Financial Statements
June 30, 2024

Independent School District No. 22
Detroit Lakes Public Schools

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Additional Reports

Name	Position	Term Expires
School Board		
John Steffl	Chairperson	2024
Amy Erickson	Vice Chairperson	2024
April Thomas	Clerk	2026
Mary Rotter	Treasurer	2026
Ethan Walz	Director	2024
Michelle Okeson	Director	2026
Administration		
Mark Jenson	Superintendent	
Jason Kuehn	Director of Finance and Operations	

Independent Auditor's Report

The School Board of
Independent School District No. 22
Detroit Lakes Public Schools
Detroit Lakes, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 22, Detroit Lakes Public Schools ("the District"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2024, and the respective changes in financial position, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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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, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; schedule of changes in the District's total OPEB liability and related ratios; schedule of employer's share of net pension liability; and schedule of employer's contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of changes in UFARS fund balances - general fund; combining balance sheet - nonmajor governmental funds; combining schedule of revenues, expenditures and changes in fund balance - nonmajor governmental funds; uniform financial accounting and reporting standards compliance table; and schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of changes in UFARS fund balances - general fund; combining balance sheet - nonmajor governmental funds; combining schedule of revenues, expenditures and changes in fund balance - nonmajor governmental funds; uniform financial accounting and reporting standards compliance table; and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the school board and administration listing but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated November 20, 2024, on our consideration of the District's compliance with aspects of the provisions of the Minnesota Legal Compliance Audit Guide for School Districts. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with Office of the State Auditor's Minnesota Legal Compliance Audit Guide for School Districts in considering the District's compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.

Eide Bailly LLP

Fargo, North Dakota
November 20, 2024

This section of Detroit Lakes Public Schools – Independent School District No. 22'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.

Financial Highlights

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

- *General Fund 01* – The overall revenues were $44,332,594 while the overall expenditures were $43,363,449. These, along with net other financing sources of $393,728, increased the fund balance by $1,362,873.
- *Food Service Fund 02* – The overall revenues were $2,499,126 while the overall expenditures were $2,326,086. These, increased the fund balance by $173,040.
- *Community Service Fund 04* – The overall revenues were $1,378,730 while the overall expenditures were $1,384,274. These decreased the fund balance by $5,544.
- *Debt Service Fund 07* – The overall revenues were $4,757,274 while the overall expenditures were $4,608,931. These increased the fund balance by $148,343.

Overview of the Financial Statements

Government-Wide Statements

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

The two government-wide statements report the District's net position and how they have changed. Net position - the difference between the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources - 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 government-wide financial statement the District's activities are shown in one category:

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

Fund Financial Statements

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

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

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

The District has two kinds of funds:

- *Governmental Funds* – All 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 at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information following the governmental funds statements that explains the relationship (or differences) between them.

- *Fiduciary Funds* – The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only by those to whom the assets belong.

Financial Analysis of the District as a Whole

Net Position

The District's combined net position was $14,737,397 on June 30, 2024.

Statement of Net Position
June 30, 2024 and 2023

	2024	2023
Assets		
Current assets	$ 27,089,681	$ 24,709,725
Capital assets	79,382,260	80,814,560
Total assets	106,471,941	105,524,285
Deferred Outflows of Resources	7,103,512	8,959,316
Liabilities		
Other liabilities	2,371,935	2,209,879
Long-term liabilities	84,089,206	87,913,967
Total liabilities	86,461,141	90,123,846
Deferred Inflows of Resources	12,376,915	15,550,471
Net Position		
Net investment in capital assets	26,292,405	24,617,518
Restricted for specific purposes	4,890,512	4,724,671
Unrestricted	(16,445,520)	(20,532,905)
Total net position	$ 14,737,397	$ 8,809,284

Changes in Net Position – The District's total revenues were approximately $53.0 million for the year ended June 30, 2024. Property taxes and state formula aid accounted for 92.4% of total revenue for the year. Another 5.4% came from program revenues.

The total cost of all programs and services was approximately $47.1 million. The District's expenses are predominantly related to educating and caring for students. The purely administrative activities of the District accounted for just 4.9% of total costs.

The total revenues exceeded expenses, increasing the net position by approximately $5.9 million for fiscal year 2024.

Statement of Activities
Years Ended June 30, 2024 and 2023

	2024	2023
Revenues		
Program revenues		
Charges for service	$ 2,024,374	$ 2,144,603
Operating grants and contributions	826,761	1,992,625
General		
Property taxes	9,036,518	8,732,522
Aids and payments from state and other	39,900,899	34,130,798
Miscellaneous revenues	1,191,027	1,434,049
Total revenues	52,979,579	48,434,597
Expenses		
Administration	2,328,672	1,798,181
District support services	1,504,016	1,587,000
Regular instruction	14,657,167	10,696,593
Vocational instruction	1,180,607	1,022,459
Special education instruction	8,177,309	7,874,809
Community education and services	1,384,272	1,366,685
Instructional support services	2,707,825	3,090,535
Pupil support services	7,415,732	6,878,937
Sites and buildings	5,802,261	5,694,923
Fiscal and other fixed-cost programs	1,893,605	1,946,594
Total expenses	47,051,466	41,956,716
Change in Net Position	5,928,113	6,477,881
Net Position - Beginning	8,809,284	2,331,403
Net Position - Ending	$ 14,737,397	$ 8,809,284

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.

	Year Ended June 30,		Amount of Increase	Percent Increase
	2024	2023	(Decrease)	(Decrease)
Local Property Taxes	$ 4,246,712	$ 4,699,001	$ (452,289)	-9.6%
Other Local Sources	2,197,686	2,131,872	65,814	3.1%
State Sources	34,417,226	30,422,036	3,995,190	13.1%
Federal Sources	3,404,540	3,692,716	(288,176)	-7.8%
Miscellaneous	66,430	57,072	9,358	16.4%
Total general fund revenues	$ 44,332,594	$ 41,002,697	$ 3,329,897	8.1%

Total General Fund revenue increased by $3,329,897 or 8.1% 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. Federal sources remained similar to previous years as a result of spending and reimbursement of COVID-19 pandemic relief funding.

The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30,		Amount of Increase	Percent Increase
	2024	2023	(Decrease)	(Decrease)
Salaries and Benefits	$ 32,179,125	$ 31,213,725	$ 965,400	3.1%
Purchased Services	6,611,285	5,741,399	869,886	15.2%
Supplies and Materials	1,943,230	1,767,042	176,188	10.0%
Capital Expenditures	1,601,178	2,826,828	(1,225,650)	-43.4%
Other Expenditures	1,028,631	1,036,228	(7,597)	-0.7%
Total general fund expenditures	$ 43,363,449	$ 42,585,222	$ 778,227	1.8%

Total General Fund expenditures increased by $778,227 or 1.8% from the previous year. The majority of the increase related to salaries and benefits for negotiated wage and benefit increases. The District saw an increase in purchased services due to increased transportation and maintenance costs in 2024. The District also had a decrease in capital expenditures as the District had less building and technology infrastructure upgrades in 2024.

General Fund Budgetary Highlights

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

- Actual revenues were $1,548,516 more than budget, primarily due to higher than expected enrollment thereby increasing state aids and also additional interest income from increased interest rates.
- Actual expenditures were $356,065 more than budget, primarily due to higher than expected capital outlay expenditures.

Other Non-Major Funds

The Food Service Fund incurred a current year surplus of $173,040. The Community Service Fund incurred a current year deficit of $5,544. From the standpoint of maintaining current operating expenditures within the range of annual revenue, the Community Service Fund and Food Service Fund continue to operate on a sound financial basis.

Capital Assets

By the end of fiscal year 2024, the District had invested approximately $108.0 million in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and school vehicles. Total depreciation/amortization expense for the year was $3,050,633. Note 5 presents the detail of the District's capital assets.

Capital Assets Governmental Activities
June 30, 2024 and 2023

	2024	2023
Land	$ 720,909	$ 720,909
Construction in Progress	406,983	102,542
Buildings	94,365,978	94,083,506
Improvements	4,701,697	4,701,697
Equipment	5,647,627	5,104,931
Right-to-Use Lease Assets	2,159,492	2,018,853
Accumulated Depreciation/Amortization	(28,620,426)	(25,917,878)
Total capital assets	$ 79,382,260	$ 80,814,560

Long-Term Liabilities

At year end the District had $53,214,267 of long term debt, excluding pension and OPEB liabilities. This consisted of bonded indebtedness of $48,775,000, unamortized bond premiums of $2,419,669, direct borrowing payable of $549,509, leases payable of $1,345,677, and compensated absences of $124,412. Note 7 presents the detail of the District's long-term debt. Note 6 presents the details of the District's leases. The District has $1,506,448 in liabilities for other postemployment benefits. See Note 8 for further information on OPEB obligations. The District has $29,368,491 in net pension liability at June 30, 2024. See Note 9 for further information on pensions.

