

# Regular School Board Meeting

Tuesday, November 12, 2024 5:45 PM

School District Media Center, 131 Hickory Street North, Lester Prairie, MN 55354

## I. Call to Order

## II. Pledge of Allegiance

## III. Approval of Agenda

III.A. Action to approve agenda.

## IV. Recognition of Communications Since Last Meeting

## V. Open Dialogue

## VI. Approval of Consent Agenda

VI.A.

A. **Approve Previous Minutes Reg. Oct. 28th Bd Mtg**

B. **Approve Bills**

o Board Bills: \$100,253.64

o Student Activity Bills:  
\$1,106.70

## VII. Reports

## VIII. New Business

VIII.A. Action to approve the non-certified seniority list for 2024-25.

VIII.B. Action to approve the certified seniority list for 2024-25.

VIII.C. Comprehensive Achievement and Civic Readiness Presentation (formerly World's Best Workforce)- Success Coach Ryan Sinda

c. Action to approve the Comprehensive Achievement and Civic Readiness (CACR) report

## IX. Old Business

## X. School Finance

X.A.

D. **BergenKDV Presentation on Lester Prairie Schools 2023-24 Audit - Caroline Stutsman**

X.B.

X.C.

B. Action to approve 2023-24

Audit.

X.D. Action to approve the following fundraiser:

E. **Football:** Ads for Programs

XI. **Policy Administration**

XII. **Personnel**

XII.A. Action to approve the following contracts:

F. **Ashley Heckson** - One Act Play

G. **Mike Lee** - Assistant Girls  
Basketball Coach

H. Mariah Lenz Sherping - Social Worker

XIII. **Other Items for the Board**

XIV. **Adjourn the Regular Board Meeting**



# Lester Prairie Schools

District Office  
131 Hickory St. N  
Lester Prairie, MN 55354

Phone: 320-395-2521  
Fax: 320-395-4202  
Website: [www.lp.k12.mn.us/](http://www.lp.k12.mn.us/)

## REGULAR BOARD MEETING AGENDA

**DATE:** Tuesday, November 12, 2024

**LOCATION:** School Media Center

**TIME:** 5:45 PM

### I. Call to Order

- A. Board Chair Hentges to open the Lester Prairie School District Regular Board meeting at 5:45 pm.
- B. Welcome to public and guests

### II. Pledge of Allegiance

### III. Approval of Agenda

*Motion by \_\_\_\_\_ and seconded by \_\_\_\_\_ to approve agenda.*

*Voting was \_\_\_\_\_ for and \_\_\_\_\_ against.*

### IV. Recognition of Communications Since the Last Meeting

- A. Communications received by Board Members
  - o Good News Section:
    - 1. \_\_\_\_\_
- B. Open Dialogue. (Each person in the audience will be given three (3) minutes - total time - 15 minutes.)

### V. Approval of Consent Agenda

- A. **Approve Previous Minutes**
  - o Regular Board Meeting: Oct 28, 2024
- B. **Approve Bills** - Bills reviewed by R.Heimerl and Christen
  - o Board Bills: \$100,253.64
  - o Student Activity Bills: \$1,106.70

*Motion by \_\_\_\_\_ and seconded by \_\_\_\_\_ to approve consent agenda, board minutes, & payment of bills presented.*

*Voting was \_\_\_\_\_ for and \_\_\_\_\_ against.*

### VI. Administrative Reports

- A. **Principal - Mike Lee**
- B. **AD/DoS - Ross Scheevel**
- C. **Superintendent - Melissa Radeke**

### VII. School Board Committee Reports

- A. Community Ed - Hentges, R.Heimerl

- B. PTO - Stifter-Knoll, R. Heimerl
- C. Facilities/Maintenance - Engen, Christen, B.Heimerl
- D. Tech/Media - Christen, Stifter-Knoll
- E. Activities - Hentges, Engen, B.Heimerl
- F. Negotiations:
  - Certified -Hentges, B.Heimerl, Christen
  - Non-Certified - R.Heimerl, B.Heimerl, Engen
  - Administration - R.Heimerl, Stifter-Knoll, Christen
- G. Meet and Confer - Stifter-Knoll, R.Heimerl
- H. Policy - Stifter-Knoll, Hentges
- I. Legislative - B.Heimerl
- J. City Council - B.Heimerl, Christen

**VIII. School Finance**

**A. BergenKDV Presentation on Lester Prairie Schools  
2023-24 Audit - Caroline Stutsman**

B. Action to approve 2023-24 Audit.

*Motion by \_\_\_\_\_ and seconded by \_\_\_\_\_ to approve 2023-24  
audit as presented.*

*Voting was \_\_\_\_\_ for and \_\_\_\_\_ against*

C. Action to approve the following fundraiser:  
o **Football:** Ads for Programs

*Motion by \_\_\_\_\_ and seconded by \_\_\_\_\_ to approve  
fundraiser as presented.*

*Voting was \_\_\_\_\_ for and \_\_\_\_\_ against*

**IX. New Business**

A. Set date for January Reorganizational and Regular  
Board Meeting at 5:45pm \_\_\_\_\_

B. Action to approve the non-certified seniority list  
for 2024-25.

*Motion by \_\_\_\_\_ and seconded by \_\_\_\_\_ to approve non-  
certified seniority list as presented.*

*Voting was \_\_\_\_\_ for and \_\_\_\_\_ against*

C. Action to approve the certified seniority list for  
2024-25.

*Motion by \_\_\_\_\_ and seconded by \_\_\_\_\_ to approve  
certified seniority list as presented.*

*Voting was \_\_\_\_\_ for and \_\_\_\_\_ against*

D. Comprehensive Achievement and Civic Readiness Presentation (formerly World's Best Workforce)- Success Coach Ryan Sinda

- o Action to approve the Comprehensive Achievement and Civic Readiness (CACR) report

Motion by \_\_\_\_\_ and seconded by \_\_\_\_\_ to approve CACR report as presented.

Voting was \_\_\_\_\_ for and \_\_\_\_\_ against

E. Action to approve the **RESOLUTION CANVASSING RETURNS OF VOTES OF SCHOOL DISTRICT GENERAL ELECTION HELD ON NOVEMBER 5, 2024.**

Motion by \_\_\_\_\_ and seconded by \_\_\_\_\_ to approve resolution as presented.

Roll Call Vote:

MSK \_\_\_\_\_ RH \_\_\_\_\_ KC \_\_\_\_\_  
BH \_\_\_\_\_ JE \_\_\_\_\_ CH \_\_\_\_\_

Voting was \_\_\_\_\_ for and \_\_\_\_\_ against

F. Action to approve the **RESOLUTION AUTHORIZING ISSUANCE OF CERTIFICATES OF ELECTION AND DIRECTING SCHOOL DISTRICT CLERK TO PERFORM OTHER ELECTION RELATED DUTIES.**

Motion by \_\_\_\_\_ and seconded by \_\_\_\_\_ to approve resolution as presented.

Roll Call Vote:

MSK \_\_\_\_\_ RH \_\_\_\_\_ KC \_\_\_\_\_  
BH \_\_\_\_\_ JE \_\_\_\_\_ CH \_\_\_\_\_

Voting was \_\_\_\_\_ for and \_\_\_\_\_ against

**X. Old Business**

- A. None

**XI. Policy Administration**

- A. None

**XII. Personnel**

- A. Action to approve the following contracts:
  - o **Ashley Heckson** - One Act Play
  - o **Mike Lee** - Assistant Girls Basketball Coach

Motion by \_\_\_\_\_ and seconded by \_\_\_\_\_ to approve contracts as presented.

Voting was \_\_\_\_\_ for and \_\_\_\_\_ against

**XIII. Other Items for the Board**

**XIV. Adjourn the Regular Board meeting at \_\_\_\_\_**

**UPCOMING DATES and NOTES:**

- A. Nov. 13: PTO 5:30 Commons
- B. Nov. 28 & 29: Thanksgiving Break - No School
- C. Dec. 6: PTO Holiday Store
- D. Dec. 11: PTO 5:30 Commons
- E. Dec. 16: Regular School Board Meeting 5:45pm

# Lester Prairie Public Schools Payment Reg by Bank and Check

Bank	Batch	Pmt No	Check No	Pay Type	Grp Code	Rcd	Vendor	Tax Class	Print	Recon	Void	Pay/Void Date	Amount
SA	41833	22072	Check	1	1245	Amazon		Yes	No	No	11/12/2024	269.36	
SA	41834	22073	Check	1	1654	Heimerl, Troy		Yes	No	No	11/12/2024	675.95	
SA	41835	22074	Check	1	2055	Unhinged Pizza		Yes	No	No	11/12/2024	80.99	
SA	41832	22075	Check	1	03218	WAL-MART Community		Yes	No	No	11/12/2024	80.40	

Bank Total: \$1,106.70

Report Total: \$1,106.70

# Lester Prairie Public Schools Payment Reg by Bank and Check

Bank	Batch	Pmt No	Check No	Pay Type	Grp Code	Rcd	Vendor	Tax Class	Print	Recon	Void	Pay/Void Date	Amount
100	41837	53817	Check 1	00170	4.0 Bus Service				Yes	No	No	11/12/2024	44,505.93
100	41845	53818	Check 1	1245	Amazon				Yes	No	No	11/12/2024	1,038.98
100	41860	53819	Check 1	3226	Ampton PBC C/o Department 850				Yes	No	No	11/12/2024	1,547.68
100	41861	53820	Check 1	3254	Bluum of Minnesota, LLC				Yes	No	No	11/12/2024	369.00
100	41856	53821	Check 1	2654	Cintas				Yes	No	No	11/12/2024	119.39
100	41836	53822	Check 1	00061	CITY OF LESTER PRAIRIE				Yes	No	No	11/12/2024	1,392.50
100	41855	53823	Check 1	2644	Dalkin Applied				Yes	No	No	11/12/2024	1,302.80
100	41853	53824	Check 1	2624	Dalco/ Imperial Dade				Yes	No	No	11/12/2024	2,918.94
100	41852	53825	Check 1	2573	Dashir Management Services Inc				Yes	No	No	11/12/2024	24,463.70
100	41843	53826	Check 1	03735	DISCOUNT SCHOOL SUPPLY				Yes	No	No	11/12/2024	283.48
100	41863	53827	Check 1	3384	East Side Jersey Dairy				Yes	No	No	11/12/2024	1,564.09
100	41838	53828	Check 1	00707	EDUCATION MINNESOTA				Yes	No	No	11/12/2024	4,432.22
100	41842	53829	Check 1	01469	Educators Benefit Consultants				Yes	No	No	11/12/2024	66.61
100	41858	53830	Check 1	3002	Fidelity Security Life Insurance Co.				Yes	No	No	11/12/2024	137.82
100	41844	53831	Check 1	1117	Follett Software Company				Yes	No	No	11/12/2024	1,370.44
100	41857	53832	Check 1	2885	Glenn's Supervalu				Yes	No	No	11/12/2024	325.42
100	41851	53833	Check 1	2483	Greater MN Communications				Yes	No	No	11/12/2024	1,041.00
100	41841	53834	Check 1	01306	Herald Journal Publishing				Yes	No	No	11/12/2024	289.00
100	41854	53835	Check 1	2635	Hudl				Yes	No	No	11/12/2024	2,658.09
100	41859	53836	Check 1	3123	Lady J Design				Yes	No	No	11/12/2024	115.00
100	41840	53837	Check 1	01157	MetLife SBC				Yes	No	No	11/12/2024	3,209.76
100	41847	53838	Check 1	1579	Music Mart				Yes	No	No	11/12/2024	194.10
100	41862	53839	Check 1	3358	North Star Awards & Trophies				Yes	No	No	11/12/2024	54.00
100	41846	53840	Check 1	1460	Rochester Telecom Systems Inc				Yes	No	No	11/12/2024	71.22
100	41864	53841	Check 1	3414	Rosenau, Ashlyn				Yes	No	No	11/12/2024	18.00
100	41850	53842	Check 1	2409	rSchool Today				Yes	No	No	11/12/2024	397.00
100	41849	53843	Check 1	2239	Sysco Western Minnesota				Yes	No	No	11/12/2024	6,136.09
100	41848	53844	Check 1	2055	Unhinged Pizza				Yes	No	No	11/12/2024	108.13
100	41839	53845	Check 1	01150	Verified Credentials				Yes	No	No	11/12/2024	123.25

Bank Total: \$100,253.64

Report Total: \$100,253.64

**Lester Prairie Public School  
Non-Certified Seniority List 2024-2025**

**Board Approved:**

**Secretaries**

ID	Last Name	First Name	Middle	Seniority Date	Job Description
63	Fiecke	Kathleen	M	9/1/87	Hourly Clerical

**Paraprofessionals**

ID	Last Name	First Name	Middle	Seniority Date	Job Description
2114	Wall	Jannina	E	9/2/04	Paraprofessional
2168	Feltmann	Lisa	M	1/6/11	Paraprofessional
2358	Ross	Sara	J	11/3/16	Paraprofessional
2389	Meyer	Matt	A	8/3/17	Paraprofessional
2416	Schauer	Kim	A	8/27/18	Paraprofessional
2478	Trittbaugh	Lauren	B	8/9/21	Paraprofessional
2477	Ostlie	Ashley	R	8/9/21	Paraprofessional
2484	Alberts	Ashley	L	9/22/21	Paraprofessional
2481	Breimhorst	Diane	C	7/12/21	Paraprofessional
2495	Ainsworth	Tabatha	A	7/22/22	Paraprofessional
2314	Heimerl	Kim	M	7/1/0123	Paraprofessional
2509	Heckson	Ashley	K	7/31/23	Paraprofessional
2535	Cole	Emily	R	8/26/24	Paraprofessional

**Food Service**

ID	Last Name	First Name	Middle	Seniority Date	Job Description
52	Fasching	Victoria		9/1/94	Food Service Hourly
2407	Detlefsen	Linda	K	7/31/18	Food Service Hourly
2483	Roesenau	Lynette	M	8/30/21	Food Service Hourly

**Lester Prairie Public School  
Certified Seniority List 2024-2025**

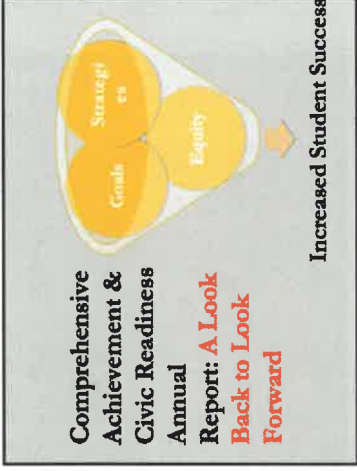
**Board Appd:**

ID	Name	Contract Signed	School Board Appd	First Contracted Day* (2007 start actual data)	Highest Degree/Credits attained in Educ	Tier	License code	Description	Tenure Date	Location
22	Bayerl Christina K	7/27/87	#####	9/1/87	BA+20	4	180100	Elementary Education K-6	9/1/88	100
23	Brandel Jennifer A.	7/27/89	#####	8/21/89	MA	4	080450	Coaching	8/21/92	100
605	Rue David	5/1/96	#####	9/1/96	BA	4	180100	Elementary Education 1-6		
996	Kramer Kelly	6/24/02	#####	8/26/02	MA	4	50196	K-12 Reading		
2151	Mattson Christine H	8/1/06	#####	8/1/06	MA	4	120400	Vocal and Classroom Music K-12	9/1/00	100
2111	Smith Amy L	5/5/07	#####	8/28/07	MA+20	4	180100	Elementary Education K-6	8/26/03	100
2174	Lester Helen R	8/20/07	#####	8/28/07	BA+10	4	050196	K-12 Reading		
2222	Bjork Michael F	4/20/09	#####	9/1/09	BA+50	4	940310	School Counselor K-12	8/1/09	300
2223	Schuft-Helland Terri J	5/23/09	#####	9/1/09	BA	4	110000	Mathematics 5-12	8/28/10	300
2231	Smith Jennifer L	5/28/15	6/1/15	8/25/15	BA	4	140050	Business 5-12		
2334	Oie Jacob M	7/13/15	#####	8/25/15	BA	4	180150	Early Childhood Education B-Gr3	8/28/10	100
2413	Wawrzyniak Marc H	3/25/18	#####	8/28/18	MA	4	180401	Parent and Family Education		
2229	Scheevel Ross W	5/14/18	#####	8/28/18	BA	4	130600	Science 5-8	9/1/12	300
2163	Lee Mike J	8/13/18	#####	8/7/18	MA+60	4	130400	Earth and Space Science		
2328	Raduenz Rachel A	7/26/19	#####	8/26/19	BA	4	210000	Driver Education		
							120400	Vocal and Classroom Music K-12	9/1/12	005
							120500	Instr(Band/Orch) & Classroom Music K-12		
							050000	English/Language Arts 7-12	8/25/18	300
							150000	Social Studies - All- 7-12		
							180100	Elementary Education K-6	8/25/18	100
							110000	Mathematics 5-12	8/28/19	300
							150000	Social Studies - All- 7-12	8/28/21	300
							80450	Coaching 7-12	8/7/19	5
							80100	Health Education K-12		
							80300	Physical Education K-12		
							190302	Dev/Adapted Phys Ed PreK-12		
							933000	Principal K-12		
							150000	Social Studies 5-12	8/30/22	300

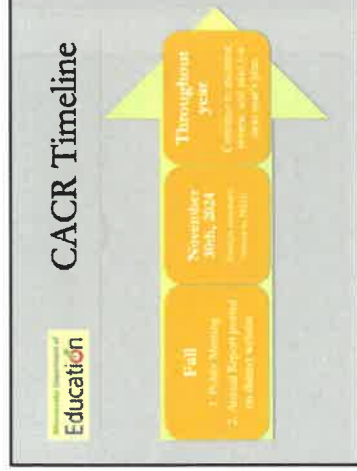




1



2



3

**Minnesota Statute 120B.11**

Comprehensive Achievement and Civic Readiness means striving to:

- Have all students meet school readiness goals
- ~~Have all school-grade students achieve grade-level literacy~~
- Close the achievement gap among all groups
- Have all students graduate from high school
- Have all students attain college & career readiness

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### Lester Prairie 2023-24: 459 students

Program	2020-21 LP	2021-22 LP	2022-23 LP	2023-24 LP	2023-24 Goal
Enrollment	448	428	428	428	448
Enrollment %	7%	7%	7%	7%	7%
Non-enrolled	8	428	815	428	428
Non-enrolled %	18%	98%	190%	98%	98%
Male	8	52%	11%	52%	52%
Female	440	52%	428	428	428
Male %	18%	61%	61%	61%	61%
Female %	78%	39%	39%	39%	39%

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### Special Populations - Lester Prairie 2023-24: 459 students


Category	2023-24 LP	2023-24 Goal	2023-24 %	2022-23 LP	2022-23 Goal	2022-23 %
English Learners	41	50	82%	41	50	82%
Special Education	77	77	100%	77	77	100%
Free/Red. Lunch	174	174	100%	174	174	100%
Homeless	0	0	0%	0	0	0%
Total Enrollment	459	459	100%	459	459	100%

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## CACR Goal #1 School Readiness

**Kindergarten Ready**


- ▣ Purpose of school readiness program= prepare children to enter kindergarten (MN Statute 124D.13)
- ▣ Local definition: Lester Prairie School District defines school readiness as children having the academic, social, emotional, and behavioral skills necessary to be successful in kindergarten and beyond.



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## CACR Goal #1: Kindergarten Readiness

- ▣ *Child received early childhood screening* (MN Statute 124D.11) In 2023-24, Lester Prairie School District will have 100% of children screened before entering kindergarten. (95% - Goal Not Met)
- ▣ *Child is at least 5 years of age by September 1 of the child's enrollment year* (MN Statute 124D.11) In 2023-24, Lester Prairie School District will have 100% of children begin kindergarten at age 5 or older. (95% - Goal Not Met)
- ▣ *Child has received medically acceptable immunizations* (MN Statute 124D.11) In 2023-24, Lester Prairie School District will have 100% of children fully immunized at kindergarten entry. (97% - Goal Not Met)



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### CA CR #3: Achievement Gap Closure

**READING:**  
The percentage of all Hispanic students in grades 3-8 and 10 in Lester Prairie Public Schools who earn Does Not Meet (D) and Partially Meets (P) the standards on the Reading MCA III will decrease from 78% to 50% in 2024.

**Results:** Results indicated 79.5% D and P in 2024 = Grad/NOT met

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### Data from 2024 Reading MCAs Reading Achievement Level by Federal Race Code

Race	Meets	Partially Meets	Does Not Meet	Total
Hispanic	36.7%	42.8%	79.5%	20.5%
#Count	18	21	10	49
White	36.2%	21%	57.2%	42.8%
#Count	67	39	79	185

2024 GAP = 33.3% (2023 gap was 33.3%)

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### CA CR #3: Achievement Gap Closure

**READING - FRP:**  
The percentage of all FRP students in grades 3-8 and 10 in Lester Prairie Public Schools who earn Does Not Meet (D) and Partially Meets (P) the standards on the Reading MCA III will decrease from 80% to 66% in 2024.

**Results:** Results indicated 70.5% D and P = Grad/NOT met.

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### Data from 2023 Reading MCAs Reading Achievement Level by Free and Reduced Lunch (FRP)

FRP	Meets	Partially Meets	Does Not Meet	Total
YES	43.5%	27%	70.5%	29.5%
#Count	37	23	25	85
NO	32%	25.3%	57.3%	42.7%
#Count	51	40	68	159

2023 GAP = 43.2% (2022 gap was 42.3%)

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### CACR Goal #3: Achievement Gap Closure

**MATH - Hispanic**

The percentage of all Hispanic students in grades 3-8 and 11 in Lester Prairie Public Schools who earn Does Not Meet (D) and Partially Meets (P) the standards on the Math MCA III will decrease from 82% to 63% in 2024.

**Results:** Results indicated 90.8% D and P = Goal/Not met.

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### Math Achievement Level by Federal Race Code

Data from 2024 Math MCAs

Race Code	Meets	Does Not Meet	Total
Hispanic	47.7%	43.1%	90.8%
n/Count	21	19	4
White	25.2%	29.6%	54.8%
n/Count	46	54	82
			182

2024 Goal = 63% (2023 goal was 82%)

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### CACR Goal #3: Achievement Gap Closure

**MATH - FRP**

The percentage of all FRP students in grades 3-8 and 11 in Lester Prairie Public Schools who earn Does Not Meet (D) and Partially Meets (P) the standards on the Math MCA III will decrease from 76% to 66% in 2024.

