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Independent School District No. 656
Faribault, Minnesota

Basic Financial Statements

June 30, 2024

Independent School District No. 656
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Independent School District No. 656
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Independent School District No. 656
Board of Education and Administration
June 30, 2024

Board of Education	Position	Term Expires
John Bellingham	Chairperson	December 31, 2026
Chad Wolff	Vice Chairperson	December 31, 2026
Casie Steeves	Clerk	December 31, 2024
Lynda Boudreau	Treasurer	December 31, 2026
Richard Olson	Director	December 31, 2024
Jerry Robicheau	Director	December 31, 2024
Linda Moore	Director	December 31, 2026

Administration	
Jamie Bente	Superintendent
Barbie Roessler	Director of Finance and Operations

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Independent Auditor's Report

To the School Board
Independent School District No. 656
Faribault, Minnesota

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 656, Faribault, Minnesota, as of and for the year ended June 30, 2024, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 656, Faribault, Minnesota, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 656 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Implementation Guide No. 2021-1
The District has adopted new accounting guidance, Grouped Assets from Governmental Accounting Standards Board, (GASB) Implementation Guide 2021-1. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements
The management of Independent School District No. 656 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

St. Cloud, Minnesota
January 17, 2025

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BASIC FINANCIAL STATEMENTS

Independent School District No. 656
Statement of Net Position
June 30, 2024

	Governmental Activities
Assets	
Cash and investments	$ 27,954,420
Current property taxes receivable	5,998,209
Delinquent property taxes receivable	60,128
Accounts receivable	213,544
Due from Department of Education	4,296,510
Due from Federal Government through Department of Education	2,714,411
Due from other Minnesota school districts	499,500
Due from other governmental units	111,041
Inventory	24,372
Prepaid items	20,370
Capital assets	
Capital assets not being depreciated/amortized	
Land	1,913,554
Construction in progress	5,261,757
Capital assets being depreciated/amortized (net of depreciation)	
Land improvements	5,089,374
Buildings	41,163,928
Equipment	2,741,649
Leased equipment	152,773
Subscription assets	46,553
Total assets	98,262,093
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	9,731,310
Deferred outflows of resources related to other post employment benefits	538,514
Total deferred outflows of resources	10,269,824
Total assets and deferred outflows of resources	$ 108,531,917
Liabilities	
Accounts payable	$ 1,020,729
Salaries and benefits payable	5,407,781
Interest payable	256,239
Due to other Minnesota school districts	839,017
Due to other governmental units	6,232
Unearned revenue	96,444
Bond principal payable, net of premiums	
Payable within one year	1,880,000
Payable after one year	10,962,314
Certificate of Participation	
Payable within one year	160,000
Payable after one year	3,215,000
Lease liability	
Payable within one year	66,696
Payable after one year	75,740
Subscription liability	
Payable within one year	4,728
Finance purchases from direct borrowing	
Payable within one year	385,084
Payable after one year	1,058,067
Compensated absences payable	
Payable within one year	255,201
Payable after one year	1,179,346
Net other post employment benefit (OPEB) liability	
Payable within one year	320,309
Payable after one year	2,488,924
Net pension liability	39,052,656
Total liabilities	68,730,507
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	11,630,591
Deferred inflows of resources related to OPEB	1,345,253
Deferred inflows of resources related to pensions	3,467,322
Total deferred inflows of resources	16,443,166
Net Position	
Net investment in capital assets	45,785,444
Restricted	
Debt service	327,142
Other purposes	4,866,859
Unrestricted	(27,621,201)
Total net position	23,358,244
Total liabilities, deferred inflows of resources, and net position	$ 108,531,917

Independent School District No. 656
Statement of Activities
Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities					
Administration	$ 2,263,029	$ -	$ -	$ -	$ (2,263,029)
District support services	1,906,827	90	3,256	-	(1,903,481)
Elementary and secondary regular instruction	22,249,654	305,457	15,918,678	56,031	(5,969,488)
Vocational education instruction	753,754	-	-	-	(753,754)
Special education instruction	14,157,299	783,621	11,941,380	-	(1,432,298)
Instructional support services	5,063,638	18,629	1,028,560	-	(4,016,449)
Pupil support services	6,975,713	1,835	292,648	-	(6,681,230)
Sites and buildings	7,650,665	237,811	-	295,614	(7,117,240)
Fiscal and other fixed cost programs	249,844	-	-	-	(249,844)
Food service	2,617,882	295,446	2,616,281	-	293,845
Community education and services	3,985,471	1,228,153	2,717,430	-	(39,888)
Interest and fiscal charges on long-term debt	445,009	-	-	-	(445,009)
Total governmental activities	$ 68,318,785	$ 2,871,042	$ 34,518,233	$ 351,645	(30,577,865)

General revenues	
Taxes	
Property taxes, levied for general purposes	9,395,496
Property taxes, levied for community service	429,671
Property taxes, levied for debt service	2,011,795
State aid-formula grants	24,579,076
Other general revenues	189,681
Investment income	767,994
Gain of sale of assets	99,754
Total general revenues	37,473,467
Change in net position	6,895,602
Net position - beginning	16,345,250
Change in accounting principle (Note 12)	117,392
Net position - beginning, as restated	16,462,642
Net position - ending	$ 23,358,244

Independent School District No. 656
Balance Sheet - Governmental Funds
June 30, 2024

	General	Debt Service	Building Construction	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments	$ 14,670,503	$ 1,564,823	$ 7,319,343	$ 3,257,004	$ 26,811,673
Current property taxes receivable	4,616,614	1,167,678	-	213,917	5,998,209
Delinquent property taxes receivable	45,023	12,855	-	2,250	60,128
Accounts receivable	152,547	-	-	60,997	213,544
Due from Department of Education	4,244,712	13,049	-	38,749	4,296,510
Due from Federal Government through Department of Education	2,227,518	-	-	486,893	2,714,411
Due from other Minnesota school districts	374,950	-	-	124,550	499,500
Due from other governmental units	74,083	-	-	36,958	111,041
Inventory	24,372	-	-	-	24,372
Prepaid items	20,370	-	-	-	20,370
Total assets	$ 26,450,692	$ 2,758,405	$ 7,319,343	$ 4,221,318	$ 40,749,758
Liabilities					
Accounts payable	$ 432,245	$ -	$ 210,601	$ 209,648	$ 852,494
Salaries and benefits payable	5,222,043	-	-	185,738	5,407,781
Due to other Minnesota school districts	827,707	-	-	11,310	839,017
Due to other governmental units	6,232	-	-	-	6,232
Unearned revenue	14,906	-	-	81,538	96,444
Total liabilities	6,503,133	-	210,601	488,234	7,201,968
Deferred Inflows of Resources					
Unavailable revenue - delinquent property taxes	45,023	12,855	-	2,250	60,128
Property taxes levied for subsequent year's expenditures	9,013,672	2,175,024	-	441,895	11,630,591
Total deferred inflows of resources	9,058,695	2,187,879	-	444,145	11,690,719
Fund Balances					
Nonspendable	363,569	-	-	-	363,569
Restricted	1,575,670	570,526	7,108,742	3,288,939	12,543,877
Unassigned	8,949,625	-	-	-	8,949,625
Total fund balances	10,888,864	570,526	7,108,742	3,288,939	21,857,071
Total liabilities, deferred inflows of resources, and fund balances	$ 26,450,692	$ 2,758,405	$ 7,319,343	$ 4,221,318	$ 40,749,758

Independent School District No. 656
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2024

Total fund balances - governmental funds	$ 21,857,071
Amounts reported for governmental activities in the Statement of Net Positionare different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	114,487,850
Less accumulated depreciation/amortization	(58,118,262)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bond principal payable, net of premiums	(12,842,314)
Certificate of participation	(3,375,000)
Lease liability	(142,436)
Subscription liability	(4,728)
Finance purchase from direct borrowing	(1,443,151)
Compensated absences payable	(1,434,547)
Net OPEB liability	(2,809,233)
Net pension liability	(39,052,656)
Deferred outflows of resources and deferred inflows of resources are created as a result of differences in timing and estimates related to pension and OPEB that are not recognized in the governmental funds.	
Deferred outflows of resources related to pensions	9,731,310
Deferred inflows of resources related to pensions	(3,467,322)
Deferred outflows of resources related to OPEB	538,514
Deferred inflows of resources related to OPEB	(1,345,253)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	60,128
The Health Internal Service Fund is used by management to charge the cost of the self-insured plan. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position and interfund activity is removed.	974,512
Governmental funds do not report a liability for accrued interest on bonds and and other long-term debt until due and payable.	(256,239)
Total net position - governmental activities	$ 23,358,244

Independent School District No. 656
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2024