Factors Bearing on the District's Future

With the exception of voter-approved excess operating referendum, the District is dependent on the State of Minnesota for its revenue authority. The state did allocate additional resources to school districts at a much greater level in the next two years than has been seen for quite some time. However, with the continuing uncertainty of funding sustainability, the District will continue to monitor its spending to remain fiscally responsible.

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 Business Office, Independent School District No. 22, Detroit Lakes, Minnesota.

Statement of Net Position
June 30, 2024

Assets	
Cash and investments	$ 18,226,357
Receivables	
Current property taxes	4,578,213
Delinquent property taxes	50,019
Accounts	107,047
Due from other governmental units	4,022,881
Prepaid items	8,475
Inventories	96,689
	27,089,681
Capital assets	
Capital assets not being depreciated	
Land	720,909
Construction in progress	406,983
Capital assets, net of accumulated depreciation/amortization	
Buildings and improvements	71,750,575
Land improvements	2,727,517
Equipment	2,492,447
Right-to-use lease assets	1,283,829
Total capital assets	79,382,260
Total assets	106,471,941
Deferred Outflows of Resources	
Other postemployment benefits	362,805
Pension plans	6,740,707
Total deferred inflows of resources	7,103,512
Liabilities	
Accounts payable	546,774
Due to other governmental units	62,444
Salaries payable	1,006,207
Accrued interest payable	749,909
Construction contracts payable	6,601
Long-term liabilities	
Due within one year - other than pensions and OPEB	3,826,980
Due in more than one year - other than pensions and OPEB	49,387,287
Due in more than one year - other postemployment benefits	1,506,448
Due in more than one year - net pension liability	29,368,491
Total liabilities	86,461,141
Deferred Inflows of Resources	
Property taxes levied for subsequent year	9,216,792
Other postemployment benefits	492,233
Pension plans	2,667,890
Total deferred inflows of resources	12,376,915
Net Position	
Net investment in capital assets	26,292,405
Restricted for specific purposes	4,890,512
Unrestricted	(16,445,520)
Total net position	$ 14,737,397

Statement of Activities
Year Ended June 30, 2024

		Program Revenues			Net (Expense)
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities					
Administration	$ 2,328,672	$ -	$ -	$ -	$ (2,328,672)
District support services	1,504,016	5,498	-	-	(1,498,518)
Regular instruction	14,657,167	797,906	-	-	(13,859,261)
Vocational instruction	1,180,607	28,331	-	-	(1,152,276)
Special education instruction	8,177,309	221,443	-	-	(7,955,866)
Community education and services	1,384,272	542,657	605,003	-	(236,612)
Instructional support services	2,707,825	-	-	-	(2,707,825)
Pupil support services	7,415,732	428,539	133,758	-	(6,853,435)
Sites and buildings	5,802,261	-	88,000	-	(5,714,261)
Fiscal and other fixed-cost programs	1,893,605	-	-	-	(1,893,605)
Total governmental activities	$ 47,051,466	$ 2,024,374	$ 826,761	$ -	(44,200,331)
General Revenues					
Property taxes, levied for general purposes					4,239,934
Property taxes, levied for community education and services					230,127
Property taxes, levied for debt service					4,566,457
Aids and payments from state sources					35,279,080
Aids and payments from federal sources					4,535,575
County apportionment					86,244
Unrestricted investment earnings					724,314
Proceeds on disposal of property and equipment					18,633
Miscellaneous revenues					448,080
Total general revenues					50,128,444
Change in Net Position					5,928,113
Net Position - Beginning					8,809,284
Net Position - Ending					$ 14,737,397

Governmental Funds
Balance Sheet
June 30, 2024

	General	Debt Service	Other Governmental Funds	Totals
Assets				
Cash and investments	$ 13,174,224	$ 3,269,693	$ 1,782,440	$ 18,226,357
Receivables				
Current property taxes	2,181,569	2,285,317	111,327	4,578,213
Delinquent property taxes	22,601	26,141	1,277	50,019
Accounts	80,904	-	26,143	107,047
Due from other governmental units	3,897,292	19,082	106,507	4,022,881
Prepaid items	8,475	-	-	8,475
Inventories	29,920	-	66,769	96,689
Total assets	$ 19,394,985	$ 5,600,233	$ 2,094,463	$ 27,089,681
Liabilities				
Accounts payable	$ 499,601	$ -	$ 47,173	$ 546,774
Due to other governmental units	62,444	-	-	62,444
Salaries payable	969,705	-	36,502	1,006,207
Construction contracts payable	6,601	-	-	6,601
Total liabilities	1,538,351	-	83,675	1,622,026
Deferred Inflows of Resources				
Unavailable revenue-property taxes	22,601	26,141	1,277	50,019
Property taxes levied for subsequent year	4,243,525	4,730,596	242,671	9,216,792
Total deferred inflows of resources	4,266,126	4,756,737	243,948	9,266,811
Fund Balance				
Nonspendable	38,395	-	66,769	105,164
Restricted	3,069,436	843,496	1,700,071	5,613,003
Committed	2,619,414	-	-	2,619,414
Assigned	1,552,640	-	-	1,552,640
Unassigned	6,310,623	-	-	6,310,623
Total fund balance	13,590,508	843,496	1,766,840	16,200,844
Total liabilities, deferred inflows of resources, and fund balance	$ 19,394,985	$ 5,600,233	$ 2,094,463	$ 27,089,681

Reconciliation of the Balance Sheet to the Statement of Net Position
June 30, 2024

Total Fund Balances - Governmental Funds	$ 16,200,844
Amounts Reported for Governmental Activities in The Statement of Net Position is Different Because:	
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported as assets in the governmental funds.	79,382,260
Accrued interest payable for long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(749,909)
Delinquent property taxes are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	50,019
Deferred outflows and inflows of resources related to pension and OPEB plans are applicable to future periods and, therefore, are not reported in the funds.	3,943,389
Long-term liabilities, including bonds payable, leases, direct borrowing payable, bond premiums, compensated absences, other post-employment benefits, and pension liabilities are not due and payable in the current period and, therefore are not reported in the funds.	(84,089,206)
Total Net Position - Governmental Activities	$ 14,737,397

	General	Debt Service	Other Governmental Funds	Totals
Revenues				
Local property tax levies	$ 4,246,712	$ 4,566,457	$ 230,127	$ 9,043,296
Other local and county sources	1,473,372	-	866,815	2,340,187
Investment earnings	724,314	-	-	724,314
State sources	34,417,226	190,817	1,352,927	35,960,970
Federal sources	3,404,540	-	1,275,906	4,680,446
Sales and other conversion of assets	66,430	-	152,081	218,511
Total revenues	44,332,594	4,757,274	3,877,856	52,967,724
Expenditures				
Current				
Administration	1,833,017	-	-	1,833,017
District support services	1,538,170	-	-	1,538,170
Regular instruction	16,990,384	-	-	16,990,384
Vocational instruction	1,180,607	-	-	1,180,607
Special education instruction	8,027,711	-	-	8,027,711
Community education and service	-	-	1,375,456	1,375,456
Instructional support services	2,431,708	-	-	2,431,708
Pupil support services	4,986,673	-	2,227,711	7,214,384
Sites and buildings	3,878,624	-	-	3,878,624
Fiscal and other fixed cost programs	204,535	5,723	-	210,258
Debt service				
Principal	632,610	2,660,000	-	3,292,610
Interest	58,232	1,943,208	-	2,001,440
Capital outlay	1,601,178	-	107,193	1,708,371
Total expenditures	43,363,449	4,608,931	3,710,360	51,682,740
Excess of Revenues Over Expenditures	969,145	148,343	167,496	1,284,984
Other Financing Sources				
Sale of property	18,633	-	-	18,633
Leases (as lessee)	375,095	-	-	375,095
Total other financing sources	393,728	-	-	393,728
Net Change in Fund Balance	1,362,873	148,343	167,496	1,678,712
Fund Balance, Beginning of Year	12,227,635	695,153	1,599,344	14,522,132
Fund Balance, End of Year	$ 13,590,508	$ 843,496	$ 1,766,840	$ 16,200,844

