



ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year Ending June 30, 2024

Orono Public Schools • ISD #278

685 Old Crystal Bay Road North

Orono, Minnesota 55356

oronoschools.org

INDEPENDENT SCHOOL DISTRICT NO. 278
ORONO, MINNESOTA

Annual Comprehensive
Financial Report

Year Ended
June 30, 2024

Prepared by
Finance Department

Nick Taintor, CPA – Director of Business Services

Rachel McQuiston, CPA – Controller

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 278

Table of Contents

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	i–v
Organizational Chart	vi
School Board and Administration	vii
Certificate of Excellence	viii
Map of School District	ix–x
FINANCIAL SECTION	
INDEPENDENT AUDITOR’S REPORT	1–4
MANAGEMENT’S DISCUSSION AND ANALYSIS	5–15
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements	
Governmental Funds	
Balance Sheet	18–19
Reconciliation of the Balance Sheet to the Statement of Net Position	20
Statement of Revenue, Expenditures, and Changes in Fund Balances	21–22
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	23
Statement of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	24
Proprietary Funds	
Statement of Net Position	25
Statement of Revenue, Expenses, and Changes in Net Position	26
Statement of Cash Flows	27
Fiduciary Fund	
Statement of Fiduciary Net Position	28
Statement of Changes in Fiduciary Net Position	28
Notes to Basic Financial Statements	29–59
REQUIRED SUPPLEMENTARY INFORMATION	
Public Employees Retirement Association Pension Benefits Plan	
Schedule of District’s and Nonemployer Proportionate Share of Net Pension Liability	60
Schedule of District Contributions	60
Teachers Retirement Association Pension Benefits Plan	
Schedule of District’s and Nonemployer Proportionate Share of Net Pension Liability	61
Schedule of District Contributions	61
Other Post-Employment Benefits Plan	
Schedule of Changes in the District’s Net OPEB Liability and Related Ratios	62
Schedule of Investment Returns	63
Notes to Required Supplementary Information	64–70

INDEPENDENT SCHOOL DISTRICT NO. 278

Table of Contents (continued)

	Page
SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds	
Combining Balance Sheet	71
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	72
Governmental Funds	
General Fund	
Balance Sheet by Account	73
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account	74
Operating Account – Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	75
Capital Expenditure Account – Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	76
Special Revenue Funds	
Food Service Special Revenue Fund	
Comparative Balance Sheet	77
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	78
Community Service Special Revenue Fund	
Comparative Balance Sheet	79
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	80
Capital Projects – Building Construction Fund	
Comparative Balance Sheet	81
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	82
Debt Service Fund	
Balance Sheet by Account	83
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account – Budget and Actual	84–85
Proprietary Funds	
Internal Service Funds	
Combining Statement of Net Position	86
Combining Statement of Revenue, Expenses, and Changes in Net Position	87
Combining Statement of Cash Flows	88

INDEPENDENT SCHOOL DISTRICT NO. 278

Table of Contents (continued)

	Page
STATISTICAL SECTION (UNAUDITED)	
Net Position by Component	89–90
Changes in Net Position	91–92
Governmental Activities Tax Revenues by Source and Levy Type	93
Fund Balances of Governmental Funds	94–95
Changes in Fund Balances of Governmental Funds	96–97
General Governmental Tax Revenues by Source and Levy Type	98
Assessed and Actual Value of Taxable Property	99
Property Tax Rates – Direct and Overlapping Governments	100–101
Principal Property Taxpayers	102
Property Tax Levies, Collections, and Receivables	103–104
Ratios of Outstanding Debt by Type	105
Ratio of Net General Obligation Bonded Debt to Market Value and Net General Obligation Bonded Debt per Capita	106
Direct and Overlapping Debt	107
Legal Debt Margin Information	108–109
Demographic and Economic Statistics	110
Principal Employers	111
Employees by Classification	112–113
Operating Statistics	114
School Building Information	115–116
Food Service – School Lunch Program Data	117
Student Enrollment	118

THIS PAGE INTENTIONALLY LEFT BLANK

INTRODUCTORY SECTION

THIS PAGE INTENTIONALLY LEFT BLANK



October 30, 2024

To the Citizens of the School District, Board of Education, and Employees of the School District:

INTRODUCTION

We are submitting the Annual Comprehensive Financial Report (ACFR) of Independent School District No. 278, Orono (the District) for the fiscal year ended June 30, 2024. This report fairly presents the District's financial position and results of operations and cash flows in accordance with accounting principles generally accepted in the United States of America. The District's administration accepts total responsibility for the accuracy, completeness, and fairness in presentation.

The District's financial statements have been audited by Malloy, Montague, Karnowski, Radosevich & Co., P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2024, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's basic financial statements for the fiscal year ended June 30, 2024, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

In addition to the independent audit of the District's financial statements, the District is required to undergo an annual Single Audit in conformity with the provisions of the Federal Single Audit Act Amendments of 1996 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). The District is also required to undergo an annual Minnesota State Legal Compliance Audit under Minnesota Statutes § 6.65. The standards governing Single Audit engagements require the independent auditor to report on not only the fair presentation of the financial statements, but also the District's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the District's separately issued "Special Purpose Audit Reports."

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

DISTRICT GOALS

School District Vision

Orono Schools will inspire lifelong learners and ethical citizens who positively impact our world.

School District Mission

Inspiring and empowering every student to achieve their highest potential through exceptional experiences.

Strategic Goals

1. Scholarship – Through personalized and rigorous learning across all disciplines, we will ensure all students possess the knowledge, skills, and dispositions to thrive in any post-secondary experience and achieve their life goals.
2. Character – We will instill in every child a strong foundation of ethical decision making, responsibility, and integrity, nurturing them to become caring and trustworthy individuals who contribute to their communities.
3. Connectedness – We will foster a connected learning community in which empathy, belonging, and strong relationships are cultivated to empower students and staff.

The School Board governs under the guidelines of the Minnesota School Board Association, which provides model policy recommendations and School Board governance training to its members.

The School Board has overall control of the organization. Through its policies, the Superintendent is the School Board's link to operational achievement and conduct, so that all authority and accountability of staff, as far as the School Board is concerned, is considered the authority and accountability of the Superintendent.

LOCAL ECONOMIC CONDITION AND OUTLOOK

The District was incorporated in 1951 and serves a portion of seven suburban communities on the western edge of the Minneapolis/St. Paul metropolitan area, covering 49 square miles with an estimated population of 13,209. The District encompasses all or part of the communities of Independence, Long Lake, Maple Plain, Medina, Minnetonka Beach, Orono, and Wayzata.

For 2023–2024, the District facilities included two elementary schools, one middle school, one senior high school, a community education center, a student center, and a transportation and storage center. The average building age was 39.85 years old.

Enrollment for the 2023–2024 school year was 2,922 pupils in adjusted daily membership, which represents an increase of 48 students from the prior year. Demographic forecasts project an increase in enrollment for the next several years. Projected enrollments for the near future per an independent demographer hired by the District are:

<u>Fiscal Year</u>	<u>Enrollment</u>
2025	2,987
2026	3,015
2027	3,035

The tax base of the District increased by 12.35 percent during the past year. The market value of all taxable property in the District in fiscal year 2024 was \$5,735,636,149, compared to \$5,105,157,199 in fiscal year 2023.

The total tax capacity of the District for fiscal year 2024 was \$68,192,742, an increase of 13.40 percent over the prior year value of \$60,135,277.

Programs and Services

The District provides a full range of public education services appropriate to grade levels, ranging from pre-Kindergarten through Grade 12. These include regular and enriched academic education, special education for exceptional children, and career/vocational education. Food service and transportation are provided as supporting programs. The District's community education program includes early childhood family education and adult basic education programs, and a myriad of classes for lifelong learning experiences for children and adults.

Enrollment

Enrollment is a critical factor in determining funding levels. Approximately 67 percent of the General Fund revenue is enrollment driven. During fiscal year 2024, enrollment increased by 48 average daily memberships to 2,922. The increase can be attributed to strong enrollment demand common to the District prior to the pandemic and expected in future years.

Student Enrollment (Average Daily Membership)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Pre-K	11	9	11	10	10	30	34	35	33
Reg-K and HCP-K	183	167	182	191	185	184	184	182	215
Elementary	1,219	1,235	1,233	1,263	1,251	1,216	1,219	1,270	1,288
Secondary	1,402	1,400	1,415	1,413	1,413	1,414	1,402	1,387	1,386
Total Students	2,815	2,811	2,841	2,877	2,859	2,844	2,839	2,874	2,922
Percent Change	1.26%	-0.14%	1.07%	1.27%	-0.63%	-0.52%	-0.18%	1.23%	1.67%

Student Enrollment (Average Daily Membership)



The continued stability of grade cohorts in the elementary grade levels over the last five years, combined with strong demand, led to relatively stable enrollments since fiscal year 2017. Enrollment numbers presented above present both financial and strategic opportunities for the District in future years.

FINANCIAL AND BUDGETARY CONTROL

The management of the District is responsible for establishing and maintaining internal controls designed to ensure that the assets of the District are protected from theft, misuse, or losses and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America and Minnesota Uniform Financial Accounting and Reporting Standards.

The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the valuation of the costs and benefits requires estimates and judgments by management.

In addition, the District has also adopted the following policies to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the School Board:

- **Fund Balance Policy** – Establishes a guideline for the District to maintain an unassigned fund balance equal to at least 5 percent of the expenditure budget for the operating funds including the General Fund, Food Service Fund, and Community Service Fund. Cost containment measures may be implemented to meet this objective, while also realizing that certain variations attributed to revenue recognition in Minnesota Statutes may be reflected in fund balance fluctuations at year-end. For instance, Minnesota Statutes may require school districts to advance recognize certain portions of the property taxes levied for subsequent years in the current year, as well as prior period property tax levy adjustments. District administration gives careful consideration to the impact of these adjustments and informs the School Board accordingly.
- **Budget Policy** – Establishes a guideline for allocation of district resources.
- **Personnel Staffing Guidelines** – Personnel costs represent close to 77 percent of General Fund expenditures. These guidelines, which set the staffing allocation for every allocated position in the District, are updated each February by the administration and the School Board.

The District's budget process is based, first, on development of a budget projection model that attempts to project resources and expenses over a multiple year period. The budget projection is used by the School Board and the administration to determine budget parameters and staffing guidelines. Second, the budget adopted in June is based upon the personnel staffing guidelines approved by the School Board and preparation of the nonpersonnel budget by school and department administrators, in accordance with School Board-approved budget parameters. The final budget reflects the District's actual enrollment count on October 1, the actual staff hired, and other dynamics such as employee contract settlements.