		Formerly Major Fund			
	General	Food Service	Community Service	Debt Service	Building Construction
Revenues					
Local property taxes	$ 9,391,155	$ -	$ -	$ 2,010,701	$ -
Other local and county revenues	2,412,124	-	-	31,385	95,975
Revenue from state sources	47,295,774	-	-	221,061	-
Revenue from federal sources	6,139,757	-	-	-	-
Sales and other conversion of assets	11,953	-	-	-	-
Total revenues	65,250,763	-	-	2,263,147	95,975
Expenditures					
Current					
Administration	2,329,156	-	-	-	-
District support services	1,755,356	-	-	-	-
Elementary and secondary regular instruction	23,889,085	-	-	-	-
Vocational education instruction	798,402	-	-	-	-
Special education instruction	14,754,935	-	-	-	-
Instructional support services	4,864,722	-	-	-	-
Pupil support services	6,901,637	-	-	-	-
Sites and buildings	4,823,256	-	-	-	1,020,646
Fiscal and other fixed cost programs	250,524	-	-	-	-
Food service	-	-	-	-	-
Community education and services	-	-	-	-	-
Capital outlay					
Administration	13,977	-	-	-	-
District support services	62,730	-	-	-	-
Elementary and secondary regular instruction	193,462	-	-	-	-
Vocational education instruction	999	-	-	-	-
Special education instruction	91,273	-	-	-	-
Instructional support services	125,113	-	-	-	-
Pupil support services	4,374	-	-	-	-
Sites and buildings	772,885	-	-	-	3,439,310
Food service	-	-	-	-	-
Community education and services	-	-	-	-	-
Debt service					
Principal	660,435	-	-	2,175,000	-
Interest and fiscal charges	154,561	-	-	81,689	115,155
Total expenditures	62,446,882	-	-	2,256,689	4,575,111
Excess of revenues over (under) expenditures	2,803,881	-	-	6,458	(4,479,136)
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Assets	99,754	-	-	-	-
Bond issuance	-	-	-	-	10,770,000
Bond premium	-	-	-	-	817,878
Transfers in	-	-	-	-	-
Transfers out	(285)	-	-	-	-
Total other financing sources (uses)	99,469	-	-	-	11,587,878
Net change in fund balances	2,903,350	-	-	6,458	7,108,742
Fund Balances					
Beginning of year	7,985,514	1,863,361	972,131	564,068	-
Accounting change (Note 12)	-	(1,863,361)	(972,131)	-	-
Beginning of year, restated	7,985,514	-	-	564,068	-
End of year	$ 10,888,864	$ -	$ -	$ 570,526	$ 7,108,742

Nonmajor Funds	Total Governmental Funds
$ 429,459	$ 11,831,315
1,903,004	4,442,488
1,777,235	49,294,070
3,088,971	9,228,728
145,242	157,195
7,343,911	74,953,796
-	2,329,156
-	1,755,356
-	23,889,085
-	798,402
-	14,754,935
1,539	4,866,261
116,490	7,018,127
-	5,843,902
-	250,524
2,494,237	2,494,237
4,029,446	4,029,446
-	13,977
-	62,730
-	193,462
-	999
-	91,273
-	125,113
-	4,374
-	4,212,195
203,277	203,277
45,760	45,760
-	2,835,435
-	351,405
6,890,749	76,169,431
453,162	(1,215,635)
-	99,754
-	10,770,000
-	817,878
285	285
-	(285)
285	11,687,632
453,447	10,471,997
-	11,385,074
2,835,492	-
2,835,492	11,385,074
$ 3,288,939	$ 21,857,071

Independent School District No. 656
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to the
Statement of Activities - Governmental Funds
Year Ended June 30, 2024

Net change in fund balances - total governmental funds	$ 10,471,997
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives.	
Capital outlays	5,647,384
Depreciation/amortization expense	(3,155,421)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	116,169
Governmental funds recognize pension contributions as expenditures at the time of payment in the funds whereas the Statement of Activities factors in items related to pension on a full accrual perpective.	2,751,900
Governmental funds recognize OPEB contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to OPEB on a full accural perspective.	(163,062)
Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities.	2,831,305
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus, requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(178,841)
The issuance of long-term debt provides current financial resources to governmental funds and has no effect on net position. These amounts are reported in the governmental funds as a source of financing. These amounts are not shown as revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.	(10,770,000)
Governmental funds report bond premiums as an other financing source at the time of issuance. Premiums are reported as a liability in the government-wide financial statements and amortized over the life of the bond.	(728,511)
The self-insured Health Internal Service Fund is used by management to charge the cost of the self-insured plan. The change in net position is reported within the governmental activities in the Statement of Activities.	67,035
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	5,647
Change in net position - governmental activities	$ 6,895,602

Independent School District No. 656
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 9,157,615	$ 9,348,690	$ 9,391,155	$ 42,465
Other local and county revenues	1,462,672	1,707,721	2,412,124	704,403
Revenue from state sources	47,359,595	48,016,234	47,295,774	(720,460)
Revenue from federal sources	6,239,082	6,280,302	6,139,757	(140,545)
Sales and other conversion of assets	15,600	15,600	11,953	(3,647)
Total revenues	64,234,564	65,368,547	65,250,763	(117,784)
Expenditures				
Current				
Administration	2,154,429	2,151,409	2,329,156	177,747
District support services	1,716,095	1,745,535	1,755,356	9,821
Elementary and secondary regular instruction	25,846,934	27,136,312	23,889,085	(3,247,227)
Vocational education instruction	501,374	502,535	798,402	295,867
Special education instruction	14,049,447	14,211,220	14,754,935	543,715
Instructional support services	4,794,210	5,021,075	4,864,722	(156,353)
Pupil support services	6,816,791	6,587,368	6,901,637	314,269
Sites and buildings	4,833,314	4,832,868	4,823,256	(9,612)
Fiscal and other fixed cost programs	244,000	244,000	250,524	6,524
Capital outlay				
Administration	10,110	15,378	13,977	(1,401)
District support services	104,000	133,066	62,730	(70,336)
Elementary and secondary regular instruction	156,869	224,234	193,462	(30,772)
Vocational education instruction	-	999	999	-
Special education instruction	40,500	91,678	91,273	(405)
Instructional support services	1,000	133,866	125,113	(8,753)
Pupil support services	400	713	4,374	3,661
Sites and buildings	644,500	665,099	772,885	107,786
Debt service				
Principal	652,646	652,646	660,435	7,789
Interest and fiscal charges	149,172	149,172	154,561	5,389
Total expenditures	62,715,791	64,499,173	62,446,882	(2,052,291)
Excess of revenues over expenditures	1,518,773	869,374	2,803,881	1,934,507
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	10,000	99,754	99,754	-
Transfers out	-	-	(285)	(285)
Total other financing sources (uses)	10,000	99,754	99,469	(285)
Net change in fund balances	$ 1,528,773	$ 969,128	2,903,350	$ 1,934,222
Fund Balances				
Beginning of year			7,985,514	
End of year			$ 10,888,864	

Independent School District No. 656
Statement of Net Position - Proprietary Funds
As of June 30, 2024

		Governmental Activities - Health Insurance Internal Service Fund
Assets		
Current		
Cash and cash equivalents	$	1,142,747
Liabilities		
Current		
Incurred but not reported claims	$	168,235
Net Position		
Unrestricted		974,512
Total liabilities and net position	$	1,142,747

Independent School District No. 656
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended June 30, 2024

	Governmental Activities - Health Insurance Internal Service Fund
Operating Revenue	
Charges for services	$ 2,837,899
Operating Expenses	
Insurance	2,770,864
Operating income	67,035
Net Position	
Beginning of year	907,477
End of year	$ 974,512

Independent School District No. 656
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2024

	Governmental Activities - Internal Service Funds
Cash Flows - Operating Activities	
Receipts from District contributions	$ 2,837,899
Employee claims paid	(2,662,953)
Net cash flows - operating activities	174,946
Cash and Cash Equivalents	
Beginning of year	967,801
End of year	$ 1,142,747
Reconciliation of Operating Income to Net Cash Flows - Operating Activities	
Operating income	$ 67,035
Adjustments to reconcile operating income to net cash flows - operating activities	
Incurred but not reported claims	107,911
Net cash flows - operating activities	$ 174,946

Independent School District No. 656
Statement of Fiduciary Net Position
June 30, 2024

	OPEB Trust Fund
Assets	
Current	
Investments	
Brokered money markets	$ 4,736
Mutual funds	2,390,694
Total assets	$ 2,395,430
Liabilities	
Accounts payable	$ 176
Net Position	
Held in Trust for OPEB	$ 2,395,254

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

	OPEB Trust Fund
Additions	
Investment income	$ 253,174
Deductions	
Health insurance benefits	182,049
Administration fees	17,585
Total deductions	199,634
Change in net position	53,540
Net Position Held in Trust for OPEB	
Beginning of year	2,341,714
End of year	$ 2,395,254

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

B. Basic Financial Statement Information

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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 are not included among program revenues; instead, they are properly reported as general revenues.

Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)
Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

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

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

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

Description of Funds:

Major Funds:

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds: (Continued)

Major Funds: (Continued)

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

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

Nonmajor Funds:

Food Service Special Revenue Fund – This fund is used to account for food service revenues and expenditures. Local, state, and federal revenues are received in this fund to specifically support the Food Service Program.

Community Service Special Revenue Fund – This fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education, or other similar services. The District receipts property tax and local and state revenues that were received for these specific purposes in this fund.

Proprietary Fund:

Health Insurance Internal Service Fund – This fund is used to account for self-insured employee health costs and related stop loss insurance.

Fiduciary Fund:

OPEB Trust Fund – This fund is used to account for financial resources held by the District in a trustee capacity in an irrevocable trust to be used by the District to pay OPEB benefits to employees.

D. Deposits and Investments

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

1. District Funds Other than OPEB Trust Fund

Cash and investments at June 30, 2024, were comprised of deposits and shares in the Minnesota School District Liquid Asset Fund (MSDLAF), MNTrust Flex Term Series, mutual funds, MNTrust investment shares portfolio, Mutual Funds, MNTrust Term Series, MNTrust LTD, and Municipal Obligation – Maintenance Bonds. In accordance with GASB Statement No. 79, the various MSDLAF and MNTrust shares are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF or MNTrust. Investments in the MSDLAF + Max must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions.