Net Change in Fund Balances - Total Governmental Funds	$ 1,678,712
Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because:	
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation/amortization expense.	
Capital outlay	1,618,333
Depreciation/amortization expense	(3,050,633)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(6,778)
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	13,005
In the statement of activities, OPEB liabilities are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	41,303
In the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as an expense.	2,456,795
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	3,177,376
Change in Net Position of Governmental Activities	$ 5,928,113

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – General Fund
Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Local property tax levies	$ 3,946,848	$ 4,076,632	$ 4,246,712	$ 170,080
Other local and county sources	1,029,544	1,101,044	1,473,372	372,328
Investment earnings	175,000	525,000	724,314	199,314
State sources	33,464,679	33,689,328	34,417,226	727,898
Federal sources	3,323,859	3,351,974	3,404,540	52,566
Sales and other conversion of assets	30,100	40,100	66,430	26,330
Total revenues	41,970,030	42,784,078	44,332,594	1,548,516
Expenditures				
Current				
Administration	1,956,756	1,921,526	1,833,017	88,509
District support services	1,656,057	1,576,842	1,538,170	38,672
Regular instruction	17,370,887	17,276,599	16,990,384	286,215
Vocational instruction	1,106,905	1,226,062	1,180,607	45,455
Special education instruction	8,161,390	7,963,556	8,027,711	(64,155)
Instructional support services	2,298,269	2,594,783	2,431,708	163,075
Pupil support services	4,647,123	4,713,002	4,986,673	(273,671)
Sites and buildings	3,279,070	4,011,934	3,878,624	133,310
Fiscal and other fixed cost programs	203,000	203,000	204,535	(1,535)
Debt Service				
Principal	275,000	275,000	632,610	(357,610)
Interest	-	-	58,232	(58,232)
Capital outlay	1,325,900	1,245,080	1,601,178	(356,098)
Total expenditures	42,280,357	43,007,384	43,363,449	(356,065)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(310,327)	(223,306)	969,145	1,192,451
Other Financing Sources				
Sale of property	-	10,000	18,633	8,633
Leases (as lessee)	-	-	375,095	375,095
Total Other Financing Sources	-	10,000	393,728	383,728
Net Change in Fund Balance	$ (310,327)	$ (213,306)	1,362,873	$ 1,576,179
Fund Balance, Beginning of Year			12,227,635	
Fund Balance, End of Year			$ 13,590,508	

Statement of Fiduciary Net Position
June 30, 2024

	Custodial Funds
Assets	
Cash and cash equivalents	$ 15,057
Liabilities	
Accounts payable	1,087
Net Position	
Unrestricted	13,970
Total liabilities and net position	$ 15,057

	Custodial Funds
Additions	$ 13,205
Deductions	12,421
Net Change in Net Position	784
Net Position, Beginning of Year	13,186
Net Position, End of Year	$ 13,970

Note 1 - Summary of Significant Accounting Policies

A. Organization

Independent School District No. 22, Detroit Lakes Public Schools, Detroit Lakes, Minnesota ("the District") was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District, along with any component units.

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial burden or benefit with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the District.

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary fund is reported in the Statement of Fiduciary Net Position at the fund financial statement level. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

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 internally directed revenues are reported as general revenues.

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 the related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

The fiduciary fund is presented in the fiduciary fund financial statement. The District has one type of fiduciary fund, the custodial fund. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, this fund is excluded from the government-wide statements.

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:

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. For this purpose, the District generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to Minnesota Statutes. Federal revenue is recorded in the year in which the related expenditure is made. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Recording of Expenditures – Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, severance, postemployment benefits, and pensions, are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the District the right to use leased assets, are reported as expenditures in the governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

The fiduciary fund financial statement is reported using the economic resources measurement focus and the accrual basis of accounting as described earlier in these notes.

Description of Funds

The existence of the various district funds has been established by the Minnesota Department of Education. Each fund is accounted for as an independent entity. Descriptions of the funds included in this report are as follows:

Major Governmental Funds

General Fund – The general fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities, equipment purchases, and health and safety projects. The District's Student Activity Funds are under board control and are reported in the general fund.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for, and payment of, general obligation bond principal, interest, and related costs.

Nonmajor Governmental Funds

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

Community Service Fund – The community service fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs, extended day programs, or other similar services.

Fiduciary Fund

Custodial Fund – The custodial fund is a fiduciary fund used to administer resources received and held by the District as trustee for others. The custodial fund is used for District events in which the District has no administrative involvement.

E. Other Significant Accounting Policies

Budgeting

An operating budget is adopted by July 1 of each fiscal year for all governmental funds on the same modified accrual basis used to reflect actual revenues and expenditures. The superintendent is authorized to transfer budget amounts within line items; however, supplemental appropriations that amend total appropriations of any fund require a board resolution. Reported budgeted amounts are as originally adopted or as amended by board resolution. Unencumbered appropriations lapse at year-end.

Cash and Investments

Cash balances for all district funds are pooled and invested to the extent available in various investment instruments as authorized by state statutes. Earnings from such investments are allocated to each of the funds based on the fund's average monthly cash and cash equivalents balance. Funds that incur a deficit balance in pooled cash and cash equivalents during the year are charged interest.

Deposits and investments include money market accounts, deposits, certificates of deposit and monies deposited with the Minnesota School District Liquid Asset Fund (MSDLAF), and are stated at fair value. Fair value is the price that would be received to sell the investment in an orderly transaction at year end.

The District has an approved investment policy in place to ensure compliance with state laws relating to investments, and to guarantee that investments meet certain primary criteria.

Receivables

Amounts are shown net of any allowance for uncollectibles. No allowances for uncollectibles have been recorded. The only receivables not expected to be fully collected within one year are property taxes receivable.

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

Inventories

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

Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. The remaining portion of the taxes collectible in 2024 is recorded as deferred inflows of resources (property taxes levied for subsequent year).

Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county general remits taxes to the District at periodic intervals as they are collected. A portion of the property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

Current property taxes receivable is the uncollected portion of the taxes levied in 2023 and collectible in 2024. This levy is offset with a deferred inflow of resources for property taxes levied for a subsequent year. Delinquent taxes receivable includes the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year-end in the fund financial statements.

Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historic cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would have been paid to acquire an asset with equivalent service potential on the date of the donation. The District maintains a threshold level of $10,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 3 to 50 years. Land and construction in progress are not depreciated.

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

Right to use leased assets are recognized at the lease commencement date and represent the District's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any indirect costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 2 to 15 years.

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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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

Lease liabilities represent the District's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the District.

Accrued Compensated Absences

Vacation – The District compensates substantially all full-time employees upon termination of employment for unused vacation up to a maximum. As of June 30, 2024, this amount did not exceed a normal year's accumulation. In the fund financial statements, the expenditure for vacation pay is recognized when payment is made, and a liability is recorded only for amounts payable in the current period. In the district-wide statements, vacation expense is recognized as earned and a liability is recorded for all earned vacation pay.

Sick Leave – Substantially all employees are entitled to sick leave. Noncertified employees are not compensated for unused sick leave upon a qualified termination of employment. Certified employees are compensated for unused sick leave upon termination of employment, in conjunction with severance pay. Sick leave pay is shown as an expenditure in the year paid in the governmental funds.

The liability for such vacation or sick leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

Postemployment Benefits Other Than Pensions (OPEB)

Under the provisions of the various employee and union contracts, the District provides certain postemployment benefits other than pensions to eligible retirees. These OPEB obligations are funded on a pay-as-you-go basis. The total OPEB liability, deferred outflows/inflows of resources, and OPEB expense were actuarially determined in accordance with GASB Statement No. 75. Additional information can be found in Note 8.

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. This direct aid is a result 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. Additional information can be found in Note 9.

Deferred Outflows 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, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then.

The District has two items that qualify for reporting in this category on the government-wide statement of net position. Deferred outflows of resources related to other postemployment benefits consists of various estimate differences and contributions made to the plan subsequent to the measurement date that will be recognized as expenditures in future years. Deferred outflows of resources related to pension plans consists of various estimate differences and contributions made to the plan subsequent to the measurement date that will be recognized as expenses in future years.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position 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 three types of items that qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide statement of net position and the governmental funds balance sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. The third item is deferred inflows related to pension and OPEB plans as a result of various estimate differences that will be recognized as expenses in future years, reported in the government-wide statement of net position.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." The District's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

- Nonspendable fund balance 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. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.

- Restricted fund balance amounts 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 balance amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the school board and that remain binding unless removed by the school board by subsequent formal action. The formal action to commit a fund balance must occur prior to fiscal year end; however, the specific amounts actually committed can be determined in the subsequent fiscal year. A majority vote of the school board is required to commit a fund balance to a specific purpose and subsequently to remove or change any constraint so adopted by the board. A committed fund balance cannot be a negative number.