The legal level of budgetary control is at the fund level. However, in the General Fund; operating, special education, pupil transportation, capital expenditure, and quality compensation are maintained as separate internal accounts for budgeting purposes. The School Board must approve expenditures exceeding budget at the fund level by resolution or through the disbursement approval process. The District also maintains an encumbrance accounting system as one method of maintaining budgetary control. Encumbered amounts lapse at year-end. However, outstanding encumbrances generally are reappropriated as part of the following year's budget.

As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management and has identified any temporary fluctuations in year-end fund balances attributed to prior year property tax levy recognition impacts.

MAJOR INITIATIVES

Coronavirus (COVID-19)

The District received final funding from federal and state governments to mitigate effects of COVID-19 on enrollment and delivery of instruction and services and has adjusted its future budgets to reflect the fact that these resources will no longer be available. The District expects some minimal carryover of federal dollars to address learning loss from the pandemic that will be used to offer additional summer programming in fiscal year 2024–2025.

Debt Issuance

The District issued \$5,555,000 in general obligation capital notes, facilities maintenance, and capital facilities bonds in fiscal year 2023 to provide funds for indoor air quality projects, deferred maintenance projects, improvements to school buildings, and the purchase of technology equipment. While debt issuance funds were issued in the previous fiscal year, the initiatives and projects were largely completed over the summer of 2024 and completion is scheduled in fiscal year 2025.

Projects

The District is in the process of completing a \$2.0 million project for the two elementary schools and another \$2.5 million project for the middle school to address indoor air quality issues and deferred maintenance. These projects were partially funded with annual appropriations and the debt that was issued in previous fiscal years.

CERTIFICATE OF EXCELLENCE

This ACFR has been prepared following the guidelines provided by the Association of School Business Officials (ASBO) International for its Certificate of Excellence in Financial Reporting Program. Achieving recognition by this program provides a clear indication of the District's high standards for financial reporting. The District intends to submit this ACFR to the ASBO International Certificate Program for consideration. The District received the Certificate of Excellence in Financial Reporting award for the past seven fiscal years.

ACKNOWLEDGMENTS

We would like to acknowledge the efforts of the entire Business Office staff in providing complete and accurate data for this ACFR.

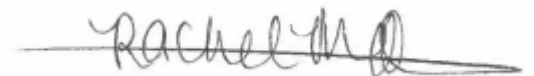
Sincerely,



Dr. Kristine Flesher
Superintendent



Nick Taintor, CPA
Director of Business Services



Rachel McQuiston, CPA
Controller

Orono Schools Superintendent



INDEPENDENT SCHOOL DISTRICT NO. 278

School Board and Administration
Year Ended June 30, 2024

SCHOOL BOARD

	<u>Position</u>
Michael Bash	Board Chair
Sarah Borchers	Vice Chair
Alicia Howe	Treasurer
Laura Wallander	Clerk
Wendy Lundsgaard	Director
Todd Madson	Director

ADMINISTRATION

Dr. Kristi Flesher	Superintendent
Nick Taintor	Director of Business Services



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting
is presented to**

**Independent School District 278 - Orono
Public Schools**

**for its Annual Comprehensive Financial Report
for the Fiscal Year Ended June 30, 2023.**

The district report meets the criteria established for
ASBO International's Certificate of Excellence in Financial Reporting.



A handwritten signature in black ink, reading 'Ryan S. Stechschulte'.

Ryan S. Stechschulte
President

A handwritten signature in black ink, reading 'James M. Rowan'.

James M. Rowan, CAE, SFO
CEO/Executive Director

Orono Schools Campus



[illegible]

FINANCIAL SECTION

THIS PAGE INTENTIONALLY LEFT BLANK



PRINCIPALS

Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA
Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 278
Orono, Minnesota

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINIONS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 278 (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

BASIS FOR OPINIONS

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

EMPHASIS OF MATTER

Change in Accounting Principle

As described in Note 1 of the notes to basic financial statements, in fiscal 2024, the District adopted new accounting guidance for capitalizing purchases of groups of similar assets in the current year. Our opinion is not modified with respect to this matter.

(continued)

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

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

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 generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

(continued)

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 RSI 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, as listed in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER INFORMATION

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

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

PRIOR YEAR COMPARATIVE INFORMATION

We have previously audited the District's 2023 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 18, 2023. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Malloy, Montague, Karnowski, Radosevich & Co., P. A.

Minneapolis, Minnesota
October 30, 2024

INDEPENDENT SCHOOL DISTRICT NO. 278

Management's Discussion and Analysis Fiscal Year Ended June 30, 2024

This section of Independent School District No. 278's (the District) Annual Comprehensive Financial Report (ACFR) presents management's narrative overview and analysis of its financial performance during the fiscal year ended June 30, 2024. Please read it in conjunction with the other components of the District's ACFR.

FINANCIAL HIGHLIGHTS

- The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2024 by \$2,760,019 (net position). The District's total net position increased by \$6,948,048 during the fiscal year ended June 30, 2024.
- The District's government-wide beginning net position increased by \$710,546, due to a change in accounting principle implemented during the year requiring the capitalization of groups of similar capital assets purchased together that were not capitalized in prior years, due to the individual asset values having been below its capitalization threshold.
- Government-wide revenues totaled \$61,211,992 and were \$6,948,048 more than government-wide expenses of \$54,263,944.
- The General Fund's total fund balances (under the governmental fund presentation) increased \$1,216,600 from the prior year to a year-end balance of \$4,898,715.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the ACFR consists of the following parts:

- Independent Auditor's Report;
- Management's discussion and analysis;
- Basic financial statements, including the government-wide financial statements, fund financial statements, and the notes to basic financial statements;
- Required supplementary information; and
- Supplementary information, consisting of combining and individual fund statements and schedules.

The following explains the two types of statements included in the basic financial statements:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (Statement of Net Position and Statement of Activities) 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, except for the fiduciary funds. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide financial statements report the District's *net position* and how it has 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 are indicators of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District requires consideration of additional nonfinancial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are all shown in one category titled "governmental activities." These activities, including regular and special education instruction, transportation, administration, food services, and community education, are primarily financed with state aid and property taxes.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds, rather than the District as a whole. Funds (Food Service Special Revenue and Community Service Special Revenue) that do not meet the threshold to be classified as major funds are called "nonmajor" funds. Detailed financial information for nonmajor funds can be found in the supplementary information section.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. For Minnesota schools, funds are established in accordance with Uniform Financial Accounting and Reporting Standards in accordance with statutory requirements and accounting principles generally accepted in the United States of America.

The District maintains the following kinds of funds:

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

Proprietary Funds – The District maintains one type of proprietary fund. Internal service funds are used as an accounting device to accumulate and allocate costs internally among the District's various functions. The District uses its internal service funds to account for its self-insured dental and medical benefits activities. These services have been included within governmental activities in the government-wide financial statements. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds – The District is the trustee, or fiduciary, for assets held for others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. These activities are excluded from the government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1 is a summarized view of the District's Statement of Net Position:

Table 1 Summary Statement of Net Position as of June 30, 2024 and 2023		
	2024	2023
Assets		
Current and other assets	\$ 42,306,391	\$ 40,411,454
Capital assets, net of depreciation/amortization	76,109,206	75,293,720
Total assets	\$ 118,415,597	\$ 115,705,174
Deferred outflows of resources		
Pension plan deferments	\$ 7,278,803	\$ 10,186,663
OPEB plan deferments	1,426,115	1,872,203
Total deferred outflows of resources	\$ 8,704,918	\$ 12,058,866
Liabilities		
Current and other liabilities	\$ 6,193,675	\$ 5,138,145
Long-term liabilities, including due within one year	93,864,326	101,478,962
Total liabilities	\$ 100,058,001	\$ 106,617,107
Deferred inflows of resources		
Lease revenue for subsequent years	\$ 51,407	\$ 86,810
Property taxes levied for subsequent year	21,260,862	19,757,456
Pension plan deferments	2,556,177	5,604,304
OPEB plan deferments	434,049	596,938
Total deferred inflows of resources	\$ 24,302,495	\$ 26,045,508
Net position		
Net investment in capital assets	\$ 23,413,394	\$ 19,909,838
Restricted	5,231,671	4,833,653
Unrestricted	(25,885,046)	(29,642,066)
Total net position	\$ 2,760,019	\$ (4,898,575)

The District's financial position is the product of many factors. For example, the determination of the District's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation/amortization. Differences in estimated useful lives and capitalization policies may produce a significant difference in the calculated amounts. Another major factor in determining net position as compared to fund balances are the liabilities for long-term severance, pension, and other post-employment benefits (OPEB), which impact unrestricted net position.

Total net position improved by \$6,948,048 in the current year. Scheduled debt service payments with minimal new debt issued during the year contributed to the decreases in long-term liabilities. Changes in the District's share of the Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) state-wide pension plans contributed to the differences in deferred outflows and inflows of resources, long-term liabilities, and unrestricted net position.

Table 2 presents a condensed version of the Change in Net Position of the District:

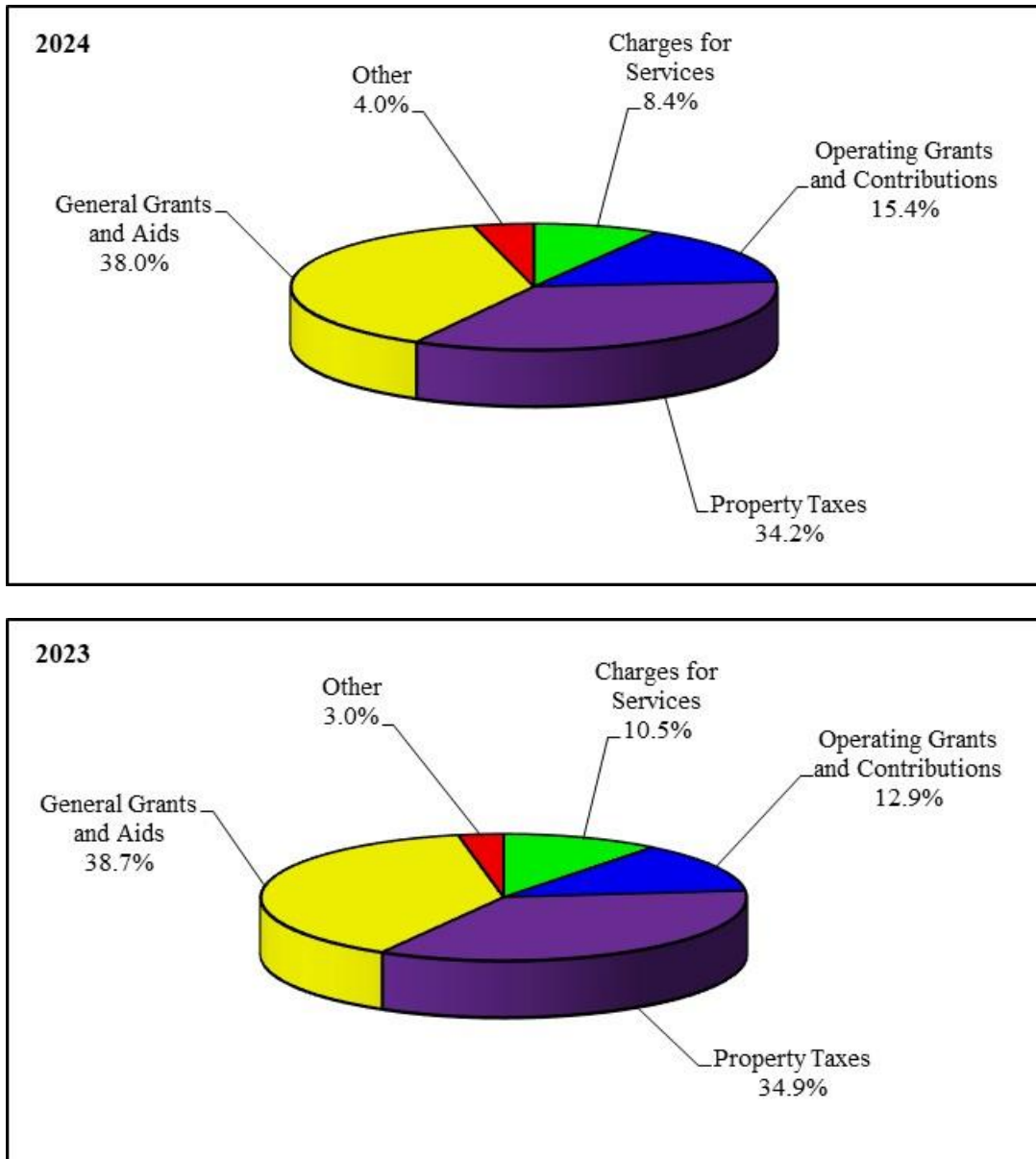
Table 2 Change in Net Position for the Years Ended June 30, 2024 and 2023		
	2024	2023
Revenues		
Program revenues		
Charges for services	\$ 5,128,591	\$ 6,001,996
Operating grants and contributions	9,454,398	7,375,321
General revenues		
Property taxes	20,928,627	19,945,934
General grants and aids	23,266,010	22,156,658
Other	2,434,366	1,708,617
Total revenues	<u>61,211,992</u>	<u>57,188,526</u>
Expenses		
Administration	1,406,570	1,103,069
District support services	1,732,881	1,820,703
Elementary and secondary regular instruction	22,711,651	18,979,166
Vocational education instruction	389,463	252,683
Special education instruction	5,520,346	4,559,711
Instructional support services	3,570,300	3,395,738
Pupil support services	3,801,473	3,042,348
Sites and buildings	6,889,268	6,705,360
Fiscal and other fixed cost programs	431,604	380,595
Food service	2,341,080	2,194,520
Community service	4,020,026	3,622,424
Interest and fiscal charges	1,449,282	1,539,703
Total expenses	<u>54,263,944</u>	<u>47,596,020</u>
Change in net position	6,948,048	9,592,506
Net position – beginning, previously reported	(4,898,575)	(14,491,081)
Change in accounting principle	710,546	–
Net position – beginning, restated	<u>(4,188,029)</u>	<u>(14,491,081)</u>
Net position – ending	<u>\$ 2,760,019</u>	<u>\$ (4,898,575)</u>

The table summarizes all governmental activities of the District presented on the accrual basis of accounting. Revenues are allocated between those directly related to specific programs and those that are general revenues. Depreciation/amortization is included in the program expenses, but capital asset purchase costs, debt proceeds, and the repayment of debt principal are excluded.

Governmental activities revenues increased \$4,023,466 (7.0 percent) from the previous year. Increases in the property tax levy, state funding for general education and special education, and investment returns contributed to the overall increase.

Governmental activities expenses were \$6,667,924 (14.0 percent) higher than last year. Contractual increases to salaries, inflationary increases in benefits and other expenses, and changes in the pension expense for the District's proportionate shares of the PERA and TRA state-wide pension plans contributed to this increase.

Figure A – Types of Revenue for Fiscal Years 2024 and 2023

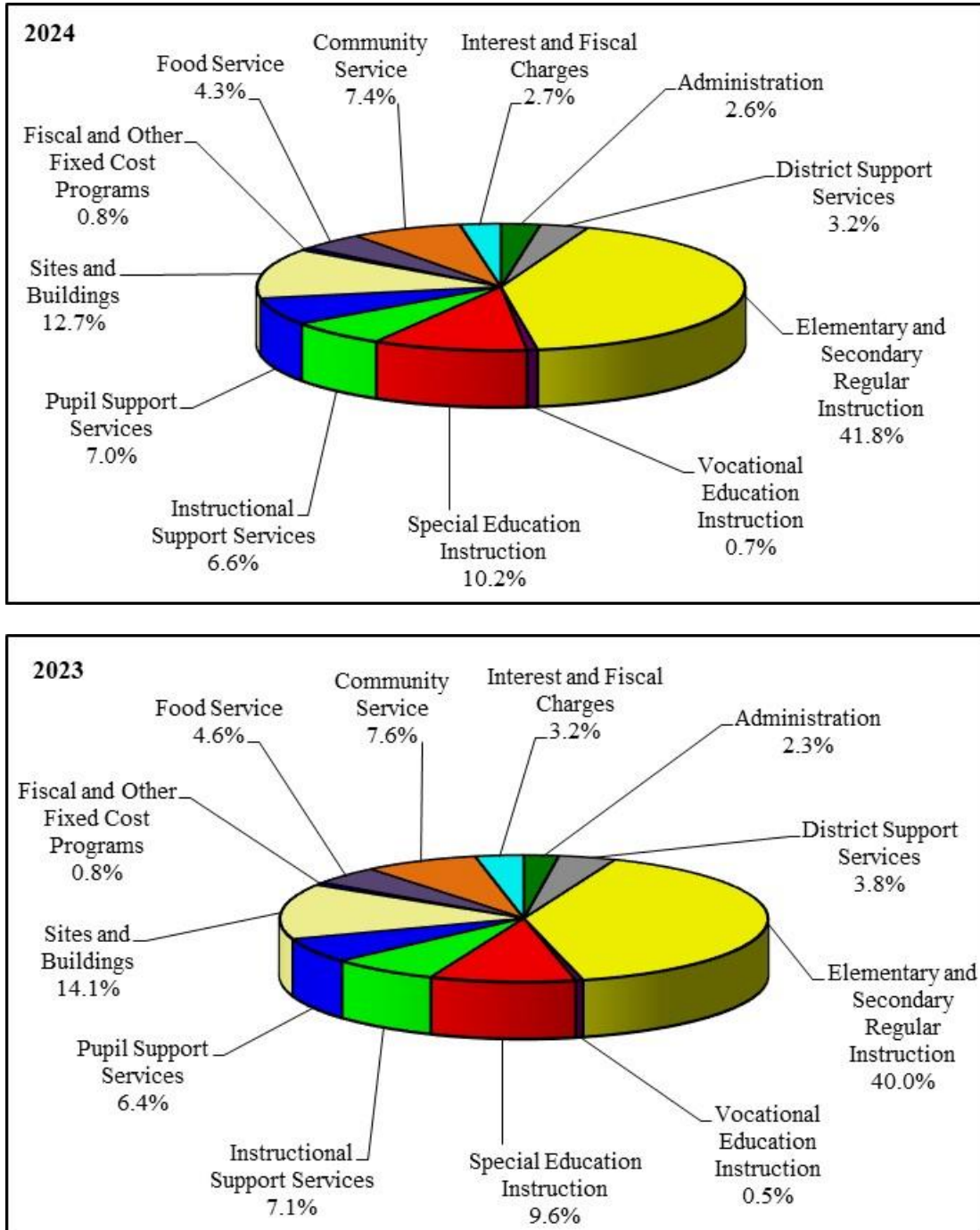


The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants.

Property taxes are generally the next largest source of funding. The level of funding property tax sources provide is not only dependent on taxpayers of the District by way of operating and building referenda, but also on legislative decisions impacting the mix of state aid and local effort in a variety of funding formulas.

Revenues from charges for services decreased compared to the prior year, mainly due to increased state funding for child nutrition programs, which increased operating grants and contributions, while decreasing revenue from direct meal sales. Improved state special education funding also contributed to the increase in operating grants and contributions. Improved interest rates and market conditions resulted in higher investment earnings, included in the "other" category in the graphs above.

Figure B – Expenses for Fiscal Years 2024 and 2023



The District's expenses are predominately related to educating students. The majority of the District's expenses were in categories directly related to providing instruction, which includes: elementary and secondary regular instruction, vocational education instruction, special education instruction, and instructional support services.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District is also reflected in its funds. Table 3 shows the change in total fund balances in each of the District's governmental funds:

Table 3 Governmental Fund Balances as of June 30, 2024 and 2023			
	2024	2023	Change
Major funds			
General	\$ 4,898,715	\$ 3,682,115	\$ 1,216,600
Capital Projects – Building Construction	3,231,496	5,708,470	(2,476,974)
Debt Service	1,114,349	1,449,378	(335,029)
Nonmajor funds			
Food Service Special Revenue	1,121,853	1,012,262	109,591
Community Service Special Revenue	1,443,814	1,378,700	65,114
Total governmental funds	<u>\$ 11,810,227</u>	<u>\$ 13,230,925</u>	<u>\$ (1,420,698)</u>

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use, as they represent the portion of fund balance, which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's School Board.

At June 30, 2024, the District's governmental funds reported combined fund balances of \$11,810,227, a decrease of \$1,420,698 in comparison with the prior year. Unassigned fund balance at year-end was \$2,251,046, which is available for spending at the District's discretion. The remainder of the fund balance is either: 1) nonspendable (not in spendable form) – \$381,060, 2) externally restricted for particular purposes – \$8,756,728, or 3) internally assigned for particular purposes – \$421,393.

Analysis of the General Fund

Table 4 summarizes the amendments to the General Fund budget:

Table 4 General Fund Budget				
	Original Budget	Final Budget	Change	Percent Change
Revenue and other financing sources	<u>\$ 46,350,253</u>	<u>\$ 47,341,729</u>	<u>\$ 991,476</u>	<u>2.1%</u>
Expenditures	<u>\$ 46,182,546</u>	<u>\$ 47,126,165</u>	<u>\$ 943,619</u>	<u>2.0%</u>

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. During the year, the District may change the budget for known significant changes in circumstances, such as: updated enrollment estimates, legislative changes, changes in funding received from grants or other local sources, staffing changes, employee contract settlements, health insurance premium increases, or special education tuition changes.

