Independent School District No. 742
St. Cloud, Minnesota

Basic Financial Statements

June 30, 2024

Independent School District No. 742
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Independent School District No. 742
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Independent School District No. 742
Board of Education and Administration
As of June 30, 2024

Board of Education	Position	Term Expires
Shannon Haws	Chairperson	December 31, 2024
Al Dahlgren	Vice-Chairperson	December 31, 2024
Scott Andreasen	Treasurer	December 31, 2024
Zach Dorholt	Clerk	December 31, 2026
Monica Segura-Schwartz	Director	December 31, 2024
Natalie Copeland	Director	December 31, 2026
Heather Weems	Director	December 31, 2026

Administration	
Dr. Laurie Putnam	Superintendent
Amy Skaalerud, CPA	Executive Director of Finance and Business Services
David Cooney	Controller

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Independent Auditor's Report

To the School Board
Independent School District No. 742
St. Cloud, Minnesota

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 742, St. Cloud, Minnesota, as of and for the year ended June 30, 2024, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 742, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund and each major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 742 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

The District has adopted new accounting guidance as required by the Governmental Accounting Standards Board (GASB) Implementation Guide No. 2021-1, *Implementation Guidance Update – 2021*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The management of Independent School District No. 742 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BerganKDV, Ltd.

St. Cloud, Minnesota
November 1, 2024

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Independent School District No. 742
Management's Discussion and Analysis

This section of Independent School District No. 742, St. Cloud Area Public Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2024. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model required by GASB Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. GASB Statement No. 34 establishes reporting requirements that include financial statements, expanded disclosure, and supplemental information, including the MD&A (this section).

Comparative information between the current fiscal year and the prior fiscal year is presented in the MD&A.

FINANCIAL HIGHLIGHTS

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

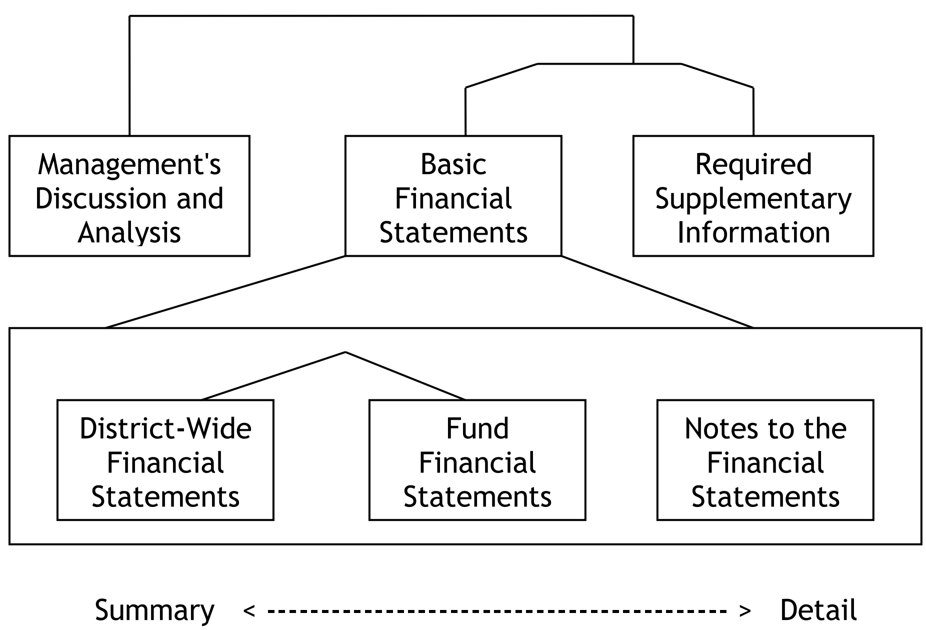
- Net position increased by $29,882,092. This includes an increase in beginning net position in the amount of $7,387,337 for a change in accounting principle as required by GASB Implementation Guide 2021-1 which relates to group asset purchases.
- Overall revenues in governmental funds were $210,281,880 while overall expenditures in all governmental funds totaled $216,704,250.
- The restricted General Fund balance decreased by $380,306 from $5,381,649 to $5,001,343. This decrease was primarily due to a decrease in the fund balance restricted for operating capital from $2,570,040 to $2,181,735.
- The unassigned General Fund balance increased by $1,059,698 from $17,648,258 to $18,707,956. The amount unassigned for general purposes increased $1,031,399 from $17,694,584 to $18,725,983 because of interest revenue received. The remainder of the unassigned balance represents the negative reserve for long term facilities maintenance.
- The assigned fund balance increased by $4,540,492 due to additional one-time funds received during the year as a result of the overlap between the final year of federal ESSER funds and the new state special education cross subsidy reduction aid. The Board has already authorized the spending of these funds on a variety of one-time projects and purchases.
- The amount of bonded indebtedness increased $6,040,000 from $215,965,000 to $222,005,000. This was due to the district issuing facilities maintenance bonds through the long-term facilities maintenance program for facility improvements.
- Contracts with major bargaining groups will expire on June 30, 2025.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund-financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements. There are three types of these.
- The first type are governmental funds statements that tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- The second type is fiduciary funds statements which provide information about the financial relationships in which the District acts solely as a trustee or custodian for the benefit of others to whom the resources belong.
- The third type is proprietary funds statements which provide information about activities the District operates like a business. The District currently has three internal service funds that account for the District's self-insured risks and other post employment benefits.

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



OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

		Fund Financial Statements		
	District-Wide Statements	**Governmental Funds**	**Fiduciary Funds**	**Proprietary Funds**
Scope	Entire District (except fiduciary funds)	The activities of the District that is not fiduciary, such as special education and building maintenance.	Instances in which the District administers resources on behalf of someone else, such as being the fiscal host for the Central MN Joint Powers.	The activities the District operates like a business, such as retiree severance funds and self-insurance funds.
Required Financial Statements	◆ Statement of Net Position ◆ Statement of Activities	◆ Balance Sheet ◆ Statement of Revenues, Expenditures, and Changes in Fund Balances	◆ Statement of Fiduciary Position ◆ Statement of Changes in Fiduciary Net Position	◆ Statement of Net Position ◆ Statement of Revenues, Expenses, and Changes in Fund Net Position ◆ Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of Assets/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.	All assets and liabilities, both financial and capital, and short-term and long-term.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows 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 district-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one way to measure the District's financial health or position.

- Over time, increases, or decreases in the District's net position 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 nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

- Governmental Activities: Most of the District's basic services are included here, such as regular and special education, transportation, administration, food 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 resources of funding and spending on particular programs:

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

The District has three kinds of funds:

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

- Proprietary Funds: The District uses Internal Service Funds to account for operations of the District's self-insured Dental and Health Insurance plans and to account for its OPEB benefits. The activities of these funds are reported in a separate Statement of Net Position, Statement of Revenues, Expenses, and changes in Fund Net Position, and Statement of Cash Flows. This activity is also included in the Government-Wide Statement of Net Position and Statement of Activities.

- 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. The District's fiduciary activities (consisting of a Custodial Fund held for others) are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

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

Net Position

The District's combined net position was $64,920,375 at June 30, 2024 (see details in Table A-1). This was an increase of $29,882,092 from $35,038,283 at June 30, 2023.

Table A-1

Condensed Statement of Net Position

	2024	2023
Assets		
Current and other assets	$ 191,377,555	$ 182,492,960
Capital assets	290,726,548	271,755,988
Total assets	$ 482,104,103	$ 454,248,948
Deferred Outflows of Resources	$ 28,285,329	$ 38,287,407
Liabilities		
Long-term liabilities	$ 362,284,580	$ 363,533,076
Other liabilities	42,084,505	39,323,231
Total liabilities	$ 404,369,085	$ 402,856,307
Deferred Inflows of Resources	$ 41,099,972	$ 54,641,765
Net Position		
Net investment in capital assets	$ 125,316,837	$ 108,009,606
Restricted	10,479,967	10,913,666
Unrestricted	(70,876,429)	(83,884,989)
Total net position	$ 64,920,375	$ 35,038,283

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

Change in Net Position

The District's revenues were greater than expenses for the year ended June 30, 2024. A summary of the revenues and expenses is presented in Table A-2 below.

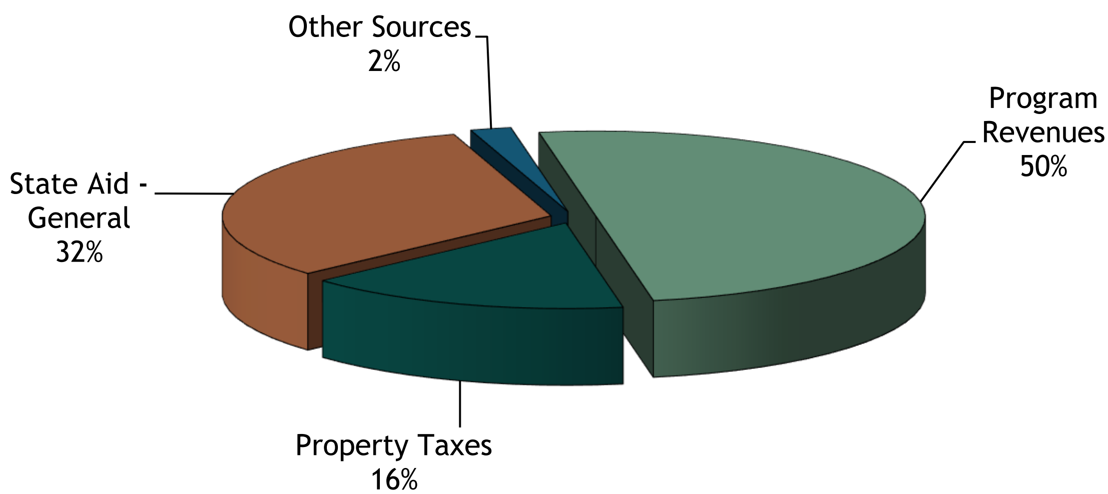
Table A-2
Changes in Net Position

	2024	2023
Revenues		
Program revenues		
Charges for services	$ 3,219,274	$ 3,682,537
Operating grants and contributions	96,969,972	89,641,597
Capital grants and contributions	4,953,573	5,454,244
General revenues		
Property taxes	33,290,341	31,438,362
Aids and payments from the state	68,110,444	63,577,489
Other sources	4,560,460	2,784,674
Total revenues	$ 211,104,064	$ 196,578,903
Expenses		
Administration	$ 3,920,830	$ 3,341,529
District support services	5,369,352	7,053,145
Elementary and secondary regular instruction	60,636,516	50,043,823
Vocational instruction	1,817,705	1,365,876
Special education instruction	38,477,248	31,281,653
Instructional support services	14,408,087	14,161,044
Pupil support services	19,320,954	17,008,261
Sites, buildings and equipment	10,506,680	10,636,440
Fiscal and other fixed cost programs	902,713	724,574
Food service	7,511,352	6,911,774
Community education and services	7,026,385	6,509,521
Unallocated depreciation	10,070,108	8,943,158
Interest and fiscal charges - long-term debt	8,641,379	8,406,582
Total expenses	188,609,309	166,387,380
Change in net position	22,494,755	30,191,523
Net Position		
Beginning, as previously stated	35,038,283	4,846,760
Change in accounting principle	7,387,337	-
Beginning, as restated	42,425,620	4,846,760
Ending	$ 64,920,375	$ 35,038,283

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

The District's total revenue of $211,104,064 consists of program revenues of $105,142,819 up from $98,778,378 in 2023; property taxes of $33,290,341 up from $31,438,362 in 2023; aid and payments from the state of $68,110,444 up from $63,577,489 in 2023 and $4,560,460 from miscellaneous other sources up from $2,784,674 in 2023.

2023-24 Revenues - Table A-3



There were a number of significant changes in revenue from 2023 to 2024, with revenue increasing in all categories.

The largest increase was in program revenues from operating grants and contributions and is primarily due to increases in special education aid and compensatory revenue as well as food service revenue with the new state free meals program. There were corresponding decreases in charges for services with less money collected for paid meals and capital grants and contributions due to less ESSER funding being used for capital purchases in 2024 compared to 2023.

Revenue from property taxes increased from 2023 to 2024. Much of the increase was due to an increase in the debt-service levy related to the long-term facilities maintenance bonds that were issued in 2022 for HVAC upgrades. There were also increases in various components of the general fund levy.