**Results:** Results indicated 79.1% D and P = Goal/NOT met.

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### Math Achievement Level by Free and Reduced Lunch (FRP)

Data from 2023 Math MCAs

FRP	Meets	Does Not Meet	Total
YES	42.8%	36.3%	79.1%
n/Count	33	28	16
NO	24.5%	29.5%	54%
n/Count	39	47	73
			159

2024 Goal = 66% (2023 goal was 76%)

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### CCAR Goal Area #4: College and Career Readiness

ACT	LP 2024	State 2024	LP 2023	State 2023
# Students Enrolled	24	46,367	18	47,158
English	17.3	19.2	18.9	19.3
Mathematics	19.0	20.4	18.9	20.5
Reading	19.9	21.4	18.7	21.5
Science	18.6	21.1	20.2	21.2
Composite	18.8	20.7	19.3	20.8

**ACT CARE Goal:** The composite ACT score for Lower Prairie students will meet or exceed the state average composite score for the 2025 graduation year students.  
*Reminder: 18.8 = Goal/No. Met*

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### CCR = Choice Ready

- All 12 meet with counselor to determine college and career path plans of interest (MCIS-Minnesota Career Information System through MDI)
- Career component built into the Social 10 class & Personal Finance
- Ignite Your Future Career Exploration event at Ridgewater College
- Work Study Class and Personal Finance Class
- Career Portfolio in Google Drive during 10<sup>th</sup> grade
  - 10th year portfolio that includes career research, college/information, career research plan, resume, career letter, course progression, exploration
  - 100% student completed

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### CCAR Goal Area #5: All Students Graduate from High School

Year	LP Goal	LP %
2016	22	85%
2017	30	94.8%
2018	31	91.2%
2019	27	93.1%
2020	27	96%
2021	44	97%
2022	32	100%
2023	30	100%
2024*	48	100%

State goal: 90% graduation rate with no student group below 85%.  
 LP Result: MET state goal

\*The graduation rate for the 2024 class is based on the 2024 data. The graduation rate for the 2023 class is based on the 2023 data. The graduation rate for the 2022 class is based on the 2022 data. The graduation rate for the 2021 class is based on the 2021 data. The graduation rate for the 2020 class is based on the 2020 data. The graduation rate for the 2019 class is based on the 2019 data. The graduation rate for the 2018 class is based on the 2018 data. The graduation rate for the 2017 class is based on the 2017 data. The graduation rate for the 2016 class is based on the 2016 data.

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### CCR Strategies for Continued Improvement:

#### Data Literacy/Data Utilization

- Data Team: participated in a District Data Dig this past fall; presented to staff and School Board; facilitate literacy/utilization through working with teacher teams throughout the year
- PLC teams = formal biweekly monitoring of academic and behavioral data
- Student Success Teams: Student Support, EL, SPED, Reach & Connect Teachers using Multi-Tiered System of Supports model, math support JH/SH
- Comprehensive Assessment System with multiple indicators
  - Data Sources: 5 Categories of Data

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**Multi-Tiered System of Supports:**  
Whole Child: Academic, Behavior, & Social/Emotional Wellness

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**5 Categories of Data**

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**Curriculum and Instruction**

**Students** - Process for assessing/ evaluating student progress toward meeting state & local standards

- PIA, Form, Data Team/ personal, review, window, Multi-Tiered System of Supports, student support team

**Teachers & Principals** - System to evaluate the effectiveness of curriculum & instruction

- Leadership, Manager & standards, Alignment, PIA, team, Alignment Program, Teacher/Principal Evaluation

**District** - District practices around high-quality instruction and rigorous curriculum that integrate a collaborative professional culture and technology

- PIA, collaborative professional culture, 1st-5th Year entry by classroom teacher
- MTS, IL, SPED, REACH, annual PD & Multi-Tiered Support System
- Teacher/Principal Evaluation and 1st Year

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**Comprehensive Achievement & Civic Readiness**

**Comments and Questions?**

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**Independent School District No. 424  
Lester Prairie Schools  
Lester Prairie, Minnesota**

**Basic Financial Statements**

**June 30, 2024**



**Independent School District No. 424  
Lester Prairie Schools  
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**Independent School District No. 424  
Lester Prairie Schools  
Board of Education and Administration  
June 30, 2024**

<u>Board of Education</u>	<u>Position</u>	<u>Term Expires</u>
Corbey Hentges	Chair	December 31, 2024
Meganne Stifter-Knoll	Clerk	December 31, 2024
Rebecca Heimerl	Treasurer	December 31, 2024
Keith Christen	Director	December 31, 2026
Brian Heimerl	Director	December 31, 2024
Jeff Engen	Director	December 31, 2026
 <u>Administration</u>		
Dr. Melissa Radeke	Superintendent	
Alice Daak	Business Manager	

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## Independent Auditor's Report

To the School Board  
Independent School District No. 424  
Lester Prairie, 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. 424, Lester Prairie, 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. 424, as of June 30, 2024, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 424 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

The management of Independent School District No. 424 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.

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 is 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 November 4, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*BerganKDV, Ltd.*

St. Cloud, Minnesota  
November 4, 2024

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## Independent School District #424 Management's Discussion and Analysis

This section of Lester Prairie Public Schools ISD #424's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2024. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of a reporting model that is required by the Governmental Accounting Standards Board's (GASB) Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued in June 1999. Statement No. 34 contains significant requirements that enhance financial reporting. These requirements are also designed to make annual reports easier for the public to understand and more useful to stakeholders. Specifically, Statement No. 34 establishes reporting requirements that include additional financial statements, expanded disclosure, and supplemental information, including this MD&A, which contains certain comparative information between the current fiscal year and the prior fiscal year.

### FINANCIAL HIGHLIGHTS

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

- ◆ Overall revenues were \$8,785,923 while overall expenses totaled \$7,205,291.
- ◆ The District's ending net position is \$6,587,342.
- ◆ The District's net outstanding long-term debt decreased by \$111,542 or 0.6%.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts - Independent Auditor's Report, required supplementary information, which includes the management's discussion and analysis (this section), the basic financial statements, and other required reports. The basic financial statements include two kinds of statements that present different views of the District:

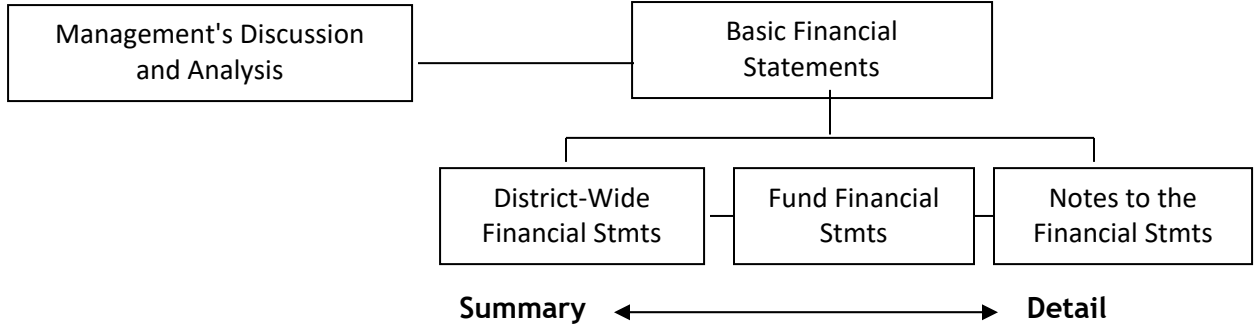
- ◆ The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's overall financial status.
- ◆ The remaining statements are *fund-financial statements* that focus on individual parts of the District, reporting the District's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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The diagram below shows how the various parts of this annual report are arranged and relate to one another.

**Independent School District #424  
Management's Discussion and Analysis**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

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



<b>Fund Financial Statements</b>		
	District-Wide	Governmental Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance
Required financial statements	<ul style="list-style-type: none"> <li>◆ Statement of Net Position</li> <li>◆ Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>◆ Balance Sheet</li> <li>◆ Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come during the year or soon thereafter; no capital assets or long-term liabilities included
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

**Independent School District #424  
Management's Discussion and Analysis**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**District-wide Statements**

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

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

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

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

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

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

**Fund Financial Statements**

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

The District has one kind of fund:

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

**Independent School District #424  
Management's Discussion and Analysis**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE  
(DISTRICT-WIDE FINANCIAL STATEMENTS)**

**Net Position**

The District's net position was \$6,587,342 on June 30, 2024. This represents an increase when compared to the \$5,006,710 position balance on June 30, 2023.

**Figure A-3  
Condensed Statement of Net Position**

	Governmental Activities	
	2024	2023
<b>Assets</b>		
Current assets	\$ 9,203,448	\$ 7,500,541
Capital assets	17,989,960	18,394,813
Total assets	\$ 27,193,408	\$ 25,895,354
<b>Deferred Outflows of Resources</b>	\$ 885,117	\$ 1,166,650
<b>Liabilities</b>		
Other liabilities	\$ 599,430	\$ 681,095
Long-term liabilities	18,414,444	18,525,986
Total liabilities	\$ 19,013,874	\$ 19,207,081
<b>Deferred Inflows of Resources</b>	\$ 2,477,309	\$ 2,848,213
<b>Net Position</b>		
Net investment in capital assets	\$ 4,327,010	\$ 4,006,095
Restricted	1,491,398	1,072,166
Unrestricted	768,934	(71,551)
Total net position	\$ 6,587,342	\$ 5,006,710

**Independent School District #424  
Management's Discussion and Analysis**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE  
(DISTRICT-WIDE FINANCIAL STATEMENTS) (CONTINUED)**

**Changes in Net Position from Operating Results**

	Governmental Activities	
	2024	2023
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 451,181	\$ 580,596
Operating grants and contributions	1,704,650	1,131,816
Capital grants and contributions	263,582	308,067
General revenues		
Property taxes	1,922,028	1,832,255
State aid formula grants	4,161,651	4,246,475
Other	282,831	227,765
Total revenues	<u>8,785,923</u>	<u>8,326,974</u>
<b>Expenses</b>		
Administration	368,082	287,614
District support services	430,817	408,598
Elementary and secondary regular instruction	2,783,229	2,437,433
Vocational educational instruction	67,273	47,658
Special education instruction	590,511	537,754
Instructional support services	208,948	217,289
Pupil support services	491,785	482,736
Sites and buildings	1,302,176	1,004,506
Food service	350,279	330,893
Community education services	191,942	196,681
Unallocated depreciation	-	48,652
Interest and fiscal charges on long-term debt	420,249	397,298
Total expenses	<u>7,205,291</u>	<u>6,397,112</u>
Increase in net position	<u>\$ 1,580,632</u>	<u>\$ 1,929,862</u>

**Changes in Net Position.** The District's total revenues were \$8,785,923 for the year ended June 30, 2024.

Unallocated state aid along with property taxes accounted for 69.2% of the total revenue for the year. Operating and capital grants and contributions for specific programs contributed 22.4% with the remaining 8.4% from fees charged for services and miscellaneous sources.

The total cost of all programs and services was \$7,205,291. The District's expenses are predominantly related to student education and student educational support 50.6%. The District's administrative activities accounted for 5.1% of the total costs. Total revenues were more than total expenses, increasing net position by \$1,580,632, from last year.

**Independent School District #424  
Management's Discussion and Analysis**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**General Fund**

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

The following schedule presents a summary of General Fund Revenues.

**General Fund Sources of Revenue**

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Change
	2024	2023		
Local property taxes	\$ 938,595	\$ 840,834	\$ 97,761	11.6%
Other local sources	587,151	531,713	55,438	10.4%
State sources	5,030,058	4,677,601	352,457	7.5%
Federal sources	350,075	449,603	(99,528)	-22.1%
Miscellaneous	7,399	16,088	(8,689)	-54.0%
<b>Total</b>	<b>\$ 6,913,278</b>	<b>\$ 6,515,839</b>	<b>\$ 397,439</b>	<b>6.1%</b>

Total General Fund revenue increased by \$397,439 or 6.1% from the previous year. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on revenue.

The following schedule presents a summary of General Fund expenditures.

**General Fund Expenditures**

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Change
	2024	2023		
Salaries and benefits	\$ 3,951,053	\$ 3,796,505	\$ 154,548	4.1%
Purchased services	1,552,603	1,520,648	31,955	2.1%
Supplies and material	340,690	351,753	(11,063)	-3.1%
Capital expenditures	241,096	307,773	(66,677)	-21.7%
Other expenditures	55,971	62,121	(6,150)	-9.9%
<b>Total</b>	<b>\$ 6,141,413</b>	<b>\$ 6,038,800</b>	<b>\$ 102,613</b>	<b>1.7%</b>

Total General Fund expenditures increased by \$102,613 or 1.7% from the previous year. The overall increase resulted from various areas including increased salary/benefits for all staff, contracted services cost for Special Education, district busing contract and an increase in Special Education transportation, utilities, shipping, and overall repair, and maintenance costs.

**Independent School District #424  
Management's Discussion and Analysis**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**General Fund Budgetary Highlights**

The District's general fund results when compared to the final budget are:

- ◆ Actual revenues were \$984,638 *more than* budget as a result of being over budget in General Ed Aid, special education aid and interest income.
- ◆ Actual expenditures were \$323,836 *more than* budget due Special Education costs including contracted services and transportation costs and student activities.

**Debt Service Fund**

The Debt Service Fund revenues were \$1,226,492 and expenditures totaling \$1,167,631, thereby increasing fund balance by \$58,861 as revenues exceeded expenditures.

**Capital Project Fund**

The Capital Project Fund revenues and other financing sources were \$938,081 and expenditures were \$116,562, thereby increasing fund balance by \$821,519. The increase is a result of continued school building project expenditures and related bond proceeds during the current year.

**Other Non-Major Funds**

The Food Service Fund incurred an increase in the fund balance of \$67,448 to an ending fund balance of \$253,010. The Community Service Fund incurred a decrease in fund balance of \$9,445 to an ending fund deficit of \$56,467.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of fiscal year 2024, the District had invested \$25,229,453 in a broad range of capital assets, including school buildings, land, computer and audio-visual equipment, and other equipment for various instructional programs. Total depreciation/amortization expense for the year was \$711,394. More detailed information about capital assets can be found in the notes to the financial statements.

	Year Ended June 30,	
	2024	2023
Land	\$ 404,999	\$ 404,999
Construction in progress	-	295,829
Buildings	18,098,169	18,069,556
Improvements	744,023	416,442
Equipment	5,944,065	5,697,889
Leased equipment	38,197	38,197
Accumulated Depreciation/Amortization	(7,239,493)	(6,528,099)
 Total	 \$ 17,989,960	 \$ 18,394,813

**Independent School District #424  
Management's Discussion and Analysis**

**CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)**

**Long-Term Debt**

At year end the District had \$14,654,088 of long-term debt consisting of bonded indebtedness and unamortized premiums.

The District has \$4,029 in lease liabilities at June 30, 2024.

The District has \$3,231,047 in net pension liability at June 30, 2024.

The District has \$525,280 in total OPEB liability at June 30, 2024.

**Factors Bearing on the District's Future**

- ◆ Enrollment is always an area of concern weighing on any District's financial future. The District's student enrollment, which determines the pupil units for the purpose of funding, has remained stable the last few years. Unfortunately, enrollment for FY23-24 decreased by approximately an additional 25 students from the prior year. Current projections do indicate a continued reduction in student enrollment using the 0-4 census amounts and moving forward actual students per grade. The District is aware of this and continues to work toward keeping the enrollment stable and will bear in mind budget/staffing issues that might need to be addressed. The District completed the majority of a Building addition/remodel project in the summer of 2021. We continue to anticipate that this may entice an increase in enrollment as well as hoping to keep enrollment stable.
- ◆ Labor costs account for over 80% of the District expenses. As costs of salaries and benefits continue to skyrocket, it becomes more important during the negotiations of labor contracts that the District be cognizant to this potential unknown long-term liability. The District must continue to follow enrollment trends and maintain a responsible balance between staffing and student enrollment.
- ◆ The District fortunately remained fairly stable with Revenues and Expenditures. FY23-24, the district maintained a very conservative budget process. Compensatory (F/R) revenue still remains a definite factor in the revenue projections due to the implementation of free breakfast and lunch for all students. The uncertainty of funding remains to be a factor in the general and food service funds. The District is continuing to provide educational opportunities to all students in spite of the various obstacles that have been encountered. FY23-24, all school districts are experiencing new/additional requirements from the legislature with minimal or no additional funding other than the formula increase. This will be a major factor when developing a balanced budget. This will definitely affect the district's future.
- ◆ The District has maintained reserve balances which will help bridge financial gaps in revenue projections.

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or would like additional information, contact the Superintendent, Lester Prairie Public Schools ISD #424, 131 Hickory Street North, Lester Prairie, Minnesota 55354.

## **BASIC FINANCIAL STATEMENTS**

Independent School District No. 424  
Statement of Net Position  
June 30, 2024

	Governmental Activities
<b>Assets</b>	
Cash and investments	\$ 7,304,004
Current property taxes receivable	1,156,191
Delinquent property taxes receivable	7,564
Accounts receivable	4,999
Due from Department of Education	532,629
Due from Federal Government through Department of Education	174,795
Inventory	3,390
Prepaid items	19,876
Capital assets, not being depreciated	
Land	404,999
Capital assets, net of accumulated depreciation/amortization	
Land improvements	544,457
Buildings	14,530,543
Equipment	2,505,303
Leased equipment	4,658
Total assets	27,193,408
<b>Deferred Outflows of Resources</b>	
Deferred outflows related to OPEB	115,515
Deferred outflows related to pensions	769,602
Total deferred outflows of resources	885,117
Total assets and deferred outflows of resources	\$ 28,078,525
<b>Liabilities</b>	
Accounts payable	\$ 37,214
Salaries and benefits payable	376,379
Interest payable	185,536
Unearned revenue	301
Bond principal payable	
Payable within one year	900,000
Payable after one year	13,754,088
Lease payable	
Payable within one year	4,029
Total OPEB liability	
Payable within one year	8,110
Payable after one year	517,170
Net pension liability	3,231,047
Total liabilities	19,013,874
<b>Deferred Inflows of Resources</b>	
Property taxes levied for subsequent year's expenditures	2,116,421
Deferred inflows related to OPEB	49,155
Deferred inflows related to pensions	311,733
Total deferred inflows of resources	2,477,309
<b>Net Position</b>	
Net investment in capital assets	4,327,010
Restricted	
Debt service	129,736
Other purposes	1,361,662
Unrestricted	768,934
Total net position	6,587,342
Total liabilities, deferred inflows of resources, and net position	\$ 28,078,525

See notes to basic financial statements.

Independent School District No. 424  
Statement of Activities  
Year Ended June 30, 2024

Functions/Programs	Program Revenues			Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions		
Governmental activities					
Administration	\$ 368,082	\$ 13,799	\$ -	\$ -	\$ (354,283)
District support services	430,817	3,422	16,215	-	(411,180)
Elementary and secondary regular instruction	2,783,229	265,453	629,765	-	(1,888,011)
Vocational education instruction	67,273	-	6,267	-	(61,006)
Special education instruction	590,511	10,050	446,133	-	(134,328)
Instructional support services	208,948	-	112,332	-	(96,616)
Pupil support services	491,785	3,750	75,064	-	(412,971)
Sites and buildings	1,302,176	10,495	-	263,582	(1,028,099)
Food service	350,279	33,472	378,371	-	61,564
Community education and services	191,942	110,740	40,503	-	(40,699)
Interest and fiscal charges on long-term debt	420,249	-	-	-	(420,249)
Total governmental activities	<u>\$ 7,205,291</u>	<u>\$ 451,181</u>	<u>\$ 1,704,650</u>	<u>\$ 263,582</u>	(4,785,878)
General revenues					
Taxes					
Property taxes, levied for general purposes					937,833
Property taxes, levied for community service					40,808
Property taxes, levied for debt service					943,387
State aid-formula grants					4,161,651
Other general revenues					10,919
Investment income					271,912
Total general revenues					<u>6,366,510</u>
Change in net position					1,580,632
Net position - beginning					<u>5,006,710</u>
Net position - ending					<u>\$ 6,587,342</u>

See notes to basic financial statements.

