Date	Rate %	Principal	Interest	Total Due	Deferred Tax Levy
08/01/24		$ -	$ 5,346	$ 5,346	
02/01/25	2.640	405,000	5,346	410,346	$ 436,477
Totals		$ 405,000	$ 10,692	$ 415,692	$ 436,477

NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
BOND SCHEDULES (CONTINUED)
JUNE 30, 2024
(UNAUDITED)

$6,385,000 G.O. Facilities Maintenance Bonds, Series 2018A, Issued 7/19/18

Due Date	Rate %	Principal	Interest	Total Due	Deferred Tax Levy
08/01/24		$ -	$ 51,375	$ 51,375	
02/01/25	3.000	645,000	51,375	696,375	$ 785,138
08/01/25		-	41,700	41,700	
02/01/26	3.000	665,000	41,700	706,700	785,820
08/01/26		-	31,725	31,725	
02/01/27	3.000	685,000	31,725	716,725	785,873
08/01/27		-	21,450	21,450	
02/01/28	3.000	705,000	21,450	726,450	785,295
08/01/28		-	10,875	10,875	
02/01/29	3.000	725,000	10,875	735,875	784,088
Totals		$ 3,425,000	$ 314,250	$ 3,739,250	$ 3,926,214

NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND OTHER REQUIRED REPORTS

JUNE 30, 2024

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NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
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JUNE 30, 2024

SINGLE AUDIT AND OTHER REQUIRED REPORTS

INDEPENDENT AUDITORS' 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*

Board of Education
North Branch Public Schools
Independent School District No. 138
North Branch, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 138 (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 6, 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 to 2024-003 that we consider to be material weaknesses.

Board of Education
North Branch Public Schools
Independent School District No. 138

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.*

The District's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 6, 2024

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Education
North Branch Public Schools
Independent School District No. 138
North Branch, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Independent School District No. 138's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2024. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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; 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 *Auditors' Responsibilities for the Audit of Compliance* section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We have issued our report thereon, dated November 6, 2024 , which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 6, 2024

NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass through Grantor/Program or Cluster Title	Federal Assistance Listing Number		Pass-Through Entity Identifying Number		Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture						
Pass-Through Minnesota Department of Education						
Noncash Assistance (Commodities):						
National School Lunch Program	10.555	#	1-0138-000	$ 138,275		
Total Noncash Assistance					$ 138,275	$ -
Cash Assistance:						
National School Lunch Program	10.555	#	1-0138-000	587,861		
School Breakfast Program	10.553	#	1-0138-000	149,017		
COVID-19 - Supply Chain Assistance Funding	10.555	#	1-0138-000	69,310		
Total Cash Assistance					806,188	-
Total Child Nutrition Cluster					944,463	-
Local Food for Schools Cooperative Agreement Program	10.185		1-0138-000		7,896	-
Child and Adult Care Food Program	10.558		1-0138-000		630	-
COVID-19 - Pandemic EBT Administrative Costs	10.649		1-0138-000		3,256	-
Total U.S. Department of Agriculture					956,245	-
U.S. Department of Treasury						
Pass-Through Minnesota Department of Education						
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		N/A		8,333	-
COVID-19 - American Rescue Plan (ARP) Summer Academic Enrichment and Mental Health	21.027		N/A		30,750	-
Pass-Through Chisago County						
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		N/A		80,050	-
Total U.S. Department of Treasury					119,133	-
U.S. Department of Education						
Pass-Through Minnesota Department of Education						
Title I - Grants to Local Education Agencies	84.010		S010A230023A		344,731	-
Carl Perkins Vocational Education	84.048		N/A		15,251	-
Title II, Part A - Supporting Effective Instruction State Grants	84.367		S367A230022		56,581	-
Title III, Part A - English Language Acquisition Grants	84.365		S365A230024A		12,719	-
Education Stabilization Fund						
COVID-19 - Expanded Summer Learning for Emergency Relief Fund (ESSER III)	84.425U	*	S425U230045	682,488		
COVID-19 - Learning Loss for Elementary and Secondary School Emergency Relief Fund (ESSER III)	84.425U	*	S425U230045	227,713		
ARP - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	84.425W	*	S425W230024	1,393		
Total Education Stabilization Fund					911,594	-
Pass-Through St. Croix River Education District						
Special Education Cluster						
Special Education Grants to States	84.027	@	H027A230087	42,888		
Special Education Preschool Grants	84.173	@	H173A230086	384		
Total Special Education Cluster					43,272	-
Total U.S. Department of Education					1,384,148	-
Total Federal Expenditures					$ 2,459,526	$ -