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

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

2. OPEB Trust Fund

These funds represent investments administered by the District's OPEB Trust Fund investment managers. As of June 30, 2024, they were comprised of brokered money markets and mutual funds. The District's investment policy extends to the OPEB Trust Fund investments.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Property Tax Receivable

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

F. Property Taxes Levied for Subsequent Year's Expenditures

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

G. Prepaid Items

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

H. Property Taxes

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

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

I. Capital Assets

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

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

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

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 50 years for land improvements and buildings and 3 to 15 years for equipment.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District uses the interest rate of credit line at the District's bank. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option the District is reasonably certain to exercise.

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

K. Subscription-Based Information Technology Arrangements
The District recorded right-to-use subscription assets as a result of implementing GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The right-to-use subscription assets are initially measured at the present value at the time of inception. The right-to-use assets are amortized on a straight-line basis over the life of the related subscription.

The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District uses the interest rate of credit line at the District's bank. The subscription term includes the noncancellable period of the subscription.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Outflows/Inflows of Resources (Continued)

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

M. Long-Term Obligations

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

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

N. Compensated Absences

The District compensates substantially all full-time classified employees for vacation benefits at various rates based on length of service. The expenditures for vacation pay are recognized when payment is made.

Substantially all District employees are entitled to sick leave at various rates for each month of full-time service. The District pays clerical, custodial, and educational assistants for one quarter (1/4) of unused sick leave earned, above the maximum accumulation, during the contract year. The District also pays paraprofessionals for one quarter (1/4) of unused paid absence leave earned, above the maximum accumulation during the contract year. The District makes this payment during the month of July each year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Compensated Absences (Continued)

Compensated absences payable also includes severance and early retirement incentives that are calculated based on unused sick leave days. The District maintains various severance payment plans for its employee groups. Each employee group plan contains benefit formulas based on years of service and/or minimum age requirements. For substantially all employees, early retirement incentive benefits are eliminated if retirement occurs at the normal retirement age of 65 as specified in their contracts. In addition, certain bargaining unit members are eligible to be compensated for unused accumulated sick leave upon termination subject to certain conditions.

The District has recorded a liability for accrued convertible sick leave based on the sick leave accumulated at June 30, 2023, by employees currently eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. Under this "vesting method", accruals for those employees expected to become eligible in the future are based on assumptions concerning the probability that the employees will become eligible to receive termination payments (vest) at some point in the future. The District's policy is to record a liability for the teachers lump sum payment for those individuals that are eligible to receive the payments.

O. Pensions

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

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

P. Postemployment Benefits Other Than Pensions (OPEB)

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Fund Equity

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

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include amounts set aside for inventory and prepaid items.

- Restricted Fund Balances – These amounts are subject to externally enforceable legal restrictions by either a) creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.

- Committed Fund Balances – These amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the School Board and that remain binding unless removed by the School Board by subsequent formal action.

- Assigned Fund Balances – Amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances. The School Board delegates the Superintendent and the Director of Finance and Operations the power to assign balances for specific purposes.

- Unassigned Fund Balances – These are amounts that have not been restricted, committed, or assigned to a specific purpose in the General Fund. Other funds may also report a negative unassigned fund balance if the total nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

The District has a minimum fund balance policy, which identifies a minimum unassigned General Fund balance of 9.5% of the annual budgeted expenditures excluding Long Term Facilities Maintenance and Student Activity Account expenditures.

R. Net Position

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

S. Use of Estimates

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Budgetary Information
The District follows these procedures in establishing the budgetary data reflected in the basic financial statements:

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

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

1. District Funds Other than OPEB Trust Fund
In accordance with applicable *Minnesota Statutes*, the District maintains deposits at depository banks authorized by the School Board.

Custodial Credit Risk – Deposits: This is the risk that in the event of 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, which requires that a district's deposits to be collateralized as required by *Minnesota Statutes* § 118A.03 for any amount exceeding Federal Deposit Insurance Corporation (FDIC), SAIF, BIF, FCUA, or other federal deposit coverage.

As of June 30, 2024, the District's bank balances were exposed to custodial credit risk because they were fully insured through FDIC and not fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

As of June 30, 2024, the District's funds other than OPEB Trust Fund had the following deposits:

Checking	$ 1,600,637
Savings	985,765
Certificates of deposit	2,677,400
Total	$ 5,263,802

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

1. District Funds Other than OPEB Trust Fund (Continued)

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

Investment Type	Maturities Less than 1 Year	Fair Value
MSDLAF+ Liquid Class	$ 373,545	$ 373,545
MSDLAF+ Max Class	167,315	167,315
MNTrust Investment Shares Portfolio	10,553,966	10,553,966
Mutual Funds	36	36
MNTrust Term Series	2,000,000	2,000,000
Municipal Obligations - Maintenance Bonds	7,135,729	7,135,729
MN Trust LTD	1,526,142	1,526,142
MNTrust Flex Term Series	931,520	931,520
Total Investments	$ 22,688,253	$ 22,688,253

Interest Rate Risk: This is the risk related to managing exposure to fair value arising from increasing interest rates. The District's investment policy addresses permissible investments, portfolio diversification, and instrument maturities. Investment maturities are scheduled to coincide with projected school district cash flow needs. Within these parameters, it is the District's policy to stagger portfolio maturities to avoid undue concentration of assets, provide for stability of income, and limit exposure to fair value losses arising from rising interest rates. The weighted average maturity of the mutual fund investment is 30 days.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. As of June 30, 2024, the District's investments in MSDLAF and MSDLAF+ Max Class were rated AAAm by S&P. The remaining investments are not rated.

Concentration of Credit Risk: This relates to the limit on the amount the District may invest in any one issuer. The District's policy states the District should diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities.

Custodial Credit Risk – Investments: This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy requires all investment securities to be held in third party safekeeping by an institution designated as custodial agent.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

1. OPEB Trust Fund

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

Investment Type	Maturities Less than 1 Year	Total
Cash and equivalents	$ 4,736	$ 4,736
Mutual funds	2,390,694	2,390,694
Total investments	$ 2,395,430	$ 2,395,430

Credit Risk: As of June 30, 2024, the District's OPEB Trust Fund investments in the brokered money markets and mutual funds were unrated.

- $2,395,430 of $2,395,430 are valued using interactive data (Level 2 inputs).

C. Deposits and Investments

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

District Funds Other than OPEB Trust Fund	
Petty cash	$ 2,365
Deposits (Note 2.A.)	5,263,802
Investments (Note 2.B.)	22,688,253
Investments non-pooled (Note 2.B.)	
OPEB Trust Fund	
Investments (Note 2.B.)	2,395,430
Total deposits and investments	$ 30,349,850

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments (Continued)

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

Statement of Net Position	
Cash and investments	$ 27,954,420
Statement of Fiduciary Net Position	
Investments	2,395,430
Total deposits and investments	$ 30,349,850

NOTE 3 – CAPITAL ASSETS

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

	Beginning Balance	Change in Accounting Principle	Increases	Decreases	Ending Balance
Governmental activities					
Capital assets not being depreciated					
Land	$ 1,913,554	$ -	$ -	$ -	$ 1,913,554
Construction in progress	517,324	-	4,744,433	-	5,261,757
Total capital assets not being depreciated	2,430,878	-	4,744,433	-	7,175,311
Capital assets being depreciated/amortized					
Land improvements	10,774,014	-	5,875	-	10,779,889
Buildings and improvements	88,051,738	-	283,525	-	88,335,263
Leased equipment	305,546	-	-	-	305,546
Subscription asset	84,498	-	21,380	-	105,878
Equipment	7,070,044	126,273	592,171	2,525	7,785,963
Total capital assets being depreciated/ amortized	106,285,840	126,273	902,951	2,525	107,312,539
Less accumulated depreciation/amortization for					
Land improvements	5,219,033	-	471,482	-	5,690,515
Buildings and improvements	45,092,357	-	2,078,978	-	47,171,335
Leased equipment	91,664	-	61,109	-	152,773
Subscription asset	17,854	-	41,471	-	59,325
Equipment	4,535,577	8,881	502,381	2,525	5,044,314
Total accumulated depreciation/amortization	54,956,485	8,881	3,155,421	2,525	58,118,262
Total capital assets being depreciated/amortized, net	51,329,355	117,392	(2,252,470)	-	49,194,277
Governmental activities, capital assets, net	$ 53,760,233	$ 117,392	$ 2,491,963	$ -	$ 56,369,588

NOTE 3 – CAPITAL ASSETS (CONTINUED)

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

Administration	$ 5,194
District Support Services	61,652
Elementary and Secondary Regular Instruction	161,235
Vocational Education	10,709
Special Education	1,742
Instructional Support Services	217,727
Pupil Support Services	51,263
Sites and Buildings	2,619,795
Food Service	24,337
Community Service	1,767
Total depreciation/amortization expense	$ 3,155,421

NOTE 4 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One year
Long-term liabilities						
G.O. Bonds, including Refunding Bonds						
2019A Tax Abatement Bonds	04/17/19	3.00%	$ 1,845,000	02/01/30	$ 1,175,000	$ 180,000
2024A Facilities Maintenance Bonds	02/15/24	5.00%	10,770,000	02/01/30	10,770,000	1,700,000
Total G.O. bonds					11,945,000	1,880,000
Certificates of Participation						
2020A Certificate of Participation	12/17/20	3.00%	3,820,000	10/01/40	3,375,000	160,000
Unamortized bond premium					897,314	-
Lease Liability					142,436	66,696
Subscription Liability					4,728	4,728
Financed purchase from direct borrowing					1,443,151	385,084
Compensated absences					1,434,547	255,201
Total all long-term liabilities					$ 19,242,176	$ 2,751,709

NOTE 4 – LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Liabilities (Continued)

The long-term bond liabilities listed above were issued to finance acquisition and construction of capital facilities, parking lot repairs and improvements, computers, and LED lighting. G.O. bonds are liquidated from the Debt Service Fund while certificates of participation, subscriptions, and leases are liquidated from the General Fund. Other long-term liabilities, such as compensated absences, OPEB and pensions are typically liquidated through the General Fund.