Independent School District No. 424  
Lester Prairie, Minnesota  
Balance Sheet - Governmental Funds  
June 30, 2024

	General	Debt Service	Capital Project
<b>Assets</b>			
Cash and investments	\$ 5,262,874	\$ 799,347	\$ 995,167
Current property taxes receivable	456,703	684,884	-
Delinquent property taxes receivable	3,281	4,123	-
Accounts receivable	2,656	-	-
Due from Department of Education	497,940	27,978	-
Due from Federal Government through Department of Education	174,795	-	-
Due from other funds	34,926	-	-
Inventory	-	-	-
Prepaid items	19,876	-	-
	<u>6,453,051</u>	<u>1,516,332</u>	<u>995,167</u>
Total assets	<u>\$ 6,453,051</u>	<u>\$ 1,516,332</u>	<u>\$ 995,167</u>
<b>Liabilities</b>			
Accounts payable	\$ 37,114	\$ -	\$ -
Salaries and benefits payable	364,829	-	-
Due to other funds	-	-	-
Unearned revenue	-	-	-
	<u>401,943</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>401,943</u>	<u>-</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>			
Property taxes levied for subsequent year's expenditures	885,117	1,201,060	-
Unavailable revenue - delinquent property taxes	3,281	4,123	-
	<u>888,398</u>	<u>1,205,183</u>	<u>-</u>
Total deferred inflows of resources	<u>888,398</u>	<u>1,205,183</u>	<u>-</u>
<b>Fund Balances</b>			
Nonspendable	19,876	-	-
Restricted	971,735	311,149	995,167
Committed	501,080	-	-
Assigned	400,000	-	-
Unassigned	3,270,019	-	-
	<u>5,162,710</u>	<u>311,149</u>	<u>995,167</u>
Total fund balances	<u>5,162,710</u>	<u>311,149</u>	<u>995,167</u>
	<u>\$ 6,453,051</u>	<u>\$ 1,516,332</u>	<u>\$ 995,167</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,453,051</u>	<u>\$ 1,516,332</u>	<u>\$ 995,167</u>

Nonmajor Funds	Total Governmental Funds
\$ 246,616	\$ 7,304,004
14,604	1,156,191
160	7,564
2,343	4,999
6,711	532,629
-	174,795
-	34,926
3,390	3,390
-	19,876
<u>\$ 273,824</u>	<u>\$ 9,238,374</u>
\$ 100	\$ 37,214
11,550	376,379
34,926	34,926
301	301
<u>46,877</u>	<u>448,820</u>
30,244	2,116,421
160	7,564
<u>30,404</u>	<u>2,123,985</u>
3,390	23,266
386,377	2,664,428
-	501,080
-	400,000
(193,224)	3,076,795
<u>196,543</u>	<u>6,665,569</u>
<u>\$ 273,824</u>	<u>\$ 9,238,374</u>

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Independent School District No. 424  
 Reconciliation of the Balance Sheet to  
 the Statement of Net Position - Governmental Funds  
 June 30, 2024

Total fund balances - governmental funds	\$ 6,665,569
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	25,229,453
Less accumulated depreciation/amortization	(7,239,493)
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	(13,685,000)
Premium on bonds payable	(969,088)
Lease payable	(4,029)
Total OPEB liability	(525,280)
Net pension liability	(3,231,047)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and OPEB that are not recognized in the governmental funds.	
Deferred outflows of resources related to OPEB	115,515
Deferred outflows of resources related to pensions	769,602
Deferred inflows of resources related to OPEB	(49,155)
Deferred inflows of resources related to pensions	(311,733)
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.	
	7,564
Governmental funds do not report a liability for accrued interest on bonds and other long term debt until due and payable.	
	(185,536)
Total net position - governmental activities	\$ 6,587,342

**Independent School District No. 424**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Funds**  
**Year Ended June 30, 2024**

	General	Debt Service	Capital Project
<b>Revenues</b>			
Local property taxes	\$ 938,595	\$ 944,444	\$ -
Other local and county revenues	587,151	-	29,718
Revenue from state sources	5,030,058	282,048	-
Revenue from federal sources	350,075	-	-
Sales and other conversion of assets	7,399	-	-
Total revenues	<u>6,913,278</u>	<u>1,226,492</u>	<u>29,718</u>
<b>Expenditures</b>			
<b>Current</b>			
Administration	403,066	-	-
District support services	432,060	-	-
Elementary and secondary regular instruction	3,058,819	-	-
Vocational education instruction	61,717	-	-
Special education instruction	600,608	-	-
Instructional support services	194,630	-	-
Pupil support services	505,231	-	-
Sites and buildings	627,302	-	-
Food service	-	-	-
Community education and services	-	-	-
<b>Capital outlay</b>			
Elementary and secondary regular instruction	21,501	-	-
Vocational education instruction	3,840	-	-
Special education instruction	10,738	-	-
Instructional support services	44,521	-	-
Sites and buildings	160,496	-	73,622
<b>Debt service</b>			
Principal	11,680	730,000	-
Interest and fiscal charges	5,204	437,631	42,940
Total expenditures	<u>6,141,413</u>	<u>1,167,631</u>	<u>116,562</u>
Excess of revenues over (under) expenditures	771,865	58,861	(86,844)
<b>Other Financing Sources</b>			
Bond issuance	-	-	835,000
Bond premium	-	-	73,363
Total other financing sources	<u>-</u>	<u>-</u>	<u>908,363</u>
Net change in fund balances	771,865	58,861	821,519
<b>Fund Balances</b>			
Beginning of year	<u>4,390,845</u>	<u>252,288</u>	<u>173,648</u>
End of year	<u>\$ 5,162,710</u>	<u>\$ 311,149</u>	<u>\$ 995,167</u>

Nonmajor Funds	Total Governmental Funds
\$ 40,853	\$ 1,923,892
117,400	734,269
211,616	5,523,722
200,912	550,987
33,469	40,868
<u>604,250</u>	<u>8,773,738</u>
-	403,066
-	432,060
-	3,058,819
-	61,717
-	600,608
-	194,630
-	505,231
-	627,302
344,395	344,395
201,852	201,852
-	21,501
-	3,840
-	10,738
-	44,521
-	234,118
-	741,680
-	485,775
<u>546,247</u>	<u>7,971,853</u>
58,003	801,885
-	835,000
-	73,363
-	<u>908,363</u>
58,003	1,710,248
<u>138,540</u>	<u>4,955,321</u>
<u>\$ 196,543</u>	<u>\$ 6,665,569</u>

**Independent School District No. 424  
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 \$ 1,710,248

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 cost of those assets is allocated over the estimated useful lives as depreciation or amortization expense.

Capital outlays	306,541
Depreciation/amortization expense	(711,394)

Total OPEB are recognized as paid in the governmental funds, but recognized as the expense is incurred in the Statement of Activities.

50,207

Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no effect on net position in the Statement of Activities.

741,680

Proceeds from the issuance of long-term debt are recognized as other financing sources in the governmental funds increasing fund balance but have no effect on net position in the Statement of Activities.

Bonds payable	(835,000)
---------------	-----------

Governmental funds report the effect of bond premiums when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

(2,431)

Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.

328,051

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.

(1,864)

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 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.

(5,406)

Change in net position - governmental activities \$ 1,580,632

**Independent School District No. 424**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended June 30, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Local property taxes	\$ 905,098	\$ 912,431	\$ 938,595	\$ 26,164
Other local and county revenues	239,500	248,660	587,151	338,491
Revenue from state sources	4,241,713	4,353,421	5,030,058	676,637
Revenue from federal sources	452,864	401,728	350,075	(51,653)
Sales and other conversion of assets	10,750	12,400	7,399	(5,001)
Total revenues	5,849,925	5,928,640	6,913,278	984,638
<b>Expenditures</b>				
<b>Current</b>				
Administration	379,254	384,098	403,066	18,968
District support services	454,188	431,414	432,060	646
Elementary and secondary regular instruction	2,667,621	2,767,748	3,058,819	291,071
Vocational education instruction	14,782	15,031	61,717	46,686
Special education instruction	776,347	706,835	600,608	(106,227)
Instructional support services	183,745	178,071	194,630	16,559
Pupil support services	471,823	486,501	505,231	18,730
Sites and buildings	559,375	584,412	627,302	42,890
<b>Capital outlay</b>				
Elementary and secondary regular instruction	8,970	15,797	21,501	5,704
Vocational education instruction	3,000	-	3,840	3,840
Special education instruction	-	11,054	10,738	(316)
Instructional support services	61,238	35,799	44,521	8,722
Sites and buildings	394,700	193,344	160,496	(32,848)
<b>Debt service</b>				
Principal	-	7,473	11,680	4,207
Interest and fiscal charges	-	-	5,204	5,204
Total expenditures	5,975,043	5,817,577	6,141,413	323,836
Excess of revenues over (under) expenditures	(125,118)	111,063	771,865	660,802
<b>Other Financing Sources</b>				
Insurance proceeds	-	29,260	-	(29,260)
Net change in fund balance	\$ (125,118)	\$ 140,323	771,865	\$ 631,542
<b>Fund Balance</b>				
Beginning of year			4,390,845	
End of year			\$ 5,162,710	

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**Independent School District No. 424**  
**Notes to Basic Financial Statements**

**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 six-member board elected by the voters of the District to serve three-year terms.

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

**A. Reporting Entity**

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

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

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

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

**B. Basic Financial Statement Information**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District.

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

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

**Independent School District No. 424  
Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basic Financial Statement Information (Continued)**

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial 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. 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 restricted fund balances do not exist: committed, assigned, and unassigned.

**Description of Funds:**

**Major Funds:**

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

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

**Independent School District No. 424  
Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting (Continued)**

**Description of Funds: (Continued)**

Major Funds: (Continued)

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

Nonmajor Funds:

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

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

**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.

Cash and investments at June 30, 2024, were comprised of deposits and shares in MSDLAF.

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

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

In accordance with GASB Statement No. 79, the various MSDLAF are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF. 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.

**Independent School District No. 424  
Notes to Basic Financial Statements**

**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 is deferred and included in the deferred inflows of resources section of the fund financial statements as unavailable revenue because they are not available to finance the operations of the District in the current year.

**F. Property Taxes Levied for Subsequent Year's Expenditures**

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

**G. Inventories**

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

**H. Prepaid Items**

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

**I. Property Taxes**

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

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

**J. Capital Assets**

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

Capital assets are defined by the District as assets with an initial individual cost of more than \$1,000 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.

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Capital Assets (Continued)**

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 purposes. Useful lives vary from 20 to 50 years for land improvements and buildings and 5 to 15 years for equipment.

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

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

The 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, and (3) lease payments.

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

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

**L. Deferred Outflows/Inflows of Resources**

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

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. Deferred Outflows/Inflows of Resources (Continued)**

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

**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 source. 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 withheld or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**N. Other Postemployment Benefits (OPEB)**

The District provides postemployment health insurance benefits to some retired employees as established by contracts with bargaining units or other employment contracts.

**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.

**Independent School District No. 424  
Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Pensions (Continued)**

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. Risk Management**

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

**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 these funds can be spent.

- ◆ **Nonspendable Fund Balances** - These amounts are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact and include inventory and prepaid items.
- ◆ **Restricted Fund Balances** - These are amounts that are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.
- ◆ **Committed Fund Balances** - These are amounts comprised of unrestricted funds that can only be used for specific purposes pursuant to constraints imposed by formal action (majority vote) of the School Board and that remain binding unless removed by the School Board by subsequent formal action.
- ◆ **Assigned Fund Balances** - These are amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. The School Board, by a majority vote, may assign balances. The School Board also delegates authority to assign fund balances to the Superintendent and or the Business Manager.
- ◆ **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.
- ◆ **Minimum Fund Balance Policy** - The District will strive to maintain a minimum unassigned General Fund balance 18% of the annual operating expenditures.

**Independent School District No. 424  
Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

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

**NOTE 2 - DEPOSITS AND INVESTMENTS**

**A. Deposits**

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

**Custodial Credit Risk - Deposits:** This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2024, none of the District's bank balances were exposed to custodial credit risk.

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

**NOTE 2 - DEPOSITS AND INVESTMENTS**

**A. Deposits (Continued)**

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

Checking	\$ 742,452
Certificates of Deposit	<u>501,080</u>
Total Deposits	<u><u>\$ 1,243,532</u></u>

**B. Investments**

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

Investment Type	Investment Maturity (In Years)		
	Maturities	Fair Value	Moody's Rating
MSDLAF - Max Class	Various	\$ 5,966,574	AAAm
MSDLAF - Liquid	Various	<u>93,898</u>	AAAm
Total		<u><u>\$ 6,060,472</u></u>	

**Interest Rate Risk:** This is the risk that the market value of securities will be adversely affected due to the changes in market interest rates. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk:** This 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 those in the top two ratings issued by nationally recognized statistical rating organizations. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Concentration of Credit Risk:** This is the risk of loss attributed to the magnitude of a District's investment in a single issuer. The District has no policy in place that would limit its investment in a single issue.

**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 has no policy that addresses this risk.

The following is a summary of total deposits and investments:

Deposits	\$ 1,243,532
Pooled Investments	5,168,992
Nonpooled Investments	<u>891,480</u>
Total	<u><u>\$ 7,304,004</u></u>

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

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

Statement of Net Position	
Cash and investments	<u>\$ 7,304,004</u>

**NOTE 3 - CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 404,999	\$ -	\$ -	\$ 404,999
Construction in progress	295,829	200,502	496,331	-
Total capital assets not being depreciated	700,828	200,502	496,331	404,999
Other capital assets				
Land improvements	416,442	327,581	-	\$ 744,023
Buildings	18,069,556	28,613	-	18,098,169
Equipment	5,697,889	246,176	-	5,944,065
Leased equipment	38,197	-	-	38,197
Total other capital assets	24,222,084	602,370	-	24,824,454
Total other capital assets				
Less accumulated depreciation for				
Land improvements	175,710	23,856	-	\$ 199,566
Buildings	3,185,905	381,721	-	3,567,626
Equipment	3,144,125	294,637	-	3,438,762
Less accumulated amortization for				
Leased equipment	22,359	11,180	-	33,539
Total accumulated depreciation/amortization	6,528,099	711,394	-	7,239,493
Total other capital assets, net	17,693,985	(109,024)	-	17,584,961
Governmental activities, capital assets, net	\$ 18,394,813	\$ 91,478	\$ 496,331	\$ 17,989,960

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

**NOTE 3 - CAPITAL ASSETS (CONTINUED)**

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

Administration	\$	490
District Support Services		541
Elementary and Secondary Regular Instruction		31,377
Vocational Instruction		1,898
Special Education Instruction		351
Instructional Support Services		25,568
Pupil Support Services		1,319
Sites and Buildings		644,879
Food Service		4,496
Community Service		475
		475
Total depreciation/amortization expense	\$	711,394

**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						
G.O. School Building Bonds 2019A	11/20/19	2.38%-5.00%	\$ 12,815,000	02/01/40	\$ 11,130,000	\$ 510,000
G.O Refunding Bonds 2020A	12/30/20	1.0%-2.0%	2,425,000	02/01/32	1,720,000	250,000
G.O. School Building Bond 2024A	02/01/24	3.1%	835,000	02/01/32	835,000	140,000
Unamortized premium on bonds					969,088	-
Total G.O. bonds, net of premium					14,654,088	900,000
Lease Liability					4,029	4,029
Total all long-term liabilities					\$ 14,658,117	\$ 904,029

The long-term bond liabilities listed above were issued to finance acquisition and construction of capital facilities. The Lease Liabilities includes leased copiers. The General Fund typically liquidates the liability related to leases.

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

**NOTE 4 - LONG-TERM DEBT (CONTINUED)**

**B. Minimum Debt Payments for Bonds**

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

Year Ending June 30,	G.O. Bonds		
	Principal	Interest	Total
2025	\$ 900,000	\$ 450,231	\$ 1,350,231
2026	880,000	412,731	1,292,731
2027	910,000	376,231	1,286,231
2028	870,000	338,531	1,208,531
2029	905,000	300,431	1,205,431
2030-2034	4,375,000	1,014,381	5,389,381
2035-2039	3,980,000	468,181	4,448,181
2040	865,000	25,950	890,950
Total	<u>\$13,685,000</u>	<u>\$ 3,386,667</u>	<u>\$17,071,667</u>

**C. Lease Obligations**

The District entered into a lease agreement on November 15, 2019, for the lease of copiers. The lease agreement includes monthly payments of \$1,018 with an interest rate of 5.2%. The lease agreement expires on November 15, 2024.

Year Ending June 30,	Lease Liability		
	Principal	Interest	Total
2025	<u>\$ 4,029</u>	<u>\$ 43</u>	<u>\$ 4,072</u>

**D. Changes in Long-Term Liabilities**

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. school bonds	\$ 13,580,000	\$ 835,000	\$ 730,000	\$ 13,685,000
Premium on bonds	966,657	73,363	70,932	969,088
Lease Liability	15,709	-	11,680	4,029
Total long-term liabilities	<u>\$ 14,562,366</u>	<u>\$ 908,363</u>	<u>\$ 812,612</u>	<u>\$ 14,658,117</u>

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

**NOTE 5 - FUND BALANCES**

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

**Fund Equity**

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

	General Fund	Debt Service Fund	Capital Project Fund	Other Nonmajor Funds	Total
<b>Nonspendable</b>					
Inventory	\$ -	\$ -	\$ -	\$ 3,390	\$ 3,390
Prepaid items	19,876	-	-	-	19,876
Total nonspendable	<u>19,876</u>	<u>-</u>	<u>-</u>	<u>3,390</u>	<u>23,266</u>
<b>Restricted/reserved for</b>					
LTFM	516,280	-	-	-	516,280
Operating capital	3,162	-	-	-	3,162
Disabled Accessibility	(700)	-	-	-	(700)
Basic skills	118,307	-	-	-	118,307
Student Activities	60,815	-	-	-	60,815
Medical Assistance	30,871	-	-	-	30,871
Learning and Development	78,243	-	-	-	78,243
Safe School Crime	69,967	-	-	-	69,967
English Learner	684	-	-	-	684
Gifted and Talented	14,554	-	-	-	14,554
School Library Aid	27,524	-	-	-	27,524
Literacy Incentive Aid	15,242	-	-	-	15,242
Student Support Personnel Aid	18,786	-	-	-	18,786
Lions Club Donations	18,000	-	-	-	18,000
Capital Projects	-	-	995,167	-	995,167
Debt Service	-	311,149	-	-	311,149
Food Service	-	-	-	249,620	249,620
Early Childhood Family Education	-	-	-	66,753	66,753
Adult Basic Education	-	-	-	849	849
Community Service	-	-	-	69,155	69,155
Total restricted/reserved	<u>971,735</u>	<u>311,149</u>	<u>995,167</u>	<u>386,377</u>	<u>2,664,428</u>
<b>Committed for</b>					
Seperation benefits	501,080	-	-	-	501,080
Total assigned	<u>501,080</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>501,080</u>
<b>Assigned for</b>					
Curriculum	200,000	-	-	-	200,000
Driver's education vehicle	75,000	-	-	-	75,000
Technology	100,000	-	-	-	100,000
Unemployment costs	25,000	-	-	-	25,000
Total assigned	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>400,000</u>
<b>Unassigned</b>					
General purposes	3,270,019	-	-	-	3,270,019
Negative school readiness	-	-	-	(129,944)	(129,944)
Negative community education	-	-	-	(63,280)	(63,280)
Total unassigned	<u>3,270,019</u>	<u>-</u>	<u>-</u>	<u>(193,224)</u>	<u>3,076,795</u>
Total fund balance	<u>\$ 5,162,710</u>	<u>\$ 311,149</u>	<u>\$ 995,167</u>	<u>\$ 196,543</u>	<u>\$ 6,665,569</u>

**Independent School District No. 424  
Notes to Basic Financial Statements**

**NOTE 5 - FUND BALANCES (CONTINUED)**

**Fund Equity (Continued)**

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

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

Committed for Separation/Retirement Benefits - This balance represents resources segregated from the unassigned fund balance for retirement benefits, including compensated absences, pensions, other post-employment benefits (OPEB) and termination benefits (as defined in GASB Statements Nos. 16, 27, 45, 47, and 50 and *Minnesota Statutes* § 123B.79, subd. 7).

Restricted/Reserved for Disabled Accessibility - This balance represents resources restricted for disabled accessibility.

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

Restricted/Reserved for Learning and Development - Learning and development is funded by general education revenue. This reserve represents available general education revenues for learning and development, which is mainly for reducing the pupil to staff ratio.

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

Restricted/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 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 Basic Skills Programs - This balance represents resources available for the basic skills uses listed in *Minnesota Statutes* § 126C.15, subd. 1.

Unassigned for School Readiness - This balance represents the resources available to provide for services for school readiness programs (*Minnesota Statutes* § 124D.16). This balance is classified as unassigned as the balance was negative at year-end.

Unassigned for Community Education - This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, youth development and youth service programming, early childhood and family education, and extended day programs. This balance is classified as unassigned as the balance was negative at year-end.

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

**Independent School District No. 424  
Notes to Basic Financial Statements**

**NOTE 5 - FUND BALANCES (CONTINUED)**

**Fund Equity (Continued)**

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 for Capital Projects - This balance represents available resources in the Capital Projects Fund for projects.

Restricted for Debt Service - This balance represents the positive Fund balance of the debt service funds.

Restricted for Lions Club Donations - This balance represents donations received from the Lions Club. These funds are only to be used with prior approval from the Lions Club.

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

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

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).

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

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

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE**

The District participates in various pension plans. Total pension expense for the year ended June 30, 2023, was \$(62,615). The components of pension expense are noted in the following plan summaries.

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

**Independent School District No. 424  
Notes to Basic Financial Statements**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)**

**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, 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 Define Contribution Plan (DCP) administered by the Minnesota State.

**B. Benefits Provided**

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

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

*Tier 1 Benefits*

Tier 1	Step Rate Formula	Percentage
Basic	First ten years of service	2.2% per year
	All years after	2.7% per year
Coordinated	First ten years 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).

**Independent School District No. 424  
Notes to Basic Financial Statements**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association**

**B. Benefits Provided (Continued)**

*Tier 1 Benefits (Continued)*

Or

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

*Tier II Benefits*

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

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

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

**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 %	11.25 %	12.75 %
Coordinated	7.5	8.34	7.5	8.55	7.75	8.75

Independent School District No. 424  
Notes to Basic Financial Statements

NOTE 6 - 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
Add Employer contributions not related to future contribution efforts	(87)
Deduct TRA's contributions not included in allocation	<u>(643)</u>
Total employer contributions	508,034
Total non-employer contributions	<u>35,587</u>
Total contributions reported in <i>Schedule of Employer and Non-Employer Allocations</i>	<u><u>\$ 543,621</u></u>

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.

**Independent School District No. 424  
Notes to Basic Financial Statements**

**NOTE 6 - 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

<b>Actuarial Information</b>	
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% thereafter.
Projected salary increase	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% thereafter.
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
<b>Mortality Assumptions</b>	
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.

**Independent School District No. 424  
Notes to Basic Financial Statements**

**NOTE 6 - 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Domestic equity	33.5 %	5.10 %
International equity	16.5	5.30
Fixed income	25.0	0.75
Private markets	25.0	5.90
Total	<u>100.0 %</u>	

The TRA actuary has determined the average of the expected remaining services lives of all members for fiscal year 2024 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% 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.

**Independent School District No. 424  
Notes to Basic Financial Statements**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**E. Discount Rate**

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

**F. Net Pension Liability**

On June 30, 2024, the District reported a liability of \$2,873,166 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 0.0348% at the end of the measurement period and 0.0362% 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	\$ 2,873,166
State's proportionate share of the net pension liability associated with the District	201,058

For the year ended June 30, 2024, the District recognized pension expense of \$(118,745) Included in this amount, the District recognized \$28,310 as pension expense for the support provided by direct aid.

**Independent School District No. 424  
Notes to Basic Financial Statements**

**NOTE 6 - 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	\$ 29,748	\$ 42,823
Net difference between projected and actual earnings on plan investment	-	29,738
Changes of assumptions	359,691	-
Changes in proportion	59,077	128,430
District's contributions to TRA subsequent to the measurement date	198,631	-
Total	\$ 647,147	\$ 200,991

The \$198,631 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
2025	\$ 32,337
2026	(28,557)
2027	330,247
2028	(62,560)
2029	(23,942)
Total	\$ 247,525

**Independent School District No. 424  
Notes to Basic Financial Statements**

**NOTE 6 - 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%)
\$4,582,488	\$2,873,166	\$1,473,877

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](http://www.MinnesotaTRA.org), or by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000, or by calling (651) 296-2409 or (800) 657-3669.