- Assigned fund balance amounts are comprised of unrestricted funds constrained by the school district's intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. In funds other than the general fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the school district's intended use of those resources. The action to assign a fund balance may be taken after the end of the fiscal year. The school board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. An appropriation of an existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance. The board also delegates the power to assign fund balances to the following: the Finance Committee. Assignments so made shall be reported to the school board on a monthly basis, either separately or as part of ongoing reporting by the assigning party if other than the school board. An assigned fund balance cannot be a negative number.

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

If resources from more than one fund balance classification could be spent, the school district will strive to spend resources from fund balance classifications in the following order (first to last): unassigned, assigned, committed, restricted. The School District will strive to maintain an Unassigned General Fund Balance in the range of 15% to 25% of the annual Statutory Operating Debt (SOD) expenditures calculated by Minnesota Department of Education.

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 workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2024.

Estimates

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

Note 2 - Stewardship, Compliance, and Accountability

Expenditures in Excess of Appropriations

Budget control for the fund is established by its total appropriations. The General Fund had expenditures exceeding appropriations in the amount of $356,065 for the year ended June 30, 2024. These over expenditures were funded by greater than anticipated revenues and existing fund balance.

Note 3 - Deposits and Investments

Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the District's School Board. All such depositories are members of the Federal Reserve System.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

At June 30, 2024, all deposits were insured or collateralized by securities held by the District's agent in the District's name.

Concentration of Credit Risk – The District maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per insured bank for each account ownership category. At June 30, 2024, the District had approximately $800,000 in excess of FDIC insured limits that were appropriately collateralized.

Investments

The following are considered the most significant risks associated with investments:

Credit Risk - Investments – Minnesota Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record.

Custodial Credit Risk - Investments – The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40.

Interest Rate Risk - Investments – 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.

The following table presents the District's investments held at fair value:

Type	Level 1	Level 2	Level 3
Government Securities	$ 5,528,741	$ -	$ -

The following table presents the District's deposit and investment balances at June 30, 2024:

Type	Fair Value	Investment Maturities (in Years) N/A	< 1	1 - 5
Cash and Cash Equivalents				
Minnesota School District Liquid Asset Fund	$ 8,602,244	$ 8,602,244	$ -	$ -
Deposits	1,666,781	1,666,781	-	-
Money market	29,356	29,356	-	-
Certificates of deposit	2,414,292	-	1,924,858	489,434
Investments				
Government securities	5,528,741	-	1,918,280	3,610,461
	$ 18,241,414	$ 10,298,381	$ 3,843,138	$ 4,099,895

The Minnesota School District Liquid Asset Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool's shares.

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

Cash and Cash Equivalents - Statement of Net Position	$ 18,226,357
Cash and Cash Equivalents - Fiduciary Fund	15,057
	$ 18,241,414

Note 4 - Due from Other Governmental Units

Amounts receivable from other governments as of June 30, 2024, include:

Fund	Federal	State	Total
Major Funds			
General	$ 233,143	$ 3,664,149	$ 3,897,292
Debt service	-	19,082	19,082
Non-major Funds	53,139	53,368	106,507
	$ 286,282	$ 3,736,599	$ 4,022,881

Note 5 - Capital Assets

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

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Capital Assets Not Being Depreciated/Amortized				
Land	$ 720,909	$ -	$ -	$ 720,909
Construction in progress	102,542	304,441	-	406,983
Total capital assets, not being depreciated/amortized	823,451	304,441	-	1,127,892
Capital Assets Being Depreciated/Amortized				
Buildings and improvements	94,083,506	282,472	-	94,365,978
Equipment	5,104,931	656,325	113,629	5,647,627
Land improvements	4,701,697	-	-	4,701,697
Right-to-use leased assets	2,018,853	375,095	234,456	2,159,492
Total capital assets being depreciated/amortized	105,908,987	1,313,892	348,085	106,874,794
Less Accumulated Depreciation/Amortization for				
Buildings and improvements	20,713,313	1,902,090	-	22,615,403
Equipment	2,707,674	561,135	113,629	3,155,180
Land improvements	1,763,371	210,809	-	1,974,180
Right-to-use leased assets	733,520	376,599	234,456	875,663
Total accumulated depreciation/amortization	25,917,878	3,050,633	348,085	28,620,426
Net capital assets, depreciated/amortized	79,991,109	(1,736,741)	-	78,254,368
Total capital assets, net	$ 80,814,560	$ (1,432,300)	$ -	$ 79,382,260

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

District support services	$ 2,895
Regular instruction	40,751
Instructional support services	17,047
Pupil support services	111,697
Sites and buildings	2,878,243
Total depreciation/amortization expense	$ 3,050,633

Note 6 - Leases Payable

The District has entered into lease agreements as lessee for the acquisition and use of various athletic facilities, classroom and kitchen space, and technology equipment. As of June 30, 2024, the value of the lease liabilities was $1,345,677. The District is required to make principal and interest payments through June 2036 with interest rates of 3.50%.

The future principal and interest lease payments as of June 30, 2024, are as follows:

Years Ending June 30,	Principal	Interest
2025	$ 338,141	$ 45,658
2026	200,824	34,671
2027	69,713	27,621
2028	72,174	25,159
2029	73,368	22,632
2030-2034	407,571	72,429
2035-2036	183,886	8,115
	$ 1,345,677	$ 236,285

Note 7 - Long-Term Liabilities

Changes in long-term liabilities during the year ended June 30, 2024 are as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Due Within One Year
Bonds payable	$ 51,435,000	$ -	$ 2,660,000	$ 48,775,000	$ 2,900,000
Unamortized bond premium	2,609,341	-	189,672	2,419,669	189,672
Direct borrowings	824,264	-	274,755	549,509	274,755
Leases	1,328,437	375,095	357,855	1,345,677	338,141
Compensated absences	137,417	167,469	180,474	124,412	124,412
	$ 56,334,459	$ 542,564	$ 3,662,756	$ 53,214,267	$ 3,826,980

Bonds Payable

Following is a summary of bonds payable as of June 30, 2024:

Bond Description	Final Maturity	Interest Rate	Original Principal	Outstanding Balance
General Obligation Abatement Bonds, Series 2018A	2033	3.00%	$ 4,725,000	$ 3,255,000
General Obligation School Building Bonds, Series 2019A	2039	3.00-5.00%	47,445,000	39,760,000
General Obligation Facilities Maintenance Bonds, Series 2020A	2035	2.00-4.00%	3,940,000	3,660,000
General Obligation School Building Bonds, Series 2022A	2028	5.00%	2,435,000	2,100,000
				$ 48,775,000

The bonds are general obligations of the District for which the full faith and credit and unlimited taxing powers of the district are pledged. Bond principal and interest payments are made by the debt service fund.

Direct Borrowings

During a prior year, the District entered into a direct borrowing agreement to finance upgrades to technology infrastructure. The agreement bears an interest rate of 0% and calls for annual payments of principal through June 2026.

Following is a summary of direct borrowing payable as of June 30, 2024:

Direct Borrowing Description	Final Maturity	Interest Rate	Original Principal	Outstanding Balance
Cisco Technology Infrastructure	2026	0.00%	$ 1,373,774	$ 549,509

At June 30, 2024, the total cost of the asset was $1,373,774, with accumulated depreciation of $549,510. Principal payments for direct borrowings are made out of the general fund.

Leases Payable

Leases payable consists of long-term lease agreements as described in Note 6. Payments are made from the general fund.

Compensated Absences

Compensated absences consists of vested vacation and sick leave as discussed in Note 1. These expenditures are paid out of the general fund.

Remaining principal and interest payments on bonds and capital leases are as follows:

Years Ending	Bonds Payable		Direct Borrowing Payable		Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2025	$ 2,900,000	$ 1,748,581	$ 274,755	$ -	$ 3,174,755	$ 1,748,581
2026	3,040,000	1,634,031	274,754	-	3,314,754	1,634,031
2027	3,205,000	1,588,181	-	-	3,205,000	1,588,181
2028	3,350,000	1,445,706	-	-	3,350,000	1,445,706
2029	2,905,000	1,298,456	-	-	2,905,000	1,298,456
2030-2034	16,080,000	4,273,356	-	-	16,080,000	4,273,356
2035-2039	17,295,000	1,494,766	-	-	17,295,000	1,494,766
	$ 48,775,000	$ 13,483,077	$ 549,509	$ -	$ 49,324,509	$ 13,483,077

Note 8 - Other Post-Employment Benefits

A. Plan Description

The Independent School District No. 22 other post-employment benefits plan is a defined benefit OPEB plan that provides a single employer defined benefit health care plan to eligible retirees. This plan covers active and retired employees who have reached age 55, with teachers, principals and superintendent needing at least 3 years of service and all other district employees needing 5 years of service. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated at the end of each contract period. Medical coverage is administered by Gravie. The plan does not issue a publicly available financial report. No assets are accumulated in a trust.