- Child Nutrition Cluster
@ - Special Education Cluster
* - Education Stabilization Fund

The total of Assistance Listing No. 10.555 is $795,446
The total of Assistance Listing No. 84.425U is $910,201
The total of Assistance Listing No. 21.027 is $119,113

See accompanying Notes to Schedule of Expenditures of Federal Awards.

NOTE 1 GENERAL

The accompanying schedule of expenditures of federal awards includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2024. The reporting entity is defined in Note 1 to the District's financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included on the schedule. The District did not pass any federal award money to subrecipients during the fiscal year. The information in this Schedule is presented in accordance with the requirements of 2 CFR 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 in net position, or cash flows of the District.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COST RATE

The District has not elected to use the 10% de minimis in direct costs rate as allowed under Uniform Guidance.

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education
North Branch Public Schools
Independent School District No. 138
North Branch, 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. 138 (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 6, 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 sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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 relating to the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 6, 2024

NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? ___X___ yes _______ no
- Significant deficiency(ies) identified? _______ yes ___X___ none reported

Noncompliance material to financial statements noted? _______ yes ___X___ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _______ yes ___X___ no
- Significant deficiency(ies) identified? _______ yes ___X___ none reported

Type of auditors' report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _______ yes ___X___ no

Identification of major programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
84.425U and 84.425W	COVID-19 – Education Stabilization Fund
10.553 and 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as low-risk auditee? _______ yes ___X___ no

B. FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT

2024-001 Financial Statement Preparation

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Condition: The Board and management share the ultimate responsibility for the District's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The District engages CliftonLarsonAllen (CLA) to assist in preparing the financial statements and accompanying disclosures. However, as independent auditors, CLA cannot be considered part of the District's internal control system. As part of its internal control over the preparation of its financial statements, including disclosures, the District has implemented a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of U.S. generally accepted accounting principles and knowledge of the District's activities and operations.

Criteria or specific requirement: Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of the financial statements including the related disclosures, in conformity with U.S. generally accepted accounting principles.

Effect: The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the District's internal controls in the normal course of business.

Cause: The District relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, management has reviewed and approved the annual financial statements and the related footnote disclosures.

Repeat finding: Yes – Finding 2023-001

Recommendation: Management should continue to evaluate its internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding and there is a planned corrective action in place.

B. FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT (CONTINUED)

2024-002 **Segregation of Duties**

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Condition: The District has limited number of office personnel and accordingly, does not have adequate internal controls in place because of a lack of segregation of duties.

Criteria or specific requirement: A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Effect: Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Cause: The District's resources did not allow for personnel to address this issue.

Repeat finding: Yes - 2023-002.

Recommendation: While we recognize that the District may not be large enough to permit complete segregation of duties in all material respects for an effective system of internal controls, the functions should be reviewed to determine if additional segregation of duties is feasible and to improve efficiency and effectiveness of financial management of the District.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding and there is a planned corrective action in place.

B. FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT (CONTINUED)

2024-003 **Material Audit Adjustments**

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Condition: As part of the audit, we proposed material adjustments related to tax and state revenue/receivables.

Criteria or specific requirement: Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair representation in the financial statements in accordance with U.S. GAAP. Management is responsible for the accuracy and completeness of all financial records and related information. Their responsibilities include adjusting the financial statement to correct material misstatements and produce accurate financial statements on a timely basis.

Effect: Errors in the preparation of year-end balances increases the risk related to financial statement misstatements. The amounts were, in our judgment, material to the financial statements and therefore, we concluded that a material weakness existed in the District's control policies and procedures related to recording such adjustments, which are required to be reported under professional standards.