**Public Employees' Retirement Association**

**A. Plan Description**

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

**General Employees Retirement Plan**

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

**B. Benefits Provided**

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

**Independent School District No. 424  
Notes to Basic Financial Statements**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**B. Benefits Provided (Continued)**

**General Employees Plan Benefits**

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

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

**C. Contributions**

*Minnesota Statutes* Chapter 353 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 \$38,451. 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 \$357,881 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 \$9,901.

**Independent School District No. 424  
Notes to Basic Financial Statements**

**NOTE 6 - 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 0.0064%, at the end of the measurement period and 0.0063% for the beginning of the period.

District's proportionate share of net pension liability	\$	357,881
State's proportionate share of the net pension liability associated with the District		9,901
Total		\$ 367,782

For the year ended June 30, 2024, the District recognized pension expense of \$56,130 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized \$44 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 GERS's 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	\$ 11,709	\$ 2,158
Changes in actuarial assumptions	50,947	98,092
Difference between projected and actual investments earnings	462	-
Change in proportion	20,886	10,492
Contributions paid to PERA subsequent to the measurement date	38,451	-
Total	\$ 122,455	\$ 110,742

**Independent School District No. 424  
Notes to Basic Financial Statements**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

General Employees Fund Pension Costs (Continued)

The \$38,451 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2025	\$ 8,277
2026	(36,869)
2027	9,617
2028	(7,763)
Total	\$ (26,738)

**E. Long-Term Expected Return on Investment**

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

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

**Independent School District No. 424  
Notes to Basic Financial Statements**

**NOTE 6 - 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 and the following actuarial assumptions. 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.

**Independent School District No. 424  
Notes to Basic Financial Statements**

**NOTE 6 - 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 proportionate share of the PERA net pension liability	\$ 633,120	\$ 357,881	\$ 131,486

**I. Pension Plan Fiduciary Net Position**

Detailed information about the General Employees Fund's fiduciary net position is available in a separately issued PERA financial report that includes the basic financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

**NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN**

**A. Plan Description**

The District provides a single employer defined benefit OPEB plan which provides medical and dental benefits to eligible retired employees and their dependents in accordance with the terms of the plan. 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. No assets are acclimated in a trust.

**B. Benefits Paid**

Various employee groups receive health insurance contributions at varying rates until they are Medicare eligible. The General Fund, Food Service Funds, and Community Service Fund typically liquidate the liability related to OPEB.

**C. Members**

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

Inactive employees or beneficiaries currently receiving benefits	12
Active employees	59
Total	71

**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. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2024, the District contributed \$88,352 to the plan.

**Independent School District No. 424  
Notes to Basic Financial Statements**

**NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**E. Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of July 1, 2023, using the Entry Age actuarial cost method and the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Discount Rate	3.90%
Salary Increases	Service graded table
Inflation	2.50%
Healthcare cost trend increases	6.50%, decreasing to 5.0% over 6 years and then to 4.0% over the next 48 years.
Mortality Assumption	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2023, valuation was based on the results of an actuarial experience study for the period July 1, 2023, through June 30, 2024.

The Discount rate was based on the 20-year Municipal Bond yield.

The following changes in actuarial assumptions in 2023:

Assumption changes

- ◆ The discount rate was changed from 3.80% to 3.90%.

**F. Total OPEB Liability**

The District's total OPEB liability of \$525,280 was measured as of July 1, 2023, and was determined by an actuarial valuation as of July 1, 2023.

**Independent School District No. 424  
Notes to Basic Financial Statements**

**NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**F. Total OPEB Liability (Continued)**

Changes in the total OPEB liability are as follows:

	<u>Total OPEB Liability</u>
Balances at July 1, 2023	\$ 565,953
Changes for the year	
Service cost	24,032
Interest	20,756
Differences between expected and actual economic experience	594
Changes in assumptions	2,297
Benefit payments	<u>(88,352)</u>
Net changes	<u>(40,673)</u>
Balances at July 1, 2024	<u><u>\$ 525,280</u></u>

**G. OPEB Liability Sensitivity**

The following presents the District's total OPEB liability calculated using the discount rate of 3.90% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	1% Decrease in Discount Rate (2.90%)	Current Discount Rate (3.90%)	1% Increase in Discount Rate (4.90%)
Total OPEB liability	\$ 547,102	\$ 525,280	\$ 504,331

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

	1% Decrease in Trend Rate (5.50% Decreasing to 3.00%)	Current Trend Rate (6.50% Decreasing to 4.00%)	1% Increase in Trend Rate (7.50% Decreasing to 5.00%)
Net OPEB liability	\$ 505,318	\$ 525,280	\$ 548,912

**Independent School District No. 424  
Notes to Basic Financial Statements**

**NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

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

For the year ended June 30, 2024, the District recognized OPEB expense of \$36,678. 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
Liability losses	\$ 13,515	\$ -
Changes of assumptions	15,115	49,155
Subsequent contributions	86,885	-
Total	\$ 115,515	\$ 49,155

The \$86,885 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2025.

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

Year Ending June 30,	Total
2025	\$ (8,110)
2026	(8,110)
2027	940
2028	(1,143)
2029	(4,509)
Thereafter	407
Total	\$ (20,525)

**NOTE 8 - DUE TO/DUE FROM OTHER FUNDS**

As of June 30, 2024, \$34,926 was due to the General Fund from the Community Service Fund to cover a deficit cash balance.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**Independent School District No. 424**  
**Schedule of Changes in Total OPEB Liability**  
**and Related Ratios**

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Total OPEB Liability				
Service cost	\$ 24,032	\$ 24,486	\$ 30,535	\$ 39,353
Interest	20,756	13,107	14,551	18,118
Differenced between expected and actual experience	594	-	11,516	14,554
Changes of assumptions	2,297	(34,461)	12,100	-
Plan changes	-	-	15,119	-
Benefit payments	<u>(88,352)</u>	<u>(73,323)</u>	<u>(46,592)</u>	<u>(36,143)</u>
Net change in total OPEB liability	<u>(40,673)</u>	<u>(70,191)</u>	<u>37,229</u>	<u>35,882</u>
Beginning of year	<u>565,953</u>	<u>636,144</u>	<u>598,915</u>	<u>563,033</u>
End of year	<u>\$ 525,280</u>	<u>\$ 565,953</u>	<u>\$ 636,144</u>	<u>\$ 598,915</u>
Covered payroll	\$ 2,570,450	\$ 2,661,693	\$ 2,584,168	\$ 2,474,160
Total OPEB liability as a percentage of covered-employee payroll	20.44%	21.26%	24.62%	24.21%

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

<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
\$ 34,670	\$ 30,271	\$ 29,389
21,323	20,801	20,356
(85,895)	-	-
22,503	-	-
-	-	-
<u>(43,733)</u>	<u>(36,540)</u>	<u>(38,526)</u>
<u>(51,132)</u>	<u>14,532</u>	<u>11,219</u>
<u>614,165</u>	<u>599,633</u>	<u>588,414</u>
<u>\$ 563,033</u>	<u>\$ 614,165</u>	<u>\$ 599,633</u>
\$ 2,402,097	\$ 2,155,164	\$ 2,092,392
23.44%	28.50%	28.66%

**Independent School District No. 424**  
**Schedule of District's and Non-Employer Proportionate Share**  
**of Net Pension Liability - General Employees Retirement Fund**  
**Last Ten Years**

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension 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	0.0053%	\$ 248,967	\$ -	\$ 248,967	\$ 277,448	89.73%	78.80%
2015	0.0051%	264,308	-	264,308	293,680	90.00%	78.20%
2016	0.0050%	405,975	5,339	411,314	312,413	129.95%	68.90%
2017	0.0050%	319,197	4,044	323,241	324,547	98.35%	75.90%
2018	0.0053%	294,022	9,514	303,536	353,413	83.20%	79.50%
2019	0.0061%	337,255	10,500	347,755	429,573	78.51%	80.20%
2020	0.0063%	377,714	11,658	389,372	422,027	89.50%	79.10%
2021	0.0056%	239,145	7,213	246,358	400,373	59.73%	87.00%
2022	0.0063%	498,962	14,663	513,625	469,373	106.30%	76.70%
2023	0.0064%	357,881	9,901	367,782	510,773	70.07%	74.62%

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

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered - Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered - Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0372%	\$ 1,714,149	\$ 120,537	\$ 1,834,686	\$ 1,698,814	100.9%	81.50%
2015	0.0349%	2,158,910	264,941	9,472,444	1,782,707	121.1%	76.80%
2016	0.0363%	8,658,416	868,131	9,526,547	1,905,560	454.4%	44.90%
2017	0.0366%	7,306,024	705,581	8,011,605	1,957,120	373.3%	51.60%
2018	0.0348%	2,188,103	205,523	2,393,626	1,945,080	112.5%	78.10%
2019	0.0359%	2,288,274	202,624	2,490,898	2,059,468	111.1%	78.10%
2020	0.0364%	2,689,281	225,653	2,914,934	2,115,833	127.1%	75.50%
2021	0.0374%	1,636,736	138,196	1,774,932	2,239,840	73.1%	86.60%
2022	0.0362%	2,898,705	214,749	3,113,454	2,235,384	129.7%	76.20%
2023	0.0348%	2,873,166	201,058	3,074,224	2,212,222	129.9%	76.42%

**Independent School District No. 424  
Schedule of District Contributions -  
General Employees Retirement Fund  
Last Ten Years**

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered - Employee Payroll	Contributions as a Percentage of Covered - Employee Payroll
2015	\$ 22,026	\$ 22,026	\$ -	\$ 293,680	7.50%
2016	23,431	23,431	-	312,413	7.50%
2017	24,341	24,341	-	324,547	7.50%
2018	26,506	26,506	-	353,413	7.50%
2019	32,218	32,218	-	429,573	7.50%
2020	31,652	31,652	-	422,027	7.50%
2021	30,028	30,028	-	400,373	7.50%
2022	35,203	35,203	-	469,373	7.50%
2023	38,308	38,308	-	510,773	7.50%
2024	38,451	38,451	-	512,680	7.50%

**Schedule of District Contributions -  
TRA Retirement Fund  
Last Ten Years**

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered - Employee Payroll	Contributions as a Percentage of Covered - Employee Payroll
2015	\$ 133,703	\$ 133,703	\$ -	\$ 1,782,707	7.50%
2016	142,917	142,917	-	1,905,560	7.50%
2017	146,784	146,784	-	1,957,120	7.50%
2018	145,881	145,881	-	1,945,080	7.50%
2019	158,785	158,785	-	2,059,468	7.71%
2020	167,574	167,574	-	2,115,833	7.92%
2021	182,099	182,099	-	2,239,840	8.13%
2022	186,431	186,431	-	2,235,384	8.34%
2023	189,145	189,145	-	2,212,222	8.55%
2024	198,631	198,631	-	2,270,069	8.75%

**Independent School District No. 424**  
**Notes to the Required Supplementary Information**

**TRA Retirement Fund**

**2023 Changes**

Changes of Benefit Terms

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

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

The 2024 Omnibus Pensions and Retirement Bill:

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

**2022 Changes**

Changes in Actuarial Assumptions

- ◆ None

**2021 Changes**

Changes in Actuarial Assumptions

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

**2020 Changes**

Changes in Actuarial Assumptions

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

**2019 Changes**

Changes in Actuarial Assumptions

- ◆ None

**2018 Changes**

Changes in Actuarial Assumptions

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

**Independent School District No. 424**  
**Notes to the Required Supplementary Information**

**TRA Retirement Fund (Continued)**

**2018 Changes (Continued)**

Changes in Actuarial Assumptions (Continued)

- ◆ Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- ◆ The employer contribution rate is increased each July 1 over the next 6 years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

**2017 Changes**

Changes in Actuarial Assumptions

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

**2016 Changes**

Changes in Actuarial Assumptions

- ◆ The discount rate was decreased to 4.66% from 8.0%.
- ◆ The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- ◆ The price inflation assumption was lowered from 3% to 2.75%.
- ◆ The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- ◆ Minor changes as some durations for the merit scale of the salary increase assumption.
- ◆ The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- ◆ The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- ◆ The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- ◆ Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.

**Independent School District No. 424**  
**Notes to the Required Supplementary Information**

**TRA Retirement Fund (Continued)**

**2016 Changes (Continued)**

Changes in Actuarial Assumptions (Continued)

- ◆ Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- ◆ A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

**2015 Changes**

Changes of Benefit Terms

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

Changes in Actuarial Assumptions

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

**Independent School District No. 424**  
**Notes to the Required Supplementary Information**

**General Employees Fund**

**2023 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2022 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2021 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- ◆ There have been no changes since the prior valuation.

**2020 Changes**

Changes in Actuarial Assumptions

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

**Independent School District No. 424**  
**Notes to the Required Supplementary Information**

**General Employees Fund (Continued)**

**2020 Changes (Continued)**

Changes in Actuarial Assumptions (Continued)

- ◆ 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 retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

**2019 Changes**

Changes in Actuarial Assumptions

- ◆ The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

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

**2018 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2017 Changes**

Changes in Actuarial Assumptions

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

**Independent School District No. 424**  
**Notes to the Required Supplementary Information**

**General Employees Fund (Continued)**

**2017 Changes (Continued)**

Changes in Plan Provisions

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

**2016 Changes**

Changes in Actuarial Assumptions

- ◆ The assumed 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.

**2015 Changes**

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.

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.

**Independent School District No. 424**  
**Notes to the Required Supplementary Information**

**Post Employment Healthcare Plan**

**2023 Changes**

Changes in Actuarial Assumptions

- ◆ The discount rate was changed from 3.80% to 3.90%.

**2022 Changes**

Changes in Actuarial Assumptions

- ◆ The inflation rate was changed from 2.00% to 2.50%.
- ◆ The discount rate was changed from 2.10% to 3.80%.

**2021 Changes**

Benefit Changes

- ◆ The matching contribution amount increased for Teachers and a subsidized benefit was added for the Business Official.

Changes in Actuarial Assumptions

- ◆ The health care trend rates, mortality tables, and withdrawal rates were updated.
- ◆ The salary scale for non-teachers was updated.
- ◆ The inflation rate was changed from 2.50% to 2.00%.
- ◆ The discount rate was changed from 2.40% to 2.10%.

**2020 Changes**

Changes in Actuarial Assumptions

- ◆ The discount rate was changed from 3.10% to 2.40%.

**2019 Changes**

Changes in Actuarial Assumptions

- ◆ The discount rate was changed from 3.40% to 3.10%.
- ◆ The health care trend rates were changed to better anticipate short term and long-term medical increases. The mortality tables were updated 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.

**2018 Changes**

Changes in Actuarial Assumptions

- ◆ None

**SUPPLEMENTARY INFORMATION**

Independent School District No. 424  
Lester Prairie, Minnesota  
Combining Balance Sheet -  
Nonmajor Governmental Funds  
June 30, 2024

	Special Revenue Funds		
	Food Service	Community Service	Total
<b>Assets</b>			
Cash and investments	\$ 246,616	\$ -	\$ 246,616
Current property taxes receivable	-	14,604	14,604
Delinquent property taxes receivable	-	160	160
Accounts receivable	-	2,343	2,343
Due from Department of Education	3,305	3,406	6,711
Inventory	3,390	-	3,390
	<u>3,390</u>	<u>-</u>	<u>3,390</u>
Total assets	<u>\$ 253,311</u>	<u>\$ 20,513</u>	<u>\$ 273,824</u>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 100	\$ 100
Salaries and benefits payable	-	11,550	11,550
Due to other funds	-	34,926	34,926
Unearned revenue	301	-	301
Total liabilities	<u>301</u>	<u>46,576</u>	<u>46,877</u>
<b>Deferred Inflows of Resources</b>			
Property taxes levied for subsequent year's expenditures	-	30,244	30,244
Unavailable revenue - delinquent property taxes	-	160	160
Total deferred inflows of resources	<u>-</u>	<u>30,404</u>	<u>30,404</u>
<b>Fund Balances</b>			
Nonspendable	3,390	-	3,390
Restricted	249,620	136,757	386,377
Unassigned	-	(193,224)	(193,224)
Total fund balances	<u>253,010</u>	<u>(56,467)</u>	<u>196,543</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 253,311</u>	<u>\$ 20,513</u>	<u>\$ 273,824</u>

**Independent School District No. 424**  
**Lester Prairie, Minnesota**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances -**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2024**

	Special Revenue Funds		Total
	Food Service	Community Service	
<b>Revenues</b>			
Local property taxes	\$ -	\$ 40,853	\$ 40,853
Other local and county revenues	3	117,397	117,400
Revenue from state sources	177,459	34,157	211,616
Revenue from federal sources	200,912	-	200,912
Sales and other conversion of assets	33,469	-	33,469
Total revenues	<u>411,843</u>	<u>192,407</u>	<u>604,250</u>
<b>Expenditures</b>			
Current			
Food service	344,395	-	344,395
Community education and services	-	201,852	201,852
Total expenditures	<u>344,395</u>	<u>201,852</u>	<u>546,247</u>
Net change in fund balances	67,448	(9,445)	58,003
<b>Fund Balances</b>			
Beginning of year	<u>185,562</u>	<u>(47,022)</u>	<u>138,540</u>
End of year	<u>\$ 253,010</u>	<u>\$ (56,467)</u>	<u>\$ 196,543</u>

Independent School District No. 424  
Uniform Financial Accounting And Reporting Standards  
Compliance Table  
Year Ended June 30, 2024

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION FUND</b>			
Total revenue	\$ 6,913,278	\$ 6,913,276	\$ 2	Total revenue	\$ 29,718	\$ 29,718	\$ -
Total expenditures	6,141,413	6,141,410	3	Total expenditures	116,562	116,562	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	19,876	19,876	-	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted/reserved:</i>			
4.01 Student Activities	60,815	60,815	-	4.07 Capital Projects Levy	-	-	-
4.02 Scholarships	-	-	-	4.09 Alternative Facility Program	-	-	-
4.03 Staff Development	-	-	-	4.13 Building Projects Funded by COP/LP	-	-	-
4.07 Capital Projects Levy	-	-	-	<i>Restricted:</i>			
4.08 Cooperative Programs	-	-	-	4.64 Restricted fund balance	995,167	995,166	1
4.12 Literacy Aid	15,242	15,242	-	<i>Unassigned:</i>			
4.14 Operating Debt	-	-	-	4.63 Unassigned fund balance	-	-	-
4.16 Levy Reduction	-	-	-				
4.17 Taconite Building Maintenance	-	-	-	<b>07 DEBT SERVICE FUND</b>			
4.20 American Indian Education Aid	-	-	-	Total revenue	\$ 1,226,492	\$ 1,226,492	\$ -
4.24 Operating Capital	3,162	3,162	-	Total expenditures	1,167,631	1,167,631	-
4.26 \$25 Taconite	-	-	-	<i>Nonspendable:</i>			
4.27 Disabled Accessibility	(700)	(700)	-	4.60 Nonspendable fund balance	-	-	-
4.28 Learning and Development	78,243	78,243	-	<i>Restricted/Reserved:</i>			
4.34 Area Learning Center	-	-	-	4.25 Bond refundings	-	-	-
4.35 Contracted Alternative Programs	-	-	-	4.33 Maximum effort loan aid	-	-	-
4.36 State Approved Alternative Program	-	-	-	4.51 QZAB payments	-	-	-
4.38 Gifted and Talented	14,554	14,554	-	4.67 Long-term Facilities Maintenance	-	-	-
4.39 English Learner	684	684	-	<i>Restricted:</i>			
4.41 Basic Skills Programs	118,307	118,307	-	4.64 Restricted fund balance	311,149	311,150	(1)
4.43 School Library Aid	27,524	27,524	-	<i>Unassigned:</i>			
4.48 Achievement and Integration	-	-	-	4.63 Unassigned fund balance	-	-	-
4.49 Safe Schools Revenue	69,967	69,967	-				
4.51 QZAB Payments	-	-	-	<b>08 TRUST FUND</b>			
4.52 OPEB Liabilities not Held in Trust	-	-	-	Total revenue	\$ -	\$ -	\$ -
4.53 Unfunded Severance and Retirement Levy	-	-	-	Total expenditures	-	-	-
4.59 Basic Skills Extended Time	-	-	-	<i>Unassigned:</i>			
4.67 Long-term Facilities Maintenance	516,280	516,280	-	4.01 Student Activities	-	-	-
4.71 Student Support Personnel Aid	18,786	18,786	-	4.02 Scholarships	-	-	-
4.72 Medical Assistance	30,871	30,871	-	4.22 Net position	-	-	-
4.75 Title VII - Impact Aid	-	-	-				
4.76 Payments in Lieu of Taxes	-	-	-	<b>18 CUSTODIAL</b>			
<i>Restricted:</i>				Total revenue	\$ -	\$ -	\$ -
4.64 Restricted fund balance	18,000	18,000	-	Total expenditures	-	-	-
4.72 Medical Assistance	-	-	-	<i>Restricted/Reserved:</i>			
4.75 Title VII - Impact Aid	-	-	-	4.01 Student Activities	-	-	-
4.76 Payments in Lieu of Taxes	-	-	-	4.02 Scholarships	-	-	-
<i>Committed:</i>				4.48 Achievement and Integration	-	-	-
4.18 Committed for separation	501,080	501,080	-	4.64 Restricted	-	-	-
4.61 Committed	-	-	-				
<i>Assigned:</i>				<b>20 INTERNAL SERVICE FUND</b>			
4.62 Assigned fund balance	400,000	400,000	-	Total revenue	\$ -	\$ -	\$ -
<i>Unassigned:</i>				Total expenditures	-	-	-
4.22 Unassigned fund balance	3,270,019	3,270,023	(4)	<i>Unassigned:</i>			
				4.22 Net position	-	-	-
<b>02 FOOD SERVICE FUND</b>				<b>25 OPEB REVOCABLE TRUST</b>			
Total revenue	\$ 411,843	\$ 411,840	\$ 3	Total revenue	\$ -	\$ -	\$ -
Total expenditures	344,395	344,393	2	Total expenditures	-	-	-
<i>Nonspendable:</i>				<i>Unassigned:</i>			
4.60 Nonspendable fund balance	3,390	3,390	-	4.22 Net position	-	-	-
<i>Restricted/reserved:</i>							
4.52 OPEB Liabilities not Held in Trust	-	-	-	<b>45 OPEB IRREVOCABLE TRUST</b>			
<i>Restricted:</i>				Total revenue	\$ -	\$ -	\$ -
4.64 Restricted fund balance	249,620	249,619	1	Total expenditures	-	-	-
<i>Unassigned:</i>				<i>Unassigned:</i>			
4.63 Unassigned fund balance	-	-	-	4.22 Net position	-	-	-
<b>04 COMMUNITY SERVICE FUND</b>				<b>47 OPEB DEBT SERVICE</b>			
Total revenue	\$ 192,407	\$ 192,403	\$ 4	Total revenue	\$ -	\$ -	\$ -
Total expenditures	201,852	201,850	2	Total expenditures	-	-	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	-	-	-	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted:</i>			
4.26 \$25 Taconite	-	-	-	4.25 Bond refundings	-	-	-
4.31 Community Education	(63,280)	(63,280)	-	4.64 Restricted fund balance	-	-	-
4.32 ECFE	66,753	66,753	-	<i>Unassigned:</i>			
4.40 Teacher Development and Evaluation	-	-	-	4.63 Unassigned fund balance	-	-	-
4.44 School Readiness	(129,944)	(129,944)	-				
4.47 Adult Basic Education	849	849	-				
4.52 OPEB Liabilities not Held in Trust	-	-	-				
<i>Restricted:</i>							
4.64 Restricted fund balance	69,155	69,156	(1)				
<i>Unassigned:</i>							
4.63 Unassigned fund balance	-	-	-				



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

**Independent Auditor's Report**

To the School Board  
Independent School District No. 424  
Lester Prairie Schools  
Lester Prairie, 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 (*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. 424, Lester Prairie, Minnesota, as of and for the year ending June 30, 2024, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 4, 2024.