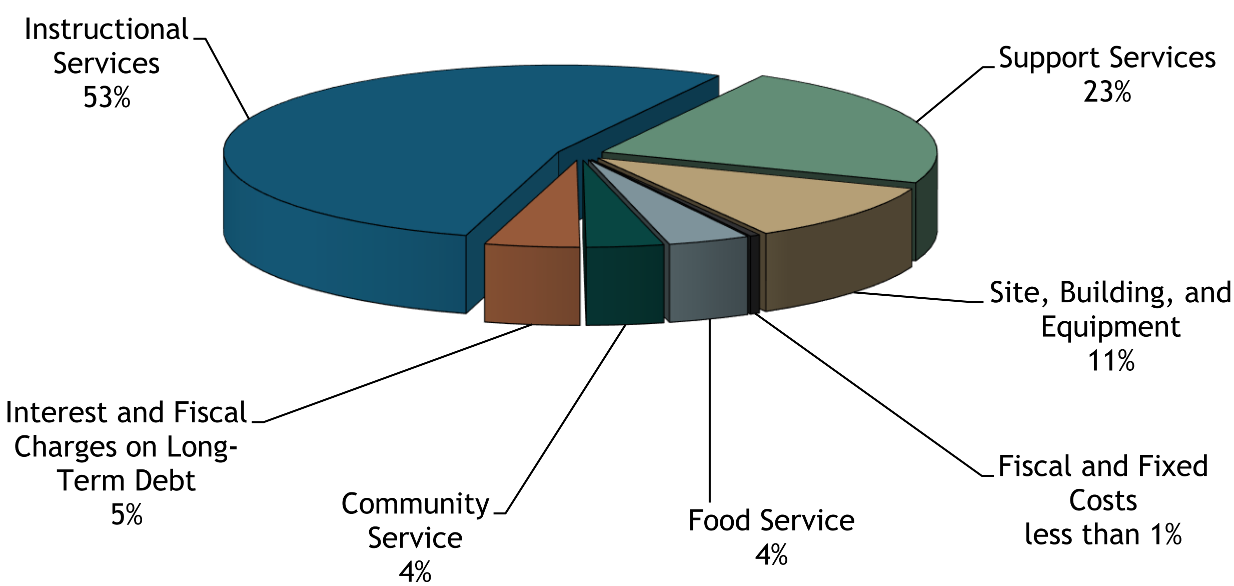
Revenue from other sources increased due to a significant increase in interest revenue.

Revenue from state aid is largely driven by student enrollment, and the largest single source of funding for the District is state aid called general education revenue. General education revenue provides the base funding and represents a per pupil unit funding amount multiplied by adjusted marginal cost pupil units (referred to here as student enrollment). Revenues from state aids increased from 2023 to 2024 due to an increase in the per pupil funding amount as well as the new unemployment revenue.

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

The District's total expenses of $188,609,309 consisted mainly of costs for instructional services (regular, vocational, and special instruction) of $100,931,469 up from $82,691,352 in 2023. Other areas of cost included: support services (district, administrative, instructional and pupil) of $43,019,223 up from $41,563,979 in 2023; site, buildings, and equipment (including unallocated depreciation) of $20,576,788 up from $19,579,598 in 2023; fiscal and other fixed cost programs of $902,713 up from $724,574 in 2023; food service of $7,511,352 up from $6,911,774 in 2023; community education and services of $7,026,385 up from $6,509,521 in 2023; interest and fiscal charges on long-term debt of $8,641,379 up from $8,406,582 in 2023.

2023-24 Expenses - Table A-4



The majority of District expenditures in operating areas are for human resources. Salary and benefits make up approximately 73% of total operating expenditures. Historically this percentage has been around 74%; however, it is less currently due to significant one-time non-salary purchases being made with the additional COVID relief funds. Many of the other operational costs are fixed costs, such as utilities, technology, and core supplies.

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

The net cost of governmental activities is their total cost less program revenues applicable to each category. Table A-5 presents these costs. Note that site, building, and equipment expenses include unallocated depreciation expense.

Table A-5

Net Cost of Governmental Activities
(in Thousands of Dollars)

	Total Cost of Services		Net Cost of Services	
	2024	2023	2024	2023
Administration	$ 3,921	$ 3,341	$ 3,921	$ 3,189
District support services	5,369	7,053	5,039	3,781
Elementary and secondary regular instruction	60,637	50,044	19,258	12,124
Vocational instruction	1,818	1,366	1,818	1,366
Special education instruction	38,477	31,282	3,142	4,011
Instructional support services	14,408	14,161	9,797	8,320
Pupil support services	19,321	17,008	13,450	10,457
Sites, buildings and equipment	20,577	19,579	16,728	14,146
Fiscal and other fixed-cost program	903	725	841	668
Food service	7,511	6,912	(683)	154
Community education and services	7,026	6,509	1,514	986
Interest and fiscal charge long-term debt	8,641	8,407	8,641	8,407
Total expenses	$ 188,609	$ 166,387	$ 83,466	$ 67,609

Fund Balance

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $124,318,727. This is up $9,114,994 from the June 30, 2023, combined fund balance total which was $115,203,733. The fund balance in the General Fund increased by $5,236,383 from $23,588,418 in 2023 to $28,824,801 in 2024 due to the overlap of the final year of ESSER funds with the increase in special education cross subsidy aid as well as increased interest revenue. The fund balance in the Building Construction fund increased by $4,482,440 due to long-term facilities maintenance bonds that were issued for facility improvements. The fund balance in the Debt Service fund decreased by $706,717 due to the District paying the principal and interest payments on the crossover refunding bonds from the escrow account. The Food Service Fund had an increase in fund balance from June 30, 2023, to June 30, 2024, of $584,482 due to increased revenues and the Community Service Fund had a decrease in fund balances of $481,594 due to budgeted spending of fund balances for one-time purchases.

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

Revenues and Expenditures

Revenues of the District's governmental funds totaled $210,281,880 while total expenditures were $216,704,250. A summary of the revenues and expenditures reported on the governmental fund financial statements appear in Table A-6 below.

Table A-6

	Revenue	Expenditures	Other Financing Sources (Uses)	Fund Balance Increase (Decrease)
General	$ 179,135,953	$ 174,161,497	$ 261,927	$ 5,236,383
Food service	8,280,928	7,745,449	49,003	584,482
Community service	6,856,373	7,337,967	-	(481,594)
Capital projects	378,614	11,122,608	15,226,434	4,482,440
Debt service	15,630,012	16,336,729	-	(706,717)
Total	$ 210,281,880	$ 216,704,250	$ 15,537,364	$ 9,114,994

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Budgetary Highlights

During the year ended June 30, 2024, the District revised its operating budget one time. The original budget was adopted in June 2023 (a budget must be in place prior to the beginning of the fiscal year on July 1). The final budget was adopted in June 2024.

Significant changes between original budget and final budget: The revised budget was modified from the original budget to reflect the following changes:

- The budgets for local, state, and federal grant revenues and expenditures were increased as a result of grant awards being higher than originally anticipated. In addition, revenue from state sources was increased to account for new funding appropriated by the legislature including increases in general education aid and special education cross subsidy reduction aid.
- The budget for the Building Construction Fund was revised to reflect the issuance of the 2023A Facilities Maintenance Bonds which was issued to finance facility upgrades at Apollo High School including HVAC and roofing projects.
- The budget for the expenditures in the Building Construction Fund was increased to reflect the updated 2024 anticipated costs for summer construction projects.
- The budgets for revenues and expenditures in the Food Service Fund were increased to reflect higher federal revenues and increased overall spending.
- Amendments were made in the budgeted revenues and expenditures for a number of programs to account for operational changes throughout the fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

Variances from Final Budget to Actual

The District's final General Fund budget anticipated that expenditures would exceed revenues by $350,452. The actual result was $5,236,383 excess of revenues and other financing sources over expenditures. General Fund revenues were over budget by $900,583, or 0.5%. The primary reason for revenues being over budget was due to significantly higher interest revenue than projected. General Fund expenditures were under budget by $4,424,325, or 2.5%. The primary reason is due to the timing of large budgeted one-time purchases shifting from 2024 to 2025. These one-time purchases are possible due to the overlap of the final year of ESSER funds with the increase in special education cross subsidy aid.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Additions totaling $36,258,064 consisted primarily of building construction and remodeling projects, HVAC and other improvement projects, site improvements, vehicles, and equipment. In addition, the district recognized an additional $9,925,997 of additions related to a change in accounting principle as required by GASB Implementation Guide 2021-1 which relates to group asset purchases. Disposals and adjustments totaling $13,310,389 consisted primarily of the disposal of vehicles and equipment and the reclassification of prior year construction in progress. Detailed information related to the District's capital assets can be found in Note 4.

Long-Term Liabilities

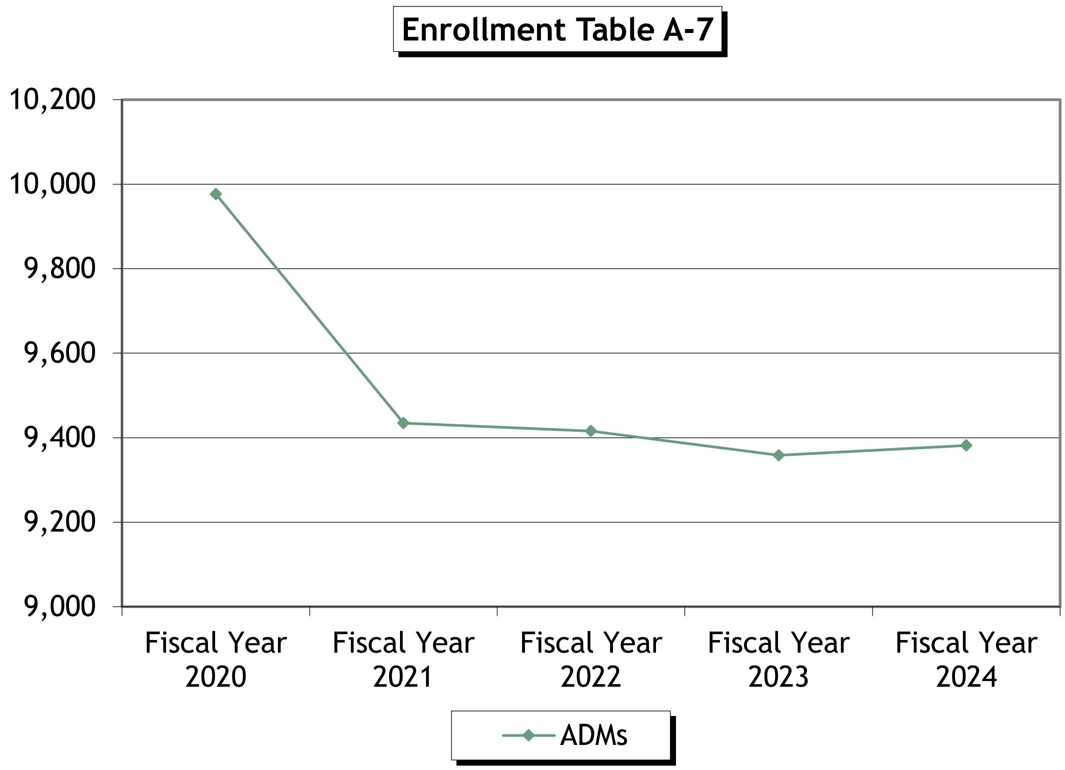
At year-end, the District had $253,264,327 of long-term liabilities. This consisted of bonded indebtedness of $222,005,000, certificates of participation of $20,845,000, unamortized bond premiums of $8,540,656, subscriptions liability of $202,191, lease liability of $690,140 and compensated absences of $981,340. This is an increase of $4,621,653 from June 30, 2023. More detailed information regarding long-term liabilities can be found in Note 5.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing conditions that could significantly affect its financial health in the future:

- Minnesota school districts are paid based on pupil units served, therefore a decline in enrollment results in less revenue being received for operations. The District did see a slight increase in enrollment in 2024, and is expecting another small increase in enrollment in 2025. The District's average daily membership (ADM) served for the past five years is shown in Table A-7 on the following page.