Cause: The District's resources did not allow for personnel to address this issue in the current year.

Repeat finding: Yes - 2023-003.

Recommendation: We recommend that District management and financial personnel establish a process to ensure the recording of all related transactions to properly adjust financial statements at year-end.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding and there is a planned corrective action in place.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Our audit did not disclose any matters required to be reported in accordance with 2 CRF 200.516(a).

D. FINDINGS – MINNESOTA LEGAL COMPLIANCE

None reported.

NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
CORRECTIVE ACTION PLAN
JUNE 30, 2024

Independent School District No. 138 (the District) respectfully submits the following corrective action plan for the year ended June 30, 2024.

Audit period: July 1, 2023 – June 30, 2024

The findings from the June 30, 2024 Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistent with the number assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

2024-001 FINANCIAL STATEMENT PREPARATION

Recommendation:
Management should continue to evaluate its internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

Explanation of Disagreement with Audit Findings:
There is no disagreement with the audit finding.

Actions Planned in Response to the Finding:
The District will continue to rely upon the audit firm to prepare the financial statements; however, the District has established internal control procedures to document the annual review of the financial statements.

Official Responsible for Ensuring CAP:
Todd Tetzlaff, Director of Finance and Human Resources.

Planned Completion Date for CAP:
June 30, 2025.

FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

MATERIAL WEAKNESS (CONTINUED)

2024-002 SEGREGATION OF DUTIES

Recommendation:
While we recognize that the District may not be large enough to permit complete segregation of duties in all material respects for an effective system of internal controls, the functions should be reviewed to determine if additional segregation of duties is feasible and to improve efficiency and effectiveness of financial management of the District.

Explanation of Disagreement with Audit Findings:
There is no disagreement with the audit finding.

Actions Planned in Response to the Finding:
The District will continue to evaluate their internal staff capacity to determine if additional segregation of duties is feasible and to improve efficiency and effectiveness of financial management.

Official Responsible for Ensuring CAP:
Todd Tetzlaff, Director of Finance and Human Resources.

Planned Completion Date for CAP:
June 30, 2025.

2024-003 MATERIAL AUDIT ADJUSTMENTS

Recommendation:
We recommend that District management and financial personnel establish a process to ensure the recording of all related transactions to properly adjust financial statements at year-end.

Explanation of Disagreement with Audit Findings:
There is no disagreement with the audit finding.

Actions Planned in Response to the Finding:
The District will continue to work on establishing a process to ensure all recording of related transactions to properly adjust financial statements at year-end.

Official Responsible for Ensuring CAP:
Todd Tetzlaff, Director of Finance and Human Resources.

Planned Completion Date for CAP:
June 30, 2025.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2020

Independent School District No. 138 respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2024.

Audit period: July 1, 2023 – June 30, 2024

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS – FINANCIAL STATEMENT

Prior Year Reference Number: 2023-001 – Financial Statement Preparation

Status:
See current year finding 2024-001

Reason for Finding's Recurrence:
The District is not able to resolve this finding due to the District relying on the audit firm to prepare the annual financial statements and related footnote disclosures. However, they have reviewed and approved the annual financial statements and related footnote disclosures.

Prior Year Reference Number: 2023-002 – Segregation of Duties

Status:
See current year finding 2024-002

Reason for Finding's Recurrence:
Limited number of District personnel and the cost of hiring an additional person to adequately segregate duties is not beneficial to the District.

Prior Year Reference Number: 2023-003 – Material Audit Adjustments

Status:
See current year finding 2024-003

Reason for Finding's Recurrence:
Limited number of District personnel within the business office makes it difficult to resolve this finding. District management continues to evaluate the concentration of duties and responsibilities.

Prior Year Reference Number: 2023-004 – Lack of Proper Approval of Disbursements

Status:
Corrective action was taken.

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

FINDINGS – FEDERAL AWARD PROGRAMSAUDITS

There were no federal award program audit findings in the prior year.

If involved agencies have any questions regarding this plan, please call Todd Tetzlaff at 651-674-1009.

Sincerely yours,

Todd Tetzlaff, Director of Finance and Human Resources

North Branch Public Schools