**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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be material weaknesses as audit findings 2024-001 and 2024-002.

### **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 statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **District's Response to the Findings**

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

### **Purpose of this Report**

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

*BerganKDV, Ltd.*

St. Cloud, Minnesota  
November 4, 2024

**Independent School District No. 424  
Schedule of Findings and Responses**

**SECTION I - FINANCIAL STATEMENT FINDINGS**

**Audit Finding 2024-001**

*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.

*Effect or Potential Effect:*

The lack of adequate segregation of accounting duties could adversely affect the District's ability to record, process, summarize, 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 Official's Response and Planned Corrective Actions:*

**CORRECTIVE ACTION PLAN (CAP):**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
Administration will review current segregation of accounting duties to determine if further segregation is possible.
3. Official Responsible for Ensuring CAP  
The Superintendent 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 ongoing.
5. Plan to Monitor Completion of CAP  
The School Board will be monitoring this CAP.

**Independent School District No. 424  
Schedule of Findings and Responses**

**SECTION I - FINANCIAL STATEMENT FINDINGS**

**Audit Finding 2024-002**

*Criteria:*

A good system of internal control contemplates an adequate system for recording and processing entries material to the financial statements.

*Condition:*

During the course of our engagement, we proposed material audit adjustments to the trial balance.

*Effect or Potential Effect:*

The control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

*Cause:*

There are a limited number of office employees.

*Recommendation:*

A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisor levels.

*Views of the Responsible Official's Response and Planned Corrective Actions:*

**CORRECTIVE ACTION PLAN (CAP):**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
District personnel will perform an internal review of account balances and transaction classes to ensure proper presentation.
3. Official Responsible for Ensuring CAP  
The Superintendent 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 ongoing.
5. Plan to Monitor Completion of CAP  
The School Board will be monitoring this CAP.



## Minnesota Legal Compliance

### Independent Auditor's Report

To the School Board  
Independent School District No. 424  
Lester Prairie Schools  
Lester Prairie, 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. 424, Lester Prairie, Minnesota, as of and for the year ended June 30, 2024, and the related notes to basic financial statements, and have issued our report thereon dated November 4, 2024.

In connection with our audit, we noted that the District failed to comply with the provisions of the contracting - bid laws of the Minnesota Legal Compliance Audit Guide for School Districts promulgated by the State Auditor pursuant to Minnesota Statute § 6.65, insofar as they relate to accounting matters as described in the *Schedule of Findings and Corrective Action Plans on Legal Compliance and Internal Control* as item 2024-003. Also, in connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts sections of the Minnesota Legal Compliance Audit Guide for School Districts, insofar as they relate to accounting matters.

The purpose of this report is 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.

*BerganKDV, Ltd.*

St. Cloud, Minnesota  
November 4, 2024

**Independent School District No. 424  
Schedule of Findings and Corrective Action Plans  
on Legal Compliance**

**LEGAL COMPLIANCE FINDING:**

**2024-003:**

**INSUFFICIENT PUBLIC NOTICE OF REQUEST FOR BIDS**

*Minnesota Statute* § 123B.52 states the District must publish a notice of a request for bids in its official newspaper. The Statute also states this notice must be published for two weeks prior to the last day for the submission of bids.

During our audit, we noted the request for the UHL bids was not published in the District's official newspaper. We recommend the District publish request for bids for two weeks prior to submission of bids as required by state statutes.

**CORRECTIVE ACTION PLAN (CAP):**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
Administration will review current advertising procedures to ensure the district is complying with statute 123B.52.
3. Official Responsible for Ensuring CAP  
Melissa Radeke, Superintendent, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP  
The planned completion date for the CAP is June 30, 2025.
5. Plan to Monitor Completion of CAP  
The School Board will be monitoring this CAP.



**Independent School District No. 424  
Lester Prairie, Minnesota**

**Communications Letter**

**June 30, 2024**

**Independent School District No. 424  
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## Report on Matters Identified as a Result of the Audit of the Basic Financial Statements

To the School Board and Management  
Independent School District No. 424  
Lester Prairie, Minnesota

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 424, Lester Prairie, Minnesota, as of and for the year ended June 30, 2024, 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, 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 over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error, or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 over financial reporting, 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 reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- ◆ *Reasonably possible*. The chance of the future event or events occurring is more than remote but less than likely.
- ◆ *Probable*. The future event or events are likely to occur.

The material weaknesses identified are stated within this letter.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated November 4, 2024, on such statements.

The purpose of this communication, which is an integral part of our audit, is to describe for the School Board, others within the District, and state oversight agencies the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

*BerganKDV, Ltd.*

St. Cloud, Minnesota  
November 4, 2024

**Independent School District No. 424**  
**Material Weaknesses**

**Lack of Segregation of Accounting Duties**

The District had a lack of segregation of accounting duties due to a limited number of office employees. 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. Segregation of accounting duties relates to four key processes: initiation, authorization, recording, and reconciliation of financial data.

Management and the School Board are aware of this condition and will take certain steps to compensate for the lack of segregation but due to the number of staff needed to properly segregate all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. However, management and the School Board must remain aware of this situation and should continually monitor the accounting system, including changes that occur.

**Material Audit Adjustments**

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the District's existing internal controls and, therefore, could have resulted in a material misstatement of the District's financial statements.

**Independent School District No. 424  
Required Communication**

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2024. Professional standards require that we advise you of the following matters related to our audit.

**Our Responsibility in Relation to the Basic Financial Statement Audit**

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the basic financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the basic financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the basic financial statements are free of material misstatement. An audit of the basic financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Generally accepted accounting principles provide for certain Required Supplementary Information (RSI) to supplement the basic financial statements. Our responsibility with respect to the RSI, which supplements the basic audit basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Our responsibility for the supplementary information accompanying the basic financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the basic financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Our Responsibility in Relation to *Government Auditing Standards***

As communicated in our engagement letter, part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

**Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

## Independent School District No. 424 Required Communication

### Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

### Significant Risks Identified

We have identified the following significant risks of material misstatement:

- ◆ Improper Revenue Recognition - Revenue recognition is considered a fraud risk on substantially all engagements as it generally has a significant impact on the results of the governments operations. In addition, complexities exist surrounding the calculation and recording of various revenue sources.
- ◆ Management Override of Controls - Overall Financial Statements - Management override of internal control is considered a risk in substantially all engagements as management may be incentivized to produce better results. This is tested through review of journal entries.
- ◆ State Aid Valuation - Revenue and receivable amounts related to General Education Aid and Special Education Aid are generally material to the financial statements and involve significant estimates.
- ◆ Pension Valuation - Net pension liability, deferred outflows of resources related to pensions, and deferred inflows of resources related to pensions are generally material to the financial statements and involve significant estimates.
- ◆ Other Post Employment Benefits (OPEB) Valuation - Total/Net OPEB liability, deferred outflows of resources related to OPEB, and deferred inflows of resources related to OPEB are generally material to the financial statements and involve significant estimates.
- ◆ Risk of Misappropriation of Assets - If duties cannot be appropriately segregated within the accounting department, there is a risk of unauthorized disbursements made from the District.

### Qualitative Aspects of the District's Significant Accounting Practices

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in the notes to the basic financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during 2024. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

**Independent School District No. 424  
Required Communication**

**Qualitative Aspects of the District's Significant Accounting Practices (Continued)**

*Significant Accounting Estimates and Related Disclosures*

Accounting estimates and related disclosures are an integral part of the basic financial statements prepared by management and are based on management's current judgements. Those judgements are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgements. The most sensitive estimates affecting the basic financial statements are related to:

General Education and Special Education Aid - General Education Aid is an estimate until average daily membership (ADM) values are final. Since this is normally not done until after the reporting deadlines, this Aid is an estimate. Special Education Aid is dependent on the availability of funds and complex formulas that are finalized after reporting deadlines.

Total Other Post Employment Benefits (OPEB) Liability, Deferred Outflows of Resources Related to OPEB and Deferred Inflows of Resources Related to OPEB - These balances are based on an actuarial study using the estimates of future obligations of the District for post-employment benefits.

Net Pension Liability, Deferred Outflows of Resources Related to Pensions and Deferred Inflows of Resources Related to Pensions - These balances are based on an allocation by the pension plans using estimates based on contributions.

We evaluated the key factors and assumptions used to develop the accounting estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

*Financial Statement Disclosures*

Certain basic financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The basic financial statement disclosures are neutral, consistent, and clear.

**Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

**Uncorrected and Corrected Misstatements**

For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effects of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the basic financial statements taken as a whole and each applicable opinion unit.

**Independent School District No. 424  
Required Communication**

**Uncorrected and Corrected Misstatements (Continued)**

The following bullet point(s) summarize(s) the uncorrected financial statement misstatement(s) whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

- ◆ Compensated absences liability

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of and corrected by management.

- ◆ State and federal revenue and receivables
- ◆ Cash
- ◆ Property tax revenue and property taxes receivable
- ◆ Commodities revenues and expenditures

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's basic financial statements or the auditor's report. No such disagreements arose during the course of our audit.

**Representations Requested from Management**

We have requested certain written representations from management, which are included in the management representation letter.

**Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

**Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating, and regulatory conditions affecting the District, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditor.

**Other Information Included in Annual Reports**

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the District's annual reports, does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

**Independent School District No. 424  
Required Communication**

**Other Information Included in Annual Reports (Continued)**

We applied certain limited procedures to the RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the supplementary information accompanying the basic financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the basic financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the basic financial statements.

**Independent School District No. 424  
Financial Analysis**

The following pages provide graphic representation of select data pertaining to the financial position and operations of the District for the past five years. Our analysis of each graph is presented to provide a basis for discussion of past performance.

Due to its complexity, it would be impossible to fully explain the funding of public education in Minnesota within this letter. The last section of this report, which contains a summary of legislative changes affecting school districts, gives an indication of how complicated the funding system is. The following section provides some state-wide funding and financial trend information.

**Average Daily Membership and Pupil Units**

The largest single funding source for Minnesota school districts is basic General Education Aid. Each year, the State Legislature sets a basic formula allowance. Total basic general education revenue is calculated by multiplying the formula allowance by the number of pupil units for which a district is entitled to aid. Pupil units are calculated using a legislatively determined weighting system applied to ADM. Over the years, various modifications have been made to this calculation, including changes in weighting and special consideration for declining enrollment districts.

Year	General Education Aid Formula Allowance	
	Amount	Percent Increase
2014	\$ 5,302	1.5%
2015*	5,831	1.9%
2016	5,948	2.0%
2017	6,067	2.0%
2018	6,188	2.0%
2019	6,312	2.0%
2020	6,438	2.0%
2021	6,567	2.0%
2022	6,728	2.5%
2023	6,863	2.0%
2024	7,138	4.0%
2025	7,281	2.0%

\* General Education Aid - Of the \$529 increase over 2014, \$105 is for inflation at 1.9%; the remaining \$424 is a shifting of revenue to adjust for pupil weight changes, pension adjustments changes and other restructuring.

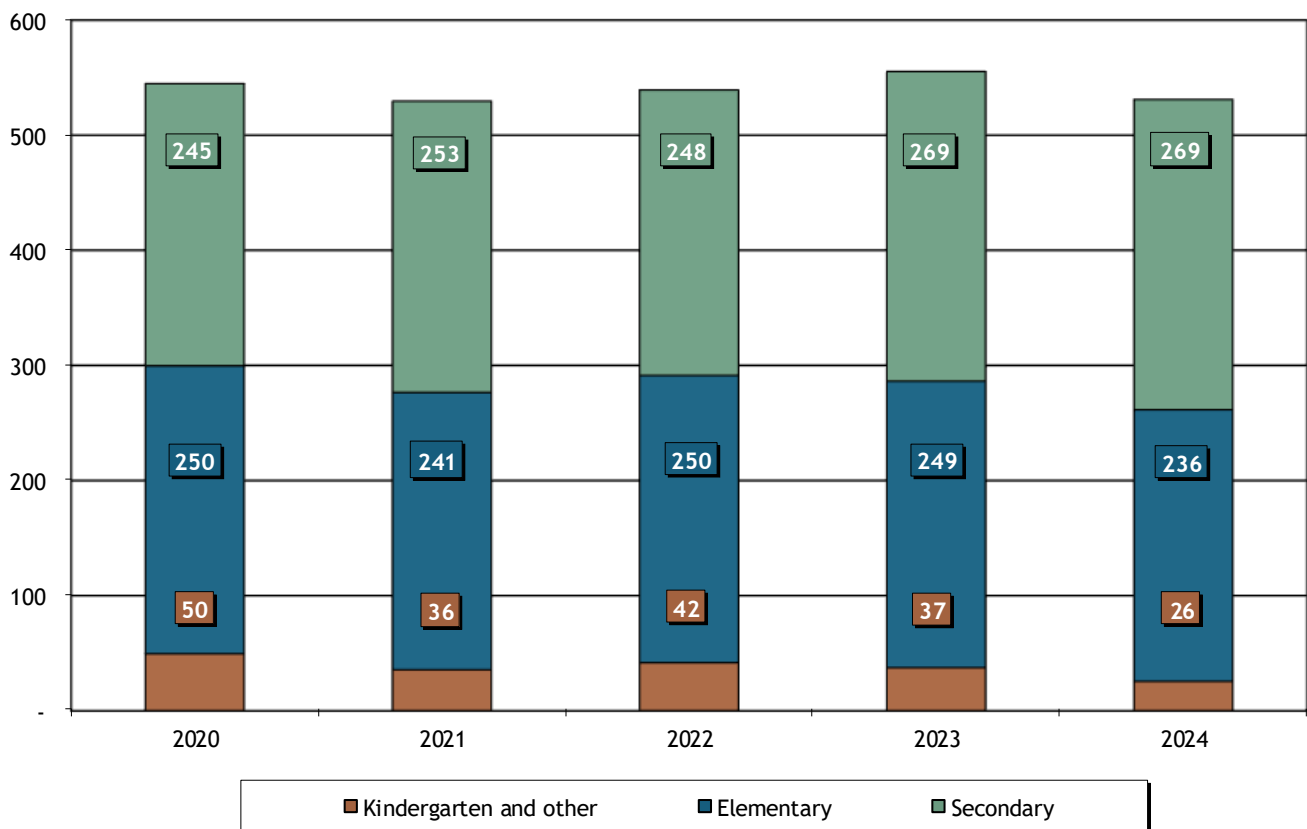
## Independent School District No. 424 Financial Analysis

### Average Daily Membership and Pupil Units (Continued)

The following summarizes resident ADM of the District over the past five years ended June 30:

Resident ADM	2020	2021	2022	2023	2024
Kindergarten and other	50	36	42	37	26
Elementary	250	241	250	249	236
Secondary	245	253	248	269	269
<b>Total</b>	<b>545</b>	<b>530</b>	<b>539</b>	<b>555</b>	<b>531</b>

**Student (Average Daily Membership)**



\* Estimate

Resident ADM has decreased 2.5%, or 14 students, over the last five years. Resident ADM decreased 4.3%, or 24 students, from 2023 and 2024.

To calculate a majority of the District's education aids, the ADM amounts are converted into pupil units by weighting based on the student's grade level. These weighting factors are presented on next page.

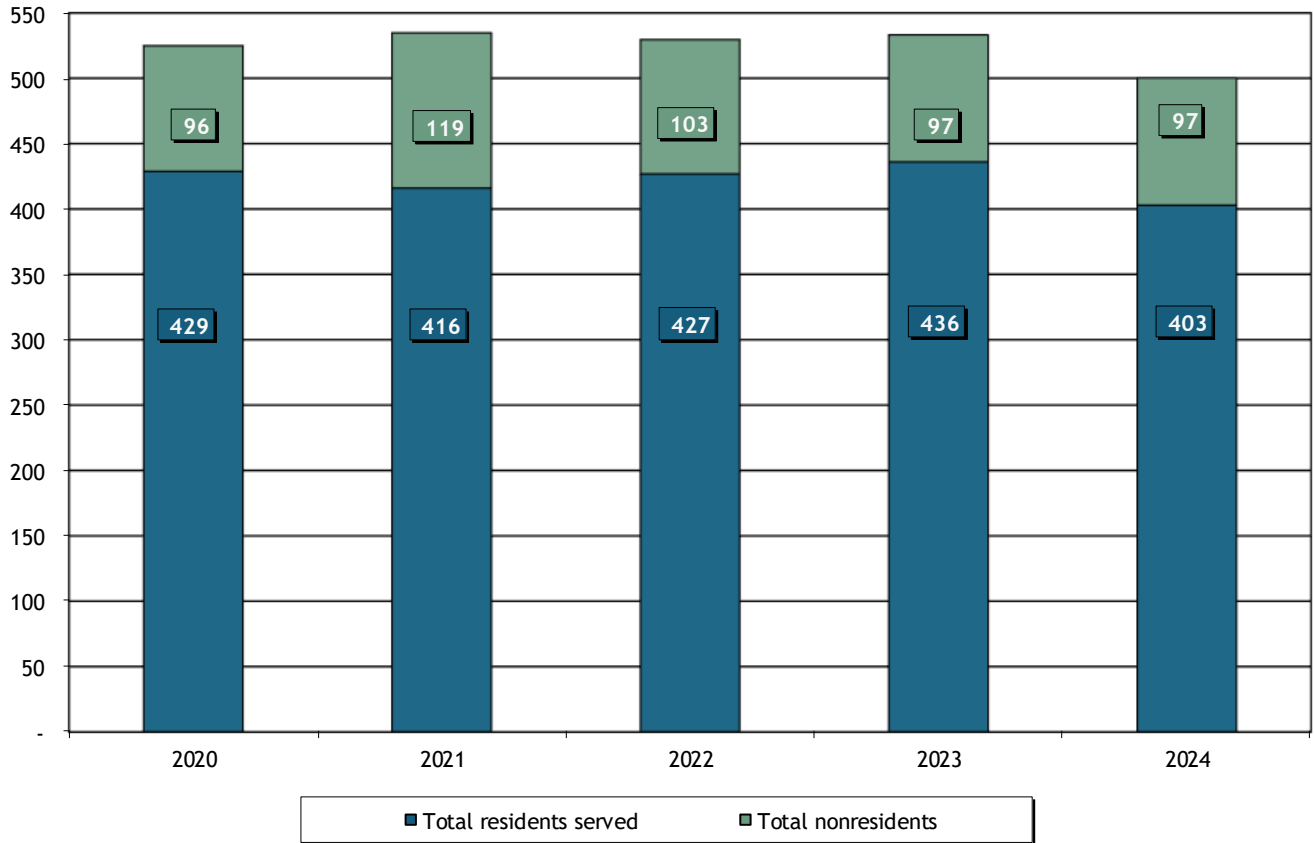
## Independent School District No. 424 Financial Analysis

### Average Daily Membership and Pupil Units (Continued)

Resident ADM is converted to adjusted (PUN) below for the same five years:

PUN Served	2020	2021	2022	2023	2024
Residents	594	580	589	609	585
Resident PUN going elsewhere	(165)	(164)	(162)	(173)	(182)
Total residents served	429	416	427	436	403
Total nonresidents	96	119	103	97	97
<b>Total Adjusted PUN</b>	<b>525</b>	<b>535</b>	<b>530</b>	<b>533</b>	<b>500</b>

### Adjusted PUN



\* Estimate

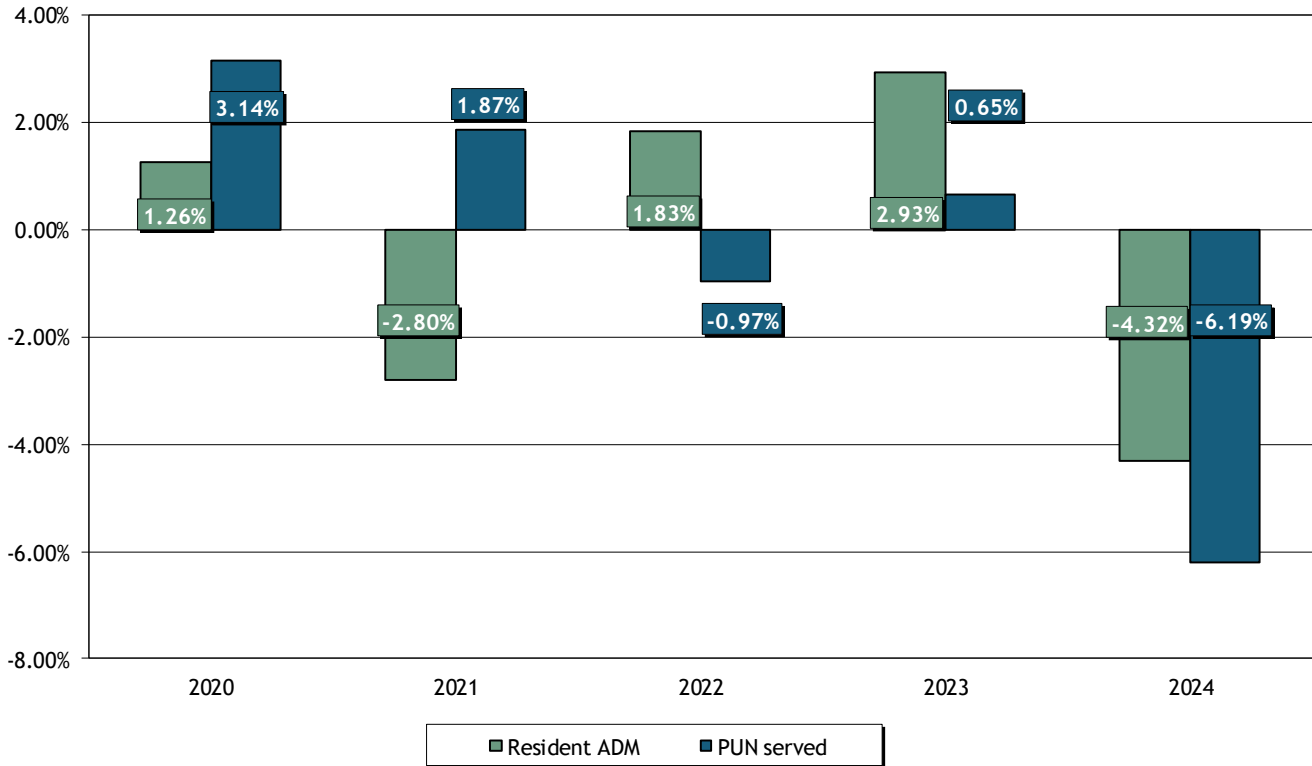
For 2024, PUN decreased 6.2% or 33 students from 2023. Resident PUN going elsewhere increased 5.4%, or 9 students from 2023. Total nonresidents coming in remained the same.