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)



- The political and economic environment of the State of Minnesota could have a significant effect on future finances. The State Legislature sets the amount of revenue from aids and levies that Minnesota school districts will receive. The State regularly faces large budget deficits and since K-12 education accounts for about 40% of State spending, the future revenues of the District and other Minnesota school districts is unknown and unstable.
- Contracts with major bargaining groups will expire on June 30, 2025. Negotiations on these contracts will impact future budget periods.
- Districts continue to be faced with additional unfunded mandates including summer unemployment and paid family leave. If these programs continue to be unfunded in the future, the district will have to utilize new or existing funding to cover these costs which could reduce amounts available for future contract increases or other operational costs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Amy Skaalerud, CPA, Executive Director of Finance and Business Services, at the District Administration Office, Independent School District No. 742, 1201 South Second Street, Waite Park, Minnesota 56303.

BASIC FINANCIAL STATEMENTS

Independent School District No. 742
Statement of Net Position
June 30, 2024

	Governmental Activities
Assets	
Current assets	
Cash and investments (including cash equivalents)	$ 71,512,843
Cash with fiscal agent	73,697,566
Current property taxes receivable	16,157,927
Delinquent property taxes receivable	214,114
Accounts receivable	638,690
Due from Department of Education	13,367,115
Due from Federal Government through Department of Education	14,506,535
Due from federal - direct	64,149
Due from other Minnesota school districts	426,608
Due from other governmental units	44,698
Inventory	194,835
Prepaid items	552,475
Total current assets	191,377,555
Noncurrent Assets	
Capital assets not being depreciated	
Land	6,730,006
Construction in progress	16,382,184
Capital assets, net of accumulated depreciation and amortization	
Land improvements	18,196,377
Buildings and building improvements	349,518,686
Furniture and equipment	23,452,065
Vehicles	4,281,712
Food service equipment	2,165,938
Subscription asset	310,930
Leased building	895,328
Less accumulated depreciation and amortization	(131,206,678)
Total capital assets, net of accumulated depreciation and amortization	290,726,548
Total assets	482,104,103
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	25,773,373
Deferred outflows of resources related to OPEB	2,511,956
Total deferred outflows of resources	28,285,329
Total assets and deferred outflows of resources	$ 510,389,432

See notes to basic financial statements.

Independent School District No. 742
Statement of Net Position
June 30, 2024

	Governmental Activities
Liabilities	
Current liabilities	
Accounts and contracts payable	$ 10,255,771
Salaries, benefits, severance, and compensated absences payable	15,218,777
Accrued interest payable	3,990,187
Due to other Minnesota school districts	829,809
Unearned revenue	41,578
Long term liabilities due within one year	11,748,383
Total current liabilities	42,084,505
Noncurrent Liabilities	
Bond principal payable, net of premiums	229,376,174
Certificates of indebtedness, net of premiums	22,014,482
Subscription liability	202,191
Lease liability	690,140
Compensated absences payable	981,340
Net pension liability	111,901,938
Total OPEB liability	8,866,698
Less amount due within one year	(11,748,383)
Total noncurrent liabilities	362,284,580
Total liabilities	404,369,085
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	32,331,879
Deferred inflows of resources related to pensions	7,610,815
Deferred inflows of resources related to OPEB	1,157,278
Total deferred inflows of resources	41,099,972
Net Position	
Net investment in capital assets	125,316,837
Restricted for	
Capital asset acquisition	2,189,184
Food service	2,771,216
Community service	2,699,959
Other purposes	2,819,608
Unrestricted	(70,876,429)
Total net position	64,920,375
Total liabilities, deferred inflows of resources, and net position	$ 510,389,432

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Independent School District No. 742
Statement of Activities
Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities					
Administration	$ 3,920,830	$ -	$ -	$ -	$ (3,920,830)
District support services	5,369,352	-	330,093	-	(5,039,259)
Elementary and secondary regular instruction	60,636,516	287,981	39,932,120	1,158,729	(19,257,686)
Vocational education instruction	1,817,705	-	-	-	(1,817,705)
Special education instruction	38,477,248	1,507,466	33,827,874	-	(3,141,908)
Instructional support services	14,408,087	201,583	4,409,081	-	(9,797,423)
Pupil support services	19,320,954	-	5,871,147	-	(13,449,807)
Sites and buildings	10,506,680	113,785	-	3,734,844	(6,658,051)
Fiscal and other fixed cost programs	902,713	-	61,725	-	(840,988)
Food service	7,511,352	214,169	7,920,296	60,000	683,113
Community education and services	7,026,385	894,290	4,617,636	-	(1,514,459)
Unallocated depreciation	10,070,108	-	-	-	(10,070,108)
Interest and fiscal charges on long-term debt	8,641,379	-	-	-	(8,641,379)
Total governmental activities	$ 188,609,309	$ 3,219,274	$ 96,969,972	$ 4,953,573	(83,466,490)

General revenues	
Taxes	
Property taxes, levied for general purposes	19,336,659
Property taxes, levied for community service	1,156,047
Property taxes, levied for debt service	12,797,635
State aid-formula grants	68,110,444
Other general revenues	594,225
Investment income	3,966,235
Total general revenues	105,961,245
Change in net position	22,494,755
Net position - beginning	35,038,283
Change in accounting principle (See Note 11)	7,387,337
Net position - beginning, restated	42,425,620
Net position - ending	$ 64,920,375

Independent School District No. 742
Balance Sheet - Governmental Funds
June 30, 2024

	General	Food Service	Community Service
Assets			
Cash and investments	$ 28,762,654	$ 2,634,828	$ 3,307,035
Cash with fiscal agent	-	-	-
Current property taxes receivable	9,157,492	-	393,992
Delinquent property taxes receivable	121,915	-	8,111
Accounts receivable	501,777	9,459	127,454
Due from Department of Education	12,700,380	-	563,841
Due from Federal Government through Department of Education	14,331,845	25,000	149,690
Due from Federal - direct	64,149	-	-
Due from other Minnesota school districts	426,608	-	-
Due from other governmental units	44,698	-	-
Inventory	65,583	129,252	-
Prepaid items	509,427	33,203	9,845
Total assets	$ 66,686,528	$ 2,831,742	$ 4,559,968
Liabilities			
Accounts and contracts payable	$ 4,620,497	$ 11,540	$ 347,069
Salaries, benefits, severance, and compensated absences payable	14,732,281	7,408	479,088
Due to other Minnesota school districts	632,249	-	197,560
Unearned revenue	-	41,578	-
Total liabilities	19,985,027	60,526	1,023,717
Deferred Inflows of Resources			
Unavailable revenue - delinquent property taxes	121,915	-	8,111
Property taxes levied for subsequent year's expenditures	17,754,785	-	836,292
Total deferred inflows of resources	17,876,700	-	844,403
Fund Balances			
Nonspendable	575,010	162,455	9,845
Restricted	5,001,343	2,608,761	2,682,003
Assigned	4,540,492	-	-
Unassigned	18,707,956	-	-
Total fund balances	28,824,801	2,771,216	2,691,848
Total liabilities, deferred inflows of resources, and fund balance	$ 66,686,528	$ 2,831,742	$ 4,559,968

Building Construction	Debt Service	Total Governmental Funds
$ 15,911,591	$ 10,184,152	$ 60,800,260
1,307,496	72,390,070	73,697,566
-	6,606,443	16,157,927
-	84,088	214,114
-	-	638,690
-	102,894	13,367,115
-	-	14,506,535
-	-	64,149
-	-	426,608
-	-	44,698
-	-	194,835
-	-	552,475
$ 17,219,087	$ 89,367,647	$ 180,664,972
$ 2,728,432	$ 2,550	$ 7,710,088
-	-	15,218,777
-	-	829,809
-	-	41,578
2,728,432	2,550	23,800,252
-	84,088	214,114
-	13,740,802	32,331,879
-	13,824,890	32,545,993
-	-	747,310
14,490,655	75,540,207	100,322,969
-	-	4,540,492
-	-	18,707,956
14,490,655	75,540,207	124,318,727
$ 17,219,087	$ 89,367,647	$ 180,664,972

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Independent School District No. 742
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2024

Total fund balance - governmental funds	$ 124,318,727
Amounts reported for governmental activities in the Statement of Net Positionare different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets including leased and subscription assets	421,933,226
Less accumulated depreciation and amortization	(131,206,678)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bonds payable, net of premiums	(229,376,174)
Certificates of participation payable, net of premiums	(22,014,482)
Subscription liability	(202,191)
Lease liability	(690,140)
Compensated absences payable	(981,340)
Net pension liability	(111,901,938)
Total OPEB liability	(8,866,698)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.	
Deferred outflows of resources related to pensions	25,773,373
Deferred inflows of resources related to pensions	(7,610,815)
Deferred outflows of resources related to OPEB	2,511,956
Deferred inflows of resources related to OPEB	(1,157,278)
Delinquent property taxes receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	214,114
Governmental funds do not report a liability for accrued interest on bonds payable until due and payable.	(3,990,187)
The health and dental insurance internal service funds are used by the District to charge the cost of health and dental insurance employee premiums and claims to the individual funds. The assets and liabilities of these internal service funds are included with governmental activities.	8,166,900
Total net position - governmental activities	$ 64,920,375

Independent School District No. 742
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2024

	General	Food Service	Community Service
Revenues			
Local property taxes	$ 19,372,029	$ -	$ 1,159,157
Other local and county revenues	4,768,702	108,132	1,202,080
Revenue from state sources	134,215,958	145,463	4,345,447
Revenue from federal sources	20,704,861	7,813,164	149,689
Sales and other conversion of assets	74,403	214,169	-
Total revenues	179,135,953	8,280,928	6,856,373
Expenditures			
Current			
Administration	4,141,867	-	-
District support services	5,214,616	-	-
Elementary and secondary regular instruction	63,136,709	-	-
Vocational education instruction	1,899,530	-	-
Special education instruction	40,176,662	-	-
Instructional support services	14,635,086	-	-
Pupil support services	19,218,537	-	166,904
Sites and buildings	16,229,006	-	-
Fiscal and other fixed cost programs	902,713	-	-
Food service	-	7,306,430	-
Community education and services	-	-	7,115,571
Capital outlay			
District support services	169,922	-	-
Elementary and secondary regular instruction	1,884,256	-	-
Vocational education instruction	3,378	-	-
Special education instruction	39,858	-	-
Instructional support services	298,710	-	-
Pupil support services	4,379	-	-
Sites and buildings	3,783,198	-	-
Food service	-	421,882	-
Community education and services	-	-	55,492
Debt service			
Principal	1,492,354	17,137	-
Interest and fiscal charges	930,716	-	-
Total expenditures	174,161,497	7,745,449	7,337,967
Excess of revenues over (under) expenditures	4,974,456	535,479	(481,594)
Other Financing Sources			
Bond issuance	-	-	-
Bond premium	-	-	-
Subscription proceeds	261,927	49,003	-
Total other financing sources	261,927	49,003	-
Net change in fund balances	5,236,383	584,482	(481,594)
Fund Balances			
Beginning of year	23,588,418	2,186,734	3,173,442
End of year	$ 28,824,801	$ 2,771,216	$ 2,691,848

Building Construction	Debt Service	Total Governmental Funds
$ -	$ 12,820,575	$ 33,351,761
378,614	1,780,497	8,238,025
-	1,028,940	139,735,808
-	-	28,667,714
-	-	288,572
378,614	15,630,012	210,281,880
-	-	4,141,867
-	-	5,214,616
-	-	63,136,709
-	-	1,899,530
-	-	40,176,662
-	-	14,635,086
-	-	19,385,441
-	-	16,229,006
-	-	902,713
-	-	7,306,430
-	-	7,115,571
-	-	169,922
-	-	1,884,256
-	-	3,378
-	-	39,858
-	-	298,710
-	-	4,379
10,746,277	-	14,529,475
-	-	421,882
-	-	55,492
150,000	8,345,000	10,004,491
226,331	7,991,729	9,148,776
11,122,608	16,336,729	216,704,250
(10,743,994)	(706,717)	(6,422,370)
14,385,000	-	14,385,000
841,434	-	841,434
-	-	310,930
15,226,434	-	15,537,364
4,482,440	(706,717)	9,114,994
10,008,215	76,246,924	115,203,733
$ 14,490,655	$ 75,540,207	$ 124,318,727