B. Benefits Provided

The contract groups have access to other post-retirement benefits of blended medical premiums of $639 for single and $1,707 for family coverage. The implicit rate subsidy is only until Medicare eligibility. There are no subsidized post-employment medical, dental, or life insurance benefits, except for one participant with a special agreement to receive a lump sum of $21,000 less accumulated District matching contributions paid to an HRA upon retirement.

C. Employees Covered by Benefit Terms

At the valuation date of July 1, 2023, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	18
Inactive Employees Entitled to but Not yet Receiving Benefit Payments	-
Active Employees	390
	408

D. Total OPEB Liability

The District's total OPEB liability of $1,506,448 was measured as of July 1, 2023, and was determined by an actuarial valuation of July 1, 2023.

E. Actuarial Assumptions

The total OPEB liability in the July 1, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary Increases	Service graded table
Discount Rate	3.90 percent
Healthcare Cost Trend Rates	6.50 percent, grading to 5.00 percent over 6 years, then to 4.00 percent over the next 48 years
Retiree Plan Participation	
Pre-65 subsidy available	100%
Pre-65 subsidy not available	40%
Percent of Married Retirees Electing Spouse Coverage	
Spouse subsidy available	N/A
Spouse subsidy not available	15%

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

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

The actuarial assumptions used in the July 1, 2023, valuation were based on inputs from a variety of published sources of historical and projected future financial data.

There were no changes in plan provisions for the year ending June 30, 2024.

The following changes in assumptions were made for the year ending June 30, 2024:

- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The percentage of future retirees not eligible for a subsidy who are assumed to continue on the District's medical plan post-employment was reduced from 50% to 40%.
- The discount rate was changed from 3.80% to 3.90%.

F. Changes in the Total OPEB Liability

Balance at June 30, 2023	$ 1,489,475
Changes from the Prior Year	
Service cost	121,336
Interest cost	59,018
Assumption changes	(237,439)
Difference between expected and actual experience	190,554
Benefit payments	(116,496)
Total Net Changes	16,973
Balance at June 30, 2024	$ 1,506,448

The measurement date of the OPEB liability was July 1, 2023; the date of the actuarial valuation on which the total OPEB liability is based was July 1, 2023.

G. Sensitivity of the Total OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trend Rates

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 a discount rate of one percentage point lower and one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount Rate	2.90%	3.90%	4.90%
Total OPEB Liability	$ 1,591,977	$ 1,506,448	$ 1,424,177

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 a healthcare cost trend of one percentage point lower and one percentage point higher than the current healthcare cost trend rates:

	1% Decrease in Healthcare Trend Rate	Selected Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Medical Trend Rate	5.50%, decreasing to 4.00% over 6 years then to 3.00% over the next 48 years	6.50%, decreasing to 5.00% over 6 years then to 4.00% over the next 48 years	7.50%, decreasing to 6.00% over 6 years then to 5.00% over the next 48 years
Total OPEB Liability	$ 1,373,237	$ 1,506,448	$ 1,662,941

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

For the year ended June 30, 2024, the District recognized OPEB expense of $106,767. At June 30, 2024, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Losses/Gains	$ 163,332	$ 193,465
Assumption Changes	51,403	298,768
Employer Contributions Made After the Measurement Date	148,070	-
	$ 362,805	$ 492,233

The $148,070 reported as deferred outflows of resources related to OPEB resulting from the District's 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 related to OPEB will be recognized in OPEB expenses as follows:

Years Ended June 30,	OPEB Expense Amount
2025	$ (73,587)
2026	(73,582)
2027	(46,432)
2028	(53,227)
2029	(23,973)
Thereafter	(6,697)

Note 9 - Defined Benefit Pension Plans

Substantially all employees of the District are required by state law to belong to defined benefit, multi-employer, cost-sharing pension plans administered by the Public Employees' Retirement Association (PERA) or the Teachers' Retirement Association (TRA), both of which are administered on a state-wide basis.

For the year ended June 30, 2024, the District reported its proportionate share of deferred outflows of resources, net pension liabilities, deferred inflows of resources, and pension expense for each of the plans as follows:

	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources	Pension Expense (Income)
PERA	$ 1,296,712	$ 4,104,446	$ 1,435,642	$ 64,543
TRA	5,443,995	25,264,045	1,232,248	3,847,188
Total all plans	$ 6,740,707	$ 29,368,491	$ 2,667,890	$ 3,911,731

Disclosures relating to these plans are as follows:

Public Employees Retirement Association (PERA)

A. Plan Descriptions

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

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.

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

C. Contributions

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2024, were $468,987. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

At June 30, 2024, the District reported a liability of $4,104,446 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 $113,110.

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 0.0734 percent at the end of the measurement period and 0.0756 percent for the beginning of the period.

District's Proportionate Share of Net Pension Liability	$ 4,104,446
State of Minnesota's Proportionate Share of the Net Pension Liability associated With the District	113,110
Total	$ 4,217,556

For the year ended June 30, 2024, the District recognized pension expense of $64,543 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized $508 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual $16 million contribution.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 135,761	$ 28,891
Changes in Actuarial Assumptions	679,153	1,124,994
Net Collective Difference Between Projected and Actual Investment Earnings	-	134,589
Change in Proportion	12,811	147,168
Contributions Paid to PERA Subsequent to the Measurement Date	468,987	-
Total	$ 1,296,712	$ 1,435,642

The $468,987 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2025	$ 64,906
2026	(651,810)
2027	68,026
2028	(89,039)

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocations	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%
	100.0%	

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent 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 percent to 7.00 percent.

Changes in Plan Provisions:

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

G. Discount Rate

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

H. Pension Liability Sensitivity

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

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

	General Employees Fund	
1% Lower	6.00%	$ 7,261,094
Current Discount Rate	7.00%	$ 4,104,446
1% Higher	8.00%	$ 1,507,982

I. Pension Plan Fiduciary Net Position

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

Teachers Retirement Association (TRA)

A. Plan Descriptions

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

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

B. Benefits Provided

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

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

Tier I Benefits

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

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

or

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

Tier II Benefits

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

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

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

C. Contribution Rate

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

	June 30, 2022		June 30, 2023		June 30, 2024	
	Employees	Employers	Employees	Employers	Employees	Employers
Basic	11.00%	12.34%	11.00%	12.55%	11.25%	12.75%
Coordinated	7.50%	8.34%	7.50%	8.55%	7.75%	8.75%

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

	in thousands
Employer Contributions Reported in TRA's ACFR, Statement of Changes in Fiduciary Net Position	$ 508,764
Employer Contributions Not Related to Future Contribution Efforts	(87)
TRA's Contributions Not Included in allocation	(643)
Total Employer Contributions	508,034
Total Non-Employer Contributions	35,587
Total Contributions Reported in *Schedule of Employer and Non-Employer Allocations*	$ 543,621

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

D. Actuarial Assumptions

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

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

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

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

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

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

Changes in actuarial assumptions since the 2022 valuation

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

- The employer contribution rate will increase from 8.75% to 9.5% on July 1, 2025.
- The employee contribution rate will increase from 7.75% to 8% 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.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. There were 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 $25,264,045 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 0.3060 percent at the end of the measurement period and 0.3010 percent for the beginning of the year.

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

District's Proportionate Share of Net Pension Liability	$ 25,264,045
State's Proportionate Share of the Net Pension Liability Associated With the District	$ 1,769,522

For the year ended June 30, 2024, the District recognized pension expense of $3,847,188. It also recognized $249,163 as an increase to pension expense for the support provided by direct aid.

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	$ 248,851	$ 368,784
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	250,838
Changes of Assumptions	2,965,174	-
Changes in Proportion	506,761	612,626
District's Contributions to TRA Subsequent to the Measurement Date	1,723,209	-
Total	$ 5,443,995	$ 1,232,248

The $1,723,209 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

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

Years Ended June 30,	Pension Expense Amount
2025	$ 181,633
2026	(189,231)
2027	2,842,882
2028	(368,412)
2029	21,666

G. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent as well what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

Sensitivity of Net Pension Liability (NPL) to Changes in the Discount Rate

1% decrease (6.00%)	Current (7.00%)	1% increase (8.00%)
$ 40,294,294	$ 25,264,045	$ 12,959,957

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

Note 10 - Fund Balance

Certain portions of fund balances 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.