Independent School District No. 424  
Financial Analysis

**Average Daily Membership and Pupil Units (Continued)**

The following chart and graph illustrate the percentage change from year-to-year in resident ADM and adjusted pupil units.

**Change in Resident ADM and Adjusted PUN**



\* Estimate

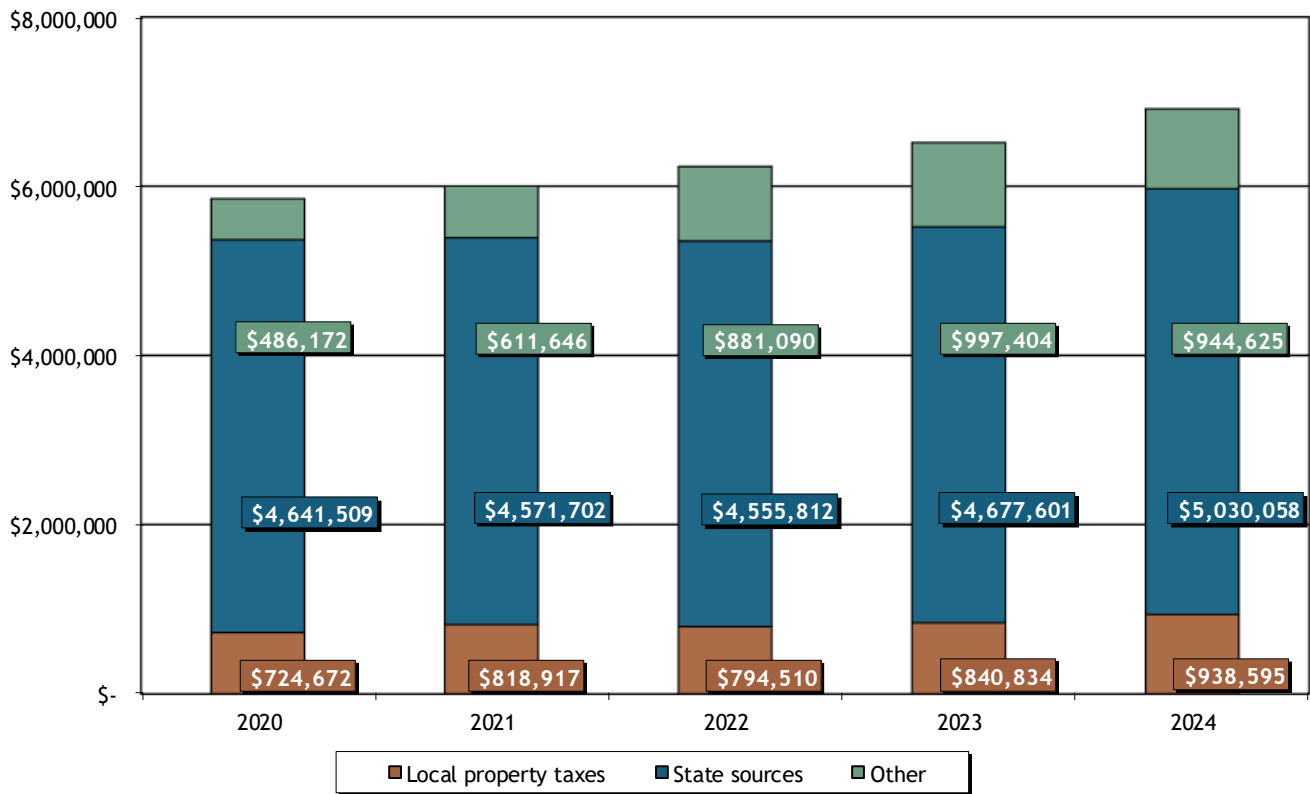
## Independent School District No. 424 Financial Analysis

### General Fund Sources of Revenue

General Fund sources of revenue are summarized as follows:

	2020	2021	2022	2023	2024
Local property taxes	\$ 724,672	\$ 818,917	\$ 794,510	\$ 840,834	\$ 938,595
State sources	4,641,509	4,571,702	4,555,812	4,677,601	5,030,058
Other	486,172	611,646	881,090	997,404	944,625
<b>Total</b>	<b>\$ 5,852,353</b>	<b>\$ 6,002,265</b>	<b>\$ 6,231,412</b>	<b>\$ 6,515,839</b>	<b>\$ 6,913,278</b>

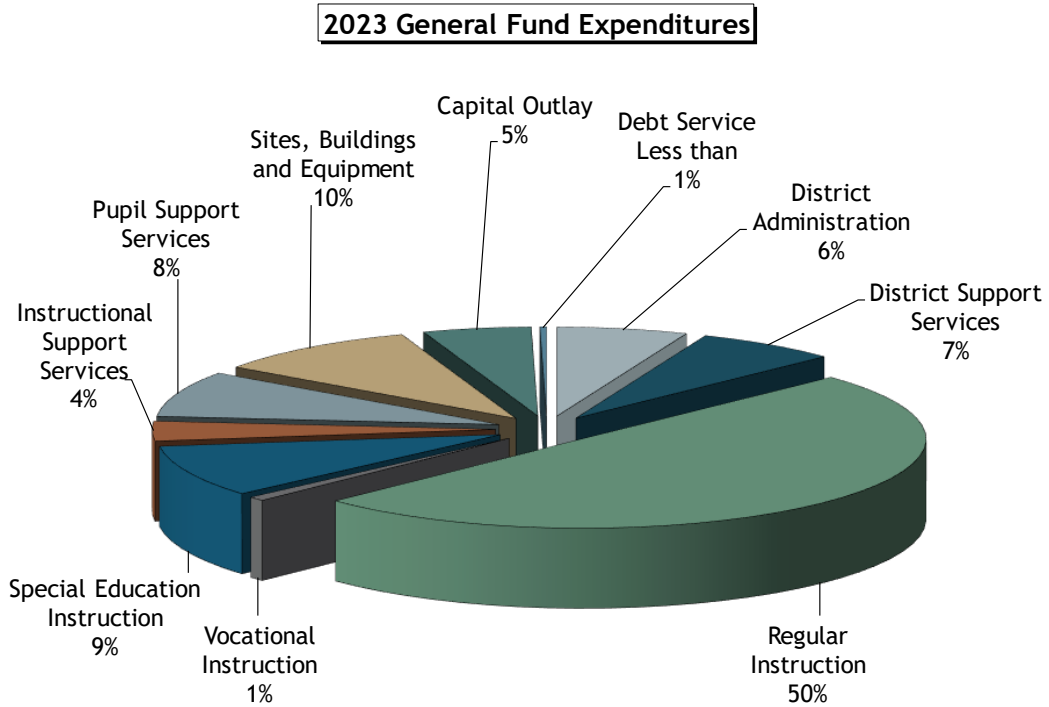
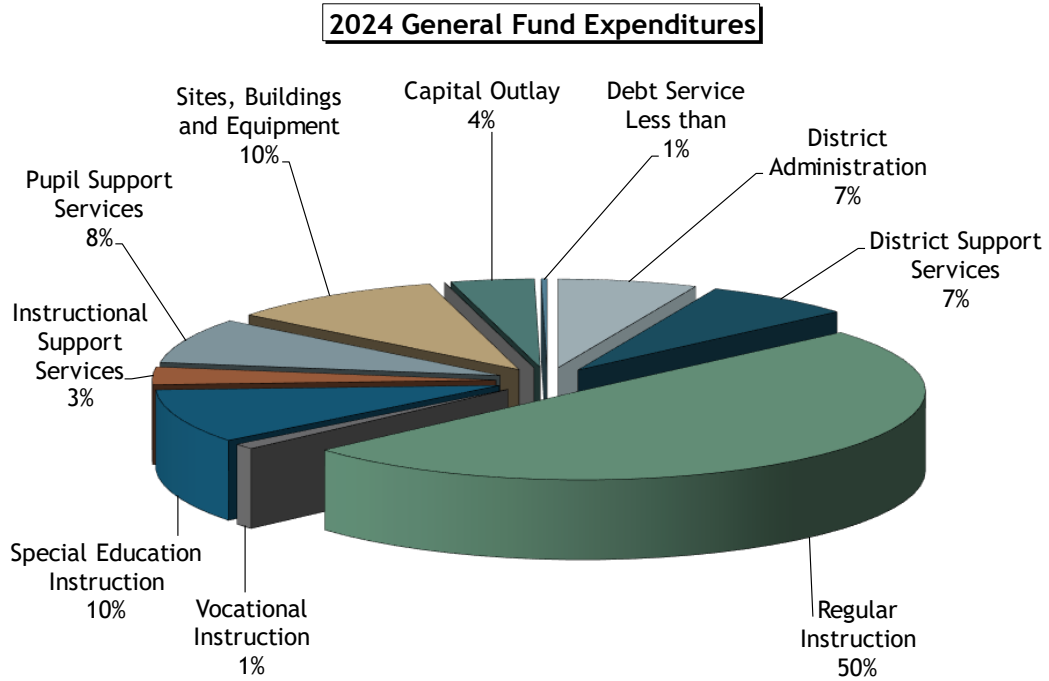
### General Fund Sources of Revenue



Total revenue increased \$397,439, or 6.1%, from 2023 to 2024. The most significant portion of the District's funding came from the state in the form of general education revenue. As previously explained, this funding is determined based on student enrollment.

## Independent School District No. 424 Financial Analysis

### General Fund Expenditures



Expenditures in the General Fund for 2024 increased \$102,613, or 1.7%, from 2023. Capital outlay decreased due to more project costs in PY. All other programs remained consistent with the prior year.

**Independent School District No. 424  
Financial Analysis**

**Revenues and Expenditures Per ADM Served**

The mix of local and state revenues vary from year-to-year primarily based on funding formulas and the state's financial condition. The mix of revenue components from district to district varies due to factors such as the strength of property values, mix of property types, operating and bond referendums, enrollment trends, density of population, types of programs offered, and countless other criteria.

Revenues per student (ADM served) are summarized in the following table:

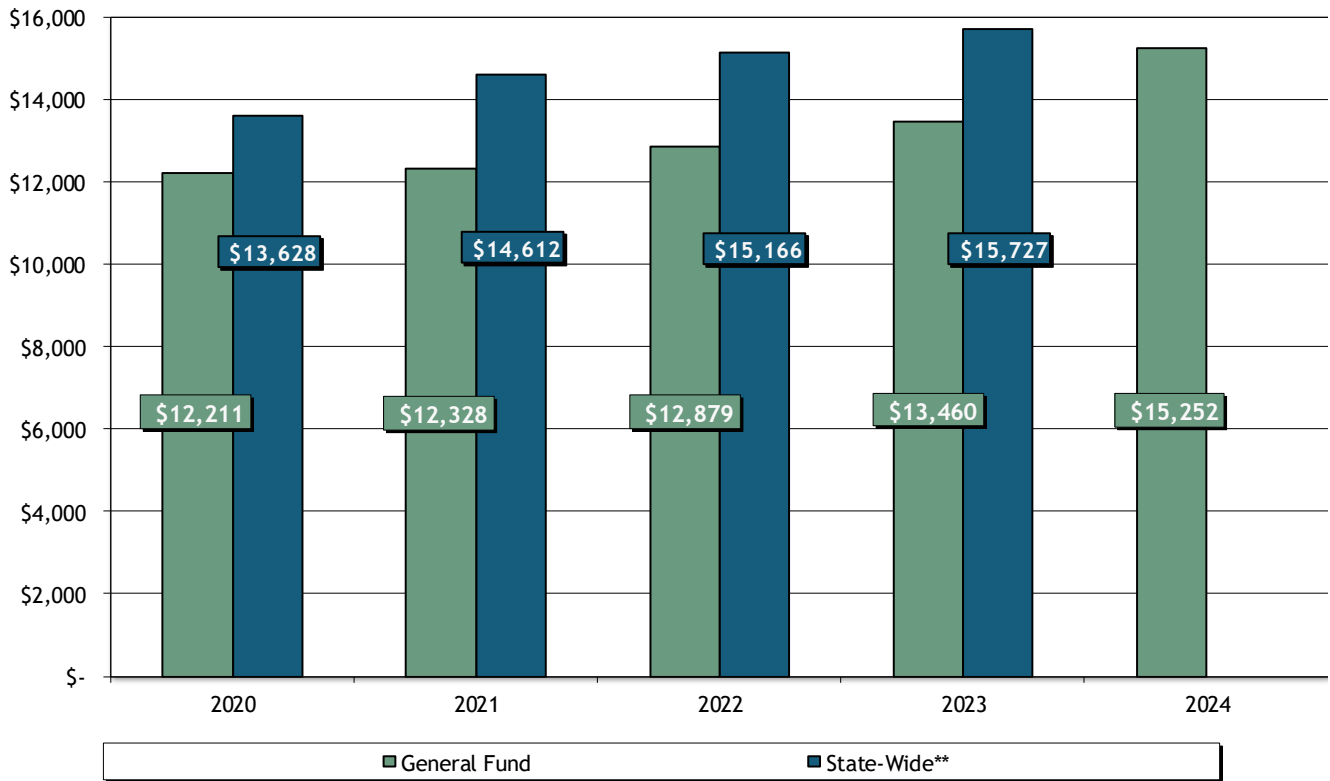
<b>General Fund</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Property taxes	\$ 1,516	\$ 1,688	\$ 1,625	\$ 1,716	\$ 2,071
State aid	9,678	9,402	9,407	9,611	11,097
Other	1,017	1,238	1,847	2,133	2,084
<b>Total General Fund Revenue</b>	<b>\$ 12,211</b>	<b>\$ 12,328</b>	<b>\$ 12,879</b>	<b>\$ 13,460</b>	<b>\$ 15,252</b>
<b>State-Wide**</b>					
Property taxes	\$ 2,180	\$ 2,381	\$ 2,443	\$ 2,545	N/A
State aid	10,393	10,758	10,782	11,073	N/A
Other local sources	1,055	1,473	1,941	2,109	N/A
<b>Total General Fund Revenue</b>	<b>\$ 13,628</b>	<b>\$ 14,612</b>	<b>\$ 15,166</b>	<b>\$ 15,727</b>	<b>N/A</b>

Revenues per student for the General Fund increased 13.3% from 2023 to 2024.

**Independent School District No. 424  
Financial Analysis**

**Revenues and Expenditures Per ADM Served (Continued)**

**General Fund Revenues Per ADM Served**



Expenditures per student (ADM served) are summarized in the following table:

ISD No. 424	2020	2021	2022	2023	2024
General Fund	\$ 11,758	\$ 10,047	\$ 11,804	\$ 12,417	\$ 13,549
General and special revenue	12,837	10,963	12,934	13,530	14,755
<b>State Averages**</b>					
General Fund	\$ 13,313	\$ 14,167	\$ 15,010	\$ 15,730	N/A
General and special revenue	14,489	15,267	16,322	17,147	N/A

\* Estimate

Expenditures per student served for the General Fund increased 8.9% from 2023 to 2024 as students served decreased 6.6% and expenditures increased 1.7%.

**Independent School District No. 424  
Financial Analysis**

**General Fund Budgeted to Actual**

The chart below presents final budget and actual for General Fund revenues and expenditures.

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Local property taxes	\$ 905,098	\$ 912,431	\$ 938,595	\$ 26,164
Other local and county revenues	239,500	248,660	587,151	338,491
Revenue from state sources	4,241,713	4,353,421	5,030,058	676,637
Revenue from federal sources	452,864	401,728	350,075	(51,653)
Sales and other conversion of assets	10,750	12,400	7,399	(5,001)
<b>Total revenues</b>	<b>5,849,925</b>	<b>5,928,640</b>	<b>6,913,278</b>	<b>984,638</b>
<b>Expenditures</b>				
Administration	379,254	384,098	403,066	18,968
District support services	454,188	431,414	432,060	646
Elementary and secondary regular instruction	2,676,591	2,783,545	3,080,320	296,775
Vocational education instruction	17,782	15,031	65,557	50,526
Special education instruction	776,347	717,889	611,346	(106,543)
Instructional support services	244,983	213,870	239,151	25,281
Pupil support services	471,823	486,501	505,231	18,730
Sites and buildings	954,075	777,756	787,798	10,042
Debt service	-	7,473	16,884	9,411
<b>Total expenditures</b>	<b>5,975,043</b>	<b>5,817,577</b>	<b>6,141,413</b>	<b>323,836</b>
Excess of revenues over (under) budget	(125,118)	111,063	771,865	660,802
<b>Other Financing Sources</b>				
Insurance proceeds	-	29,260	-	(29,260)
<b>Net change in fund balances</b>	<b>\$ (125,118)</b>	<b>\$ 140,323</b>	<b>\$ 771,865</b>	<b>\$ 631,542</b>

Revenues were over budget by \$984,638. The largest variance was in revenue from state sources. This was a result of budgeting conservatively as these revenues fluctuate from year to year based on ADM numbers. Other local and county revenues were \$338,491 over budget due to conservative budgeting. Expenditures were over budget by 5.6%, or \$323,836. The most significant variance was in regular instruction. This was due to the District not budgeting for items such as sports activities and student activities. Special education instruction was under budget \$106,543 due to budgeting conservatively for purchased services.

**Independent School District No. 424  
Financial Analysis**

**General Fund Operations**

The following table presents five years of comparative operating results for the District's General Fund and the components of the District's fund balance:

<b>For the Year Ended June 30,</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Revenues	\$ 5,852,353	\$ 6,002,265	\$ 6,231,412	\$ 6,515,839	\$ 6,913,278
Expenditures	5,635,952	4,895,914	5,712,927	6,038,800	6,141,413
Excess of revenues over expenditures	216,401	1,106,351	518,485	477,039	771,865
Plus other sources	-	-	-	29,260	-
Fund balance, July 1	2,043,309	2,259,710	3,366,061	3,884,546	4,390,845
<b>Fund Balance, June 30</b>	<b>\$ 2,259,710</b>	<b>\$ 3,366,061</b>	<b>\$ 3,884,546</b>	<b>\$ 4,390,845</b>	<b>\$ 5,162,710</b>

<b>Components of Fund Balance</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Nonspendable	\$ 28,522	\$ 15,781	\$ 17,292	\$ 19,876	\$ 19,876
Restricted/reserved for					
Staff development	88,148	61,128	43,027	12,294	-
Learning and Development	9,829	18,216	27,016	36,563	78,243
Gifted and Talented	-	1,714	5,473	9,491	14,554
Student activities	40,058	39,169	52,521	71,569	60,815
Operating capital	69,759	79,243	48,944	-	3,162
Long term facilities maintenance	-	117,508	250,005	408,355	516,280
Medical assistance	22,264	26,864	42,960	32,536	30,871
Basic skills	1,590	10,259	1,565	35,135	118,307
Safe school crime	69,958	86,420	57,435	70,079	69,967
Lion's Club Donation	-	-	-	18,000	18,000
EIDL Loans	-	-	475	-	-
Literacy aid	-	-	-	-	15,242
Disabled accessibility	-	-	-	-	(700)
English learner	-	-	-	-	684
School library aid	-	-	-	-	27,524
Student support personnel	-	-	-	-	18,786
Committed	378,458	405,727	432,755	459,706	501,080
Assigned	-	-	-	-	400,000
Unassigned	1,551,124	2,504,032	2,905,078	3,217,241	3,270,019
<b>Fund Balance, June 30</b>	<b>\$ 2,259,710</b>	<b>\$ 3,366,061</b>	<b>\$ 3,884,546</b>	<b>\$ 4,390,845</b>	<b>\$ 5,162,710</b>

In 2024, the District's revenues increased \$397,439 and expenditures increased \$102,613 as discussed earlier. The General Fund balance increased \$771,865 as a result of current year activity.