Reconciliation of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2024

Total net change in fund balances - governmental funds	$ 9,114,994
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation and amortization expense.	
Capital outlays	24,367,877
Depreciation and amortization expense	(12,740,764)
Net disposals	(43,890)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	131,729
Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	9,383,211
Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities.	10,041,891
Proceeds from long-term debt are recognized as other financing sources, increasing fund balance in the governmental fund statements, but have no effect on net position in the Statements of Activities.	
Bond Issuance	(14,385,000)
Subscription liability issuance	(310,930)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(272,094)
Governmental funds report debt issuance premiums and discounts as an other financing source or use at the time of issuance. Premiums and discounts are reported as an unamortized asset or liability in the government-wide financial statements.	
Amortization of bond premium	742,091
Issuance of Bond Premium	(841,434)
Total OPEB obligations are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. The District's obligation exceeded its contribution, therefore, net position is decreased.	180,522
The change in net position of the internal service funds is reported with governmental activities.	(2,812,028)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	(61,420)
Change in net position - governmental activities	$ 22,494,755

Independent School District No. 742
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Over (Under)
Revenues				
Local property taxes	$ 18,871,972	$ 18,871,972	$ 19,372,029	$ 500,057
Other local and county revenues	4,211,306	3,224,083	4,768,702	1,544,619
Revenue from state sources	122,727,546	134,693,256	134,215,958	(477,298)
Revenue from federal sources	18,458,982	21,446,059	20,704,861	(741,198)
Sales and other conversion of assets	-	-	74,403	74,403
Total revenues	164,269,806	178,235,370	179,135,953	900,583
Expenditures				
Current				
Administration	3,876,218	4,105,817	4,141,867	36,050
District support services	4,579,210	4,977,149	5,214,616	237,467
Elementary and secondary regular instruction	62,662,358	66,270,552	63,136,709	(3,133,843)
Vocational education instruction	1,759,227	1,762,404	1,899,530	137,126
Special education instruction	37,768,869	39,107,232	40,176,662	1,069,430
Instructional support services	14,505,595	14,878,742	14,635,086	(243,656)
Pupil support services	17,043,212	17,946,188	19,218,537	1,272,349
Sites and buildings	16,160,113	16,442,746	16,229,006	(213,740)
Fiscal and other fixed cost programs	725,000	1,065,839	902,713	(163,126)
Capital outlay				
District support services	31,500	454,075	169,922	(284,153)
Elementary and secondary regular instruction	1,768,996	2,438,173	1,884,256	(553,917)
Vocational education instruction	11,800	84,020	3,378	(80,642)
Special education instruction	101,583	60,422	39,858	(20,564)
Instructional support services	47,000	64,253	298,710	234,457
Pupil support services	7,500	3,878	4,379	501
Sites and buildings	790,000	6,537,182	3,783,198	(2,753,984)
Debt service				
Principal	1,438,152	1,438,152	1,492,354	54,202
Interest and fiscal charges	948,998	948,998	930,716	(18,282)
Total expenditures	164,225,331	178,585,822	174,161,497	(4,424,325)
Excess of revenues over (under) expenditures	44,475	(350,452)	4,974,456	5,324,908
Other Financing Sources				
Subscription proceeds	-	-	261,927	261,927
Net change in fund balance	$ 44,475	$ (350,452)	5,236,383	$ 5,586,835
Fund Balances				
Beginning of year			23,588,418	
Ending of year			$ 28,824,801	

Independent School District No. 742
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - Food Service Special Revenue Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Other local and county revenues	$ 5,000	$ 5,000	$ 108,132	$ 103,132
Revenue from state sources	1,160,000	190,000	145,463	(44,537)
Revenue from federal sources	5,047,500	7,459,250	7,813,164	353,914
Sales and other conversion of assets	158,000	158,000	214,169	56,169
Total revenues	6,370,500	7,812,250	8,280,928	468,678
Expenditures				
Current				
Food service	6,344,180	7,292,430	7,306,430	14,000
Debt service				
Principal	-	-	17,137	17,137
Capital outlay				
Food service	100,000	510,000	421,882	(88,118)
Total expenditures	6,444,180	7,802,430	7,745,449	(56,981)
Net change in fund balance	$ (73,680)	$ 9,820	584,482	$ 574,662
Fund balances				
Beginning of year			2,186,734	
Ending of year			$ 2,771,216	

See notes to basic financial statements.

Independent School District No. 742
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - Community Service Special Revenue Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 1,154,702	$ 1,154,702	$ 1,159,157	$ 4,455
Other local and county revenues	1,069,020	1,094,521	1,202,080	107,559
Revenue from state sources	4,254,235	4,355,759	4,345,447	(10,312)
Revenue from federal sources	150,000	150,000	149,689	(311)
Total revenues	6,627,957	6,754,982	6,856,373	101,391
Expenditures				
Current				
Pupil support services	172,771	172,771	166,904	(5,867)
Community education and services	6,832,171	6,943,725	7,115,571	171,846
Capital outlay				
Community education and services	12,500	27,971	55,492	27,521
Total expenditures	7,017,442	7,144,467	7,337,967	193,500
Net change in fund balance	$ (389,485)	$ (389,485)	(481,594)	$ (92,109)
Fund Balances				
Beginning of year			3,173,442	
Ending of year			$ 2,691,848	

Independent School District No. 742
Statement of Net Position - Proprietary Funds
June 30, 2024

	Total Internal Service Funds
Assets	
Current assets	
Cash and cash equivalents	$ 10,712,583
Due from other funds	1,044,929
Total current assets	$ 11,757,512
Liabilities	
Insurance claims payable	$ 2,545,683
Due to other funds	1,044,929
Total liabilities	3,590,612
Net Position	
Unrestricted	8,166,900
Total liabilities and net position	$ 11,757,512

Independent School District No. 742
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended June 30, 2024

	Total Internal Service Funds
Operating Revenue	
Charges for services	$ 16,894,741
Retiree contributions	490,451
Total revenues	17,385,192
Operating Expenses	
Insurance claims	19,834,079
Insurance premiums	797,666
Total operating expenses	20,631,745
Operating loss	(3,246,553)
Nonoperating Revenue	
Investment income	434,525
Change in net position	(2,812,028)
Net Position	
Beginning of year	10,978,928
End of year	$ 8,166,900

See notes to basic financial statements.

Independent School District No. 742
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2024

	Total Internal Service Funds
Cash Flows - Operating Activities	
Employee insurance deductions received from other funds	$ 16,645,736
Receipts from retirees	490,451
Insurance claims paid	(19,291,522)
Insurance premiums paid	(490,451)
Net cash flows - operating activities	(2,645,786)
Cash Flows - Investing Activities	
Interest received	434,525
Net change in cash and cash equivalents	(2,211,261)
Cash and Cash Equivalents	
Beginning of year	12,923,844
End of year	$ 10,712,583
Reconciliation of Operating Loss to Net Cash Flows - Operating Activities	
Operating loss	$ (3,246,553)
Adjustments to reconcile operating loss to net cash flows - operating activities	
Change in accounts receivable	58,210
Change in due from other funds	(307,215)
Change in insurance claims payable	542,557
Change in due to other funds	307,215
Net cash flows - operating activities	$ (2,645,786)

Independent School District No. 742
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2024

	Fundraising Custodial Fund
Additions	
Other local and county revenues	$ 452
Deductions	
Supplies	452
Change in net position	-
Net Position	
Beginning of year	-
End of year	$ -

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

B. Basic Financial Statement Information

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Internal Service Funds are charges to customers for services. Operating expenses for the Internal Service Funds are insurance claims and premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

C. Measurement Focus and Basis of Accounting

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

1. Revenue Recognition

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

2. Recording of Expenditures

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds:

Major Funds:

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

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

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

Building Construction Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities or to account for bonds specifically issued for technology expenditures.

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

Proprietary Funds:

Dental Insurance Internal Service Fund – This fund is used to account for operations of the District's self-insured dental insurance plan. Premiums collected from employees are collected from other governmental funds and claims for dental claims are paid by this fund.

Health Insurance Internal Service Fund – This fund is used to account for operations of the District's self-insured health insurance plan. Premiums collected from employees are collected from other governmental funds and claims for health claims are paid by this fund.

OPEB Internal Service Fund – This fund is used to account for the financial resources relating to other post-employment benefits.

Fiduciary Fund:

Fundraising Custodial Fund – This fund is used to account for resources received and held by the District in a trustee capacity to be used in making donations from student activity fundraisers.

D. Deposits and Investments

All governmental, proprietary, and fiduciary funds of the District, except for the OPEB Internal Service Fund, participate in a government-wide investment pool. Cash and investment balances from these funds are combined and invested to the extent available in various securities as authorized by state law. The OPEB Fund's deposits and investments are held and invested separately from the rest of the District's funds as authorized by state law. In addition, deposits and investments related to the 2017A Certificates of Participation, 2022A Certificates of Participation, 2022B Facility Maintenance Bonds, and 2023A Facilities Maintenance Bonds are held and invested separately from these pooled funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

Minnesota Statutes authorizes the District to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days. Earnings from the pooled investments are allocated to the respective funds based on the average of month-end cash and investment balances.

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

Cash and investments at June 30, 2024, were comprised of deposits, and investments as outlined in Note 2.

In accordance with GASB Statement No. 79, the various MSDLAF, and MNTrust, funds are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF Liquid, MNTrust Investment Shares Portfolio, MNTrust Flex Fund or money market funds. Investments in the MSDLAF MAX must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions. Seven days' notice of redemption is required for withdrawals of investments in the MNTrust Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. Investments in the MNTrust Limited Term Duration Series may only be withdrawn on the third Wednesday of each month upon advance written notice on the immediately preceding first Wednesday of that month.

E. Property Tax Receivable

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

F. Property Taxes Levied for Subsequent Year's Expenditures

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Inventories
Inventories of commodities donated directly by the U.S. Department of Agriculture are recorded at market value. Other inventories are stated at cost as determined on an average cost basis. Inventories are recorded as expenditures when consumed rather than when purchased.

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

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

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

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

Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 and a useful life of more than one year. Capital assets having a useful life of more than one year which are less than $5,000 individually but more than $50,000 in the aggregate are also capitalized. Such assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 50 years for land improvements, buildings, and building improvements, 5 to 20 years for furniture and equipment including food service equipment, and 8 years for vehicles.

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

K. Right-to-Use Lease and Subscription Assets/Lease and Subscription Liabilities
Right-to-use lease and subscription assets are initially measured at an amount equal to the initial measurement of the liability plus any payments made prior to the usage term, less incentives, and plus ancillary charges necessary to place the asset into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease or subscription agreement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Right-to-Use Lease and Subscription Assets/Lease and Subscription Liabilities (Continued)
Key estimates and judgments related to leases include (1) the discount rate, (2) term, and (3) payments.

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Long-Term Obligations

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

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

N. Pensions

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

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

O. Compensated Absences

The District compensates clerical, custodial, and non-represented employees upon termination of employment for unused vacation. An employee, except for the Superintendent who can carry over up to 20 days, may not carry over more than 15 days of vacation time.

Certain district employees are entitled to sick leave at various rates as detailed in their negotiated contracts.

Employees are not compensated for unused sick leave upon termination of employment, unless taken in conjunction with severance pay as described in Note 1.P.

Compensated absences payable, as reported in the Statement of Net Position, consists of the severance payable to eligible employees based on their unused sick leave of $747,223 and vacation leave of $234,117. See Note 1.P.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Post Employment Severance and Health Benefits

Teachers who have completed 15 years of continuous service with the District are eligible for severance pay in the amount of $1,000 per year of service upon retirement or resignation not to exceed $45,000 per employee. Employees in other bargaining groups who meet age and years of service requirements are eligible for severance pay based on his or her accrued accumulated leave up to a maximum number of days or based on his or her years of service as set forth in each negotiated contract. All severance payments are made directly into a Post Retirement Health Care Savings Plan. Severance pay is recognized as an expenditure in the year payment is made in accordance with the Uniform Financial Accounting and Reporting Standards (UFARS) for Minnesota Schools and accounting principles generally accepted in the United States of America and is not recorded as a liability on the fund financial statements. The liability for severance based on years of service is reported in the Statement of Net Position as part of the District's OPEB and the liability for severance based on accumulated leave is reported in the Statement of Net Position as compensated absences.