Table 5 summarizes the operating results of the General Fund:

Table 5 General Fund Operating Results					
	2024 Actual	Over (Under) Final Budget		Over (Under) Prior Year	
		Amount	Percent	Amount	Percent
Revenue and other financing sources	\$47,573,844	\$ 232,115	0.5 %	\$ 3,767,118	8.6 %
Expenditures	<u>46,357,244</u>	\$ (768,921)	(1.6) %	\$ 1,337,262	3.0 %
Net change in fund balances	<u>\$ 1,216,600</u>				

The fund balance of the General Fund increased \$1,216,600 in the current year, compared to an increase of \$215,564 anticipated in the final budget.

Total General Fund revenue and other financing sources for the year were \$232,115 (0.5 percent) over budget. Revenue from investment earnings and other local sources (such as donations, activity fees, and local grants) exceeded budget by a combined \$666,385, due to conservative budgeting for these inconsistent revenue sources. This was offset by revenue from state and federal sources, which were a combined \$651,675 under budget, due to state general education aid not increasing as much as anticipated and the District utilizing less of its federal special education entitlement than expected.

General Fund revenue and other financing sources were \$3,767,118 higher than the prior year in total, mainly due to an increased property tax levy, improvements to state special education and general education funding, and higher revenue from investment earnings and other local revenue sources.

Total General Fund expenditures were \$768,921 (1.6 percent) under budget, mainly in salaries and benefits. Total expenditures were \$1,337,262 (3.0 percent) higher than the previous year. The majority of the overall increase was due to increased salary and benefit costs for instructional programs and higher contracted transportation services, partially offset by reduced capital outlay.

COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS

Analysis of the Capital Projects – Building Construction Fund

The Capital Projects – Building Construction Fund expenditures exceeded revenues by \$2,476,974 in fiscal 2024, compared to a planned fund balance decrease of \$5,708,469. The decrease in equity resulted from the District spending down a portion of the proceeds from facilities maintenance bonds issued the previous year, for which the related maintenance projects remain ongoing at year-end.

Analysis of the Debt Service Fund

Debt Service Fund expenditures exceeded revenues by \$335,029, decreasing fund balance to \$1,114,349 at year-end. The activity in this fund is largely controlled by the financing plan approved with the issuance of each individual debt obligation. Of the year-end fund balance, \$88,578 is restricted for OPEB bond debt service, and \$1,025,771 is restricted for general debt service.

Analysis of Other Governmental Funds

The District's final budget for the Food Service Special Revenue Fund projected a fund balance decrease of \$75,000 for fiscal 2024, as compared to an actual increase of \$109,591. Revenue was \$421,956 over budget in the current year, mainly in state sources, due to increased funding approved by the Legislature. Expenditures increased \$297,353 from the prior year, mainly in supplies and materials (including food) costs and capital outlay, and were over budget by \$238,064, mainly in supplies and materials costs, along with purchased services.

The District's final budget for the Community Service Special Revenue Fund projected a fund balance increase of \$115,022 in fiscal 2024, while fund balance actually increased by \$65,114. Revenues were down slightly from last year, but over budget by \$622,805 in total, as program fees and tuition, state and federal grants, and investment earnings were higher than projected. Expenditures were over budget by \$672,713, mainly in personnel costs and purchased services, due to a highly competitive labor market.

Analysis of Internal Service Funds

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis. The District maintains two internal service funds used to account for its self-insured dental and medical insurance functions.

Operating revenues (charges assessed to the governmental funds) for the internal service funds for fiscal 2024 totaled \$4,989,418, which is \$125,629 (2.6 percent) higher than the previous year. Operating expenses totaled \$4,358,514, which represents an increase of \$440,015 (11.2 percent) from the previous year, primarily in medical benefit claims.

The total net position balance for both internal service funds as of June 30, 2024, was \$3,560,836, an increase of \$806,632 from the prior year.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

Table 6 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation/amortization expense for fiscal years ended June 30, 2024 and 2023:

Table 6 Capital Assets			
	2024	2023	Change
Land	\$ 602,074	\$ 602,074	\$ —
Construction in progress	3,579,174	3,336,322	242,852
Land improvements	11,607,932	11,499,878	108,054
Buildings	111,356,521	107,489,458	3,867,063
Furniture and equipment	6,732,713	5,922,333	810,380
Leases – equipment	129,616	—	129,616
Less accumulated depreciation/amortization	(57,898,824)	(53,556,345)	(4,342,479)
Total	\$ 76,109,206	\$ 75,293,720	\$ 815,486
Depreciation/amortization expense	\$ 4,258,008	\$ 4,038,845	\$ 219,163

Most of the activity in capital assets related to facilities maintenance projects financed with bonds issued at the end of the previous fiscal year. The change in furniture and equipment includes a change in accounting principle of \$710,546, representing the net value of groups of similar assets purchased in prior years, but not capitalized, due to the individual asset values being under the District's capitalization threshold.

Long-Term Liabilities

Table 7 shows the components of the District's long-term liabilities and the change from the prior year:

Table 7 Outstanding Long-Term Liabilities			
	2024	2023	Change
General obligation bonds payable	\$ 51,675,000	\$ 56,655,000	\$ (4,980,000)
Premium (discount) on bonds	2,897,505	3,462,804	(565,299)
Financed purchases payable	2,470,703	2,807,004	(336,301)
Lease liabilities	111,297	—	111,297
Net pension liabilities	31,026,316	32,777,883	(1,751,567)
Net OPEB liability	4,873,776	4,730,610	143,166
Severance payable	809,729	1,045,661	(235,932)
Total	\$ 93,864,326	\$ 101,478,962	\$ (7,614,636)

The overall decrease in long-term liabilities was due to scheduled debt service payments with minimal new debt issued during the year, along with decreases in long-term employee pension plan liabilities.

The state limits the amount of general obligation debt the District can issue to 15.0 percent of the market value of all taxable property within the District's corporate limits (see Table 8).

Table 8	
Limitations on Debt	
District's market value	\$ 5,735,636,149
Limit rate	<u>15.0%</u>
Legal debt limit	<u><u>\$ 860,345,422</u></u>

Additional details of the District's capital assets and long-term debt activity can be found in Notes 4 and 5 of the notes to basic financial statements, respectively.

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of the voter-approved operating referendum, the District is dependent on the state of Minnesota for a majority of its revenue authority.

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The Legislature has added \$143, or 2.00 percent, per pupil to the basic general education funding formula for fiscal year 2025.

The amount of funding a district receives is also dependent on the number of students it serves, meaning attracting and retaining students is critical to the District's financial well-being.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This ACFR is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Business Office, Independent School District No. 278, 685 Old Crystal Bay Road North, Long Lake, Minnesota 55356.

THIS PAGE INTENTIONALLY LEFT BLANK

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 278

Statement of Net Position
as of June 30, 2024
(With Partial Comparative Information as of June 30, 2023)

	Governmental Activities	
	2024	2023
Assets		
Cash and temporary investments	\$ 25,408,882	\$ 25,303,982
Receivables		
Current taxes	11,066,892	10,077,534
Delinquent taxes	245,584	320,204
Accounts and interest	567,783	545,753
Due from other governmental units	4,041,512	3,409,663
Due from Post-Employment Benefits Trust Fund	543,271	309,967
Lease	51,407	86,810
Inventory	86,919	126,756
Prepaid items	294,141	230,785
Capital assets		
Not depreciated/amortized	4,181,248	3,938,396
Depreciated/amortized, net	71,927,958	71,355,324
Total capital assets, net	76,109,206	75,293,720
Total assets	118,415,597	115,705,174
Deferred outflows of resources		
Pension plan deferments	7,278,803	10,186,663
OPEB plan deferments	1,426,115	1,872,203
Total deferred outflows of resources	8,704,918	12,058,866
Total assets and deferred outflows of resources	\$ 127,120,515	\$ 127,764,040
Liabilities		
Salaries payable	\$ 1,200,147	\$ 1,225,836
Accounts and contracts payable	3,125,170	1,975,922
Accrued interest payable	779,844	774,269
Due to other governmental units	151,182	221,563
Unearned revenue	937,332	940,555
Long-term liabilities		
Due within one year	6,436,916	5,386,460
Due in more than one year	87,427,410	96,092,502
Total long-term liabilities	93,864,326	101,478,962
Total liabilities	100,058,001	106,617,107
Deferred inflows of resources		
Lease revenue for subsequent years	51,407	86,810
Property taxes levied for subsequent year	21,260,862	19,757,456
Pension plan deferments	2,556,177	5,604,304
OPEB plan deferments	434,049	596,938
Total deferred inflows of resources	24,302,495	26,045,508
Net position		
Net investment in capital assets	23,413,394	19,909,838
Restricted for		
Capital asset acquisition	1,409,637	778,132
Debt service	402,553	749,073
Food service	1,121,853	1,012,262
Community service	1,447,000	1,382,187
Other purposes (state funding restrictions)	850,628	911,999
Unrestricted	(25,885,046)	(29,642,066)
Total net position	2,760,019	(4,898,575)
Total liabilities, deferred inflows of resources, and net position	\$ 127,120,515	\$ 127,764,040

INDEPENDENT SCHOOL DISTRICT NO. 278

Statement of Activities
Year Ended June 30, 2024
(With Partial Comparative Information for the Year Ended June 30, 2023)

Functions/Programs	2024			2023
	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities				
Administration	\$ 1,406,570	\$ —	\$ —	\$ (1,406,570)
District support services	1,732,881	—	—	(1,732,881)
Elementary and secondary regular instruction	22,711,651	649,123	1,104,543	(20,957,985)
Vocational education instruction	389,463	—	—	(389,463)
Special education instruction	5,520,346	—	4,952,027	(568,319)
Instructional support services	3,570,300	—	667,968	(2,902,332)
Pupil support services	3,801,473	—	239,241	(3,562,232)
Sites and buildings	6,889,268	569,944	242,910	(6,076,414)
Fiscal and other fixed cost programs	431,604	—	—	(431,604)
Food service	2,341,080	655,980	1,820,326	135,226
Community service	4,020,026	3,253,544	427,383	(339,099)
Interest and fiscal charges	1,449,282	—	—	(1,449,282)
Total governmental activities	<u>\$ 54,263,944</u>	<u>\$ 5,128,591</u>	<u>\$ 9,454,398</u>	(39,680,955)
General revenue				
Taxes				
Property taxes, levied for general purposes				14,285,290
Property taxes, levied for community service				295,743
Property taxes, levied for debt service				6,347,594
General grants and aids				23,266,010
Other general revenues				1,318,240
Investment earnings				1,116,126
Total general revenue				<u>46,629,003</u>
Change in net position				6,948,048
Net position – beginning, previously reported				(4,898,575)
Change in accounting principle				710,546
Net position – beginning, restated				<u>(4,188,029)</u>
Net position – ending				<u>\$ 2,760,019</u>
				<u>\$ (4,898,575)</u>