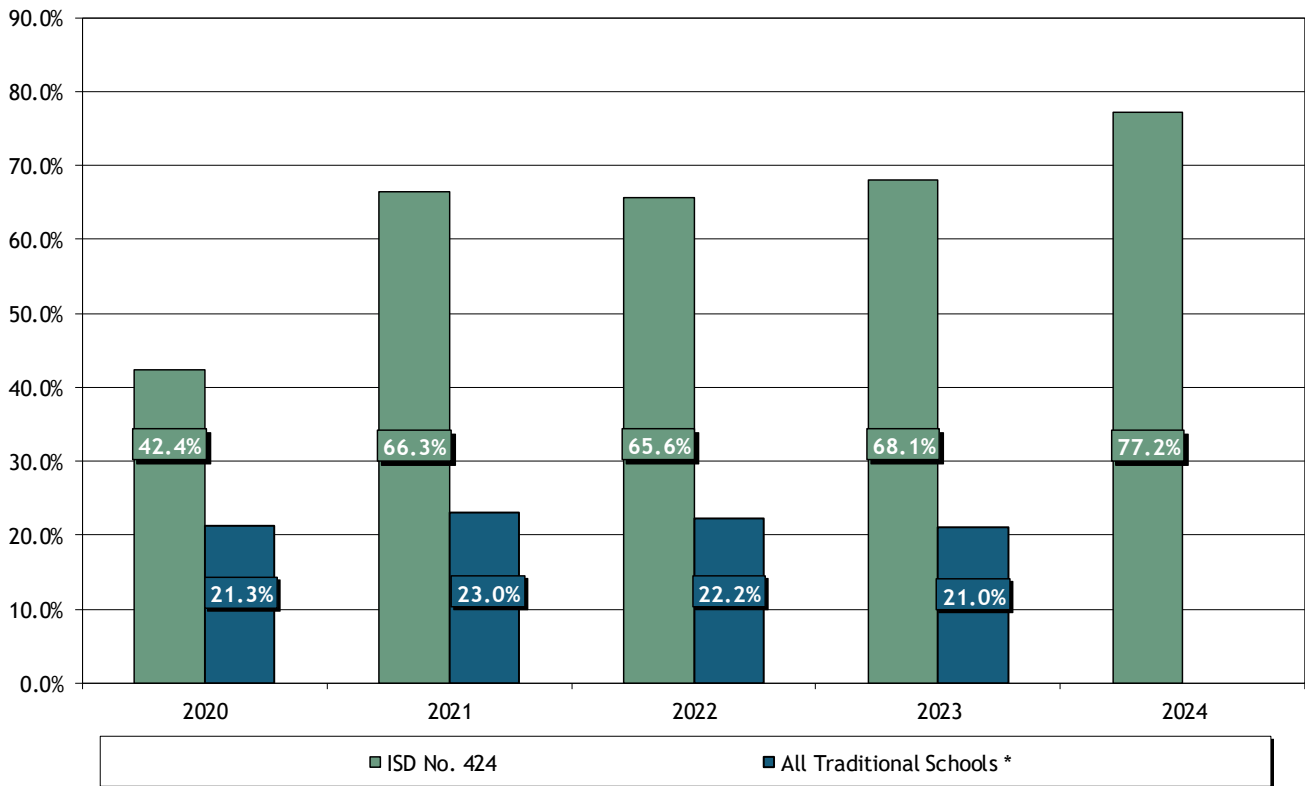
The District's goal is to maintain a minimum unassigned General Fund balance of 18% of the annual operating expenditures budget for each year. The unassigned fund balance of \$3,670,019 at June 30, 2024, represents 53.2% of current year expenditures.

## Independent School District No. 424 Financial Analysis

### District Financial Health

One of the most common and comparable statistics used to evaluate school district financial health is the fund balance as a percentage of operating expenditures. The chart below provides unrestricted fund balance as a percentage of unrestricted expenditures for the District, all districts state-wide and the District's peer group.

**Unrestricted Fund Balance as a Percent of Unrestricted Expenditures**



\* Source: *School District Profiles*; 2024 data not yet available.

The graph above details the unrestricted fund balance as a percentage of unrestricted expenditures. The District's unrestricted fund balance as a percent of expenditures has remained above the state-wide average for all years presented.

**Independent School District No. 424  
Financial Analysis**

**Food Service Fund**

The following table presents five years of comparative operating results for the District's Food Service Fund:

For the Year Ended June 30,	2020	2021	2022	2023	2024
Revenues	\$ 207,492	\$ 213,158	\$ 393,811	\$ 318,762	\$ 411,843
Expenditures	237,614	201,331	293,317	321,030	344,395
Excess of revenues over (under) expenditures	(30,122)	11,827	100,494	(2,268)	67,448
Fund balance, July 1	105,631	75,509	87,336	187,830	185,562
<b>Fund Balance, June 30</b>	<b>\$ 75,509</b>	<b>\$ 87,336</b>	<b>\$ 187,830</b>	<b>\$ 185,562</b>	<b>\$ 253,010</b>

In 2024, revenues exceeded expenditures, resulting in an increase in fund balance of \$67,448. Revenues increased by \$93,081 due to the new state meal program. Expenditures increased by \$23,365 as a result of increased food costs and more wages and benefits.

**Community Service Fund**

The following table presents five years of comparative operating results for the District's Community Service Fund:

For the Year Ended June 30,	2020	2021	2022	2023	2024
Revenues and transfers in	\$ 202,632	\$ 219,220	\$ 258,960	\$ 210,625	\$ 192,407
Expenditures	249,135	242,867	252,065	218,575	201,852
Excess of revenues over (under) expenditures	(46,503)	(23,647)	6,895	(7,950)	(9,445)
Fund balance, July 1	24,183	(22,320)	(45,967)	(39,072)	(47,022)
<b>Fund Balance, June 30</b>	<b>\$ (22,320)</b>	<b>\$ (45,967)</b>	<b>\$ (39,072)</b>	<b>\$ (47,022)</b>	<b>\$ (56,467)</b>

In 2024, revenues decreased by \$18,218 primarily due to Child Care Grants that helped support personnel and utility costs for running the childcare program in 2023 that weren't available in 2024. Expenditures decreased by \$16,723 as a result of less wages. The fund saw a decrease in fund balance of \$9,445, making 2022 the only year of the five presented with positive operating results.

## **Independent School District No. 424 Legislative Summary**

The following is a brief summary of current legislative changes and issues affecting the funding of Minnesota school districts. More detailed and extensive summaries are available from the Minnesota Department of Education (MDE).

### **American Indian Education Aid**

The period in which this aid can be carried over has been revised from six months to one year to be consistent with district financial reporting. Permanent School Fund Supplemental Aid is set at \$40,000 in 2025 for tribal contract schools.

### **American Rescue Plan (ARP) Act**

The ARP Act was signed into law on March 11, 2021, and focuses on returning to, and maintaining, safe in-person learning for all students.

The ARP includes \$1.3 billion for E-12 education in ESSER funds for Minnesota to help schools returning to, and maintaining, safe in-person learning for all students. Per the federal law, 90% of these funds have been allocated to eligible districts and charter schools. 9.5% of these funds are for flexible use by each state education agency to create a plan to meet the needs of students. Funds are eligible for spending through September 30, 2024.

### **Area Learning Center (ALC) Transportation Aid**

ALC transportation aid reimburses school districts for costs associated with transportation of students to and from an ALC program. School districts can apply for this new funding stream for 2024 and beyond. Allowable recipients for this aid have been modified to include cooperative units that provide their own transportation for ALCs.

### **Basic Alternative Teacher Compensation Aid (Q-Comp)**

The total cap for basic alternative teacher compensation aid increased from \$88,118,000 to \$88,461,000 for 2024 and 2025, and \$89,486,000 for 2026 and beyond. Unspent "Q Comp" funds must be reserved in a restricted fund balance and used only for their intended purpose.

### **Basic General Education Aid**

The formula allowance for 2024 was set at \$7,138 and for 2025, the formula allowance increases to \$7,281, which is a 2% increase over 2024. For fiscal years 2026 and beyond, the actual increase will be equal to the Consumer Price Index - Urban with a floor of 2% and a cap of 3%.

### **Basic Skills Revenue**

School districts are permitted to execute a one-time transfer of restricted balance sheet funds into another restricted balance sheet that is in alignment with uses.

### **Charter School Lease Aid Review**

The Commissioner may develop a system of analyzing charter school lease aid applications. The system will support consistency in applications and allow for the evaluation of the financial viability of multiple charter school leases.

### **Compensatory Education Revenue**

The compensatory allowance for 2024 was updated and corresponds to increases in the basic formula allowance. A hold-harmless provision has been added for 2025 so that compensatory revenue for each site is the greater of its calculated revenue for 2025 or the 2024 actual revenue.

## Independent School District No. 424 Legislative Summary

### **English Learner Aid and Cross Subsidy**

For 2024-2026, aid is \$1,228 times the greater of 20 or total English learner ADM and \$436 times English learner pupil units (concentration). For 2027, this increases to \$1,775 times the greater of 20 or total English learner ADM and \$4630 times English learner pupil units (concentration), and 25% Cross Subsidy Aid Reduction based on second prior year qualifying services.

### **Facilities**

Districts subject to non-voter approved building projects that require a review and comment do not need to publish or hold a public hearing on the results of the review and comment except districts eligible for non-voter construction projects under *Minnesota Statutes* § 126C.40, subd. 6 must hold a public meeting within 45 days of a review and comment decision. The dates of publication of review and comment have been changed to at least 48 days and not more than 70 days before a referendum. Prior legislation was not more than 60 days before a referendum.

### **Food Service Fund**

Lunchroom furniture, including tables and chairs used by pupils to eat, were added as an eligible expense in the food service fund if a surplus exists for three consecutive years.

### **Local Optional Revenue**

The second-tier equalization threshold for 2024 remained at \$510,000 before increasing to \$587,244 for 2025, \$642,038 for 2026, and \$671,345 for 2027 and later.

### **Paraprofessionals**

For the 2024-2025 school year, districts are required to provide 6 hours of training and may be reimbursed for up to 6 hours. A separate payment equal to 2 hours of the district average wage rate will be made. Consultation with the union representative must be made before planning required trainings.

Special education paraprofessionals employed and paid with special education funding during 2024 may continue to be paid with State special education fund (not federal) for 2025 if they meet competences 4 and 9 in the competency grid or are enrolled in a qualifying training and testing program.

MDE and the Professional Educator Licensing and Standards Board (PELSB) are required to review paraprofessional qualifications.

### **Pension Bill and Pension Adjustment Revenue**

The pension adjustment rate for districts (besides ISD No. 625, St. Paul) is 1.25% for fiscal years 2024 and 2025 and 2.0% for fiscal year 2026 and 2027. For fiscal year 2028 and later, pension adjustment revenue must not exceed the fiscal year 2027 amount, and the revenue will be prorated, as necessary.

### **Special Education Aid**

The Special Education Cross Subsidy Reduction Aid paid to districts increased from 6.43% to 44% beginning in 2024. A further increase to 50% begins in 2027.

### **Student Support Personnel Aid**

Districts and charters may retain unspent aid in a restricted fund balance, limited to the amount of the prior year's aid allocation.

**Independent School District No. 424  
Legislative Summary**

**Student Teacher Stipend Pilot Program**

Funding of \$6,543,000 has been approved for 8 teacher preparation programs to provide student teachers placed in Minnesota schools during the 2024-2025 school year. Stipends should be awarded at approximately \$6,880 per student teacher.

**Unemployment Insurance Aid**

Effective May 28, 2023, certain non-certified hourly school workers may qualify for "between term" summer unemployment benefits. A new aid has been created to reimburse districts for between term unemployment insurance costs, which are not eligible for levy reimbursement. The total aid available is \$135 million in fiscal year 2024 and is available until fiscal year 2027 or depletion. This aid now required to be paid on a 90/10 basis.

**Voluntary Prekindergarten (VPK)**

VPK seats were increased to 12,360 in 2025 using a \$50 million set aside from 2023. Minneapolis and St. Paul districts are individual regions for purposes of seat allocations, so the allocations of other regions are not impacted by this change. Districts were notified of the new allocation by July 1, 2024.

**Independent School District No. 424**  
**Emerging Issues**

**Executive Summary**

The following is an executive summary of financial related updates to assist you in staying current on emerging issues in accounting and finance. This summary will give you a preview of the new standards that have been recently issued and what is on the horizon for the near future. The most recent and significant updates include:

- ◆ **Accounting Standard Update - GASB Statement No. 101 - *Compensated Absences***  
GASB has issued GASB Statement No. 101 relating to accounting and financial reporting for compensated absences. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave.
- ◆ **Accounting Standard Update - GASB Statement No. 102 - *Certain Risk Disclosures***  
GASB has issued GASB Statement No. 102 relating to risk disclosures. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.
- ◆ **Accounting Standard Update - GASB Statement No. 103 - *Financial Reporting Model Improvements***  
GASB has issued GASB Statement No. 103 relating to changes in financial reporting requirements. The changes provide clarity, enhance the relevance of information, provide more useful information for decision-making, and provide for greater comparability amongst government entities.

The following is extensive summaries of the current updates. As your continued business partner, we are committed to keeping you informed of new and emerging issues. We are happy to discuss these issues with you further and their applicability to your District.

**Independent School District No. 424**  
**Emerging Issues**

**Accounting Standard Update - GASB Statement No. 101 - *Compensated Absences***

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences - including parental leave, military leave, and jury duty leave - not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

GASB Statement No. 101 is effective for fiscal years beginning after December 15, 2023. Earlier application is encouraged.

Information provided above was obtained from [www.gasb.org](http://www.gasb.org).

**Independent School District No. 424**  
**Emerging Issues**

**Accounting Standard Update - GASB Statement No. 102 - *Certain Risk Disclosures***

The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability.

This Statement provides definitions for concentration and constraint. A concentration is a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority.

This Statement requires a government to assess whether a concentration or constraint could present a risk of financial difficulty. The District will need to make a disclosure in the notes to the financial statements if all three of the following criteria are true:

- ◆ The District knows about the concentration or constraint prior to financial statement issuance.
- ◆ The concentration or constraint makes the District is vulnerable to risk of a substantial impact.
- ◆ An event or events associated with the concentration or constraint that could cause a substantial impact have either (1) happened; (2) started to happen; or (3) are more likely than not to start happening within 12 months of the financial statements being issued.

If a government determines the above criteria for disclosure have been met, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. Disclosures are required for the government as a whole as well as any opinion unit in the financial statements that includes outstanding revenue debt. Disclosures can be combined to avoid unnecessary duplication (e.g., a subsequent event footnote).

GASB Statement No. 102 is effective for fiscal years beginning after June 15, 2024. Earlier application is encouraged.

Information provided above was obtained from [www.gasb.org](http://www.gasb.org).

**Independent School District No. 424**  
**Emerging Issues**

**Accounting Standard Update - GASB Statement No. 103 - *Financial Reporting Model Improvements***

The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

This Statement addresses 5 areas of the financial statements (1) Management's Discussion and Analysis (MD&A), (2) Unusual or Infrequent Items, (3) Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position, (4) Major Component Unit Information, and (5) Budgetary Comparison Information.

This Statement continues the requirement that the MD&A precede the basic financial statements as part of the Required Supplementary Information (RSI). This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. The Statement stresses that detailed analyses should explain why balances and results of operations changed, rather than stating amounts and "boilerplate" discussions.

This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.

This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. The Statement provides clarification regarding operating and nonoperating revenues and expenses. Also, this Statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses.

This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

This Statement requires governments to present budgetary comparison information using a single method of communication - RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

GASB Statement No. 103 is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

Information provided above was obtained from [www.gasb.org](http://www.gasb.org).

# ISD No. 424 Lester Prairie, MN

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Caroline Stutsman, CPA



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# Financial Communications

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# Independent Auditor's Report

## ◆ Financial Statement Opinion

- ◇ Unmodified Opinion on the District's Basic Financial Statements, which comprise the District's governmental activities, each major fund, the aggregate remaining fund information.
- ◇ Financial statements present fairly, in all material respects, the financial position and change in financial position of the governmental activities, each major fund and the aggregate remaining funds.

# Other Communications

- ◆ Report related to *Government Auditing Standards*
  - ◇ Two internal control findings
  - ◇ No compliance findings
- ◆ Report on the results of testing *on Minnesota Legal Compliance*
  - ◇ One legal compliance finding

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# The Audit

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# General Education Aid – Formula Allowance

Year	General Education Aid Formula Allowance	
	Amount	Percent Increase
2014	\$ 5,302	1.5%
2015*	5,831	1.9%
2016	5,948	2.0%
2017	6,067	2.0%
2018	6,188	2.0%
2019	6,312	2.0%
2020	6,438	2.0%
2021	6,567	2.0%
2022	6,728	2.5%
2023	6,863	2.0%
2024	7,138	4.0%
2025	7,281	2.0%

\* General Education Aid - Of the \$529 increase over 2014, \$105 is for inflation at 1.9%; the remaining \$424 is a shifting of revenue to adjust for pupil weight changes, pension adjustments changes and other restructuring.

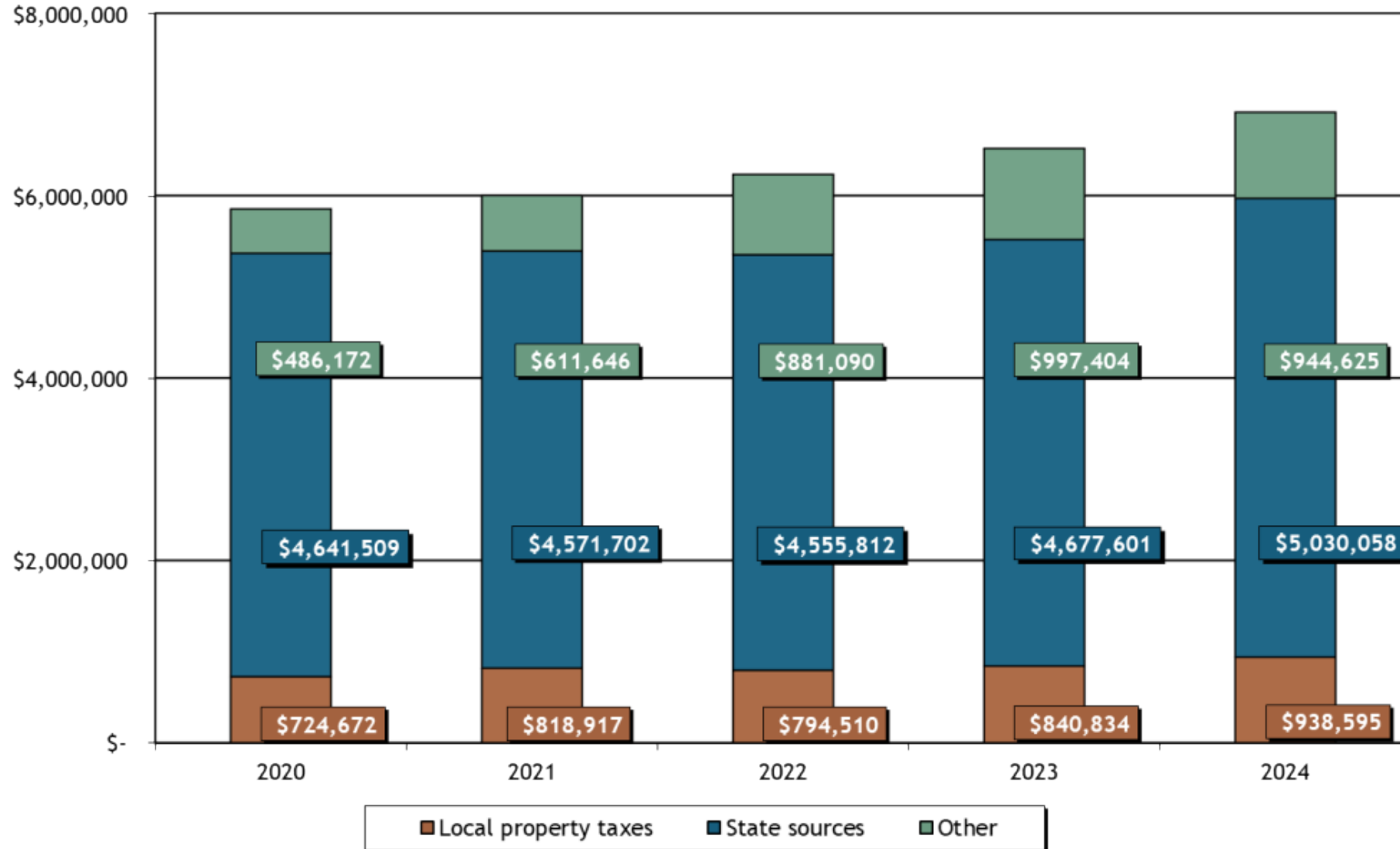
# Average Daily Membership and Pupil Units - Resident ADM

Resident ADM	2020	2021	2022	2023	2024
Kindergarten and other	50	36	42	37	26
Elementary	250	241	250	249	236
Secondary	245	253	248	269	269
<b>Total</b>	<b>545</b>	<b>530</b>	<b>539</b>	<b>555</b>	<b>531</b>

# Average Daily Membership and Pupil Units – Weighting and Adjusted PUN

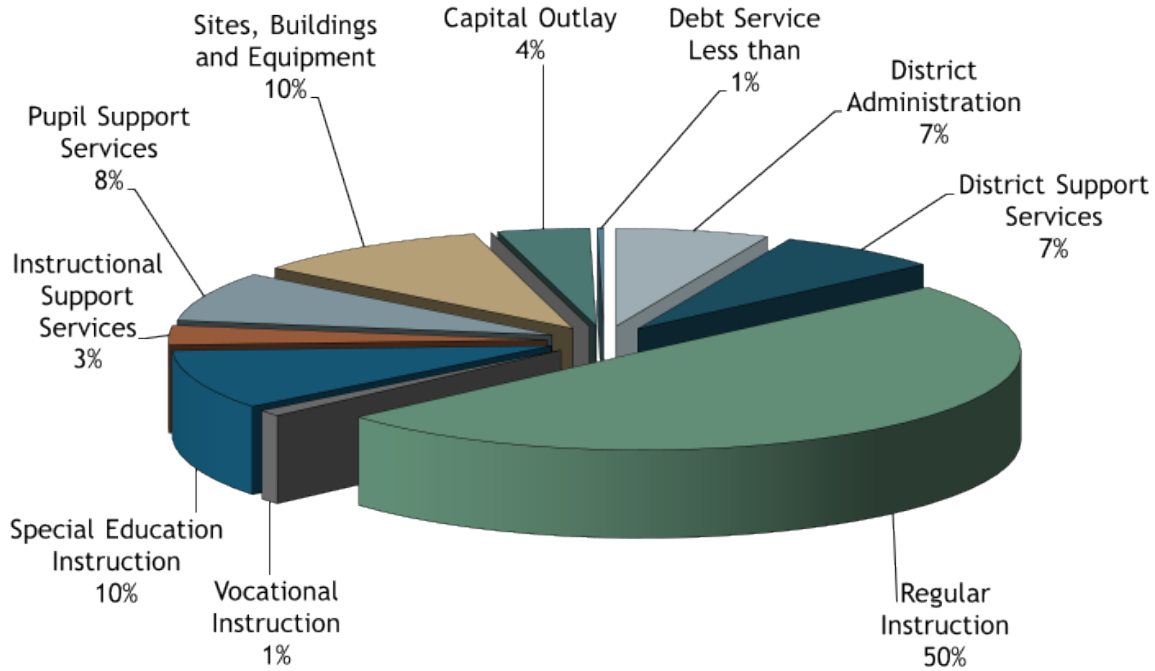
<b>PUN Served</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Residents	594	580	589	609	585
Resident PUN going elsewhere	(165)	(164)	(162)	(173)	(182)
Total residents served	429	416	427	436	403
Total nonresidents	96	119	103	97	97
<b>Total Adjusted PUN</b>	<b>525</b>	<b>535</b>	<b>530</b>	<b>533</b>	<b>500</b>