B. Minimum Debt Payments for Bonds and Certificate of Participation

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

Year Ending	G.O. Bonds		
June 30,	Principal	Interest	Total
2025	$ 1,880,000	$ 528,550	$ 2,408,550
2026	1,895,000	437,825	2,332,825
2027	2,010,000	344,000	2,354,000
2028	2,195,000	283,325	2,478,325
2029	2,295,000	134,625	2,429,625
2030	1,670,000	39,650	1,709,650
Total	$ 11,945,000	$ 1,767,975	$ 13,712,975

Year Ending	Certificates of Participation		
June 30,	Principal	Interest	Total
2025	$ 160,000	$ 73,650	$ 233,650
2026	165,000	68,775	233,775
2027	170,000	63,750	233,750
2028	175,000	58,575	233,575
2029	185,000	55,950	240,950
2030-2034	980,000	188,400	1,168,400
2035-2039	1,075,000	96,600	1,171,600
2040-2041	465,000	9,350	474,350
Total	$ 3,375,000	$ 615,050	$ 3,990,050

NOTE 4 – LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. Bonds	$ 3,350,000	$ 10,770,000	$ 2,175,000	$ 11,945,000
Unamortized bond premium	168,803	817,878	89,367	897,314
Certificates of participation	3,530,000	-	155,000	3,375,000
Lease liability	200,625	-	58,189	142,436
Subscription liabilty	12,480	-	7,752	4,728
Finance purchase from direct borrowing	1,878,466	-	435,315	1,443,151
Compensated absences	1,550,716	1,387,249	1,503,418	1,434,547
Total long-term liabilities	$ 10,691,090	$ 12,975,127	$ 4,424,041	$ 19,242,176

D. Finance Purchases from Direct Borrowing

On June 18, 2015, the District entered into $2,062,000 Lease Purchase Financing 2015A and $1,842,200 Lease Purchase Financing 2015B. The proceeds of this debt were used to help fund the construction of the new district office and adult basic education building project. This debt has interest rates ranging from 2.64% to 3.22% and is due in varying semi-annual installments each February 1 and August 1 through August 1, 2030. The District will use General Fund levies and operating capital revenues in future years to retire this debt.

On July 1, 2020, the District entered into a finance purchase agreement for HP laptops. The finance purchase obligation totaled $246,375. The finance purchase agreement includes annual principal and interest payments of $64,713 through fiscal year 2024. The individual laptops fall below the capitalization threshold and therefore are not capitalized.

On October 22, 2020, the District entered into a finance purchase agreement for LED lighting. The finance purchase obligation totaled $321,590. The finance purchase agreement includes semiannual principal and interest payments of $20,207 through fiscal year 2027. The individual lights fall below the capitalization threshold and therefore are not capitalized.

NOTE 4 – LONG-TERM DEBT (CONTINUED)

D. Finance Purchases from Direct Borrowing (Continued)
Minimum annual principal and interest payments required to retire the finance purchase from direct borrowing are as follows:

Year Ending June 30,	Finance Purchase from Direct Borrowing Principal	Interest	Total
2025	$ 385,084	$ 41,868	$ 426,952
2026	290,636	30,583	321,219
2027	192,316	23,168	215,484
2028	157,811	17,259	175,070
2029	162,934	12,136	175,070
2030-2031	254,370	8,234	262,604
Total	$ 1,443,151	$ 133,248	$ 1,576,399

D. Lease Liability
The District entered into a lease agreement for copier machines on July 26, 2021. Monthly payments of $6,401 are due for 60 months, using an annual interest rate of 9.01%. The capital assets related to the copier lease have been capitalized and are being depreciated.

Minimum annual principal and interest payments required to retire the lease liability are as follows:

Year Ending June 30,	Lease Liability Principal	Interest	Total
2025	$ 66,696	$ 10,118	$ 76,814
2026	72,956	3,858	76,814
2027	2,784	21	2,805
Total	$ 142,436	$ 13,997	$ 156,433

E. Subscription Liability
On June 23, 2022, the District entered into a subscription-based information technology arrangement (SBITA) with Goodheart-Willcox Publisher. The arrangement expires on June 30, 2029. The balance was paid at inception of the agreement.

On March 1, 2023, the District entered into a subscription-based information technology arrangement (SBITA) with ParentSquare for Engage 2023 software. The arrangement expires on June 30, 2025. The first payment is not due until Fiscal Year 2024.

NOTE 4 – LONG-TERM DEBT (CONTINUED)

E. Subscription Liability (Continued)

On April 14, 2023, the District entered into a subscription-based information technology arrangement (SBITA) with Project Lead The Way, Inc. The arrangement expires on June 30, 2024.

Year Ending June 30,	Subscription Liability Principal	Interest	Total
2025	4,728	222	4,950
Total	$ 4,728	$ 222	$ 4,950

NOTE 5 – 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 for claims in excess of coverage provided by the fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years. The were no significant reductions in the District's insurance coverage during the year ended June 30, 2024.

Starting during the year ended June 30, 2021, the District provides a medical program. All funds of the District participate in the program and make payments to the Health Insurance Self-Insurance Internal Service Fund. Based on requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the basic financial statements indicates that it is probable a liability has been incurred at the date of the basic financial statements and the amount of the loss can be reasonably estimated. Interfund premiums are charged to user funds as quasi-external transactions. The District has stop loss coverage of $125,000 for the Health Self-Insurance Internal Service Fund. The total claims liability reported in the Fund at June 30, 2024, was $168,235 and includes amounts for known claims and for estimated incurred but not reported claims. These estimates are determined based on the probability a loss has occurred, and the amount of the loss can be reasonably estimated. Changes in the Fund's claims liability amounts are as follows:

Year	Beginning Balance	Claims Expense and Estimates	Claims Payments	Ending Balance
2023	$ 171,196	$ 1,983,569	$ 2,094,441	$ 60,324
2024	60,324	2,497,854	2,389,943	168,235

NOTE 6 – FUND BALANCES/NET POSITION

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

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances

Fund balances are classified below to reflect the limitations and restrictions of the respective funds.

	General Fund	Debt Service	Building Construction	Nonmajor Funds	Total
Nonspendable					
Long-Term Receivable	$ 318,827	$ -	$ -	$ -	$ 318,827
Inventory	24,372	-			24,372
Prepaid Items	20,370	-	-	-	20,370
Total nonspendable	363,569	-	-	-	363,569
Restricted for					
Student Activities	114,528	-	-	-	114,528
Staff Development	45,895	-	-	-	45,895
Literacy Incentive Aid	67,403	-	-	-	67,403
Operating Capital	386,910	-	-	-	386,910
Area Learning Center	753,842	-	-	-	753,842
Gifted and Talented	15,244	-	-	-	15,244
School Library Aid	52,666	-	-	-	52,666
Safe Schools Levy	139,182	-	-	-	139,182
Long-Term Facilities Maintenance	-	-	7,108,742	-	7,108,742
Debt Service	-	570,526	-	-	570,526
Community Services	-	-	-	39,576	39,576
Community Education	-	-	-	550,245	550,245
Early Childhood and Family Education	-	-	-	197,824	197,824
School Readiness	-	-	-	225,781	225,781
Adult Basic Education	-	-	-	156,476	156,476
Food Service	-	-	-	2,119,037	2,119,037
Total restricted	1,575,670	570,526	7,108,742	3,288,939	12,543,877
Unassigned for					
General Purposes	8,949,625	-	-	-	8,949,625
Total fund balance	$10,888,864	$ 570,526	$ 7,108,742	$ 3,288,939	$ 21,857,071

Nonspendable for Long-Term Receivable – This balance represents a portion of the fund balance that is not available since the amounts have not yet been received by the District.

Nonspendable for Inventory Items –This balance represents a portion of the fund balance that is not available since the amounts have already been spent by the District on expenses for the next year.

Nonspendable for Prepaid Items –This balance represents a portion of the fund balance that is not available since the amounts have already been spent by the District on expenses for the next year.

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

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

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

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

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

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

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

Restricted/Reserved for School Library Aid – This balance represents resources available for the school library aid uses listed in *Minnesota Statute* § 134.356, subd. 1.

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

Restricted/Reserved for Long-Term Facilities Maintenance (LTFM) – This balance represents available resources to be used for LTFM projects in accordance with the 10-year plan (*Minnesota Statutes* § 123B.595, subd. 12). The balance as of June 30, 2022, is a deficit (negative) $6,473, which is presented within unassigned fund balance for the purposes of reporting in accordance with generally accepted accounting principles.

Restricted/Reserved for Debt Service – This balance represents the balances of the Debt Service Fund available for future debt principal and interest payments.

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

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

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

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

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

Restricted/Reserved for Adult Basic Education – This account will represent the balance of carryover monies for all activity involving adult basic education.

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans. Total pension expense for the year ended June 30, 2024, was $608,841. The components of pension expense are noted in the following plan summaries.