Q. Fund Equity

1. Classifications

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

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include inventory and prepaid items.
- Restricted Fund Balances – These are amounts that are restricted to specific purposes either by legally enforceable constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or are imposed by law through enabling legislation.
- Assigned Fund Balances – This amount is assigned for specific purposes as determined by the School Board or by the Superintendent or the Executive Director of Finance and Business Services, who are authorized to assign fund balance as outlined in the District's Fund Balance Policy.
- Unassigned Fund Balances – This represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose in the General Fund.

2. Minimum Fund Balance Policy

The District has a fund balance policy in place that states the District will strive to maintain a minimum unassigned General Fund balance of 10% of the annual General Fund expenditure budget.

R. Net Position

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Use of Estimates

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

T. Budgetary Information

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

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

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

The District's pooled deposits had a book balance as follows:

Checking	$ 1,412,626
MN Trust certificates of deposit	2,552,250
Total	$ 3,964,876

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

The District's nonpooled deposits related to the 2023A Facility Maintenance Bond and had a book balance as follows:

MN Trust certificates of deposit	$ 12,266,400

B. Investments

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

		Investment Maturities	
Investment Type	Total	Less Than 1 Year	1 to 3 Years
Pooled			
MSDLAF+ Liquid Class	$ 8,410,220	$ 8,410,220	$ -
MSDLAF+ Max Class	371,764	371,764	-
MN Trust Term Series	9,000,000	5,000,000	4,000,000
MN Trust Limited Term Duration Series	8,536,933	8,536,933	-
Negotiable Certificates of Deposit	2,197,417	490,069	1,707,348
MN Trust Investment Shares Portfolio	17,816,637	17,816,637	-
MN Trust Flex Fund	3,530,291	3,530,291	-
U.S. Treasury Notes	1,288,329	-	1,288,329
Total pooled investments	51,151,591	44,155,914	6,995,677
Non pooled			
2017A Certificates of Participation			
Money Market	1,307,496	1,307,496	-
2022A Certificates of Participation			
Guarateed Investment Certificate	72,390,070	-	72,390,070
Total nonpooled cash with fiscal agent	73,697,566	1,307,496	72,390,070
2022B Facility Maintenance Bonds			
MN Trust Investment Shares Portfolio	642,994	642,994	-
2023A Facility Maintenance Bonds			
MN Trust Investment Shares Portfolio	2,437,978	2,437,978	-
OPEB Investments			
Money Market Account	554,558	554,558	-
U.S. Treasury Notes	490,371	490,371	-
Total nonpooled investments	4,125,901	4,125,901	-
Total investments	$ 128,975,058	$ 49,589,311	$ 79,385,747

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy states the District will diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities, with maximum percent of portfolio on certain investment types.

Custodial Credit Risk – Investments: This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy on custodial credit risk states securities will be held in third party safekeeping by an institution designated as custodial agent. The custodial agent shall issue a safekeeping receipt to the District listing pertinent information related to the securities held.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* §§ 118A.04 and 118A.05 limit investments to the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy limits investments to those specified in the above statutes. As of June 30, 2024, the District's investments in MSDLAF+ Liquid Class, MSDLAF+ Max Class, MN Trust Term Series, MN Trust Investment Shares Portfolio, MN Trust Flex Fund, and MN Trust Long-Term Duration Series were rated AAAm by Standard and Poor's. The District's investments in U.S Treasury notes were rated AAA. The District's investments in negotiable certificates of deposit, guaranteed investment certificate, and the money markets are not rated.

Interest Rate Risk: This is the risk that the market value of securities will fall due to the changes in market interest rates. The District's policy states investment maturities should be scheduled to coincide with projected District cash flow needs, taking into account large routine or scheduled expenditures, as well as anticipated receipt dates of anticipated revenues. The policy also indicates investments shall be managed to attain a market rate of return through various economic and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

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

- Investments of $3,976,118 were valued using a matrix pricing model (Level 2 inputs)
- Investments of $1,307,496 were valued using quoted market prices (Level 1 inputs)

The following is a summary of total deposits and investments:

Cash on hand	$ 4,075
Deposits - pooled (Note 2.A.)	3,964,876
Deposits - nonpooled (Note 2.A.)	12,266,400
Investments - pooled (Note 2.B.)	51,151,591
Investments - nonpooled cash with fiscal agent (Note 2.B.)	73,697,566
Investments - nonpooled (Note 2.B.)	4,125,901
Total	$ 145,210,409

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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

Statement of Net Position	
Cash and investments	$ 71,512,843
Cash with fiscal agent	73,697,566
Total deposits and investments	$ 145,210,409

NOTE 3 – INTERFUND ACTIVITY

As of June 30, 2024, $1,044,929 was due from the OPEB Internal Service Fund to the Health Insurance Internal Service Fund for retiree health benefits.

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Reclassifications/ Change in Accounting Principle	Beginning Balance, Restated	Increases	Decreases	Ending Balance
Governmental activities						
Capital assets not being depreciated						
Land	$ 6,730,006	$ -	$ 6,730,006	$ -	$ -	$ 6,730,006
Construction in progress	10,731,732	-	10,731,732	17,540,639	11,890,187	16,382,184
Total capital assets not being depreciated	17,461,738	-	17,461,738	17,540,639	11,890,187	23,112,190
Other capital assets at historical cost						
Land improvements	23,723,752	(7,170,667)	16,553,085	2,187,905	544,613	18,196,377
Buildings and building improvements	330,184,485	7,170,667	337,355,152	12,287,132	123,598	349,518,686
Furniture and equipment	10,133,156	9,925,997	20,059,153	3,603,068	210,156	23,452,065
Vehicles	4,728,588	-	4,728,588	-	446,876	4,281,712
Food service equipment	1,932,507	-	1,932,507	328,390	94,959	2,165,938
Subscription asset	-	-	-	310,930	-	310,930
Leased building	895,328	-	895,328	-	-	895,328
Total other capital assets	371,597,816	9,925,997	381,523,813	18,717,425	1,420,202	398,821,036
Less accumulated depreciation						
Land improvements	(7,096,079)	45,317	(7,050,762)	(777,199)	(535,132)	(7,292,829)
Buildings	(97,251,211)	(45,317)	(97,296,528)	(9,497,128)	(93,527)	(106,700,129)
Furniture and equipment	(7,542,702)	(2,538,660)	(10,081,362)	(2,007,700)	(205,818)	(11,883,244)
Vehicles	(3,930,398)	-	(3,930,398)	(169,905)	(446,876)	(3,653,427)
Food service equipment	(1,304,110)	-	(1,304,110)	(95,656)	(94,959)	(1,304,807)
Less accumulated amortization						
Subscription asset	-	-	-	(103,643)	-	(103,643)
Leased building	(179,066)	-	(179,066)	(89,533)	-	(268,599)
Total accumulated depreciation/amortization	(117,303,566)	(2,538,660)	(119,842,226)	(12,740,764)	(1,376,312)	(131,206,678)
Total capital assets being depreciated/amortized, net	254,294,250	7,387,337	261,681,587	5,976,661	43,890	267,614,358
Governmental activities, capital assets, net	$ 271,755,988	$ 7,387,337	$ 279,143,325	$ 23,517,300	$ 11,934,077	$ 290,726,548

NOTE 4 – CAPITAL ASSETS (CONTINUED)

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

District Support Services	$ 4,884
Elementary and Secondary Regular Instruction	611,088
Vocational Instruction	17,861
Special Education Instruction	3,967
Community Service	217
Instructional Support Services	1,320,594
Pupil Support Services	154,394
Sites and Buildings	445,662
Food Service	111,989
Unallocated	10,070,108
Total depreciation/amortization expense	$ 12,740,764

NOTE 5 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due within One Year
Long-term liabilities						
G.O. Bonds						
2015A Alternative Facility Bonds	03/05/15	2.0%-4.0%	$ 37,715,000	02/01/35	$ 24,805,000	$ 1,810,000
2015B Capital Facilities Bonds	10/01/15	2.0%-4.0%	13,130,000	02/01/30	6,315,000	970,000
2015C Crossover Refunding Bonds	11/19/15	2.0%-4.0%	20,460,000	02/01/27	6,940,000	2,240,000
2017B School Building Bonds	02/21/17	3.0%-5.0%	100,365,000	02/01/37	80,590,000	3,185,000
2022A Crossover Refunding Bonds	05/19/22	3.375%-3.45%	74,800,000	02/01/37	74,800,000	-
2022B Facilities Maintenance Bonds	06/28/22	4.0%-5.0%	14,630,000	02/01/43	14,170,000	480,000
2023A Facilities Maintenance Bonds	09/21/23	4.125%-5.0%	14,385,000	02/01/44	14,385,000	205,000
Unamortized bond premiums					7,371,174	-
Net bonds payable					229,376,174	8,890,000
Certificates of Participation						
2017A Certificates of Participation	02/21/17	2.0%-5.0%	16,910,000	02/01/38	14,685,000	620,000
2021A Certificates of Participation	11/17/21	3.0%	7,075,000	02/01/35	6,160,000	500,000
Unamortized premiums					1,169,482	-
Net certificates of participation					22,014,482	1,120,000
Subscription liability					202,191	98,630
Lease liability					690,140	81,474
Compensated absences payable					981,340	850,000
Total all long-term liabilities					$ 253,264,327	$ 11,040,104

The long-term bond liabilities listed above were issued to finance acquisition and construction of capital facilities or refund existing bonds. Compensated absences, financed purchase agreements, the lease liability, and Certificates of Participation are typically liquidated through the General Fund. The subscription liability is typically liquidated through the General and Food Service Funds.

NOTE 5 – LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Liabilities (Continued)
The District entered into a gymnastics facility lease agreement. Monthly payments are $8,760, due for 120 months, using an annual interest rate of 5%. The facility has been recorded as a leased building and is being amortized over the term of the lease.

The District entered into an agreement for the subscription of accounting software. Annual payments are $108,739, due for 3 years, using an annual interest rate of 5%. The subscription has been recorded as a subscription asset and is being amortized over the term of the agreement.

B. Minimum Debt Payments
Minimum annual principal and interest payments required to retire long-term liabilities:

Year Ending June 30,	G.O. Bonds Principal	G.O. Bonds Interest
2025	$ 8,890,000	$ 8,593,661
2026	83,530,000	8,006,380
2027	10,170,000	4,315,598
2028	10,495,000	3,972,418
2029	10,850,000	3,619,918
2030-2034	54,785,000	12,852,551
2035-2039	34,260,000	4,563,479
2040-2044	9,025,000	1,105,956
Total	$ 222,005,000	$ 47,029,961

Year Ending June 30,	Certificates of Participation Principal	Certificates of Participation Interest
2025	$ 1,120,000	$ 850,850
2026	1,165,000	804,850
2027	1,210,000	756,900
2028	1,265,000	707,000
2029	1,315,000	654,750
2030-2034	7,435,000	2,403,800
2035-2038	7,335,000	746,650
Total	$ 20,845,000	$ 6,924,800

NOTE 5 – LONG-TERM DEBT (CONTINUED)

B. Minimum Debt Payments (Continued)

Year Ending June 30,	Subscription Liability Principal	Subscription Liability Interest
2025	$ 98,630	$ 10,109
2026	103,561	5,178
Total	$ 202,191	$ 15,287

Year Ending June 30,	Lease Liability Principal	Lease Liability Interest
2025	$ 81,474	$ 32,672
2026	88,562	28,438
2027	96,085	23,840
2028	104,068	18,854
2029	112,537	13,459
2030-2031	207,414	9,247
Total	$ 690,140	$ 126,510

C. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance
Long-term liabilities				
G.O. Bonds	$ 215,965,000	$ 14,385,000	$ 8,345,000	$ 222,005,000
Certificates of participation	21,920,000	-	1,075,000	20,845,000
Unamortized premiums	8,441,313	841,434	742,091	8,540,656
Financed purchase agreements	438,353	-	438,353	-
Subscription liability	-	310,930	108,739	202,191
Lease liability	764,939	-	74,799	690,140
Compensated absences	1,113,069	351,232	482,961	981,340
Total long-term liabilities	$ 248,642,674	$ 15,888,596	$ 11,266,943	$ 253,264,327