# General Fund Sources of Revenue

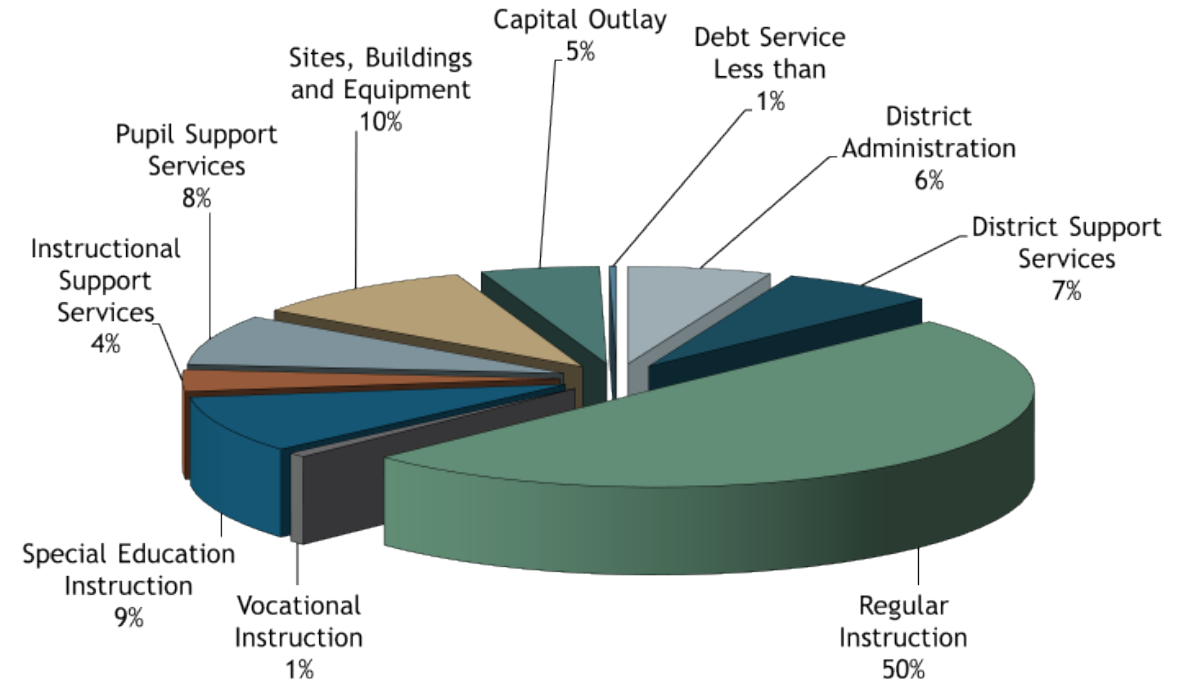


# General Fund Expenditures

2024 General Fund Expenditures



2023 General Fund Expenditures



# General Fund Revenues Per ADM Served

General Fund	2020	2021	2022	2023	2024
Property taxes	\$ 1,516	\$ 1,688	\$ 1,625	\$ 1,716	\$ 2,071
State aid	9,678	9,402	9,407	9,611	11,097
Other	1,017	1,238	1,847	2,133	2,084
<b>Total General Fund Revenue</b>	<b>\$ 12,211</b>	<b>\$ 12,328</b>	<b>\$ 12,879</b>	<b>\$ 13,460</b>	<b>\$ 15,252</b>

State-Wide**					
Property taxes	\$ 2,180	\$ 2,381	\$ 2,443	\$ 2,545	N/A
State aid	10,393	10,758	10,782	11,073	N/A
Other local sources	1,055	1,473	1,941	2,109	N/A
<b>Total General Fund Revenue</b>	<b>\$ 13,628</b>	<b>\$ 14,612</b>	<b>\$ 15,166</b>	<b>\$ 15,727</b>	<b>N/A</b>

# General Fund Expenditures Per Student (ADM Served)

ISD No. 424	2020	2021	2022	2023	2024
General Fund	\$ 11,758	\$ 10,047	\$ 11,804	\$ 12,417	\$ 13,549
General and special revenue	12,837	10,963	12,934	13,530	14,755
<b>State Averages**</b>					
General Fund	\$ 13,313	\$ 14,167	\$ 15,010	\$ 15,730	N/A
General and special revenue	14,489	15,267	16,322	17,147	N/A

# General Fund – Budget and Actual

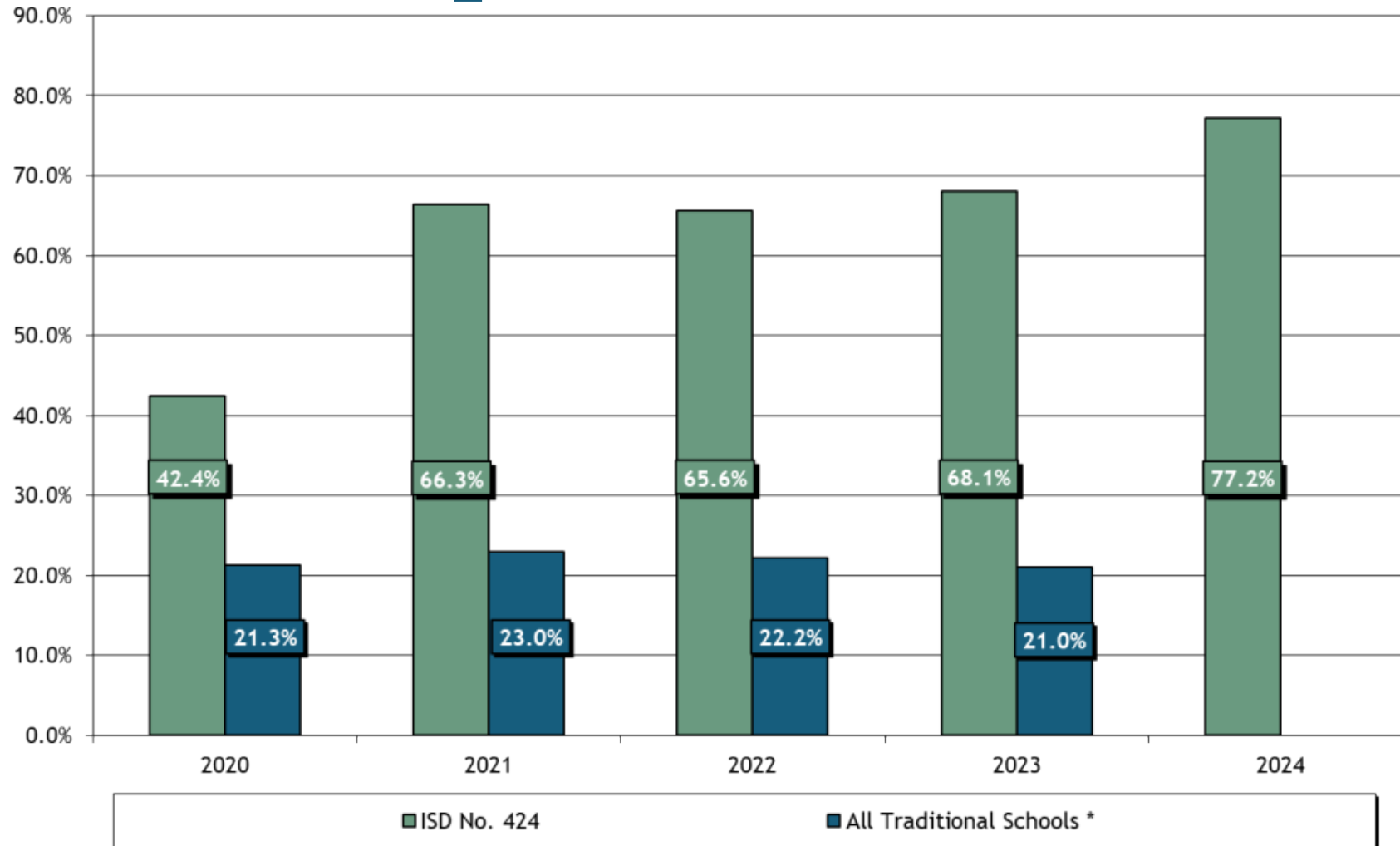
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Local property taxes	\$ 905,098	\$ 912,431	\$ 938,595	\$ 26,164
Other local and county revenues	239,500	248,660	587,151	338,491
Revenue from state sources	4,241,713	4,353,421	5,030,058	676,637
Revenue from federal sources	452,864	401,728	350,075	(51,653)
Sales and other conversion of assets	10,750	12,400	7,399	(5,001)
Total revenues	<u>5,849,925</u>	<u>5,928,640</u>	<u>6,913,278</u>	<u>984,638</u>
<b>Expenditures</b>				
Administration	379,254	384,098	403,066	18,968
District support services	454,188	431,414	432,060	646
Elementary and secondary regular instruction	2,676,591	2,783,545	3,080,320	296,775
Vocational education instruction	17,782	15,031	65,557	50,526
Special education instruction	776,347	717,889	611,346	(106,543)
Instructional support services	244,983	213,870	239,151	25,281
Pupil support services	471,823	486,501	505,231	18,730
Sites and buildings	954,075	777,756	787,798	10,042
Debt service	-	7,473	16,884	9,411
Total expenditures	<u>5,975,043</u>	<u>5,817,577</u>	<u>6,141,413</u>	<u>323,836</u>
Excess of revenues over (under) budget	(125,118)	111,063	771,865	660,802
<b>Other Financing Sources</b>				
Insurance proceeds	-	29,260	-	(29,260)
Net change in fund balances	\$ (125,118)	\$ 140,323	\$ 771,865	\$ 631,542

# General Fund – Revenues Per ADM Served

For the Year Ended June 30,	2020	2021	2022	2023	2024
Revenues	\$ 5,852,353	\$ 6,002,265	\$ 6,231,412	\$ 6,515,839	\$ 6,913,278
Expenditures	5,635,952	4,895,914	5,712,927	6,038,800	6,141,413
Excess of revenues over expenditures	216,401	1,106,351	518,485	477,039	771,865
Plus other sources	-	-	-	29,260	-
Fund balance, July 1	2,043,309	2,259,710	3,366,061	3,884,546	4,390,845
<b>Fund Balance, June 30</b>	<b>\$ 2,259,710</b>	<b>\$ 3,366,061</b>	<b>\$ 3,884,546</b>	<b>\$ 4,390,845</b>	<b>\$ 5,162,710</b>

Components of Fund Balance	2020	2021	2022	2023	2024
Nonspendable	\$ 28,522	\$ 15,781	\$ 17,292	\$ 19,876	\$ 19,876
Restricted/reserved for					
Staff development	88,148	61,128	43,027	12,294	-
Learning and Development	9,829	18,216	27,016	36,563	78,243
Gifted and Talented	-	1,714	5,473	9,491	14,554
Student activities	40,058	39,169	52,521	71,569	60,815
Operating capital	69,759	79,243	48,944	-	3,162
Long term facilities maintenance	-	117,508	250,005	408,355	516,280
Medical assistance	22,264	26,864	42,960	32,536	30,871
Basic skills	1,590	10,259	1,565	35,135	118,307
Safe school crime	69,958	86,420	57,435	70,079	69,967
Lion's Club Donation	-	-	-	18,000	18,000
EIDL Loans	-	-	475	-	-
Literacy aid	-	-	-	-	15,242
Disabled accessibility	-	-	-	-	(700)
English learner	-	-	-	-	684
School library aid	-	-	-	-	27,524
Student support personnel	-	-	-	-	18,786
Committed	378,458	405,727	432,755	459,706	501,080
Assigned	-	-	-	-	400,000
Unassigned	1,551,124	2,504,032	2,905,078	3,217,241	3,270,019
<b>Fund Balance, June 30</b>	<b>\$ 2,259,710</b>	<b>\$ 3,366,061</b>	<b>\$ 3,884,546</b>	<b>\$ 4,390,845</b>	<b>\$ 5,162,710</b>

# Unrestricted Fund Balance as a Percent of Unrestricted Expenditures



# Food Service Fund

For the Year Ended June 30,	2020	2021	2022	2023	2024
Revenues	\$ 207,492	\$ 213,158	\$ 393,811	\$ 318,762	\$ 411,843
Expenditures	237,614	201,331	293,317	321,030	344,395
Excess of revenues over (under) expenditures	(30,122)	11,827	100,494	(2,268)	67,448
Fund balance, July 1	105,631	75,509	87,336	187,830	185,562
<b>Fund Balance, June 30</b>	<b>\$ 75,509</b>	<b>\$ 87,336</b>	<b>\$ 187,830</b>	<b>\$ 185,562</b>	<b>\$ 253,010</b>

# Community Service Fund

For the Year Ended June 30,	2020	2021	2022	2023	2024
Revenues and transfers in	\$ 202,632	\$ 219,220	\$ 258,960	\$ 210,625	\$ 192,407
Expenditures	249,135	242,867	252,065	218,575	201,852
Excess of revenues over (under) expenditures	(46,503)	(23,647)	6,895	(7,950)	(9,445)
Fund balance, July 1	24,183	(22,320)	(45,967)	(39,072)	(47,022)
<b>Fund Balance, June 30</b>	<b>\$ (22,320)</b>	<b>\$ (45,967)</b>	<b>\$ (39,072)</b>	<b>\$ (47,022)</b>	<b>\$ (56,467)</b>

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# Auditor

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# Caroline Stutsman

AUDIT SHAREHOLDER

320-650-0228

CAROLINE.STUTSMAN@CREATIVEPLANNING.COM

**Thank You**

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This commentary is provided for general information purposes only, should not be construed as investment, tax or legal advice, and does not constitute an attorney/client relationship. Past performance of any market results is no assurance of future performance. The information contained herein has been obtained from sources deemed reliable but is not guaranteed.

LESTER PRAIRIE PUBLIC SCHOOL  
SCHOOL DISTRICT 424  
131 North Hickory Street  
Lester Prairie, MN 55354-0158  
(320)395-2521 FAX (320)395-4204

**EXTRA CURRICULAR CONTRACT**  
**LESTER PRAIRIE ISD #424**  
**2024-2025**

DATE: 11/7/24

The School Board of Independent School District No. 424 of the State of Minnesota, Lester Prairie, Minnesota, at a meeting on the \_\_\_\_ day of \_\_\_\_\_, 2024, enters into this agreement with **Ashley Heckson** for the following extra curricular assignment:

One Act Play BA-0 (3% @ \$40,941.00)

For this assignment you will be paid a total of \$1,228.00. **\*In those years when negotiations have not been completed, salary amounts will be adjusted to reflect changes governed by the Master Agreement, if any.**

This amount will be paid as follows: To be paid at the end of the play after all student fees have been collected and the Activities payroll form has been signed and turned in to payroll by the Activities Director.

I hereby accept the assignment as indicated:

  
\_\_\_\_\_  
Coach's Signature

11-7-2024  
\_\_\_\_\_  
Date

**AFTER VERIFYING THAT YOUR PLACEMENT, PERCENTAGE, AND SALARY ARE CORRECT, THIS FORM IS TO BE RETURNED TO THE SUPERINTENDENT WITHIN TEN (10) DAYS OF RECEIPT.**

In Witness thereof, on behalf of the school district, we have subscribed our signatures this \_\_\_\_\_ day of \_\_\_\_\_, 2024. Ind. District No. 424

\_\_\_\_\_  
Chairperson's Signature

\_\_\_\_\_  
Clerk's Signature

WHITE - School Board's Copy  
GREEN - Teacher's Copy (to be returned after school board approval)

LESTER PRAIRIE PUBLIC SCHOOL  
SCHOOL DISTRICT 424  
131 North Hickory Street  
Lester Prairie, MN 55354-0158  
(320)395-2521 FAX (320)395-4204

**EXTRA CURRICULAR CONTRACT**  
**LESTER PRAIRIE ISD #424**  
**2024-2025**

DATE: 11/7/24


The School Board of Independent School District No. 424 of the State of Minnesota, Lester Prairie, Minnesota, at a meeting on the \_\_\_\_ day of \_\_\_\_\_, 2024, enters into this agreement with **Mike Lee** for the following extra curricular assignment:

Assistant Girls Basketball Coach – BA-11 (7% @ \$51,102.00)

For this assignment you will be paid a total of \$3,577.00. **\*In those years when negotiations have not been completed, salary amounts will be adjusted to reflect changes governed by the Master Agreement, if any.**

This amount will be paid as follows: To be paid at the end of the season after all equipment and student fees have been collected and the Activities payroll form has been signed and turned in to payroll by the Activities Director.

I hereby accept the assignment as indicated:

  
\_\_\_\_\_  
Coach's Signature

11/7/24  
\_\_\_\_\_  
Date

**AFTER VERIFYING THAT YOUR PLACEMENT, PERCENTAGE, AND SALARY ARE CORRECT, THIS FORM IS TO BE RETURNED TO THE SUPERINTENDENT WITHIN TEN (10) DAYS OF RECEIPT.**

In Witness thereof, on behalf of the school district, we have subscribed our signatures this \_\_\_\_\_ day of \_\_\_\_\_, 2024. Ind. District No. 424

\_\_\_\_\_  
Chairperson's Signature

\_\_\_\_\_  
Clerk's Signature

WHITE School Board's Copy  
GREEN Coach's Copy (to be returned after school board approval)

**TEACHER CONTRACT FOR MINNESOTA  
PUBLIC SCHOOL DISTRICTS**

The School Board of Independent School District No. 424 of the State of Minnesota, Lester Prairie, Minnesota, enters into this contract, pursuant to M.S. 125.12 as amended, with Mariah Lenz-Scherping, a legally qualified and licensed teacher who agrees to teach in the public school of said district as (.69) 7- 12 Social Worker & JH REACH with assigned duties for the remainder of the 2024/2025 school year 2024 to 2025 starting December 2<sup>nd</sup>, 2024

**The following provisions shall apply and are a part of this contract:**

1. **Basic Services:** Said teacher shall faithfully perform the services prescribed by the school board or its designated representative, whether or not such services are specifically described in this contract, abide by the rules and regulations as established by the school board and State Board of Education, and any additions or amendments thereto, for the annual salary indicated below, and agrees to teach for the school district as assigned in such grades or subjects for which the teacher has the necessary license.
2. **Duration:** This contract is subject to the provisions of M.S. 125.12 as amended and to all laws, rules and regulations of the State of Minnesota relevant to qualification, licensure, employment, termination and discharge for cause of teachers. Thereafter this contract shall remain in full force and effect except if modified by mutual consent of the school board and the teacher or unless terminated as provided by law, or by written resignation pursuant to M.S. 125.12.
3. **Duty Year:** The teacher's duty year and vacation days shall be as adopted by the school board, and the teacher agrees to teach on those legal holidays on which the school board is authorized to conduct school if the school board so determines. In the event a duty day is lost due to any emergency, the teacher agrees to perform duties on such other day in lieu thereof as determined by the school board.
4. **Additional Services;** The school board, or its designated representative, may assign the teacher to extracurricular, co-curricular, or other assignments, subject to established compensation for such services which exceed the services authorized in paragraph one. Said extracurricular, co-curricular or other assignments may be described in paragraph six of this contract or by letter of assignment, together with a recitation of the compensation, if any, to be paid for said assignment. The school board, or its designated representative, may make any additions or amendments during the duty year as shall be necessary. Said extracurricular, co-curricular, or other assignments and compensation, if any, for such assignment shall not become a part of the teacher's Continuing Contract rights unless the words "continuing contract" are recorded immediately following the assignment.
5. **Reference:** This contract shall be subject to the agreement between the school district and the exclusive representative if any, and the provisions of the Public Employment Labor Relations Act as amended.
6. **Special Provisions:** Must maintain a current Minnesota license.

In addition, said teacher agrees to perform the following additional services for the additional salary indicated.

Additional Service	Additional Compensation
1. _____	\$ _____
2. _____	\$ _____
3. _____	\$ _____

7. In consideration thereof, the school board agrees to pay said teacher the following annual salary:

\$ <u>19,214</u>	For Basic Services (BA Level -0)
\$ _____	For additional services as set forth in paragraph six.
\$ <u>19,214</u>	Total salary, exclusive of fringe benefits.

Such salary shall be paid as authorized and in such installments during the term of the year as may be determined by appropriate school board regulation. This contract shall be effective only after it has been authorized by the school board in appropriate action, recorded in its minutes, and executed by the parties. In those years when negotiations have not been completed, salary amounts will be adjusted to reflect changes governed by the Master Agreement, if any.

**AFTER VERIFYING THAT YOUR LANE, STEP AND SALARY ARE CORRECT, THIS FORM IS TO BE RETURNED TO THE SUPERINTENDENT WITHIN TEN (10) DAYS OF RECEIPT.**

IN WITNESS THEREOF I have subscribed my signature this 8 day of November, 2024.

Mariah Lenz-Scherping  
Teacher

IN WITNESS THEREOF we have subscribed our signatures this 12 day of November, 2024.  
INDEPENDENT SCHOOL DISTRICT NO. 424

\_\_\_\_\_  
Chairman

Megare Sue Knoll  
Clerk