INDEPENDENT SCHOOL DISTRICT NO. 278

Balance Sheet
Governmental Funds
as of June 30, 2024
(With Partial Comparative Information as of June 30, 2023)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	\$ 8,538,775	\$ 4,325,159	\$ 5,140,135
Receivables			
Current taxes	6,908,227	–	3,994,401
Delinquent taxes	160,576	–	81,209
Accounts and interest	456,012	–	–
Due from other governmental units	3,902,738	–	3,497
Due from other funds	543,271	–	–
Lease	–	–	–
Inventory	48,548	–	–
Prepaid items	290,266	–	–
	<u>290,266</u>	<u>–</u>	<u>–</u>
Total assets	<u>\$ 20,848,413</u>	<u>\$ 4,325,159</u>	<u>\$ 9,219,242</u>
Liabilities			
Salaries and compensated absences payable	\$ 1,101,081	\$ –	\$ –
Accounts and contracts payable	1,491,938	1,093,663	–
Due to other governmental units	140,784	–	–
Unearned revenue	184,388	–	–
Total liabilities	<u>2,918,191</u>	<u>1,093,663</u>	<u>–</u>
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	137,994	–	68,048
Lease revenue for subsequent years	–	–	–
Property taxes levied for subsequent year	12,893,513	–	8,036,845
Total deferred inflows of resources	<u>13,031,507</u>	<u>–</u>	<u>8,104,893</u>
Fund balances			
Nonspendable	338,814	–	–
Restricted	1,887,462	3,231,496	1,114,349
Assigned	421,393	–	–
Unassigned	2,251,046	–	–
Total fund balances	<u>4,898,715</u>	<u>3,231,496</u>	<u>1,114,349</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 20,848,413</u>	<u>\$ 4,325,159</u>	<u>\$ 9,219,242</u>

Nonmajor Funds	Total Governmental Funds	
	2024	2023
\$ 3,121,758	\$ 21,125,827	\$ 21,710,044
164,264	11,066,892	10,077,534
3,799	245,584	320,204
8,183	464,195	535,392
135,277	4,041,512	3,409,663
—	543,271	309,967
51,407	51,407	86,810
38,371	86,919	126,756
3,875	294,141	230,785
<u>\$ 3,526,934</u>	<u>\$ 37,919,748</u>	<u>\$ 36,807,155</u>
\$ 99,066	\$ 1,200,147	\$ 1,225,836
111,323	2,696,924	1,517,348
10,398	151,182	221,563
355,383	539,771	549,034
<u>576,170</u>	<u>4,588,024</u>	<u>3,513,781</u>
3,186	209,228	218,183
51,407	51,407	86,810
330,504	21,260,862	19,757,456
<u>385,097</u>	<u>21,521,497</u>	<u>20,062,449</u>
42,246	381,060	357,541
2,523,421	8,756,728	11,128,642
—	421,393	280,814
—	2,251,046	1,463,928
<u>2,565,667</u>	<u>11,810,227</u>	<u>13,230,925</u>
<u>\$ 3,526,934</u>	<u>\$ 37,919,748</u>	<u>\$ 36,807,155</u>

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 278

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2024
(With Partial Comparative Information as of June 30, 2023)

	<u>2024</u>	<u>2023</u>
Total fund balances – governmental funds	\$ 11,810,227	\$ 13,230,925
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	134,008,030	128,850,065
Accumulated depreciation/amortization	(57,898,824)	(53,556,345)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.		
General obligation bonds payable	(51,675,000)	(56,655,000)
(Premium) discount on bonds	(2,897,505)	(3,462,804)
Financed purchases payable	(2,470,703)	(2,807,004)
Lease liabilities payable	(111,297)	–
Net pension liabilities	(31,026,316)	(32,777,883)
Net OPEB liability	(4,873,776)	(4,730,610)
Severance payable	(809,729)	(1,045,661)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(779,844)	(774,269)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	3,560,836	2,754,204
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	7,278,803	10,186,663
Deferred outflows of resources – OPEB plan deferments	1,426,115	1,872,203
Deferred inflows of resources – delinquent property taxes	209,228	218,183
Deferred inflows of resources – pension plan deferments	(2,556,177)	(5,604,304)
Deferred inflows of resources – OPEB plan deferments	(434,049)	(596,938)
Total net position – governmental activities	<u>\$ 2,760,019</u>	<u>\$ (4,898,575)</u>

INDEPENDENT SCHOOL DISTRICT NO. 278

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2024
(With Partial Comparative Information for the Year Ended June 30, 2023)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	\$ 14,288,028	\$ –	\$ 6,353,510
Investment earnings	308,291	305,259	192,944
Other	2,500,844	–	–
State sources	29,505,433	–	34,962
Federal sources	805,868	–	–
Total revenue	<u>47,408,464</u>	<u>305,259</u>	<u>6,581,416</u>
Expenditures			
Current			
Administration	1,480,806	–	–
District support services	1,726,134	–	–
Elementary and secondary regular instruction	22,839,351	–	–
Vocational education instruction	413,269	–	–
Special education instruction	5,820,716	–	–
Instructional support services	3,656,837	–	–
Pupil support services	3,861,303	–	–
Sites and buildings	5,700,043	–	–
Fiscal and other fixed cost programs	431,604	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	2,782,233	–
Debt service			
Principal	354,620	–	4,980,000
Interest and fiscal charges	72,561	–	1,936,445
Total expenditures	<u>46,357,244</u>	<u>2,782,233</u>	<u>6,916,445</u>
Excess (deficiency) of revenue over expenditures	1,051,220	(2,476,974)	(335,029)
Other financing sources			
Debt issued	129,616	–	–
Premium on debt issued	–	–	–
Insurance recovery	29,938	–	–
Sale of capital assets	5,826	–	–
Total other financing sources	<u>165,380</u>	<u>–</u>	<u>–</u>
Net change in fund balances	1,216,600	(2,476,974)	(335,029)
Beginning of year	<u>3,682,115</u>	<u>5,708,470</u>	<u>1,449,378</u>
End of year	<u>\$ 4,898,715</u>	<u>\$ 3,231,496</u>	<u>\$ 1,114,349</u>

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2024	2023
\$ 296,044	\$ 20,937,582	\$ 19,923,152
133,904	940,398	454,598
3,909,524	6,410,368	7,125,042
1,558,152	31,098,547	27,584,902
689,557	1,495,425	1,791,038
<u>6,587,181</u>	<u>60,882,320</u>	<u>56,878,732</u>
—	1,480,806	1,523,374
—	1,726,134	1,785,053
—	22,839,351	21,916,956
—	413,269	331,450
—	5,820,716	5,477,134
—	3,656,837	3,622,601
—	3,861,303	3,356,979
—	5,700,043	6,057,177
—	431,604	380,595
2,278,705	2,278,705	2,057,647
3,987,970	3,987,970	3,524,292
146,500	2,928,733	1,267,772
—	5,334,620	4,949,720
—	2,009,006	2,125,872
<u>6,413,175</u>	<u>62,469,097</u>	<u>58,376,622</u>
174,006	(1,586,777)	(1,497,890)
—	129,616	5,555,000
—	—	485,059
—	29,938	500
699	6,525	46,851
<u>699</u>	<u>166,079</u>	<u>6,087,410</u>
174,705	(1,420,698)	4,589,520
<u>2,390,962</u>	<u>13,230,925</u>	<u>8,641,405</u>
<u>\$ 2,565,667</u>	<u>\$ 11,810,227</u>	<u>\$ 13,230,925</u>

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 278

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2024

(With Partial Comparative Information for the Year Ended June 30, 2023)

	2024	2023
Total net change in fund balances – governmental funds	\$ (1,420,698)	\$ 4,589,520
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays and contributions are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase and capital contributions are not reported in the governmental fund financial statements.		
Capital outlays	4,415,016	3,231,028
Depreciation expense	(4,258,008)	(4,038,845)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.		
	(52,068)	(18,925)
The amount of debt issued is reported in the governmental funds as a source of financing, but constitutes a long-term liability in the governmental activities.		
Bonds issued	–	(5,555,000)
Leases issued	(129,616)	–
Repayment of long-term liabilities does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	4,980,000	4,465,000
Financed purchases payable	336,301	484,720
Lease liabilities payable	18,319	–
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liabilities	1,751,567	(14,830,303)
Net OPEB liability	(143,166)	(2,311,630)
Severance payable	235,932	113,372
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.		
	565,299	28,439
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.		
	(5,575)	72,671
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.		
	806,632	1,028,912
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	(2,907,860)	(1,475,891)
Deferred outflows of resources – OPEB plan deferments	(446,088)	1,472,005
Deferred inflows of resources – delinquent property taxes	(8,955)	22,782
Deferred inflows of resources – pension plan deferments	3,048,127	22,137,631
Deferred inflows of resources – OPEB plan deferments	162,889	177,020
Change in net position – governmental activities	<u>\$ 6,948,048</u>	<u>\$ 9,592,506</u>

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 278

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

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	\$ 13,618,113	\$ 14,236,003	\$ 14,288,028	\$ 52,025
Investment earnings	200,000	200,000	308,291	108,291
Other	1,942,750	1,942,750	2,500,844	558,094
State sources	29,719,950	29,840,810	29,505,433	(335,377)
Federal sources	869,440	1,122,166	805,868	(316,298)
Total revenue	46,350,253	47,341,729	47,408,464	66,735
Expenditures				
Current				
Administration	1,449,600	1,497,600	1,480,806	(16,794)
District support services	2,180,994	2,030,994	1,726,134	(304,860)
Elementary and secondary regular instruction	22,394,240	22,754,557	22,839,351	84,794
Vocational education instruction	346,850	346,850	413,269	66,419
Special education instruction	6,158,940	6,220,179	5,820,716	(399,463)
Instructional support services	3,149,856	3,532,619	3,656,837	124,218
Pupil support services	3,574,310	3,639,610	3,861,303	221,693
Sites and buildings	5,865,803	6,041,803	5,700,043	(341,760)
Fiscal and other fixed cost programs	375,000	375,000	431,604	56,604
Debt service				
Principal	606,407	606,407	354,620	(251,787)
Interest and fiscal charges	80,546	80,546	72,561	(7,985)
Total expenditures	46,182,546	47,126,165	46,357,244	(768,921)
Excess of revenue over expenditures	167,707	215,564	1,051,220	835,656
Other financing sources				
Debt issued	—	—	129,616	129,616
Insurance recovery	—	—	29,938	29,938
Sale of capital assets	—	—	5,826	5,826
Total other financing sources	—	—	165,380	165,380
Net change in fund balances	\$ 167,707	\$ 215,564	1,216,600	\$ 1,001,036
Fund balances				
Beginning of year			3,682,115	
End of year			\$ 4,898,715	