NOTE 6 – FUND BALANCES/NET POSITION

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

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

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

Fund Equity

A. Fund Balance

	General Fund	Food Service	Community Service	Building Construction	Debt Service	Total
Nonspendable for						
Inventory	$ 65,583	$ 129,252	$ -	$ -	$ -	$ 194,835
Prepaid Items	509,427	33,203	9,845	-	-	552,475
Total nonspendable fund balance	575,010	162,455	9,845	-	-	747,310
Restricted for						
Operating Capital	2,181,735	-	-	-	-	2,181,735
Gifted and Talented	87,878	-	-	-	-	87,878
Area Learning Center	823,514	-	-	-	-	823,514
Scholarships	162,863	-	-	-	-	162,863
Student Activities	338,133	-	-	-	-	338,133
Long-Term Facilities Maintenance	-	-	-	13,194,057	-	13,194,057
Basic Skills Extended Time	1,407,220	-	-	-	-	1,407,220
Food Service	-	2,608,761	-	-	-	2,608,761
Community Education	-	-	1,098,021	-	-	1,098,021
Early Childhood and Family Education	-	-	254,371	-	-	254,371
School Readiness	-	-	880,070	-	-	880,070
Adult Basic Education	-	-	324,223	-	-	324,223
Community Service	-	-	125,318	-	-	125,318
Projects Funded by COP	-	-	-	1,289,149	-	1,289,149
Capital Projects	-	-	-	7,449	-	7,449
Debt Service	-	-	-	-	75,540,207	75,540,207
Total restricted fund balance	5,001,343	2,608,761	2,682,003	14,490,655	75,540,207	100,322,969
Assigned for						
Future Projects	4,540,492	-	-	-	-	4,540,492
Total assigned fund balance	4,540,492	-	-	-	-	4,540,492
Unassigned						
General Purposes	18,725,983	-	-	-	-	18,725,983
Long-Term Facilities Maintenance	(18,027)	-	-	-	-	(18,027)
Total unassigned fund balance	18,707,956	-	-	-	-	18,707,956
Total fund balance	$ 28,824,801	$ 2,771,216	$ 2,691,848	$ 14,490,655	$ 75,540,207	$ 124,318,727

Nonspendable for Inventory – This balance represents a portion of the fund balance that is not available since the amounts have already been spent on inventory.

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

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

Fund Equity (Continued)

A. Fund Balance (Continued)

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

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

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

Restricted/Reserved for Scholarships – This balance represents available resources for the scholarship funds.

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

Restricted/Reserved for Long-Term Facilities Maintenance (LTFM) – This balance represents available resources to be used for LTFM projects in accordance with the 10-year plan (*Minnesota Statutes* § 123B.595, subd. 12). The negative LTFM balance in the General Fund is reported as unassigned fund balance in accordance with GASB Statement No. 54.

Restricted/Reserved for Basic Skills Extended Time – This balance represents resources available for the basic skills extended time uses listed in *Minnesota Statutes* § 126C.15, subd. 1.

Restricted for Food Service – This balance represents the resources available for the food service program.

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

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

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

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

Fund Equity (Continued)

A. Fund Balance (Continued)

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

Restricted for Community Service – This balance represents the remaining resources of the Community Service Fund not restricted for other programming.

Restricted/Reserved for Building Projects Funded by Certificates of Participation/Financed Purchase Agreement with Related Lease Levy Authority – This balance represents the June30 balance in the Building Construction Fund for projects funded by certificates of participation/financed purchase agreements with related lease levy authority under *Minnesota Statues* 2023 § 126C.40.

Restricted for Capital Projects – This balance represents available resources in the Building Construction Fund for projects.

Restricted for Debt Service – This amount represents the resources available to pay the principal and interest on outstanding debt.

Assigned for Future Projects – This amount represents the portion of General Fund balance that is approved for spending for future capital projects.

B. Net Position

Net position restricted for other purposes on the Statement of Net Position is comprised of the total positive position of the restricted fund balance portion of the General Fund with the exception of the operating capital reserve. This reserve is reported as restricted for capital acquisition.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans. Total pension expense for the year ended June 30, 2024, was $66,996. The components of pension expense are noted in the following plan summaries.

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

Teachers' Retirement Association

A. Plan Description

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

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

Teachers' Retirement Association (Continued)

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

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

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

Tier 1 Benefits

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

With these provisions:

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

Or

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

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

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

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

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

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

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

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

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

Teachers' Retirement Association (Continued)

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

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

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

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

The total pension liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

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

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

Teachers' Retirement Association (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35.50 %	5.10 %
International equity	17.50	5.30
Fixed income	25.00	0.75
Private markets	20.00	5.90
Total	100.00 %	

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

Changes in actuarial assumptions since the 2022 valuation:

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

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

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

Teachers' Retirement Association (Continued)

E. Discount Rate

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

F. Net Pension Liability

On June 30, 2024, the District reported a liability of $94,723,658 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. The District proportionate share was 1.1473% at the end of the measurement period and 1.1566% 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	$ 94,723,658
State's proportionate share of the net pension liability associated with the District	6,635,438

For the year ended June 30, 2024, the District recognized pension expense of ($2,507,182). Included in this amount, the District recognized $934,322 as pension expense for the support provided by direct aid.

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

On June 30, 2024, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 921,833	$ 1,364,627
Net difference between projected and actual earnings on plan investments	406,995	-
Changes of assumptions	10,746,190	-
Changes in proportion	1,423,232	650,936
Contributions to TRA subsequent to the measurement date	6,603,446	-
Total	$ 20,101,696	$ 2,015,563

The $6,603,446 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

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

Year Ended June 30,	Pension Expense Amount
2025	$ 1,653,503
2026	172,548
2027	10,951,673
2028	(997,577)
2029	(297,460)
Total	$ 11,482,687

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

Teachers' Retirement Association (Continued)

G. Pension Liability Sensitivity

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

District Proportionate Share of NPL		
1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
$ 151,077,267	$ 94,723,658	$ 48,591,367

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

H. Pension Plan Fiduciary Net Position

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

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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

B. Benefits Provided

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

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

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

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

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

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2024 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2024, were $1,910,311. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2024, the District reported a liability of $17,178,280 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 $473,443.

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.3072% at the end of the measurement period and 0.3000% for the beginning of the period.

School's proportionate share of the net pension liability	$ 17,178,280
State of Minnesota's proportionate share of the net pension liability assocated with the School	473,443
Total	$ 17,651,723

For the year ended June 30, 2024, the District recognized pension expense of $2,574,178 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized $2,128 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 560,964	$ 113,827
Changes in actuarial assumptions	2,676,633	4,708,421
Net collective difference between projected and actual investments earnings	-	557,168
Changes in proportion	523,769	215,836
District's contributions to PERA subsequent to the measurement date	1,910,311	-
Total	$ 5,671,677	$ 5,595,252

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)
The $1,910,311 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2025	$ 367,135
2026	(2,320,432)
2027	492,066
2028	(372,655)
Total	$ (1,833,886)

E. Long-Term Expected Return on Investment

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

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

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

Public Employees' Retirement Association (Continued)

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

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

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

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

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

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

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

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

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

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

Public Employees' Retirement Association (Continued)

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
District's proprionate share of the PERA net pension liability	$ 30,389,757	$ 17,178,280	$ 6,311,338

I. Pension Plan Fiduciary Net Position

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

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

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

B. Benefits Paid

At retirement, employees of the District receiving a retirement or disability benefit, or eligible to receive a benefit, from a Minnesota public pension plan may continue to participate in the District's group health insurance plan. Various employees are also eligible for subsidized contributions based on terms outlined in contracts. The General Fund, Food Service Fund, and Community Service Fund typically liquidate the liability related to post employment health benefits.

C. Members

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

Retiree electing coverage	44
Active employees waiving coverage	561
Active employees electing coverage	952
Total	1,557

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

D. Contributions
Retirees and their spouses contribute to the health care plan at the same rate as District employees. This results in retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with health insurance providers. The required contributions are based on projected pay-as-you-go financing requirements. For 2024, the District contributed $737,714 in District paid premiums and implicit rate costs for retirees to the plan.

E. Actuarial Assumptions
The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Discount Rate	3.86%, used index rate for 20-Year, tax exempt municipal bonds (fidelity 20-Year Municipal G.O. AA Index)
Inflation	2.50%
Healthcare cost trend increases	6.8% initially, decreasing over several decades to an ultimate rate of 3.9% in FY 2076 and later years.
Mortality Assumption - Teachers	From the July 1, 2022, TRA actuarial valuation, mortality tables were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2015, and other adjustments
Mortality Assumption - Non-teachers	From the July 1, 2022, PERA Generaal Employees retirement plan actuarial valuation, mortality tables were based on the Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments

Since the last valuation, the following changes in actuarial assumptions and plan provisions have been made:

- The discount rate was changed from 3.69% to 3.86% based on updated 20-year municipal bonds rates.

F. Total OPEB Liability
The District's total OPEB liability of $8,866,698 was measured as of June 30, 2023, and was determined by an actuarial valuation as of June 30, 2022. The current portion of the OPEB liability is $708,279.

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability (Continued)

Changes in the total OPEB liability are as follows:

	Total OPEB Liability
Balances at June 30, 2023	$ 9,299,045
Changes for the year	
Service cost	528,440
Interest	340,129
Changes of assumptions	(81,125)
Employer contributions	(1,219,791)
Net changes	(432,347)
Balances at June 30, 2024	$ 8,866,698

G. OPEB Liability Sensitivity

The following presents the District's total OPEB liability calculated using the discount rate of 3.86% as well as the liability measured using 1 percentage point lower and 1 percentage point higher than the current discount rate.

	1% Decrease in Discount Rate (2.86%)	Current Discount Rate (3.86%)	1% Increase in Discount Rate (4.86%)
Total OPEB Liability	$ 9,345,305	$ 8,866,698	$ 8,393,906

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

	1% Decrease in Trend Rate (5.8% Decreasing to 2.9%)	Current Trend Rate (6.8% Decreasing to 3.9%)	1% Increase in Trend Rate (7.8% Decreasing to 4.9%)
Total OPEB Liability	$ 8,708,426	$ 8,866,698	$ 9,050,232

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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

For the year ended June 30, 2024, the District recognized OPEB expense of $984,148. As of June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Outflows of Resources	Inflows of Resources
Difference between expected and actual liability	$ 1,163,875	$ 273,276
Changes of assumptions	610,367	884,002
Contributions made subsequent to the measurement date	737,714	-
Total	$ 2,511,956	$ 1,157,278

The $737,714 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

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

Year Ending June 30,	Total
2025	$ 115,579
2026	115,579
2027	115,579
2028	124,487
2029	137,049
Thereafter	8,691
Total	$ 616,964

NOTE 9 – RISK MANAGEMENT

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

NOTE 9 – RISK MANAGEMENT (CONTINUED)

Since 2009, the District has provided a dental care self-insurance program. Under this program, the fund provides up to a maximum of $1,000 for each dental claim. The General Fund, Food Service Fund, and Community Service Fund of the District participate in this program and make payments to the Dental Insurance Internal Service Fund. Based on the requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the basic financial statements indicates it is probable a liability has been incurred at the date of the basic financial statements and the amount of the loss can be reasonably estimated. The total claims liability reported in the fund as of June 30, 2024, was $92,212, which is comprised of the liability for known claims as well as an estimate for claims incurred but not yet reported. Changes in the fund's claims liability amounts for the past three years are as follows.

Year	Beginning Balance	Claims Expense and Estimates	Claims Payments	Ending Balance
2022	$ 71,302	$ 1,056,219	$ 1,054,845	$ 72,676
2023	72,676	1,106,443	1,079,276	99,843
2024	99,843	1,083,364	1,090,995	92,212

Since 2014, the District has provided a health care self-insurance program. Under this program, the fund provides up to a maximum of $200,000 for each health claim. The General Fund, Food Service Fund, and Community Service Fund of the District participate in this program and make payments to the Health Insurance Internal Service Fund. Based on the requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the basic financial statements indicates it is probable a liability has been incurred at the date of the basic financial statements and the amount of the loss can be reasonably estimated. The total claims liability reported in the fund as of June 30, 2024, was $2,453,471, which is comprised of the liability for known claims as well as an estimate for claims incurred but not yet reported. Changes in the fund's claims liability amounts for the past three years are as follows:

Year	Beginning Balance	Claims Expense and Estimates	Claims Payments	Ending Balance
2022	$ 1,134,064	$ 14,971,696	$ 14,892,062	$ 1,213,698
2023	1,213,698	16,689,639	16,000,054	1,903,283
2024	1,903,283	18,750,715	18,200,527	2,453,471

NOTE 10 – CONTINGENCIES AND COMMITMENTS

A. Program Compliance

Federal and state program activities are subject to financial and compliance regulation. To the extent any expenditures are disallowed, or other compliance features are not met, a liability to the respective grantor agencies could result.