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

Teachers' Retirement Association

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

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

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

Teachers' Retirement Association (Continued)

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

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

Tier I Benefits

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

With these provisions:

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

Or

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

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

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

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

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

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

C. Contribution Rate

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

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

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

Teachers' Retirement Association (Continued)

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

Employer contributions reported in TRA's ACFR Statement of Changes in Fiduciary Net Position	$ 508,764
Employer contributions not related to future contribution efforts	(87)
TRA's contributions not included in allocation	(643)
Total employer contributions	508,034
Total non-employer contributions	35,587
Total contributions reported in *Schedule of Employer and Non-Employer Allocations*	$ 543,621

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

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Valuation date	July 1, 2023
Measurement date	June 30, 2023
Experience study	June 28, 2019 (demographic and economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% after June 30, 2028.
Projected salary increase	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% after June 30, 2028.
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality Assumptions	
Pre-retirement	RP 2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP 2015 scale.
Post-retirement	RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

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

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

Changes in actuarial assumptions since the 2022 valuation:

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

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

E. Discount Rate

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

F. Net Pension Liability

On June 30, 2024, the District reported a liability of $32,868,028 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.3981% at the end of the measurement period and 0.4100% for the beginning of the year.

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

District's proportionate share of net pension liability	$ 32,868,028
State's proportionate share of the net pension liability associated with the District	2,302,433

For the year ended June 30, 2024, the District recognized pension expense of ($392,732). Included in this amount, the District recognized $324,201 as pension expense for the support provided by direct aid.

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 318,513	$ 474,516
Net collective difference between projected and actual earnings on plan investments	289,123	-
Changes of assumptions	3,745,086	-
Changes in proportion	903,926	978,205
Contributions to TRA subsequent to the measurement date	2,320,793	-
Total	$ 7,577,441	$ 1,452,721

The $2,320,793 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

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

Year Ended June 30,	Pension Expense Amount
2025	$ 503,411
2026	35,835
2027	3,894,260
2028	(410,617)
2029	(218,962)
Total	$ 3,803,927

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

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

District Proportionate Share of NPL		
1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
$ 52,422,087	$ 32,868,028	$ 16,860,650

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

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

Public Employees' Retirement Association

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

General Employees Retirement Plan

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

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of 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 statue delaying increases for members retiring before full retirement age.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2024 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2024, were $714,981. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2024, the District reported a liability of $6,184,628 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 $170,565.

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.1106% at the end of the measurement period and 0.1070% for the beginning of the period.

District's proportionate share of net pension liability	$ 6,184,628
State of Minnesota's proportionate share of the net pension liability associated with the District	170,565
Total	$ 6,355,193

For the year ended June 30, 2024, the District recognized pension expense of $1,001,573 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized $766 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 201,517	$ 41,524
Changes in actuarial assumptions	975,567	1,695,154
Net collective difference between projected and actual investment earnings	-	260,841
Change in proportion	261,804	17,082
Contributions paid to PERA subsequent to the measurement date	714,981	-
Total	$ 2,153,869	$ 2,014,601

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

The $714,981 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2025	$ 231,729
2026	(863,171)
2027	189,893
2028	(134,164)
2029	-
Total	$ (575,713)

E. Long-Term Expected Return on Investment

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

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

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

Public Employees' Retirement Association (Continued)

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

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

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

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

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

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

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

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

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

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

Public Employees' Retirement Association (Continued)

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
District's proprionate share of the PERA net pension liability	$ 10,941,104	$ 6,184,628	$ 2,272,246

I. Pension Plan Fiduciary Net Position

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

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District's defined benefit OPEB plan provides a single-employer defined benefit health care plan to eligible retirees. The plan offers health insurance and subsidized benefits to eligible employees and their spouses through the District's health insurance plan. Medical coverage is administered by Blue Cross Blue Shield. It is the District's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees.

The OPEB plan is included in the report of the District. A separate financial report is not issued.

B. Benefits Provided

Teachers who are at least 55 years of age upon retirement and have been employed by the District for 15 years (or 50 years of age with 20 years of employment in the District) are eligible to remain on the District's medical insurance until becoming eligible for Medicare. The District will contribute $400 per month until becoming eligible for Medicare.

Certain non-teaching employees who are at least 55 years of age with year of service, depending upon service group, ranging from three years to 15 years or satisfying Rule of 90 are also eligible to remain on the District's medical insurance until becoming eligible for Medicare. The District's contribution ranges, depending upon service group, from $100 to $300 per month, or contributing the single premium amount plus $1,200 to a VEBA, or $3,125 to an HSA if on a high deductible plan.

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

C. Members
As of July 1, 2023, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	28
Active employees	530
Total	558

D. Contributions
Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with Blue Cross Blue Shield. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2024, the District contributed $211,879 to the plan.

E. Actuarial Assumptions
The total OPEB liability was determined by an actuarial valuation as of July 1, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Inflation	2.50%
Healthcare cost trend increases	6.50%, gradually decreasing over several decades to an ultimate rate of 4.0% over 54 years.
Mortality Assumption	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale

The following are changes to plan provisions since the prior valuation:
- The new Superintendent does not have a GASB 75 subsidized benefit.
- The district has a new contract group: Non-Affiliated Administrative, Operations, and Family Support Specialists. Benefits and/or eligibility changed for several employees who moved from other contract groups to this new group.

The following are changes to actuarial assumptions since the prior valuation:
- The health care trend rates and mortality tables were updated.
- The discount rate was changed from 4.00% to 4.20%

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

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

Asset Class	Final Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33 %	6.70 %
Fixed income	50	4.80
International equity	17	6.70
Total	100 %	5.80 %

The details of the investments and the investment policy are described in Note 2 of the District's basic financial statements. For the year ended June 30, 2023, the annual money-weighted rate of return on investments was -6.6%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

F. Discount Rate

The discount rate used to measure the total OPEB liability was 4.20%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. Changes in Net OPEB Liability

The District's total OPEB liability of $2,809,233 was measured as of June 30, 2023, and was determined by an actuarial valuation as of July 1, 2023.

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Postion (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2022	$ 4,902,336	$ 2,388,588	$ 2,513,748
Changes for the year			
Service cost	372,244	-	372,244
Interest	202,519	-	202,519
Assumption changes	24,133	-	24,133
Plan changes	109,760	-	109,760
Differences between expected and actual economic experience	(32,660)	19,792	(52,452)
Employer contributions	-	239,537	(239,537)
Projected investment returns	-	138,538	(138,538)
Benefit payments	(427,385)	(427,385)	-
Administrative expense	-	(17,356)	17,356
Net changes	248,611	(46,874)	295,485
Balances at June 30, 2023	$ 5,150,947	$ 2,341,714	$ 2,809,233

Plan fiduciary net position as a percentage of the total OPEB liability is 45%.

H. OPEB Liability Sensitivity

The following presents the District's net OPEB liability calculated using the discount rate of 4.20% well as the liability measured using 1% lower and 1% higher than the current discount rate.

	1% Decrease in Discount Rate (3.2%)	Current Discount Rate (4.2%)	1% Increase in Discount Rate (5.2%)
Net OPEB Liability	$ 3,150,461	$ 2,809,233	$ 2,482,947

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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

	1% Decrease in Trend Rate (5.50% Decreasing to 4.00%)	Current Trend Rate (6.50% Decreasing to 5.00%)	1% Increase in Trend Rate (7.50% Decreasing to 6.00%)
Net OPEB Liability	$ 2,369,578	$ 2,809,233	$ 3,329,395

I. OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2024, the District recognized OPEB expense of $187,093. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Investment losses	$ 137,976	$ -
Liability gains	-	911,498
Changes of assumptions	188,659	433,755
Employer Contributions	211,879	-
Total	$ 538,514	$ 1,345,253

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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

The $211,879 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Total
2025	$ (381,791)
2026	(384,578)
2027	(34,170)
2028	(163,749)
2029	(53,111)
Thereafter	(1,219)
Total	$ (1,018,618)

NOTE 9 – JOINT POWERS AGREEMENT

The District and 13 other school districts in Minnesota have entered into a Joint Powers Agreement to form the Minnesota Schools Wind Energy Cooperative (the Cooperative). The purpose of the Cooperative is to acquire, develop, construct, finance, operate, and maintain a wind energy project to be located in Minnesota. The Cooperative is governed by a Joint Powers Board, which consists of two members (a Board of Education member and the superintendent or another District employee) from each of the participating districts. Any district may withdraw from the Cooperative prior to the issuance of any project financing instruments, provided that the withdrawing district reimburses the Cooperative for its pro rata portion of the total development or other project costs, or other obligations incurred by the Cooperative. Once financing instruments, other than Clean Renewable Energy Bonds (CREBs), have been issued, a district may withdraw provided it prepays the outstanding balance of its pro rata portion of any outstanding finance instruments. Upon issuance of the CREBs, no district may withdraw membership until the CREBs have been repaid in full. The District has not committed any financial resources to the Cooperative as of June 30, 2024.

NOTE 10 – JOINTLY GOVERNED ORGANIZATION

The District is a member of the Rice County Family Services Collaborative (Collaborative). The Collaborative was established to provide comprehensive services to strengthen family functioning. As a result, the Collaborative members share certain costs related to social workers and split related time study revenues.

NOTE 10 – JOINTLY GOVERNED ORGANIZATION (CONTINUED)

The Cannon Valley Special Education Cooperative (CVSEC) was established by a joint powers agreement pursuant to *Minnesota Statutes* § 471.59. The purpose of the agreement was to optimize resources and increase efficiencies by creating a special education cooperative to serve children with low incidence disabilities. CVSEC is comprised of four member districts. Each member district shares in the costs of providing all off-site special education programs.