INDEPENDENT SCHOOL DISTRICT NO. 278

Statement of Net Position
 Proprietary Funds
 as of June 30, 2024
 (With Partial Comparative Information as of June 30, 2023)

	Internal Service Funds	
	2024	2023
Assets		
Current assets		
Cash and cash equivalents	\$ 4,283,055	\$ 3,593,938
Receivables		
Accounts and interest	103,588	10,361
Total current assets	4,386,643	3,604,299
Liabilities		
Current liabilities		
Accounts and contracts payable	428,246	458,574
Unearned revenue	397,561	391,521
Total current liabilities	825,807	850,095
Net position		
Unrestricted	\$ 3,560,836	\$ 2,754,204

INDEPENDENT SCHOOL DISTRICT NO. 278

Statement of Revenue, Expenses, and Changes in Net Position
 Proprietary Funds
 Year Ended June 30, 2024
 (With Partial Comparative Information for the Year Ended June 30, 2023)

	Internal Service Funds	
	2024	2023
Operating revenue		
Charges for services		
Assessed to governmental funds	\$ 4,989,418	\$ 4,863,789
Operating expenses		
Administrative expenses	47,612	35,000
Dental benefit claims	318,272	310,248
Medical benefit claims	3,992,630	3,573,251
Total operating expenses	<u>4,358,514</u>	<u>3,918,499</u>
Operating income	630,904	945,290
Nonoperating revenue		
Investment earnings	<u>175,728</u>	<u>83,622</u>
Change in net position	806,632	1,028,912
Net position		
Beginning of year	<u>2,754,204</u>	<u>1,725,292</u>
End of year	<u>\$ 3,560,836</u>	<u>\$ 2,754,204</u>

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 278

Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2024
 (With Partial Comparative Information for the Year Ended June 30, 2023)

	Internal Service Funds	
	2024	2023
Cash flows from operating activities		
Received from assessments made to governmental funds	\$ 4,902,231	\$ 4,858,804
Payments for administrative costs	(47,612)	(35,000)
Payments for dental claims	(310,709)	(304,944)
Payments for medical claims	(4,030,521)	(3,783,285)
Net cash flows from operating activities	513,389	735,575
Cash flows from investing activities		
Interest on investments	175,728	83,622
Net change in cash and cash equivalents	689,117	819,197
Cash and cash equivalents		
Beginning of year	3,593,938	2,774,741
End of year	<u>\$ 4,283,055</u>	<u>\$ 3,593,938</u>
Reconciliation of operating income to net cash flows from operating activities		
Operating income	\$ 630,904	\$ 945,290
Adjustments to reconcile operating income to net cash flows from operating activities		
Accounts and interest receivable	(93,227)	(1,054)
Accounts and contracts payable	(30,328)	(204,730)
Unearned revenue	6,040	(3,931)
Net cash flows from operating activities	<u>\$ 513,389</u>	<u>\$ 735,575</u>

INDEPENDENT SCHOOL DISTRICT NO. 278

Statement of Fiduciary Net Position
Fiduciary Fund
as of June 30, 2024

	Custodial Fund	Post-Employment Benefits Trust Fund
Assets		
Cash and investments held by trustee		
Cash and temporary investments	\$ —	\$ 360,000
Investments at fair value		
U.S. treasury securities	—	859,333
Money market	—	1,369,180
State and local general obligations	—	747,018
Accounts and interest receivable	—	27,861
Total assets	<u>—</u>	<u>3,363,392</u>
Liabilities		
Due to governmental funds	<u>—</u>	<u>543,271</u>
Net position		
Restricted for OPEB	<u>\$ —</u>	<u>\$ 2,820,121</u>

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

	Custodial Fund	Post-Employment Benefits Trust Fund
Additions		
Contributions		
Miscellaneous	\$ 7,655	\$ —
Investment earnings	<u>—</u>	<u>152,817</u>
Total additions	<u>7,655</u>	<u>152,817</u>
Deductions		
Miscellaneous	7,655	—
Benefits	<u>—</u>	<u>543,271</u>
Total deductions	<u>7,655</u>	<u>543,271</u>
Change in net position	—	(390,454)
Net position		
Beginning of year	<u>—</u>	<u>3,210,575</u>
End of year	<u>\$ —</u>	<u>\$ 2,820,121</u>

INDEPENDENT SCHOOL DISTRICT NO. 278

Notes to Basic Financial Statements June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 278 (the District) was formed and operates pursuant to applicable Minnesota laws. The District is governed by a School Board elected by voters of the District to serve four-year terms. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the District.

C. Government-Wide Financial Statement Presentation

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported instead as general revenues.

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

Depreciation/amortization expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest is considered an indirect expense and is reported separately on the Statement of Activities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Financial Statement Presentation

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

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

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. For this purpose, the District generally considers revenues to be available if collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Debt proceeds are reported as other financing sources.
2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term obligations, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

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

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

Fiduciary funds are presented in the fiduciary fund financial statements by type. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as described earlier in these notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Funds

The existence of the various district funds has been established or allowed by the Minnesota Department of Education (MDE). Each fund is accounted for as an independent entity. A description of the funds included in this report is as follows:

Major Governmental Funds

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The District maintains two internal accounts within the General Fund. The Operating Account is used to account for the general operations of the District. The Capital Expenditure Account is used to account for the maintenance of facilities, equipment purchases, and pay-as-you-go long-term facilities maintenance projects.

Capital Projects – Building Construction Fund – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities, generally authorized by bond issue.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general obligation debt principal, interest, and related costs. The District maintains a separate Other Post-Employment Benefits (OPEB) Debt Service Account within the Debt Service Fund to account for OPEB-related debt activity. All other debt service is reported in the Regular Debt Service Account.

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is used to account for the District's child nutrition program.

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

Proprietary Funds

Internal Service Funds – Internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District's internal service funds are used to account for and finance the self-insured risk of loss of the District's employee dental and medical healthcare plans.

Fiduciary Funds

Custodial Fund – The Custodial Fund is used as a flow through mechanism in which the District receives funds and distributes these funds to an outside organization, with no financial benefit to the District.

Post-Employment Benefits Trust Fund – The Post-Employment Benefits Trust Fund is used to administer assets held in an irrevocable trust to fund post-employment insurance benefits for eligible employees.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Use of Estimates

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

F. Budgetary Information

The School Board adopts an annual budget for all governmental funds prepared on the same basis of accounting as the financial statements. Legal budgetary control is at the fund level. Changes to total appropriations at the fund level requires School Board approval. The School Board must approve expenditures exceeding budget at the fund level by resolution or through the disbursement approval process. Budgeted expenditure appropriations lapse at year-end. During the fiscal year ended June 30, 2024, expenditures exceeded budgeted amounts in the Food Service Special Revenue Fund, Community Service Special Revenue Fund, and Debt Service Fund by \$238,064, \$672,713, and \$408,408, respectively. Revenues and other financing sources in excess of budget, along with available fund balances, funded these variances.

G. Cash and Temporary Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Earnings from the investments of the Capital Projects – Building Construction Fund and all trust funds are allocated specifically to those funds.

Cash and investments held by trustee includes balances held in segregated accounts established for specific purposes. In the Post-Employment Benefits Trust Fund, this represents assets contributed to an irrevocable trust established to finance the District's liability for post-employment insurance benefits. Interest earned on these investments is allocated directly to the respective escrow account.

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments with an original maturity from the time of purchase by the District of three months or less to be cash equivalent. The Proprietary Fund's equity in the government-wide cash and investment management pool is considered to be cash equivalent.

Investments are generally stated at fair value, except for investments in certain external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less may also be reported at amortized cost. Investment income is accrued at the Balance Sheet date.

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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; and Level 3 inputs are significant unobservable inputs.

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

See Note 2 for the District's recurring fair value measurements as of year-end.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Receivables

When necessary, the District utilizes an allowance for uncollectible accounts to value its receivables. However, the District considers all of its current receivables to be collectible. The only receivables not expected to be fully collected within one year are lease and property taxes receivable.

At year-end, the District reported the following receivables due from other governmental units:

Due from the MDE	\$ 3,677,840
Due from other Minnesota school districts	50,097
Due from other governmental units	<u>313,575</u>
Total due from other governmental units	<u>\$ 4,041,512</u>

I. Inventory

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

J. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as expenses/expenditures at the time of consumption.

K. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the “tax shift,” which periodically changes the District’s recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year’s levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$1,006,030 of the property tax levy collectible in 2024 as revenue to the District in fiscal year 2023–2024. The remaining portion of the taxes collectible in 2024 is recorded as deferred inflow of resources (property taxes levied for subsequent year).

Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county generally remits taxes to the District at periodic intervals as they are collected.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources (unavailable revenue) in the fund financial statements because it is not known to be available to finance the operations of the District in the current year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated acquisition value at the date of donation. Lease assets are recorded based on the measurement of payments applicable to the lease term. The District defines capital assets as those with an initial, individual cost of \$5,000 or more that benefit more than one fiscal year. Groups of similar assets acquired at or near the same time for a single objective, with individual acquisition costs below this threshold, are also capitalized if the cost of the assets are considered significant in the aggregate. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The District does not possess material amounts of infrastructure capital assets, such as sidewalks or parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated/amortized using the straight-line method over their estimated useful lives. Since assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation/amortization purposes. Useful lives vary, ranging from 10 to 50 years for land improvements and buildings, and 5 to 25 years for furniture and equipment. Lease assets are amortized over the term of the lease or over the useful life of the applicable asset class previously described, if future ownership is anticipated. Land and construction in progress are not depreciated.

M. Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period as other financing sources or uses, respectively. The face amount of debt issued is reported as an other financing source.

N. Employee Benefits

- 1. Compensated Absences** – Under the terms of certain collectively bargained contracts, eligible employees accrue vacation and sick leave at varying rates. Vacation and sick pay are accrued in the governmental funds to the extent they have been used or otherwise matured prior to year-end. Because teachers are not eligible for vacation pay and amounts accrued to other employees are insignificant, no liability for unused vacation is recorded in the financial statements. Some employee bargaining groups are eligible to be compensated for unused sick leave upon termination subject to certain conditions. Convertible sick leave is recorded as a liability (severance payable) in the government-wide financial statements as it is earned and it becomes probable that it will vest at some point in the future.
- 2. Post-Employment Healthcare Benefits** – The District provides post-employment healthcare benefits to eligible employee groups in accordance with provisions in certain collectively bargained contracts based on years of service and/or minimum age requirements. See the Other Post-Employment Benefits (OPEB) Plan note for further information.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for certain money market investments, which are reported at amortized cost.

- 3. State-Wide Pension Plans** – District employees participate in cost-sharing, multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA), to which the District contributes. See the Defined Benefit Pension Plans – State-Wide note for further information.