NOTE 10 – CONTINGENCIES AND COMMITMENTS (CONTINUED)

B. Construction Commitments

As of June 30, 2024, the District had construction commitments totaling $14,127,151 related to various projects in process.

NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLE

As of July 1, 2023, the District implemented changes related to accounting for group asset purchases as required by GASB Implementation Guide No. 2021-1. Amounts previously expensed as they were individually less than the District's capitalization threshold were required to be reported as capital assets and depreciated over the estimated useful life of the asset. This resulted in a change in accounting principle on the Statement of Activities in the amount of $7,387,337.

Net Position 6/30/23, as previously presented	$ 35,038,283
Change in accounting principle	7,387,337
Net Position 6/30/23, as restated	$ 42,425,620

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REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 742
Schedule of Changes in Total OPEB Liability
and Related Ratios

	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Total OPEB Liability				
Service cost	$ 551,968	$ 533,823	$ 504,366	$ 572,050
Interest	248,357	285,572	298,166	268,111
Differences between expected and actual experience	-	54,882	-	1,686,192
Changes of assumptions	(248,899)	252,614	217,361	284,663
Changes of benefit terms	-	-	-	-
Benefit payments	(923,271)	(1,110,658)	(654,319)	(862,394)
Net change in total OPEB liability	(371,845)	16,233	365,574	1,948,622
Beginning of year	8,415,030	8,043,185	8,059,418	8,424,992
End of year	$ 8,043,185	$ 8,059,418	$ 8,424,992	$ 10,373,614
Covered payroll	$ 85,506,873	$ 85,312,922	$ 85,409,905	$ 87,828,950
Total OPEB liability as a percentage of covered-employee payroll	9.41%	9.45%	9.86%	11.81%

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

June 30, 2022	June 30, 2023	June 30, 2024
$ 718,313	$ 797,231	$ 528,440
258,707	208,877	340,129
75,311	(332,684)	-
267,026	(882,683)	(81,125)
-	(27,242)	-
(1,064,935)	(1,092,490)	(1,219,791)
254,422	(1,328,991)	(432,347)
10,373,614	10,628,036	9,299,045
$ 10,628,036	$ 9,299,045	$ 8,866,698
$ 89,944,021	$ 96,649,476	$ 99,593,426
11.82%	9.62%	8.90%

Independent School District No. 742
Schedule of District's and Non-Employer Proportionate Share (if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Plan Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Proportionate Share of the Net Pension of Liability	District's Covered-Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.3412%	$ 16,027,867	$ -	$ 16,027,867	$ 17,914,041	89.5%	78.75%
2015	0.3111%	16,122,817	-	16,122,817	17,982,867	89.7%	78.19%
2016	0.3074%	24,959,355	325,963	25,285,318	19,074,613	130.9%	68.91%
2017	0.3392%	21,654,304	272,264	21,926,568	21,850,400	99.1%	75.90%
2018	0.3159%	17,524,837	574,913	18,099,750	21,232,667	82.5%	79.53%
2019	0.3061%	16,923,583	525,977	17,449,560	21,662,733	78.1%	80.23%
2020	0.3099%	18,579,921	572,838	19,152,759	22,098,213	84.1%	79.06%
2021	0.2955%	12,619,174	385,460	13,004,634	21,277,200	59.3%	87.00%
2022	0.3000%	23,760,099	696,586	24,456,685	22,473,080	105.7%	76.67%
2023	0.3072%	17,178,280	473,443	17,651,723	24,427,480	70.3%	83.10%

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

For Plan Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Proportionate Share of the Net Pension of Liability	District's Covered-Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	1.1334%	$ 52,226,256	$ 3,673,947	$ 55,900,203	$ 51,738,486	100.9%	81.50%
2015	1.0964%	67,823,183	8,319,269	76,142,452	55,648,787	121.9%	76.77%
2016	1.1151%	265,977,956	26,696,660	292,674,616	58,007,307	458.5%	44.88%
2017	1.1630%	232,155,897	22,441,352	254,597,249	62,603,053	370.8%	51.57%
2018	1.1091%	69,661,861	6,544,927	76,206,788	61,275,573	113.7%	78.07%
2019	1.1062%	70,509,420	6,239,895	76,749,315	62,802,555	112.3%	78.21%
2020	1.1147%	82,355,530	6,901,545	89,257,075	64,776,692	127.1%	75.48%
2021	1.1173%	48,896,389	4,123,754	53,020,143	66,861,845	73.1%	86.63%
2022	1.1566%	92,614,410	6,867,879	99,482,289	71,489,736	129.5%	76.17%
2023	1.1473%	94,723,658	6,635,438	101,359,096	72,944,596	129.9%	76.42%

Independent School District No. 742
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2015	$ 1,348,715	$ 1,348,715	$ -	$ 17,982,867	7.50%
2016	1,430,596	1,430,596	-	19,074,613	7.50%
2017	1,638,780	1,638,780	-	21,850,400	7.50%
2018	1,592,450	1,592,450	-	21,232,667	7.50%
2019	1,624,705	1,624,705	-	21,662,733	7.50%
2020	1,657,366	1,657,366	-	22,098,213	7.50%
2021	1,595,790	1,595,790	-	21,277,200	7.50%
2022	1,685,481	1,685,481	-	22,473,080	7.50%
2023	1,832,061	1,832,061	-	24,427,480	7.50%
2024	1,910,311	1,910,311	-	25,470,813	7.50%

Schedule of District Contributions
TRA Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2015	$ 4,173,659	$ 4,173,659	$ -	$ 55,648,787	7.50%
2016	4,350,548	4,350,548	-	58,007,307	7.50%
2017	4,695,229	4,695,229	-	62,603,053	7.50%
2018	4,595,668	4,595,668	-	61,275,573	7.50%
2019	4,842,077	4,842,077	-	62,802,555	7.71%
2020	5,130,314	5,130,314	-	64,776,692	7.92%
2021	5,435,868	5,435,868	-	66,861,845	8.13%
2022	5,962,244	5,962,244	-	71,489,736	8.34%
2023	6,236,763	6,236,763	-	72,944,596	8.55%
2024	6,603,446	6,603,446	-	75,467,954	8.75%

TRA Retirement Fund

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

The 2024 Omnibus Pensions and Retirement Bill:
- The Normal Retirement Age (NRA) for active and eligible deferred Tier II members will be 65 effective July 1, 2024.

TRA's amortization date will remain the same at 2048.

2022 Changes
Changes in Actuarial Assumptions
- None

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

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

2019 Changes
Changes in Actuarial Assumptions
- None

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

TRA Retirement Fund (Continued)

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

- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0.0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes
Changes in Actuarial Assumptions

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

2016 Changes
Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.

TRA Retirement Fund (Continued)

2016 Changes (Continued)
Changes in Actuarial Assumptions (Continued)
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

2015 Changes
Changes of Benefit Terms
- The DTRFA was merged into TRA on June 30, 2015.

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

General Employees Fund

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

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

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

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

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

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

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

General Employees Fund (Continued)

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

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

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

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

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

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

2017 Changes
Changes in Actuarial Assumptions
- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

General Employees Fund (Continued)

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

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

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

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

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

OPEB Health Care Plan
2023 Changes
- The discount rate was changed from 3.69% to 3.86% based on updated 20-year municipal bonds rates.

2022 Changes
Changes in Actuarial Assumptions
- The discount rate was changed from 1.92% to 3.69% based on updated 20-year municipal bonds rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Withdrawal, retirement, mortality, and salary increase rates were updated from rates used in the July 1, 2019, PERA General Employees Plan and the July 1, 2019, TRA valuations to the rates used in the July 1, 2022, valuations.
- The percent of future retirees assumed to elect spouse coverage at retirement changed from 20% to 30% to reflect recent plan experience.

Changes in Plan Provisions
- Retiree premiums were updated to current levels.
- Clerical and custodian explicit subsidy benefit was added to the valuation based on the updated contract.
- Administrators' severance benefit was removed from the valuation based on the updated contract.

2021 Changes
Changes in Actuarial Assumptions
- The discount rate was changed from 2.45% to 1.92% based on updated 20-year municipal bonds rates.

2020 Changes
Changes in Actuarial Assumptions
- The discount rate was changed from 3.13% to 2.45% based on updated 20-year municipal bonds rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including the repeal of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings, including an adjustment to reflect age/gender-based risk scores published by the Society of Actuaries.
- Mortality and salary increase rates were updated from the rates used in the July 1, 2018, PERA General Employees Retirement Plan and July 1, 2018, Teachers Retirement Association valuations to the rates used in the July 1, 2019, valuations.

2019 Changes
Changes in Actuarial Assumptions
- The discount rate was decreased to 3.13% from 3.62%.

2018 Changes
Changes in Actuarial Assumptions
- The discount rate was increased to 3.62% from 3.56%.
- The inflation rate was decreased to 2.5% from 2.75%.

SUPPLEMENTARY INFORMATION

Independent School District No. 742
Combining Statement of Net Position - Internal Service Funds
June 30, 2024

	Dental Insurance	Health Insurance	OPEB	Total Internal Service Funds
Assets				
Current assets				
Cash and investments	$ 968,973	$ 8,698,681	$ 1,044,929	$ 10,712,583
Due from other funds	-	1,044,929	-	1,044,929
Total current assets	$ 968,973	$ 9,743,610	$ 1,044,929	$ 11,757,512
Liabilities				
Insurance claims payable	$ 92,212	$ 2,453,471	$ -	$ 2,545,683
Due to other funds	-	-	1,044,929	1,044,929
Total liabilities	92,212	2,453,471	1,044,929	3,590,612
Net Position				
Unrestricted	876,761	7,290,139	-	8,166,900
Total liabilities and net position	$ 968,973	$ 9,743,610	$ 1,044,929	$ 11,757,512

Independent School District No. 742
Combining Statement of Revenues, Expenses, and Changes
in Fund Net Position - Internal Service Funds
Year Ended June 30, 2024

	Dental Insurance	Health Insurance	OPEB	Total Internal Service Funds
Operating Revenue				
Charges for services	$ 1,069,164	$ 15,825,577	$ -	$ 16,894,741
Retiree contributions	-	-	490,451	490,451
Total operating revenues	1,069,164	15,825,577	490,451	17,385,192
Operating Expenses				
Insurance claims	1,083,364	18,750,715	-	19,834,079
Insurance premiums	-	-	797,666	797,666
Total operating expenses	1,083,364	18,750,715	797,666	20,631,745
Operating loss	(14,200)	(2,925,138)	(307,215)	(3,246,553)
Nonoperating Revenue				
Investment income	36,201	348,054	50,270	434,525
Change in net position	22,001	(2,577,084)	(256,945)	(2,812,028)
Net Position				
Beginning of year	854,760	9,867,223	256,945	10,978,928
End of year	$ 876,761	$ 7,290,139	$ -	$ 8,166,900

Independent School District No. 742
Combining Statement of Cash Flows - Internal Service Funds
Year Ended June 30, 2024

	Dental Insurance	Health Insurance	OPEB	Total Internal Service Funds
Cash Flows - Operating Activities				
Employee insurance deductions received from other funds	$ 1,085,836	$ 15,559,900	$ -	$ 16,645,736
Receipts from retirees	-	-	490,451	490,451
Insurance claims and fees paid	(1,090,995)	(18,200,527)	-	(19,291,522)
Insurance premiums paid	-	-	(490,451)	(490,451)
Net cash flows - operating activities	(5,159)	(2,640,627)	-	(2,645,786)
Cash Flows - Investing Activities				
Interest received	36,201	348,054	50,270	434,525
Net Change in Cash and Cash Equivalents	31,042	(2,292,573)	50,270	(2,211,261)
Cash and Cash Equivalents				
Beginning of year	937,931	10,991,254	994,659	12,923,844
End of year	$ 968,973	$ 8,698,681	$ 1,044,929	$ 10,712,583
Reconciliation of Operating Loss to Net Cash Flows - Operating Activities				
Operating loss	$ (14,200)	$ (2,925,138)	$ (307,215)	$ (3,246,553)
Adjustments to reconcile operating loss to net cash flows - operating activities				
Change in due from other funds	-	(307,215)	-	(307,215)
Change in accounts receivable	16,672	41,538	-	58,210
Change in insurance claims payable	(7,631)	550,188	-	542,557
Change in due to other funds	-	-	307,215	307,215
Net cash flows - operating activities	$ (5,159)	$ (2,640,627)	$ -	$ (2,645,786)