NOTE 11 – COMMITMENTS

	Revised Contract Amount	Total Completed	Commitment Outstanding
Lincoln boiler replacement	$ 1,651,398	$ 430,029	$ 1,221,369
High School boiler replacement	2,804,664	1,054,722	1,749,942
Middle School boiler replacement	3,173,242	1,932,986	1,240,256
Roosevelt boiler replacement	885,268	885,268	-
Total Commitments	$ 6,863,174	$ 3,872,976	$ 2,990,198

NOTE 12 - RESTATEMENTS AND ADJUSTMENTS OF BEGINNING NET POSITION AND FUND BALANCES

During the year ended June 30, 2024, the District implemented *Implementation Guide No. 2021-1 – Amending Capitalization Requirements*. This resulted in an increase in capital assets, net of accumulated depreciation, of $117,392.

During the year ended June 30, 2024, the District's Food Service Fund was changed from a major governmental fund to a nonmajor governmental fund, resulting in an increase of beginning fund balance for the nonmajor governmental funds of $1,863,361.

During the year ended June 30, 2024, the District's Community Service Fund was changed from a major governmental fund to a nonmajor governmental fund, resulting in an increase of beginning fund balance for the nonmajor governmental funds of $972,131.

	Reporting units affected by adjustments to and restatements of beginning balances			
	Funds			Government-Wide
	Food Service	Community Service	Nonmajor Governmental	Governmental Activities
6/30/2023, as previously reported	$ 1,863,361	$ 972,131	$ -	$ 16,345,250
Change from major to nonmajor	(1,863,361)	(972,131)	2,835,492	-
Change in accounting principle	-	-	-	117,392
6/30/2023, as adjusted or restated	$ -	$ -	$ 2,835,492	$ 16,462,642

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REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 656
Schedule of Changes in Net OPEB Liability
and Related Ratios

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Total OPEB Liability				
Service cost	$ 372,244	$ 348,326	$ 416,793	$ 431,991
Interest	202,519	137,915	170,746	194,604
Differenced between expected and actual experience	(32,660)	-	(916,935)	-
Changes of assumptions	24,133	(363,281)	170,220	164,992
Plan changes	109,760	-	35,675	-
Benefit payments	(427,385)	(351,168)	(430,834)	(465,637)
Other changes	-	-	-	-
Net change in total OPEB liability	248,611	(228,208)	(554,335)	325,950
Beginning of year	4,902,336	5,130,544	5,684,879	5,358,929
End of year	$ 5,150,947	$ 4,902,336	$ 5,130,544	$ 5,684,879
Plan Fiduciary Net Pension (FNP)				
Employer contributions	$ 239,537	$ 227,444	$ 284,354	$ 266,513
Projected investment income	138,538	167,835	167,835	133,389
Differences between expected and actual experience	19,792	(530,060)	417,555	-
Benefit payments	(427,385)	(351,168)	(430,834)	(465,637)
Administrative expense	(17,356)	(19,168)	(17,420)	(3,084)
Other changes	-	-	-	-
Net change in plan fiduciary net position	(46,874)	(505,117)	421,490	(68,819)
Beginning of year	2,388,588	2,893,705	2,472,215	2,541,034
End of year	$ 2,341,714	$ 2,388,588	$ 2,893,705	$ 2,472,215
Net OPEB liability	$ 2,809,233	$ 2,513,748	$ 2,236,839	$ 3,212,664
Plan FNP as a percentage of the total OPEB liability	45.46%	48.72%	56.40%	43.49%
Covered-employee payroll	$ 32,946,675	$ 30,652,648	$ 29,759,852	$ 28,281,892
Net OPEB liability as a percentage of covered-employee payroll	8.53%	8.20%	7.52%	11.36%

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

June 30, 2019	June 30, 2018	June 30, 2017
$ 382,611	$ 459,497	$ 446,114
246,581	246,070	243,084
(1,258,407)	-	-
(609,955)	-	-
-	-	-
(567,189)	(659,291)	(570,970)
14,278	-	-
(1,792,081)	46,276	118,228
7,151,010	7,104,734	6,986,506
$ 5,358,929	$ 7,151,010	$ 7,104,734
$ 3,018,189	$ -	$ -
90,754	-	-
-	-	-
(567,189)	-	-
(720)	-	-
-	-	-
2,541,034	-	-
-	-	-
$ 2,541,034	$ -	$ -
$ 2,817,895	$ 7,151,010	$ 7,104,734
47.42%	0.00%	0.00%
$ 27,458,148	$ 28,185,892	$ 27,364,944
10.26%	25.37%	25.96%

Independent School District No. 656
Schedule of Investment Returns

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Annual money-weighted rate of return, net of investment expense	6.60%	-12.50%	23.70%	5.20%

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

June 30, 2019	June 30, 2018	June 30, 2017
4.40%	N/A	N/A

Independent School District No. 656
Schedule of District's and Non-Employer Proportionate Share (if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate d Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered - Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered - Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.1181%	$ 5,547,747	$ -	$ 5,547,747	$ 6,215,476	89.3%	78.75%
2015	0.1103%	5,716,318	-	5,716,318	6,378,760	89.6%	78.19%
2016	0.1136%	9,223,757	120,483	9,344,240	7,058,880	130.7%	68.91%
2017	0.1079%	6,888,265	86,620	6,974,885	6,968,560	98.8%	75.90%
2018	0.1054%	5,847,160	191,696	6,038,856	7,060,427	82.8%	79.53%
2019	0.1056%	5,838,387	181,492	6,019,879	7,478,627	78.1%	80.23%
2020	0.1046%	6,271,248	193,337	6,464,585	7,460,507	84.1%	79.06%
2021	0.1078%	4,603,543	140,593	4,744,136	7,764,307	59.3%	87.00%
2022	0.1070%	8,474,435	248,362	8,722,797	8,011,120	105.8%	76.67%
2023	0.1106%	6,184,628	170,565	6,355,193	8,797,453	70.3%	83.10%

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

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate d Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered - Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered - Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.3926%	$ 18,090,723	$ 1,272,601	$ 19,363,324	$ 17,997,714	100.5%	81.50%
2015	0.3860%	24,038,753	2,948,815	26,987,568	19,928,707	120.6%	76.77%
2016	0.4023%	95,958,149	9,632,120	105,590,269	21,210,000	452.4%	44.88%
2017	0.3908%	78,010,769	7,541,449	85,552,218	20,931,547	372.7%	51.57%
2018	0.3922%	24,635,736	2,314,163	26,949,899	21,913,467	112.4%	78.07%
2019	0.3876%	24,705,706	2,186,373	26,892,079	21,080,078	117.2%	78.21%
2020	0.3812%	28,163,567	2,359,927	30,523,494	22,149,697	127.2%	75.48%
2021	0.3894%	17,041,308	1,437,102	18,478,410	23,301,993	73.1%	86.63%
2022	0.4100%	32,830,631	2,434,735	35,265,366	25,343,861	129.5%	76.17%
2023	0.3981%	32,868,028	2,302,433	35,170,461	25,309,988	129.9%	76.42%

See notes to required supplementary information.

Independent School District No. 656
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered - Employee Payroll	Contributions as a Percentage of Covered - Employee Payroll
2015	$ 478,407	$ 478,407	$ -	$ 6,378,760	7.50%
2016	529,416	529,416	-	7,058,880	7.50%
2017	522,642	522,642	-	6,968,560	7.50%
2018	529,532	529,532	-	7,060,427	7.50%
2019	560,897	560,897	-	7,478,627	7.50%
2020	559,538	559,538	-	7,460,507	7.50%
2021	582,323	582,323	-	7,764,307	7.50%
2022	600,834	600,834	-	8,011,120	7.50%
2023	659,809	659,809	-	8,797,453	7.50%
2024	714,981	714,981	-	9,533,080	7.50%

Schedule of District Contributions
TRA Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered - Employee Payroll	Contributions as a Percentage of Covered - Employee Payroll
2015	$ 1,494,653	$ 1,494,653	$ -	$ 19,928,707	7.50%
2016	1,590,750	1,590,750	-	21,210,000	7.50%
2017	1,569,866	1,569,866	-	20,931,547	7.50%
2018	1,643,510	1,643,510	-	21,913,467	7.50%
2019	1,625,274	1,625,274	-	21,080,078	7.71%
2020	1,754,256	1,754,256	-	22,149,697	7.92%
2021	1,894,452	1,894,452	-	23,301,993	8.13%
2022	2,113,678	2,113,678	-	25,343,861	8.34%
2023	2,164,004	2,164,004	-	25,309,988	8.55%
2024	2,320,793	2,320,793	-	26,523,349	8.75%

TRA Retirement Fund

2023 Changes
Changes of Benefit Terms
The 2023 Tax Finance and Policy Bill, effective July 1, 2025:

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

The 2024 Omnibus Pensions and Retirement Bill:

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

2022 Change
Changes in Actuarial Assumptions

- None

2021 Changes
Changes in Actuarial Assumptions

- The investment return assumption was changed from 7.5% to 7.0%.

2020 Changes
Changes in Actuarial Assumptions

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

2019 Changes
Changes in Actuarial Assumptions

- None

2018 Changes
Changes in Actuarial Assumptions

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

TRA Retirement Fund (Continued)

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

- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes
Changes in Actuarial Assumptions

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

2016 Changes
Changes in Actuarial Assumptions

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

TRA Retirement Fund (Continued)

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

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

2015 Changes
Changes of Benefit Terms

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

Changes in Actuarial Assumptions

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

General Employees Fund

2023 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were 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.

General Employees Fund (Continued)

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

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

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

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

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

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

General Employees Fund (Continued)

2017 Changes

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Other Post Employment Benefits

2023 Changes
Changes in Actuarial Assumptions
- The inflation rate was changed from 2.00% to 2.50%
- The discount rate was changed from 2.60 % to 4.00%.