The following is a summary of fund balances as of June 30, 2024:

	General	Debt Service	Other Government Funds	Totals
Nonspendable				
Inventories	$ 29,920	$ -	$ 66,769	$ 96,689
Prepaid items	8,475	-	-	8,475
Total nonspendable	38,395	-	66,769	105,164
Restricted				
Student activities	190,038	-	-	190,038
Staff development	352,964	-	-	352,964
Operating capital	1,317,475	-	-	1,317,475
Community education	-	-	139,074	139,074
Early childhood and family education	-	-	119,866	119,866
Gifted and talented	1,320	-	-	1,320
School readiness	-	-	167,179	167,179
Adult basic education	-	-	135,689	135,689
Safe schools levy	204,493	-	-	204,493
Food service	-	-	1,095,018	1,095,018
Community service	-	-	43,245	43,245
Debt service	-	843,496	-	843,496
Medical assistance	1,003,146	-	-	1,003,146
Total restricted	3,069,436	843,496	1,700,071	5,613,003
Committed				
Separation/retirement benefit	2,619,414	-	-	2,619,414
Assigned				
Construction	1,552,640	-	-	1,552,640
Unassigned	6,310,623	-	-	6,310,623
Total fund balance	$ 13,590,508	$ 843,496	$ 1,766,840	$ 16,200,844

The UFARS fund balance reporting standards are slightly different than the reporting standards under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Below is a reconciliation between the fund balance reporting under GASB 54 and UFARS reporting standards:

	GASB Balance	Reconciling Items	UFARS Balance
Nonspendable			
Inventory	$ 96,689	$ -	$ 96,689
Prepaid items	8,475	-	8,475
Total nonspendable	105,164	-	105,164
Restricted			
Student activities	190,038	-	190,038
Staff development	352,964	-	352,964
Operating capital	1,317,475	-	1,317,475
Community education	139,074	-	139,074
Early childhood and family education	119,866	-	119,866
Gifted and talented	1,320	-	1,320
School readiness	167,179	-	167,179
Adult basic education	135,689	-	135,689
Safe schools levy	204,493	-	204,493
Food service	1,095,018	-	1,095,018
Community service	43,245	-	43,245
Debt service	843,496	-	843,496
Long-term facilities maintenance			
General fund	-	(281,486)	(281,486)
Medical assistance	1,003,146	-	1,003,146
Total restricted	5,613,003	(281,486)	5,331,517
Committed			
Separation/retirement benefits	2,619,414	-	2,619,414
Assigned			
Construction	1,552,640	-	1,552,640
Unassigned	6,310,623	281,486	6,592,109
Total fund balance	$ 16,200,844	$ -	$ 16,200,844

Note 11 - Flexible Benefit Plan

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

Before the beginning of the Plan year, which is from September 1, thru August 31, each participant designates a total amount of pre-tax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants’ annual contributions to the medical reimbursement portion of the Plan, whether or not such contributions have been made.

Payment of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated insurance companies. These payments are made monthly and are accounted for in the General Fund and special revenue funds.

Amounts withheld for medical reimbursement and dependent care are paid by the District to an outside administrator upon an employee submitting a request for reimbursement. Payments are made by the outside administrator to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the employee.

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

Note 12 - Employee Benefit Plan 403(b)

All teachers are eligible to participate in the matching 403(b) program. The maximum amount of the Elective Deferral under the Plan for any calendar year shall not exceed the lesser of (a) $18,500 or (b) the Participant’s Includible Compensation. Includible Compensation means an Employee’s actual wages in box 1 of Form W-2 for a year for services to the employer, but subject to a maximum of $230,000 (or such higher maximum as may apply under Section 401(a)(17) of the Code and increased (up to the dollar maximum) by a compensation reduction election under Section 125, 132(f), 401(k), 403(b) or 457(b) of the Code). The amount of Includible Compensation is determined without regard to any community property laws. Contributions are invested in tax deferred annuities selected and owned by Plan participants. The District contributions for the years ended June 30, 2024, 2023, and 2022 were $280,419, $276,526, and $257,910, respectively.

Note 13 - Commitments and Contingencies

Federal and State Revenue

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

Construction Commitments

The District had construction commitments during the year ended June 30, 2024, for the District's greenhouse project. The total work completed on this project as of June 30, 2024, was $274,968. The project is expected to be completed in October 2024, with the total estimated project cost of approximately $350,000. The District also had constructions commitments during the year ended June 30, 2024, for the replacement of the air conditioning system at the high school. The total work completed on this project as of June 30, 2024, was $132,015. The project is expected to be completed in October 2024 with the total estimated project cost of approximately $364,000.

Litigation and Potential Exposure

In the ordinary course of its operations, the District is party to legal proceedings as a plaintiff or defendant. The financial impact of remaining actions is not determinable at June 30, 2024, but, in the opinion of management and legal counsel, the ultimate disposition of any or all of these proceedings will not have a material effect on the District's financial position.

Required Supplementary Information
June 30, 2024

Independent School District No. 22
Detroit Lakes Public Schools

Schedule of Changes in the District's Total OPEB Liability and Related Ratios, Last 10 Fiscal Years*

	2024	2023	2022	2021	2020	2019	2018
Service Cost	$ 121,336	$ 123,686	$ 150,971	$ 131,982	$ 115,027	$ 116,805	$ 113,403
Interest	59,018	34,246	43,221	51,788	62,549	61,834	61,615
Changes of Assumptions	(237,439)	(120,931)	54,289	47,558	(31,050)	-	-
Changes in Plan Provisions	-	-	-	36,836	(21,274)	-	-
Differences Between Expected and Actual Experience	190,554	-	(259,054)	-	(159,030)	-	-
Benefit Payments	(116,496)	(108,652)	(155,468)	(157,992)	(146,527)	(164,966)	(178,919)
Net Change in Total OPEB Liability	16,973	(71,651)	(166,041)	110,172	(180,305)	13,673	(3,901)
Total OPEB Liability - Beginning	1,489,475	1,561,126	1,727,167	1,616,995	1,797,300	1,783,627	1,787,528
Total OPEB Liability - Ending	$ 1,506,448	$ 1,489,475	$ 1,561,126	$ 1,727,167	$ 1,616,995	$ 1,797,300	$ 1,783,627
Covered Payroll	$ 21,641,687	$ 20,913,084	$ 20,303,965	$ 19,050,262	$ 18,495,400	$ 18,238,706	$ 17,707,482
District's Total OPEB Liability as a Percentage of Covered Payroll	6.96%	7.12%	7.69%	9.07%	8.74%	9.85%	10.07%

*GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Notes to the Schedule of Changes in the District's Total OPEB Liability and Related Ratios

2024 Changes

Changes in Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The percentage of future retirees not eligible for a subsidy who are assumed to continue on the District's medical plan post-employment was reduced from 50% to 40%.
- The discount rate was changed from 3.80% to 3.90%.

Changes in Plan Provisions

- None

2023 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%.

Changes in Plan Provisions

- None

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- None

2021 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.40% to 3.10%.

Changes in Plan Provisions

- Two additional participants have special agreements to receive a lump sum paid to a Health Care Savings Plan (HCSP) upon retirement.

2020 Changes

Changes in Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.40% to 3.10%.

Changes in Plan Provisions

- OPEB benefits for the remaining participants entitled to a lump sum contribution at retirement were changed to instead provide the benefit while still in active service. As a result, these benefits are no longer included in the Net OPEB Liability.