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the PERA and the TRA and additions to/deductions from the PERA's and the TRA's fiduciary net positions have been determined on the same basis as they are reported by the PERA and the 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.

The 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 into TRA in 2006. A second direct aid source is from the state of Minnesota for the merger of the Duluth Teachers Retirement Fund Association in 2015.

O. Risk Management

- 1. General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in the current fiscal year.
- 2. Self-Insurance** – The District has established two internal service funds to account for and finance its self-insured risk of loss for respective employee dental and medical health insurance plans. Under these plans, the internal service funds provide coverage to participating employees and their dependents for various dental and healthcare costs as described in the plans.

The District makes premium payments that include both employer and employee contributions to the internal service funds on behalf of program participants based on rates determined by insurance company estimates of monthly claims paid for each coverage class, plus the stop-loss health insurance premium costs and administrative service charges.

District claim liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have incurred, but not reported. Because actual claim liabilities depend on complex factors, such as inflation, changes in legal doctrines, and damage awards, the process used in computing a claim liability does not necessarily result in an exact amount. Claim liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the balance of dental claim liabilities for the last two years were as follows:

<u>Fiscal Year Ended</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
June 30, 2023	\$ 17,543	\$ 310,248	\$ 304,944	\$ 22,847
June 30, 2024	\$ 22,847	\$ 318,272	\$ 310,709	\$ 30,410

Changes in the balance of medical claim liabilities for the last two years were as follows:

<u>Fiscal Year Ended</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
June 30, 2023	\$ 645,761	\$ 3,573,251	\$ 3,783,285	\$ 435,727
June 30, 2024	\$ 435,727	\$ 3,992,630	\$ 4,030,521	\$ 397,836

P. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, statements of financial position or balance sheets will sometimes report separate sections for deferred outflows or inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) or an inflow of financial resources (revenue) until then.

The District reports deferred outflows and inflows of resources related to pensions and OPEB in the government-wide Statement of Net Position. These deferred outflows and inflows result from differences between expected and actual experience, changes in proportion, changes of assumptions, differences between projected and actual earnings on pension and OPEB Plan investments, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension and OPEB standards.

The District reports deferred inflows of resources related to lease receivables in both the government-wide Statement of Net Position and the governmental funds Balance Sheet. Lessors are required to recognize deferred inflows of resources corresponding to lease receivables. These amounts are deferred and amortized in a systematic and rationale manner over the term of the lease.

Property taxes levied for subsequent years, which represents property taxes received or reported as a receivable before the period for which the taxes are levied, are reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the governmental funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied, and in the governmental fund financial statements during the year for which they are levied, if available.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Net Position Components and Flow Assumption

In the government-wide, proprietary fund, and fiduciary fund financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is displayed in three components:

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Unrestricted Net Position** – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

R. Fund Balance Classifications and Flow Assumption

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board resolution, the District’s Superintendent or Director of Business Services are authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the District’s policy to first use restricted resources, then use unrestricted resources as they are needed.

When committed, assigned, or unassigned resources are available for use, it is the District’s policy to use the resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total, but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2023, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

T. Change in Accounting Principle

During the year ended June 30, 2024, the District implemented new accounting guidance for capitalizing purchases of groups of similar assets. This recent change in authoritative literature, which provides new guidance on accounting and financial reporting for capital assets, requires a government to capitalize groups of similar assets purchased at or near the same time, that are individually below the District's capitalization threshold, if the aggregate cost is significant. In prior periods, the District only capitalized assets whose individual cost exceeded its capitalization policy threshold. Certain amounts necessary to fully restate fiscal year 2023 financial information are not determinable; therefore, prior year comparative amounts have not been restated. The implementation of this new guidance resulted in the District reporting certain groups of similar capital assets acquired in previous years and accumulated depreciation thereon, increasing beginning net position by \$710,546 in the government-wide financial statements in the current year. See Note 3 for additional details on this change in the current year.

NOTE 2 – CASH AND INVESTMENTS

A. Components of Cash and Investments

Cash and investments at year-end consist of the following:

Deposits	\$ 337,312
Investments	<u>28,407,101</u>
Total cash and investments	<u>\$ 28,744,413</u>

Cash and investments are presented in the financial statements as follows:

Statement of Net Position	
Cash and temporary investments	\$ 25,408,882
Statement of Fiduciary Net Position	
Cash and investments held by trustee	<u>3,335,531</u>
Total cash and investments	<u>\$ 28,744,413</u>

B. Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the School Board, including checking accounts, savings accounts, and nonnegotiable certificates of deposit.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

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

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may be lost. Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated “A” or better; revenue obligations rated “AA” or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The District’s deposit policies do not further limit depository choices.

At year-end, the carrying amount of the District’s deposits was \$337,312, while the balance on the bank records was \$1,394,904. At June 30, 2024, all deposits were fully covered by federal deposit insurance, surety bonds, or collateral held by the District’s agent in the District’s name.

C. Investments

The District has the following investments at year-end:

Investment Type	Credit Rating	Rating Agency	Fair Value Measurements Using	Interest Risk – Maturity Duration in Years		Carrying Value
				Less Than 1	1 to 5	
U.S. treasuries	Not Rated		Level 2	\$ 390,270	\$ 469,063	\$ 859,333
State and local obligations	AA	S&P	Level 2	\$ 747,018	\$ –	747,018
Investment pools/mutual funds						
MSDLAF Liquid Class	AAA	S&P	Amortized Cost	No Maturity Date		11,927,412
MSDLAF MAX Class	AAA	S&P	Amortized Cost	No Maturity Date		2,373
MNTrust Investment Shares Portfolio	AAA	S&P	Amortized Cost	No Maturity Date		12,366,663
MNTrust Term Series Flex	Not Rated		Amortized Cost	No Maturity Date		1,135,122
Money Market Mutual Fund	AAA	S&P	Amortized Cost	No Maturity Date		1,369,180
Total investments						<u>\$ 28,407,101</u>

The District’s investments include external investment pools managed by Minnesota Trust (MNTrust) and the Minnesota School District Liquid Asset Fund (MSDLAF), which are regulated by Minnesota Statutes, but not registered with the Securities and Exchange Commission. The District’s investments in these investment pools are measured at the net asset value per share provided by the pools, which are based on amortized cost methods that approximate fair value. There are no restrictions or limitations on withdrawals from the MNTrust Investment Shares Portfolio or MSDLAF Liquid Class investment pools. Investments in the MSDLAF MAX Class 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. MNTrust Term Series Flex may be withdrawn on a weekly basis with a one-day minimum withdrawal notice.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the District's investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. For assets held in the Post-Employment Benefits Trust Fund, the investment options available to the District are expanded to include the investment types specified in Minnesota Statutes § 356A.06, Subd.7.

In addition to statutory restrictions, the District's investment policy limits the types of investments to United States securities, state and local securities, commercial paper, and time deposits, as defined in Minnesota Statutes § 118A.04.

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5.0 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District's investment policies do not address concentration risk.

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The District's investment policies do not limit the maturities of investments; however, when purchasing investments, the District considers such things as interest rates and cash flow needs.

NOTE 3 – LEASE RECEIVABLE

The District has entered into a lease agreement to rent space at its Discovery Center to the City of Maple Plain through October 31, 2024, with a one-year extension period through October 31, 2025. The lease calls for monthly payments at varying amounts with an estimated annual interest rate of 3.72 percent. During the current year, the District received principal and interest payments of \$38,036 in the Community Service Special Revenue Fund.

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year is as follows:

	Beginning of Year	Change in Accounting Principle	Additions	Deletions	Completed Construction	End of Year
Capital assets, not depreciated/amortized						
Land	\$ 602,074	\$ –	\$ –	\$ –	\$ –	\$ 602,074
Construction in progress	3,336,322	–	3,822,106	–	(3,579,254)	3,579,174
Total capital assets, not depreciated/amortized	3,938,396	–	3,822,106	–	(3,579,254)	4,181,248
Capital assets, depreciated/amortized						
Land improvements	11,499,878	–	108,054	–	–	11,607,932
Buildings	107,489,458	936,984	96,610	(93,093)	2,926,562	111,356,521
Furniture and equipment	5,922,333	–	258,630	(100,942)	652,692	6,732,713
Leases – equipment	–	–	129,616	–	–	129,616
Total capital assets, depreciated/amortized	124,911,669	936,984	592,910	(194,035)	3,579,254	129,826,782
Less accumulated depreciation/ amortization						
Land improvements	(3,368,614)	–	(515,528)	–	–	(3,884,142)
Buildings	(46,164,555)	(226,438)	(3,217,562)	42,769	–	(49,565,786)
Furniture and equipment	(4,023,176)	–	(505,476)	99,198	–	(4,429,454)
Leases – equipment	–	–	(19,442)	–	–	(19,442)
Total accumulated depreciation/amortization	(53,556,345)	(226,438)	(4,258,008)	141,967	–	(57,898,824)
Net capital assets, depreciated/amortized	71,355,324	710,546	(3,665,098)	(52,068)	3,579,254	71,927,958
Total capital assets, net	\$ 75,293,720	\$ 710,546	\$ 157,008	\$ (52,068)	\$ –	\$ 76,109,206

Depreciation/amortization expense for the year was charged to the following governmental functions:

District support services	\$ 17,981
Elementary and secondary regular instruction	1,672,790
Special education instruction	2,308
Instructional support services	88,453
Sites and buildings	2,424,131
Food service	38,495
Community service	13,850
Total depreciation expense	\$ 4,258,008

NOTE 5 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

The District currently has the following general obligation bonds payable outstanding:

Bond Issue	Issue Date	Interest Rate	Original Principal	Final Maturity	Principal Outstanding
2016A G.O. Refunding	08/04/2016	2.50–4.00%	\$ 36,450,000	02/01/2029	\$ 17,390,000
2017A G.O. Building	02/22/2017	3.00–5.00%	\$ 27,375,000	02/01/2033	23,945,000
2017B G.O. Facilities Maintenance	05/18/2017	4.00–5.00%	\$ 2,865,000	02/01/2027	1,010,000
2018A G.O. Taxable OPEB Refunding	11/07/2018	2.95–3.80%	\$ 2,990,000	02/01/2029	1,600,000
2018B G.O. Tax Abatement	11/07/2018	3.00–5.00%	\$ 1,900,000	02/01/2029	1,060,000
2021A G.O. Facilities Maintenance	12/02/2021	2.00–3.00%	\$ 1,440,000	02/01/2030	1,440,000
2023A G.O. Facilities Maintenance	06/01/2023	4.00–5.00%	\$ 5,555,000	02/01/2032	5,230,000
Total general obligation bonds payable					<u>\$ 51,675,000</u>

These bonds were issued to finance acquisition, construction, or improvement of capital facilities, refinance (refund) previous bond issues, or finance OPEB. Assets of the Debt Service Fund, together with future ad valorem tax levies, are dedicated for the retirement of these bonds. Authorized future debt service levies, equal to 105 percent of the principal and interest due each year, are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

B. Financed Purchases Payable

During the 2020 fiscal year, the District entered into an agreement with the City of Orono to finance road improvements valued at \$774,316. The agreement calls for eight annual payments with a final maturity in fiscal 2027, bears an interest rate of 1.00 percent, and will be repaid by the General Fund.