2022 Changes
Changes in Plan Provisions
- The GASB 75 post employment medical subsidized benefit for Office Personnel increased from $250 to $300 per month until Medicare eligibility.

Changes in Actuarial Assumptions
- 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-2010 Public Retirement Plans Headcount – Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers with MP-2020 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 inflation rate was changed from 2.50% to 2.00%.
- The discount rate was changed from 2.90% to 2.60%.

2021 Changes
Changes in Actuarial Assumptions
- The discount rate was changed from 3.50% to 2.90%.

2020 Changes
Changes in Plan Provisions
- The post employment medical subsidy eligibility of Non-Union Directors and Coordinators changed from age 55 with 15 years of service to age 55 with 10 years of service.

Changes in Actuarial Assumptions
- 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-2016 Generational Improvement Scale to the PUB-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The retiree plan participation percentage for future retirees eligible to receive a $100 per month subsidy was reduced from 50% to 25%.
- The discount rate was changed from 3.40% to 3.50%.
- The discount rate changed from 3.20% to 2.90%.

2019 Changes
Other Changes
- The District set up an irrevocable OPEB Trust on August 30, 2018.

Other Post Employment Benefits (Continued)

2018 Changes

Changes in Plan Provisions

- The eligibility for Non-Union Cabinet employees was changed from age 55 with 5 years of service to the earlier of age 55 with 5 years of service or age 50 with 20 years of service.

Changes in Actuarial Assumptions

- 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 School to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.
- The retiree plan participation percentage was increased from 75% to 100% for retirees eligible for a pre-age 65 medical subsidy equal to the full single premium. Also, future retirees were assumed to elect the $1,200 deductible plan and will receive an annual contribution of $1,200 in addition to District paid premiums.
- The discount rate was changed from 3.50% to $3.40%.

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SUPPLEMENTARY INFORMATION

Independent School District No. 656
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2024

	Special Revenue Funds		
	Food Service	Community Service	Total Nonmajor Funds
Assets			
Cash and investments	$ 2,204,729	$ 1,052,275	$ 3,257,004
Current property taxes receivable	-	213,917	213,917
Delinquent property taxes receivable	-	2,250	2,250
Accounts receivable	3,290	57,707	60,997
Due from Department of Education	-	38,749	38,749
Due from other Minnesota school districts	34,732	89,818	124,550
Due from federal government			
Through department of education	41,624	445,269	486,893
Due from other governmental units	-	36,958	36,958
Total assets	$ 2,284,375	$ 1,936,943	$ 4,221,318
Liabilities			
Accounts payable	$ 149,721	$ 59,927	$ 209,648
Salaries and benefits payable	-	185,738	185,738
Due to other minnesota school districts	-	11,310	11,310
Unearned revenue	15,617	65,921	81,538
Total liabilities	165,338	322,896	488,234
Deferred Inflows of Resources			
Unavailable revenue - delinquent property taxes	-	2,250	2,250
Property taxes levied for subsequent year's expenditures	-	441,895	441,895
Total deferred inflows of resources	-	444,145	444,145
Fund Balances			
Restricted	2,119,037	1,169,902	3,288,939
Total fund balances	2,119,037	1,169,902	3,288,939
Total liabilities, deferred inflows of resources, and fund balances	$ 2,284,375	$ 1,936,943	$ 4,221,318

Independent School District No. 656
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2024

	Special Revenue Funds		
	Food Service	Community Service	Total Nonmajor Funds
Revenues			
Local property taxes	$ -	$ 429,459	$ 429,459
Other local and county revenues	200,886	1,702,118	1,903,004
Revenue from state sources	325,852	1,451,383	1,777,235
Revenue from federal sources	2,280,925	808,046	3,088,971
Sales and other conversion of assets	145,242	-	145,242
Total revenues	2,952,905	4,391,006	7,343,911
Expenditures			
Current			
Instructional support services	-	1,539	1,539
Pupil support services	-	116,490	116,490
Food service	2,494,237	-	2,494,237
Community education and services	-	4,029,446	4,029,446
Capital outlay			
Food service	203,277	-	203,277
Community education and services	-	45,760	45,760
Total expenditures	2,697,514	4,193,235	6,890,749
Excess of revenues over expenditures	255,391	197,771	453,162
Other Financing Sources			
Transfers in	285	-	285
Net change in fund balances	255,676	197,771	453,447
Fund Balances			
Beginning of year	-	-	-
Accounting change (Note 12)	1,863,361	972,131	2,835,492
Beginning of year, restated	1,863,361	972,131	2,835,492
End of year	$ 2,119,037	$ 1,169,902	$ 3,288,939

Independent School District No. 656
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2024

		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				
Total revenue		$ 65,250,763	$ 65,250,767	$ 4
Total expenditures		62,446,882	62,446,884	2
Nonspendable:				
4.60	Nonspendable fund balance	363,569	363,569	-
Restricted/Reserved:				
4.01	Student Activities	114,528	114,528	-
4.02	Scholarships	-		-
4.03	Staff Development	45,895	45,895	-
4.07	Capital Projects Levy	-	-	-
4.08	Cooperative Programs	-	-	-
4.12	Literacy Incentive Aid	67,403	67,403	-
4.13	Building Projects Funded by COP/LP	-	-	-
4.14	Operating Debt	-	-	-
4.16	Levy Reduction	-	-	-
4.17	Taconite Building Maintenance	-	-	-
4.20	American Indian Education Aid	-	-	-
4.24	Operating Capital	386,910	386,910	-
4.26	$25 Taconite	-	-	-
4.27	Disabled Accessibility	-	-	-
4.28	Learning and Development	-	-	-
4.34	Area Learning Center	753,842	753,842	-
4.35	Contracted Alternative Programs	-	-	-
4.36	State Approved Alternative Program	-	-	-
4.38	Gifted and Talented	15,244	15,244	-
4.39	English Learner	-	-	-
4.40	Teacher Development and Evaluation	-	-	-
4.41	Basic Skills Programs	-	-	-
4.43	School Library Aid	52,666	52,666	-
4.45	Career Technical Programs	-	-	-
4.48	Achievement and Integration Revenue	-	-	-
4.49	Safe Schools Revenue	139,182	139,182	-
4.51	QZAB payments	-	-	-
4.52	OPEB Liabilities not Held in Trust	-	-	-
4.53	Unfunded Severance and Retirement Levy	-	-	-
4.59	Basic Skills Extended Time	-	-	-
4.67	Long-Term Facilities Maintenance	-	-	-
4.71	Student Support Personnel Aid	-	-	-
Restricted:				
4.72	Medical Assistance	-	-	-
4.64	Restricted fund balance	-	-	-
4.75	Title VII - Impact Aid	-	-	-
4.76	Payments in Lieu of Taxes	-	-	-
Committed:				
4.18	Committed for separation	-	-	-
4.61	Committed	-	-	-
Assigned:				
4.62	Assigned fund balance	-	-	-
Unassigned:				
4.22	Unassigned fund balance (net position)	8,949,625	8,949,626	1
02 FOOD SERVICE FUND				
Total revenue		$ 2,952,905	$ 2,952,905	$ -
Total expenditures		2,697,514	2,697,514	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/Reserved:				
4.52	OPEB liabilities not held in trust	-	-	-
Restricted:				
4.64	Restricted fund balance	2,119,037	2,119,037	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-
04 COMMUNITY SERVICE FUND				
Total revenue		$ 4,391,006	$ 4,391,003	$ (3)
Total expenditures		4,193,235	4,193,234	(1)
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/Reserved:				
4.26	$25 Taconite	-	-	-
4.31	Community Education	550,245	550,245	-
4.32	ECFE	197,824	197,824	-
4.40	Teacher Development and Evaluations	-	-	-
4.44	School Readiness	225,781	225,781	-
4.47	Adult Basic Education	156,476	156,476	-
4.52	OPEB Liabilities not Held in Trust	-	-	-
Restricted:				
4.64	Restricted fund balance	39,576	39,575	(1)
Unassigned:				
4.63	Unassigned fund balance	-	-	-

		Audit	UFARS	Audit-UFARS
06 BUILDING CONSTRUCTION FUND				
Total revenue		$ 95,975	$ 95,975	$ -
Total expenditures		4,575,111	4,575,111	-
Nonspendable:				
4.60	Nonspendable Fund Balance	-	-	-
Restricted/Reserved:				
4.07	Capital Projects Levy	-	-	-
4.13	Building Projects Funded by COP	-	-	-
4.67	LTFM	7,108,742	7,108,742	-
Restricted:				
4.64	Restricted fund balance	-	-	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-
07 DEBT SERVICE FUND				
Total revenue		$ 2,263,147	$ 2,263,147	$ -
Total expenditures		2,256,689	2,256,688	(1)
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/Reserved:				
4.25	Bond refunding	-	-	-
4.33	Maximum effort loan aid	-	-	-
4.51	QZAB payments	-	-	-
4.67	LTFM	-	-	-
Restricted:				
4.64	Restricted fund balance	570,526	570,527	1
Unassigned:				
4.63	Unassigned fund balance	-	-	-
08 TRUST FUND				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.01	Student Activities	-	-	-
4.02	Scholarships	-	-	-
4.22	Net position	-	-	-
18 CUSTODIAL				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Restricted/Reserved:				
4.01	Student Activities	-	-	-
4.02	Scholarships	-	-	-
4.48	Achievement and Integration	-	-	-
4.64	Restricted	-	-	-
20 INTERNAL SERVICE FUND				
Total revenue		$ 2,837,899	$ 2,837,899	$ -
Total expenditures		2,770,864	2,770,865	1
Unassigned:				
4.22	Net position	974,512	974,511	(1)
25 OPEB REVOCABLE TRUST				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Net position	-	-	-
45 OPEB IRREVOCABLE TRUST				
Total revenue		$ 253,174	$ 253,174	$ -
Total expenditures		199,634	199,634	-
Unassigned:				
4.22	Net position	2,395,254	2,395,254	-
47 OPEB DEBT SERVICE				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted:				
4.25	Bond refundings	-	-	-
4.64	Restricted fund balance	-	-	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-