2019 Changes

Changes in Actuarial Assumptions

- None

Changes in Plan Provisions

- None

Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years

Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With District (b)	Total (d) (a+b)	Employer's Covered Payroll (e)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/e)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	6/30/2014	0.0841%	$ 3,950,597	N/A	$ 3,950,597	$ 4,500,965	87.8%	78.8%
PERA	6/30/2015	0.0803%	4,161,563	N/A	4,161,563	4,456,052	93.4%	78.2%
PERA	6/30/2016	0.0780%	6,333,213	82,695	6,415,908	4,503,492	140.6%	68.9%
PERA	6/30/2017	0.0806%	5,145,451	64,700	5,210,151	4,962,530	103.7%	75.9%
PERA	6/30/2018	0.0779%	4,321,573	141,834	4,463,407	4,906,777	88.1%	79.5%
PERA	6/30/2019	0.0789%	4,362,204	135,494	4,497,698	5,147,242	84.7%	80.2%
PERA	6/30/2020	0.0761%	4,562,543	140,778	4,703,321	5,097,752	89.5%	79.1%
PERA	6/30/2021	0.0750%	3,202,836	97,820	3,300,656	5,071,016	63.2%	87.0%
PERA	6/30/2022	0.0756%	5,987,545	175,500	6,163,045	5,659,120	105.8%	70.5%
PERA	6/30/2023	0.0734%	4,104,446	113,110	4,217,556	5,838,813	70.3%	83.1%
TRA	6/30/2014	0.3018%	$ 13,906,727	$ 978,225	$ 14,884,952	$ 13,775,757	101.0%	81.5%
TRA	6/30/2015	0.2849%	17,623,883	2,161,428	19,785,311	14,457,520	121.9%	76.8%
TRA	6/30/2016	0.2868%	68,408,643	6,866,720	75,275,363	14,917,907	458.6%	44.9%
TRA	6/30/2017	0.3029%	60,464,335	5,845,239	66,309,574	16,308,080	370.8%	51.6%
TRA	6/30/2018	0.3098%	19,458,340	1,828,135	21,286,475	17,178,227	113.3%	78.1%
TRA	6/30/2019	0.3071%	19,574,618	1,732,412	21,307,030	17,435,383	112.3%	78.1%
TRA	6/30/2020	0.3052%	22,548,585	1,889,770	24,438,355	17,735,833	127.1%	75.5%
TRA	6/30/2021	0.3083%	13,492,130	1,137,904	14,630,034	18,446,888	73.1%	86.6%
TRA	6/30/2022	0.3010%	24,102,488	1,787,292	25,889,780	18,608,537	129.5%	76.2%
TRA	6/30/2023	0.3060%	25,264,045	1,769,522	27,033,567	19,440,830	130.0%	76.4%

Schedule of Employer's Contributions
Last 10 Fiscal Years

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
PERA	6/30/2015	$ 334,204	$ 334,204	$ -	$ 4,456,052	7.5%
PERA	6/30/2016	337,762	337,762	-	4,503,492	7.5%
PERA	6/30/2017	372,190	372,190	-	4,962,530	7.5%
PERA	6/30/2018	368,008	368,008	-	4,906,777	7.5%
PERA	6/30/2019	386,043	386,043	-	5,147,242	7.5%
PERA	6/30/2020	382,331	382,331	-	5,097,752	7.5%
PERA	6/30/2021	380,326	380,326	-	5,071,016	7.5%
PERA	6/30/2022	424,434	424,434	-	5,659,120	7.5%
PERA	6/30/2023	437,911	437,911	-	5,838,813	7.5%
PERA	6/30/2024	468,987	468,987	-	6,253,160	7.5%
TRA	6/30/2015	$ 1,084,314	$ 1,084,314	$ -	$ 14,457,520	7.5%
TRA	6/30/2016	1,118,843	1,118,843	-	14,917,907	7.5%
TRA	6/30/2017	1,223,106	1,223,106	-	16,308,080	7.5%
TRA	6/30/2018	1,288,367	1,288,367	-	17,178,227	7.5%
TRA	6/30/2019	1,344,268	1,344,268	-	17,435,383	7.7%
TRA	6/30/2020	1,404,678	1,404,678	-	17,735,833	7.9%
TRA	6/30/2021	1,499,732	1,499,732	-	18,446,888	8.1%
TRA	6/30/2022	1,551,952	1,551,952	-	18,608,537	8.3%
TRA	6/30/2023	1,662,191	1,662,191	-	19,440,830	8.6%
TRA	6/30/2024	1,723,209	1,723,209	-	19,693,817	8.8%

Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

PERA

2023 Changes
Changes in Actuarial Assumptions
- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

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

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

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

2021 Changes
Changes in Actuarial Assumptions
- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

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

2020 Changes
Changes in Actuarial Assumptions
- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.

- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increase 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.

TRA

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption was changed from 7.50% to 7.00%. This does not affect the GASB valuation which was already using the 7.00% assumption.

Changes in Plan Provisions

- Effective July 1, 2025, the normal retirement age for Tier 2 members will decrease from 66 to 65.
- The employer contribution rate will increase from 8.75% to 9.50% on July 1, 2025.
- The employee contribution rate will increase from 7.75% to 8.00% on July 1, 2025.

2022 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced 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 is 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced 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 is reduced from 8.5% to 7.5%, effective July 1, 2018.
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Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- 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.
- Augmentation on deferred benefits will be reduced to zero% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2017 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.
- Augmentation in the early retirement reduction factors is phased out o Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.

- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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%. Details, if necessary, can be obtained from the TRA Comprehensive Annual Financial Report.

PERA's Comprehensive Annual Financial Report may be obtained on the PERA's website at www.mnpera.org for notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions.

Additional financial and actuarial information can be found in TRA's GASB 67-68 report. Both reports can be obtained at https://minnesotatra.org.

Combining and Individual Fund Schedules
June 30, 2024

Independent School District No. 22
Detroit Lakes Public Schools

Schedule of Changes in UFARS Fund Balances
Year Ended June 30, 2024

	Fund Balance (Deficit), Beginning of Year	Net Change in Fund Balance	Fund Balance (Deficit), End of Year
Nonspendable	$ 93,043	$ (54,648)	$ 38,395
Restricted for Student Activities	231,452	(41,414)	190,038
Restricted for Staff Development	456,663	(103,699)	352,964
Restricted for Operating Capital	1,229,271	88,204	1,317,475
Restricted for Gifted and Talented	13,708	(12,388)	1,320
Restricted for Safe Schools Levy	228,553	(24,060)	204,493
Restricted for Long Term Facilities Maintenance	(331,779)	50,293	(281,486)
Restricted for Medical Assistance	1,116,212	(113,066)	1,003,146
Committed for Separation/Retirement Benefits	2,619,414	-	2,619,414
Assigned for Construction	1,552,640	-	1,552,640
Unassigned	5,018,458	1,573,651	6,592,109
	$ 12,227,635	$ 1,362,873	$ 13,590,508

	Food Service	Community Service	Totals
Assets			
Cash and investments	$ 1,091,686	$ 690,754	$ 1,782,440
Receivables			
Current property taxes	-	111,327	111,327
Delinquent property taxes	-	1,277	1,277
Accounts	5,240	20,903	26,143
Due from other governmental units	53,139	53,368	106,507
Inventories	66,769	-	66,769
Total assets	$ 1,216,834	$ 877,629	$ 2,094,463
Liabilities			
Accounts payable	$ 42,521	$ 4,652	$ 47,173
Salaries payable	12,526	23,976	36,502
Total liabilities	55,047	28,628	83,675
Deferred Inflows of Resources			
Unavailable revenue-property taxes	-	1,277	1,277
Property taxes levied for subsequent year	-	242,671	242,671
Total deferred inflows of resources	-	243,948	243,948
Fund Balance			
Nonspendable	66,769	-	66,769
Restricted	1,095,018	605,053	1,700,071
Total fund balance	1,161,787	605,053	1,766,840
Total liabilities, deferred inflows of resources, and fund balance	$ 1,216,834	$ 877,629	$ 2,094,463

Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2024

	Food Service	Community Service	Totals
Revenues			
Local property tax levies	$ -	$ 230,127	$ 230,127
Other local and county sources	324,158	542,657	866,815
State sources	764,026	588,901	1,352,927
Federal sources	1,258,861	17,045	1,275,906
Sales and other conversion of assets	152,081	-	152,081
Total revenues	2,499,126	1,378,730	3,877,856
Expenditures			
Current			
Community education and service	-	1,375,456	1,375,456
Pupil support services	2,227,711	-	2,227,711
Capital outlay	98,375	8,818	107,193
Total expenditures	2,326,086	1,384,274	3,710,360
Net Change in Fund Balance	173,040	(5,544)	167,496
Fund Balance, Beginning of Year	988,747	610,597	1,599,344
Fund Balance, End of Year	$ 1,161,787	$ 605,053	$ 1,766,840

Other Supplementary Information
June 30, 2024

Independent School District No. 22
Detroit Lakes Public Schools

Fiscal Compliance Report - 6/30/2024

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District: DETROIT LAKES (22-1)