Independent School District No. 742
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2024

	Audit	UFARS	Audit-UFARS
01 GENERAL FUND			
Total revenue	$ 179,135,953	$ 179,135,953	$ -
Total expenditures	174,161,497	174,161,498	(1)
Nonspendable:			
4.60 Nonspendable fund balance	575,010	575,010	-
Restricted/reserved:			
4.01 Student Activities	338,133	338,133	-
4.02 Scholarships	162,863	162,863	-
4.03 Staff Development	-	-	-
4.07 Capital Projects Levy	-	-	-
4.08 Cooperative Programs	-	-	-
4.12 Literacy Incentive Aid	-	-	-
4.13 Project Funded by COP	-	-	-
4.14 Operating Debt	-	-	-
4.16 Levy Reduction	-	-	-
4.17 Taconite Building Maintenance	-	-	-
4.20 American Indian Education Aid	-	-	-
4.24 Operating Capital	2,181,735	2,181,735	-
4.26 $25 Taconite	-	-	-
4.27 Disabled Accessibility	-	-	-
4.28 Learning and Development	-	-	-
4.34 Area Learning Center	823,514	823,514	-
4.35 Contracted Alternative Programs	-	-	-
4.36 State Approved Alternative Program	-	-	-
4.38 Gifted and Talented	87,878	87,878	-
4.39 English Learner	-	-	-
4.40 Teacher Development and Evaluation	-	-	-
4.41 Basic Skills Programs	-	-	-
4.43 School Library Aid	-	-	-
4.48 Achievement and Integration	-	-	-
4.49 Safe School Revenue	-	-	-
4.51 QZAB Payments	-	-	-
4.52 OPEB Liabilities not Held in Trust	-	-	-
4.53 Unfunded Severance and Retirement Levy	-	-	-
4.59 Basic Skills - Extended Time	1,407,220	1,407,220	-
4.67 Long-term Facilities Maintenance	(18,027)	(18,027)	-
4.71 Student Support Personnel Aid	-	-	-
4.72 Medical Assistance	-	-	-
Restricted:			
4.64 Restricted fund balance	-	-	-
4.75 Title VII - Impact Aid	-	-	-
4.76 PILT	-	-	-
Committed:			
4.18 Committed for separation	-	-	-
4.61 Committed	-	-	-
Assigned:			
4.62 Assigned fund balance	4,540,492	4,540,493	(1)
Unassigned:			
4.22 Unassigned fund balance	18,725,983	18,725,981	2
02 FOOD SERVICE FUND			
Total revenue	$ 8,280,928	$ 8,280,928	$ -
Total expenditures	7,745,449	7,745,445	4
Nonspendable:			
4.60 Nonspendable fund balance	162,455	162,454	1
Restricted/reserved:			
4.52 OPEB liabilities not held in trust	-	-	-
Restricted:			
4.64 Restricted fund balance	2,608,761	2,608,761	-
Unassigned:			
4.63 Unassigned fund balance	-	-	-
04 COMMUNITY SERVICE FUND			
Total revenue	$ 6,856,373	$ 6,856,375	$ (2)
Total expenditures	7,337,967	7,337,970	(3)
Nonspendable:			
4.60 Nonspendable fund balance	9,845	9,845	-
Restricted/reserved:			
4.26 $25 Taconite	-	-	-
4.31 Community Education	1,098,021	1,098,021	-
4.32 ECFE	254,371	254,371	-
4.40 Teacher Development and Evaluation	-	-	-
4.44 School Readiness	880,070	880,070	-
4.47 Adult Basic Education	324,223	324,223	-
4.52 OPEB Liabilities not Held in Trust	-	-	-
Restricted:			
4.64 Restricted fund balance	125,318	125,317	1
Unassigned:			

	Audit	UFARS	Audit-UFARS
06 BUILING CONSTRUCTION FUND			
Total revenue	$ 378,614	$ 378,614	$ -
Total expenditures	11,122,608	11,122,608	-
Nonspendable:			
4.60 Nonspendable fund balance	-	-	-
Restricted/reserved:			
4.07 Capital Projects Levy	-	-	-
4.13 Building Projects Funded by COP	1,289,149	1,289,149	-
4.67 Long-term Facitlities Maintenance	13,194,057	13,194,057	-
Restricted:			
4.64 Restricted fund balance	7,449	7,449	-
Unassigned:			
4.63 Unassigned fund balance	-	-	-
07 DEBT SERVICE FUND			
Total revenue	$ 15,630,012	$ 15,630,012	$ -
Total expenditures	16,336,729	16,336,729	-
Nonspendable:			
4.60 Nonspendable fund balance	-	-	-
Restricted/reserved:			
4.25 Bond refundings	72,390,070	72,390,070	-
4.33 Maximum effort loan aid	-	-	-
4.51 QZAB payments	-	-	-
4.67 Long-term Facilities Maintenance	-	-	-
Restricted:			
4.64 Restricted fund balance	3,150,137	3,150,138	(1)
Unassigned:			
4.63 Unassigned fund balance	-	-	-
08 TRUST FUND			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
4.01 Student Activities	-	-	-
4.02 Scholarships	-	-	-
4.22 Net position	-	-	-
18 CUSTODIAL FUND			
Total revenue	$ 452	$ 452	$ -
Total expenditures	452	452	-
Unassigned:			
4.01 Student Activities	-	-	-
4.02 Scholarships	-	-	-
4.48 Achievement and Integration	-	-	-
4.64 Restricted fund balance	-	-	-
20 INTERNAL SERVICE FUND			
Total revenue	$ 17,278,996	$ 17,278,994	$ 2
Total expenditures	19,834,079	19,834,079	-
Unassigned:			
4.22 Net position	8,166,900	8,166,899	1
25 OPEB REVOCABLE FUND			
Total revenue	$ 540,721	$ 540,721	$ -
Total Expenditures	797,666	797,666	-
Unassigned:			
4.22 Net position	-	-	-
45 OPEB IRREVOCABLE FUND			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
4.22 Net position	-	-	-
47 OPEB DEBT SERVICE			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Nonspendable:			
4.60 Nonspendable fund balance	-	-	-
Restricted:			
4.25 Bond refunding	-	-	-
4.64 Restricted fund balance	-	-	-
Unassigned:			
4.63 Unassigned fund balance	-	-	-

Independent School District No. 742
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Agency/Pass Through Agency/Program Title	Federal Assistance Listing Number	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education		
Child Nutrition Cluster		
School Breakfast Program	10.553	$ 1,778,272
COVID-19 - Supply Chain Assistance Funds	10.555C	231,119
National School Lunch Program	10.555	4,775,179
Commodities (Noncash)	10.555	644,519
Special Milk Program for Children	10.556	10,188
Fresh Fruit and Vegetable Program	10.582	243,700
Total Child Nutrition Cluster and U.S. Department of Agriculture		7,682,977
Local Food for Schools Cooperative Agreement Program	10.185	70,186
Child Nutrition Discretionary Grants Limited Availability Program	10.579	60,000
Total U.S. Department of Agriculture		7,813,163
U.S. Department of Justice		
Received Directly		
STOP School Violence Program	16.839	21,580
Federal Communications Commission		
Through Universal Service Administrative Co.		
Emergency Connectivity Fund Program	32.009	72,644
U.S. Department of Education		
Received Directly		
Indian Education Grants to Local Educational Agencies	84.060	41,192
Full Service Community Schools Program	84.215J	1,377
Through Minnesota Department of Education		
Adult Education Basic Grants to States	84.002	149,690
Title I Grants to Local Educational Agencies	84.010	5,357,640
Special Education Cluster		
Special Education Grants to States	84.027	2,911,165
Special Education Preschool Grants	84.173	112,954
Total Special Education Cluster		3,024,119
Special Education Grants for Infants and Families	84.181	100,111
COVID-19 - IDEA Grants for Infants and Families/American Rescue Plan (ARP) Act of 2021	84.181X	35,000
Total Infants and Toddlers		135,111
Education for Homeless Children and Youth	84.196	41,881
English Language Acquisition State Grants	84.365	317,239
Supporting Effective Instruction State Grant	84.367	529,151
Student Support and Academic Enrichment Program	84.424	439,028
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	106,001
COVID-19 - Comprehensive Literacy State Development Program	84.371C	102,112
Education Stabilization Fund		
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	1,837,975
COVID 19 - ARP - ESSER	84.425U	8,412,692
COVID-19 - ARP - ESSER - Homeless Children and Youth	84.425W	85,637
Total Education Stabilization Fund		10,336,304
Through Independent School District No. 966 - Wright Technical Center		
Career and Technical Education Basic Grants to States	84.048A	107,634
Total U.S. Department of Education		20,688,479
Total Federal Expenditures		$ 28,595,866

Independent School District No. 742
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2024

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – PASS-THROUGH GRANT NUMBERS

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

NOTE 4 – INVENTORY

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

NOTE 5 – INDIRECT COST RATE

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

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

Independent Auditor's Report

To the School Board
Independent School District No. 742
St. Cloud, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*, the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 742, St. Cloud, Minnesota, as of and for the year ending June 30, 2024, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 1, 2024.

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance that we consider to be a significant deficiency in internal control, Audit Finding 2024-001.

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

District's Response to the Finding
Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance. The District's response was not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on the response.

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

BergankDV, Ltd.

St. Cloud, Minnesota
November 1, 2024

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

Independent Auditor's Report

To the School Board
Independent School District No. 742
St. Cloud, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program
We have audited the District's compliance with the types of compliance requirements identified as subject to audit in the *U.S. Office of Management and Budget* (OMB) Compliance Supplement that could have a direct and material effect on the District's major federal program for the year ended June 30, 2024.The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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

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

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

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

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

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

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

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

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

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

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

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

BergenKDV, Ltd.

St. Cloud, Minnesota
November 1, 2024

Independent School District No. 742
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

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

Identification of Major Programs

Assistance Listing No.:	10.553, 10.555C,10.555, 10.556, 10.582
Name of Federal Program or Cluster:	Child Nutrition Cluster
Dollar threshold used to distinguish between type A and type B programs:	$857,876
Auditee qualified as low-risk auditee?	Yes

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS

Audit Finding 2024-001

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

Condition:
During the year ended June 30, 2024, the District had a lack of segregation of accounting duties due to a limited number of office employees. Examples of the lack of segregation of accounting duties include, but are not limited to the following:

- The Executive Director of Finance and Business Services has full access to the general ledger.
- Secretaries at the elementary schools and community education office receipt cash and prepare the deposit.
- The Accounting Coordinator receives cash, posts amounts into the finance system, prepares the deposit, and makes the deposit.
- The Payroll Secretary enters timecard information into the system and processes payroll. The Accounting Coordinator reviews the payroll report and certain paper timecards. The Payroll Coordinator also reviews random selections of paper timecards to ensure information was entered correctly into the District's payroll system.

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

Cause:
There are a limited number of office employees.

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

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

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2024-001 (Continued)

Views of the Responsible Officials and Planned Corrective Actions:

CORRECTIVE ACTION PLAN (CAP):

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

2. Actions Planned in Response to Finding
   The District will continue to evaluate the benefits compared to the costs of increased internal controls.

3. Official Responsible for Ensuring CAP
   Amy Skaalerud, Executive Director of Finance and Business Services, is the official responsible for ensuring corrective action of the deficiency.

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

5. Plan to Monitor Completion of CAP
   The School Board will be monitoring this CAP by following up on these items as needed with the Executive Director of Finance and Business Services.

SCHEDULE III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SCHEDULE IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None

Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 742
St. Cloud, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 742, St. Cloud, Minnesota, as of and for the year ended June 30, 2024, and the related notes to basic financial statements, and have issued our report thereon dated November 1, 2024.

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

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

BerganKDV, Ltd.

St. Cloud, Minnesota
November 1, 2024