Independent School District No. 656
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Funding Source	Federal Assistance Listing Number	Pass Through Entity	Grant Name	Expenditures
Department of Agriculture	10.555	Minnesota Department of Education	Commodities Program	$ 189,432
Department of Agriculture	10.553	Minnesota Department of Education	School Breakfast	513,279
Department of Agriculture	10.555	Minnesota Department of Education	Type A Lunch	1,312,064
Department of Agriculture	10.555C	Minnesota Department of Education	COVID - 19 Supply Chain Assistance	85,649
Department of Agriculture	10.556	Minnesota Department of Education	Special Milk	4,005
			Total Child Nutrition Cluster	2,104,429
Department of Agriculture	10.558	Minnesota Department of Education	Child Care Food Program	158,310
Department of Transportation	20.600	Minnesota Department of Public Safety	Multicultural Adult Driver Education	22,800
Department of Treasury	21.019	Minnesota Department of Education	COVID-19 CARES Act	3,256
Department of Treasury	21.027	Minnesota Department of Education	COVID-19 Ignite Grant	96,680
			Total Coronavirus State and Local Fiscal Recovery Funds	99,936
Department of Education	84.010	Minnesota Department of Education	Title I, Part A	925,525
Department of Education	84.367	Minnesota Department of Education	Title II, Part A - Supporting Effective Instruction	118,379
Department of Education	84.365	Minnesota Department of Education	Title III, Part A - English Language Acquisition	97,190
Department of Education	84.424	Minnesota Department of Education	Title IV, Part A - Student Support and Academic Enrichment	64,667
Department of Education	84.424F	Minnesota Department of Education	Stronger Connections Grant	70,933
			Total Student Support and Academic Enrichment Program	135,600
Department of Education	84.027	Minnesota Department of Education	Special Education	936,785
Department of Education	84.173	Minnesota Department of Education	Disabled Early Education	22,577
			Total Special Education Cluster	959,362
Department of Education	84.181	Minnesota Department of Education	Special Education - Grants for Infants and Families	13,610
Department of Education	84.371	Minnesota Department of Education	Comprehensive Literacy Development	1,006,666
Department of Education	84.287	Minnesota Department of Education	Twenty-First Century Community Learning Centers	483,851
Department of Education	84.425U	Minnesota Department of Education	COVID-19 Elementary and Secondary School Education Relief (ESSER) III Fund	2,428,099
Department of Education	84.425W	Minnesota Department of Education	COVID-19 ARP - Homeless II	26,682
			Total Education Relief	2,454,781
Department of Education	84.002	Southern MN ABE Consortium	Adult Basic Education	36,281
Department of Health and Human Services	93.434	Minnesota Department of Education	ECE Grow Your Own	1,565
Department of Health and Human Services	93.959	Minnesota Department of Education	Block Grants for Prevention and Treatment of Substance Abuse	504,630
Department of Health and Human Services	93.981	Minnesota Department of Education	CDC Joint Powers	97,500
Corportation for National and Community Service	94.026	Carleton College	Youth Participatory Action Research	15,080
Total Federal Expenditures				$ 9,235,495

See notes to schedule of expenditures of federal awards.

Independent School District No. 656
Notes to Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – PASS-THROUGH GRANT NUMBERS

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

NOTE 4 – INVENTORY

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

NOTE 5 – INDIRECT COST RATE

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

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

Independent Auditor's Report

To the School Board
Independent School District No. 656
Faribault, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 656, Faribault, Minnesota, as of and for the year ending June 30, 2024, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 17, 2025.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we considered to be a significant deficiency.

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

District's Response to the Finding
Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the 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 auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

St. Cloud, Minnesota
January 17, 2025

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

Independent Auditor's Report

To the School Board
Independent School District No. 656
Faribault, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program
We have audited Independent School District No. 656's, Faribault, Minnesota compliance with the types of compliance requirements identified as subject to audit in the *U.S. Office of Management and Budget* (OMB) Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2024. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance.

In our opinion, the District complied, in all material respects, with the types of 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 (*Government Auditing Standards*); and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

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

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

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

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

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

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

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

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

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

St. Cloud, Minnesota
January 17, 2025

Independent School District No. 656
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP)
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes, Audit Finding 2024-001
Noncompliance material to financial statements noted?	No

Federal Awards

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

Identification of Major Programs

Assistance Listing No.:	10.553, 10.555, 10.556, 10.559
Name of Federal Program or Cluster:	Child Nutrition Cluster
Assistance Listing No.:	84.425
Name of Federal Program or Cluster:	Education Stabilization Fund
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low risk auditee?	No

Independent School District No. 656
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS

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

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

Condition:
The District does not have adequate segregation of accounting duties.

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

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

Cause:
There are a limited number of office employees.

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

Views of the Responsible Officials and Planned Corrective Actions:

CORRECTIVE ACTION PLAN (CAP):

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

2. Actions Planned in Response to Finding
   The District will continue to evaluate segregation of accounting duties and will work to improve segregation within budgetary limits.

3. Official Responsible for Ensuring CAP
   Barbie Roessler, Director of Business Services, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP
   The planned completion date for the CAP is June 30, 2025.

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

Independent School District No. 656
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Audit Finding 2023-001

During our audit as of June 30, 2023, we selected 60 free and reduced applications to test for priority. The District was unable to provide 4 of the 60 applications for our review. No such occurrence happened as of June 30, 2024.

Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 656
Faribault, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 656, Faribault, Minnesota, as of and for the year ended June 30, 2024, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 17, 2025.

In connection with our audit, we noted that the District failed to comply with the provisions of the deposits of public funds and public investments, miscellaneous provisions, and uniform financial accounting and reporting standards of the Minnesota Legal Compliance Audit Guide for School Districts promulgated by the State Auditor pursuant to Minnesota Statutes § 6.65, insofar as they relate to accounting matters as described in the Schedule of Findings and Corrective Action Plans on Legal Compliance as items 2024-002, 2024-003 and 2024-004. Also, in connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting – bid laws, conflicts of interest, and public indebtedness, and claims and disbursements for school districts sections of the Minnesota Legal compliance Audit Guide for School Districts, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

St. Cloud, Minnesota
January 17, 2025

Independent School District No. 656
Schedule of Findings and Corrective Action
Plans on Legal Compliance

CURRENT YEAR LEGAL COMPLIANCE FINDING:

Audit Finding 2024-002 – Lack of OPEB Trust Reporting Form

According to *Minnesota Statute* § 471.6175, subd. 4, if a trust for other Post-Employment Benefits (OPEB) was created pursuant to *Minnesota Statute* Section 471.6175, the trust administrator must report no later than October 25th to the State Auditor's Office the investment return information required.

During our audit, the District was unable to provide the OPEB Trust Reporting form that was to be submitted to the state auditors by October 25th.

CORRECTIVE ACTION PLAN (CAP):

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

2. Actions Planned in Response to Finding
   The District will ensure the OPEB Trust Reporting form will be submitted on time.

3. Official Responsible for Ensuring CAP
   Barbie Roessler, Director of Business Services, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP
   The planned completion date for the CAP is June 30, 2025.

5. Plan to Monitor Completion of CAP
   The Board of Education will be monitoring the CAP.

CURRENT YEAR LEGAL COMPLIANCE FINDING: (CONTINUED)

Audit Finding 2024-003 – Lack of Sufficient Collateral

The depositories of public funds and public investment laws of *Minnesota Statutes* 118A.01 and 118A.08 requires that all deposits with financial institutions must be collateralized in an amount equal to 110% of deposits in excess of Federal Depository Insurance Corporation (FDIC) insurance.

At June 30, 2024, the District's deposits were under collateralized.

CORRECTIVE ACTION PLAN (CAP):

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

2. Actions Planned in Response to Finding
   The District will ensure sufficient collateral on deposits.

3. Official Responsible for Ensuring CAP
   Barbie Roessler, Director of Business Services, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP
   The planned completion date for the CAP is June 30, 2025.

5. Plan to Monitor Completion of CAP
   The Board of Education will be monitoring the CAP.

Independent School District No. 656
Schedule of Findings and Corrective Action
Plans on Legal Compliance

CURRENT YEAR LEGAL COMPLIANCE FINDING: (CONTINUED)

Audit Finding 2024-004 – Late Submission

Minnesota law requires that school districts file submission of the unaudited financial data and audited financial data for the preceding fiscal year by November 30 of the calendar year. In addition, an audited financial statement prepared in a form which will allow comparison with and correction of material differences in the unaudited financial data shall be submitted to the commissioner and the state auditor by December 31.

During our audit engagement for the year ended June 30, 2024, we noted instances of noncompliance with Minnesota submission deadlines.

CORRECTIVE ACTION PLAN (CAP):

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

7. Actions Planned in Response to Finding
   The District will ensure that submissions are made timely.

8. Official Responsible for Ensuring CAP
   Barbie Roessler, Director of Business Services, is the official responsible for ensuring corrective action of the deficiency.

9. Planned Completion Date for CAP
   The planned completion date for the CAP is June 30, 2025.

10. Plan to Monitor Completion of CAP
    The Board of Education will be monitoring the CAP.