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	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	$44,332,594	$44,332,589	$5
Total Expenditures	$43,363,449	$43,363,447	$2
Non Spendable:			
4.60 Non Spendable Fund Balance	$38,395	$38,395	$0
Restricted / Reserved:			
4.01 Student Activities	$190,038	$190,038	$0
4.02 Scholarships	$0	$0	$0
4.03 Staff Development	$352,964	$352,964	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.12 Literacy Incentive Aid	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.20 American Indian Education Aid	$0	$0	$0
4.24 Operating Capital	$1,317,475	$1,317,475	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$1,320	$1,320	$0
4.39 English Learner	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.43 School Library Aid	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe Schools Levy	$204,493	$204,493	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$0	$0	$0
4.67 LTFM	($281,486)	($281,486)	$0
4.71 Student Support Personnel Aid	$0	$0	$0
4.72 Medical Assistance	$1,003,146	$1,003,146	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$2,619,414	$2,619,414	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$1,552,640	$1,552,640	$0
Unassigned:			
4.22 Unassigned Fund Balance	$6,592,109	$6,592,107	$2
02 FOOD SERVICES			
Total Revenue	$2,499,126	$2,499,125	$1
Total Expenditures	$2,326,086	$2,326,086	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$66,769	$66,769	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$1,095,018	$1,095,018	$0
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

	Audit	UFARS	Audit - UFARS
06 BUILDING CONSTRUCTION			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Funded by COP/FP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
07 DEBT SERVICE			
Total Revenue	$4,757,274	$4,757,275	($1)
Total Expenditures	$4,608,931	$4,608,933	($2)
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$843,496	$843,495	$1
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
08 TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
18 CUSTODIAL			
Total Revenue	$13,205	$13,205	$0
Total Expenditures	$12,421	$12,421	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.64 Restricted Fund Balance	$13,970	$13,970	$0
20 INTERNAL SERVICE			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
25 OPEB REVOCABLE TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
45 OPEB IRREVOCABLE TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

04 COMMUNITY SERVICE

Total Revenue	$1,378,730	$1,378,730	$0
Total Expenditures	$1,384,274	$1,384,273	$1
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$139,074	$139,074	$0
4.32 E.C.F.E	$119,866	$119,866	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$167,179	$167,179	$0
4.47 Adult Basic Education	$135,689	$135,689	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$43,245	$43,244	$1
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

47 OPEB DEBT SERVICE

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures		
Department of Agriculture					
Passed through Minnesota Department of Education					
Child Nutrition Cluster					
Non-Cash Assistance (Commodities):					
National School Lunch Program	10.555	0022-01-000 FIN 701	$ 158,805		
Cash Assistance:					
School Breakfast Program	10.553	0022-01-000 FIN 705	205,956		
National School Lunch Program	10.555	0022-01-000 FIN 701	664,264		
COVID-19 Supply Chain Assistance	10.555C	0022-01-000 FIN 710	72,573		
Summer Food Service Program for Children	10.559	0022-01-000 FIN 709	53,709		
Fresh Fruit and Vegetable Program	10.582	0022-01-000 FIN 706	43,408		
Total Child Nutrition Cluster				$ 1,198,715	
Local Food for Schools Cooperative Agreement Program	10.185	0022-01-000 FIN 699		55,253	
COVID-19 Pandemic EBT Administrative Costs	10.649C	0022-01-000 FIN 499		3,256	
Total Department of Agriculture					$ 1,257,224
Department of Treasury					
Passed through Minnesota Department of Education					
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	0022-01-000 FIN 150			28,658
Department of Education					
Passed through Minnesota Department of Education					
Title I Grants to Local Educational Agencies	84.010	0022-01-000 FIN 401		597,977	
Indian Education Grants to Local Educational Agencies	84.060	0022-01-000 FIN 510		153,762	
Supporting Effection Instruction State Grants	84.367	0022-01-000 FIN 414		83,002	
Student Support and Academic Enrichment	84.424	0022-01-000 FIN 433		39,962	
Special Education Grants - Grants for Infants and Families	84.181	0022-01-000 FIN 422		22,834	
Adult Education - Basic Grants to States	84.002	0022-01-000 FIN 438		17,045	
COVID-19 Education Stabilization Fund	84.425U	0022-01-000 FIN 160	1,239,454		
COVID-19 Education Stabilization Fund	84.425U	0022-01-000 FIN 161	299,060		
Total 84.425				1,538,514	
Special Education Cluster					
Special Education Grants to States	84.027	0022-01-000 FIN 419	864,313		
COVID-19 Special Education Grants to States	84.027X	0022-01-000 FIN 140	11,623		
Special Education Grants to States	84.027A	0022-01-000 FIN 425	31,966		
Special Education Preschool Grants	84.173	0022-01-000 FIN 420	31,503		
Total Special Education Cluster				939,405	
Total Department of Education					3,392,501
Total Federal Financial Assistance					$ 4,678,383

Note 1 – Basis of Presentation

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

Note 2 – Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 – Indirect Cost Rate

The District has not elected to use the 10% de minimis cost rate.

Note 4 – Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of commodities received and disbursed. At June 30, 2024 the District had food commodities totaling $66,769 in inventory.

Additional Reports
June 30, 2024

Independent School District No. 22
Detroit Lakes Public Schools

CPAs & BUSINESS ADVISORS

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

The School Board of
Independent School District No. 22
Detroit Lakes Public Schools
Detroit Lakes, 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 22, Detroit Lakes Public Schools ("the District"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 20, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2024-001, 2024-002, and 2024-003 that we consider to be material weaknesses.

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Report on Compliance and Other Matters

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

The District's Response to Findings

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

Purpose of this Report

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

Eide Bailly LLP

Fargo, North Dakota
November 20, 2024

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance

The School Board of
Independent School District No. 22
Detroit Lakes Public Schools
Detroit Lakes, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Independent School District No. 22's (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2024. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

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

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Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Eide Bailly LLP

Fargo, North Dakota
November 20, 2024

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on *Minnesota Legal Compliance*

The School Board of
Independent School District No. 22
Detroit Lakes Public Schools
Detroit Lakes, 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Detroit Lakes Public Schools (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 20, 2024.

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

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

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

Eide Bailly LLP

Fargo, North Dakota
November 20, 2024

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Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

Name of Federal Program	Federal Financial Assistance Listing
Special Education Cluster	84.027 and 84.173
COVID-19 Education Stabilization Fund	84.425

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

Section II – Financial Statement Findings

2024-001 Preparation of Financial Statements and Schedule of Expenditures of Federal Awards
Material Weakness

Criteria – A good system of internal accounting control contemplates an adequate system for internally preparing the District's financial statements and schedule of expenditures of federal awards (SEFA).

Condition – The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. The auditors were requested to, and did, draft the financial statements, accompanying notes to the financial statements, and SEFA.

Cause – The District does not have an internal control system designed to provide for the preparation of the financial statements and SEFA being audited.

Effect – The disclosures in the financial statements could be incomplete.

Recommendation – It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials – There is no disagreement with the audit finding.

2024-002 Material Journal Entries
Material Weakness

Criteria – A good system of internal accounting 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 that were not 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.

Cause – The District does not have an internal control system designed to identify all necessary adjustments.

Effect – This deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

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 Responsible Officials – There is no disagreement with the audit finding.

2024-003 Segregation of Duties
Material Weakness

Criteria – A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of assets (check signers), record keeping and reconciliation functions.

Condition – The District does not have enough staff to adequately separate duties in cash receipts, cash disbursements, payroll and related liabilities, and general ledger maintenance and reconciliation.

Cause – There is a limited amount of office employees involved in the internal control process.

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

Recommendation – The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Views of Responsible Officials – There is no disagreement with the audit finding.

Section III – Federal Award Findings and Questioned Costs

None reported

Section IV – Minnesota Legal Compliance Findings

2024-004 Inactive Student Activity Accounts with Remaining Cash Balances
Uniform Financial Accounting and Reporting Standards

Criteria – Minn. Stat. §§ 6.65; 123B.77, subd. 3. requires that each Minnesota school district must adopt the uniform financial accounting and reporting standards for Minnesota school districts provided for in guidelines adopted by the Department of Education. Chapter 14 of the Uniform Financial Accounting and Reporting Standards manual addresses the requirements for Student Activity Accounting and requires that any student activity account, which has been inactive for a maximum of one fiscal year, must be disposed of, unless the advisor submits a plan to the board (or designee) indicating why the activity has been inactive and why it should not be terminated.

Condition – During the course of our engagement, we noted various student activity accounts were inactive and not properly disposed or no plan was submitted.

Cause – The District did not follow the procedures to remain in compliance with the MAFA guidelines relating to inactive accounts with remaining balances at year end.

Effect – The finding could result in public funds being misused.

Recommendation – The District should monitor student activity accounts and dispose of inactive accounts or obtain a written plan from the advisor noting why the student activity account should not be disposed.

Views of Responsible Officials – There is no disagreement with the audit finding.