In May 2020, the District entered into an agreement to finance the purchase and renovation of a transportation facility valued at \$2,083,000. The agreement has a 15-year term with a final maturity of February 2035, bears an interest rate of 2.90 percent, and will be repaid by the General Fund.

In January 2022, the District entered into an agreement to finance the purchase of LED lighting upgrades throughout the District valued at \$936,984. The lease has a 9-year term with a final maturity of February 2030, bears an interest rate of 2.416 percent, and will be repaid by the General Fund.

C. Lease Liabilities Payable

In October 2023, the District entered into a lease agreement for copiers valued at \$129,616. The agreement calls for 60 monthly payments through September 2028, bears an interest rate of 3.22 percent, and will be repaid through the General Fund

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

D. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including: compensated absences, pensions, and OPEB. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed primarily from the General Fund. The District has also established a Post-Employment Benefits Trust Fund to finance OPEB obligations.

District employees participate in state-wide, cost-sharing, multiple-employer plans administered by the PERA and the TRA. The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense for these plans as of and for the year ended June 30, 2024:

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA	\$ 4,523,837	\$ 1,502,120	\$ 1,980,897	\$ 645,397
TRA	26,502,479	5,776,683	575,280	138,842
Total	<u>\$ 31,026,316</u>	<u>\$ 7,278,803</u>	<u>\$ 2,556,177</u>	<u>\$ 784,239</u>

E. Minimum Debt Payments

Future principal and interest payments for general obligation bonds, financed purchases payable, and lease liabilities payable are:

Year Ending June 30,	General Obligation Bonds		Financed Purchases Payable		Lease Liabilities Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 6,060,000	\$ 1,806,920	\$ 313,746	\$ 62,316	\$ 24,836	\$ 3,219
2026	6,280,000	1,546,898	320,569	55,493	25,648	2,408
2027	5,980,000	1,280,947	327,561	48,500	26,486	1,570
2028	6,115,000	1,099,303	233,532	41,334	27,351	704
2029	6,300,000	906,467	239,865	35,001	6,976	38
2030–2034	20,940,000	1,652,350	868,403	89,140	–	–
2035	–	–	167,027	3,642	–	–
	<u>\$ 51,675,000</u>	<u>\$ 8,292,885</u>	<u>\$ 2,470,703</u>	<u>\$ 335,426</u>	<u>\$ 111,297</u>	<u>\$ 7,939</u>

F. Changes in Long-Term Liabilities

	Beginning of Year	Additions	Retirements	End of Year	Due Within One Year
General obligation bonds payable	\$ 56,655,000	\$ –	\$ 4,980,000	\$ 51,675,000	\$ 6,060,000
Premium (discount) on bonds	3,462,804	–	565,299	2,897,505	–
Financed purchases payable	2,807,004	–	336,301	2,470,703	313,746
Lease liabilities payable	–	129,616	18,319	111,297	24,836
Net pension liabilities	32,777,883	4,722,260	6,473,827	31,026,316	–
Net OPEB liability	4,730,610	609,164	465,998	4,873,776	–
Severance payable	1,045,661	78,624	314,556	809,729	38,334
	<u>\$ 101,478,962</u>	<u>\$ 5,539,664</u>	<u>\$ 13,154,300</u>	<u>\$ 93,864,326</u>	<u>\$ 6,436,916</u>

NOTE 6 – FUND BALANCES

The following is a breakdown of equity components of governmental funds, which are defined earlier in the report. When applicable, certain restrictions with an accumulated deficit balance at June 30, are included in unassigned fund balance in the District’s financial statements in accordance with accounting principles generally accepted in the United States of America. A description of these deficit balance restrictions is included herein since the District has specific authority to future resources for such deficits.

A. Classifications

At June 30, 2024, a summary of the District’s governmental fund balance classifications is as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	\$ 48,548	\$ –	\$ –	\$ 38,371	\$ 86,919
Prepaid items	290,266	–	–	3,875	294,141
Total nonspendable	338,814	–	–	42,246	381,060
Restricted					
Student activities	100,045	–	–	–	100,045
Scholarships	737,523	–	–	–	737,523
Operating capital	494,282	–	–	–	494,282
Safe schools levy	13,060	–	–	–	13,060
Long-term facilities maintenance	542,552	2,627,566	–	–	3,170,118
Building construction	–	603,930	–	–	603,930
Food service	–	–	–	1,083,002	1,083,002
Community education programs	–	–	–	1,290,595	1,290,595
Early childhood family education programs	–	–	–	86,301	86,301
School readiness	–	–	–	63,523	63,523
Debt service	–	–	1,114,349	–	1,114,349
Total restricted	1,887,462	3,231,496	1,114,349	2,523,421	8,756,728
Assigned					
Curriculum and development	117,663	–	–	–	117,663
Athletics carryover	28,141	–	–	–	28,141
Wellness	100,589	–	–	–	100,589
Separation/retirement benefits	175,000	–	–	–	175,000
Total assigned	421,393	–	–	–	421,393
Unassigned					
Unassigned	2,356,618	–	–	–	2,356,618
Restricted for capital projects levy deficit	(105,572)	–	–	–	(105,572)
Total unassigned	2,251,046	–	–	–	2,251,046
Total	<u>\$ 4,898,715</u>	<u>\$ 3,231,496</u>	<u>\$ 1,114,349</u>	<u>\$ 2,565,667</u>	<u>\$ 11,810,227</u>

B. Minimum Unassigned Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding the minimum unassigned fund balance for the General Fund. The policy establishes a minimum unassigned General Fund balance (excluding any restricted account deficits) of 5.0 percent of the annual projected expenditures. At June 30, 2024, the unassigned fund balance was 4.9 percent of the 2025 budgeted General Fund expenditures.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

The PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

Certain full-time and part-time employees of the District other than teachers are covered by the GERF. GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Teachers Retirement Association (TRA)

The 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. The TRA is a separate statutory entity, administered by a Board of Trustees. The Board of Trustees consists of four active members, one retired member, and three statutory officials.

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

B. Benefits Provided

The PERA and the TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statutes and can only be modified by the State Legislature.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. 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.

1. GERF Benefits

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 the PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated Plan members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7 percent for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at age 66.

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

Benefit increases are provided to benefit recipients each January. The post-retirement increase is equal to 50.0 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.0 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase, will receive the full increase. For recipients receiving the annuity or benefit for at least one month, but less than a full year as of the June 30 before the effective date of the increase, will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

2. TRA Benefits

The 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 Statutes 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 the TRA's Coordinated and Basic Plan members. Members first employed before July 1, 1989, receive the greater of the Tier I or Tier II benefits as described.

Tier I Benefits

Step-Rate Formula	Percentage per Year
Basic Plan	
First 10 years of service	2.2 %
All years after	2.7 %
Coordinated Plan	
First 10 years if service years are up to July 1, 2006	1.2 %
First 10 years if service years are July 1, 2006 or after	1.4 %
All other years of service if service years are up to July 1, 2006	1.7 %
All other years of service if service years are July 1, 2006 or after	1.9 %

With these provisions:

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

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

Tier II Benefits

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

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employee and employer contributions. Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2024, were \$531,370. The District's contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

Minnesota Statutes, Chapter 354 sets the rates for employee and employer contributions. Rates for each fiscal year were:

	Year Ended June 30,					
	2022		2023		2024	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic Plan	11.00 %	12.34 %	11.00 %	12.55 %	11.25 %	12.75 %
Coordinated Plan	7.50 %	8.34 %	7.50 %	8.55 %	7.75 %	8.75 %

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2024, were \$1,893,751. The District's contributions were equal to the required contributions for each year as set by state statutes.

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

The following is a reconciliation of employer contributions in the TRA’s fiscal year 2023 Annual Comprehensive Financial Report Statement of Changes in Fiduciary Net Position to the employer contributions used in the Schedule of Employer and Nonemployer Pension Allocations:

	<i>in thousands</i>
Employer contributions reported in the TRA’s Annual Comprehensive Financial Report Statement of Changes in Fiduciary Net Position	\$ 508,764
Add employer contributions not related to future contribution efforts	(87)
Deduct the TRA’s contributions not included in allocation	<u>(643)</u>
Total employer contributions	508,034
Total nonemployer contributions	<u>35,587</u>
Total contributions reported in the Schedule of Employer and Nonemployer Allocations	<u>\$ 543,621</u>

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2024, the District reported a liability of \$4,523,837 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 nonemployer 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 \$124,661. 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 the 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 the PERA’s participating employers. The District’s proportionate share was 0.0809 percent at the end of the measurement period and 0.0878 percent for the beginning of the period.

District’s proportionate share of the net pension liability	\$ 4,523,837
State’s proportionate share of the net pension liability associated with the District	<u>124,661</u>
Total	<u>\$ 4,648,498</u>

For the year ended June 30, 2024, the District recognized pension expense of \$644,837 for its proportionate share of the GERF’s pension expense. The District also recognized an additional \$560 as pension expense and grant revenue for its proportionate share of the state of Minnesota’s pension expense for the annual \$16 million contribution.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 151,607	\$ 34,900
Changes in actuarial assumptions	819,143	1,239,945
Net collective difference between projected and actual investment earnings on pension plan investments	–	198,934
Changes in proportion	–	507,118
District's contributions to the GERP subsequent to the measurement date	<u>531,370</u>	<u>–</u>
Total	<u><u>\$ 1,502,120</u></u>	<u><u>\$ 1,980,897</u></u>

The \$531,370 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 ending June 30, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2025	\$ (40,247)
2026	\$ (890,188)
2027	\$ 18,426
2028	\$ (98,138)

2. TRA Pension Costs

At June 30, 2024, the District reported a liability of \$26,502,479 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Minneapolis School District. The District's proportionate share was 0.3210 percent at the end of the measurement period and 0.3225 percent for the beginning of the period.

The pension liability amount reflected a reduction due to direct aid provided to the 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 the net pension liability	\$ 26,502,479
State's proportionate share of the net pension liability associated with the District	<u>1,856,539</u>
Total	<u><u>\$ 28,359,018</u></u>

For the year ended June 30, 2024, the District recognized negative pension expense of \$122,573. It also recognized \$261,415 as an increase to pension expense for the support provided by direct aid.

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

At 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 economic experience	\$ 258,508	\$ 384,436
Changes in actuarial assumptions	3,093,935	–
Net collective difference between projected and actual investment earnings on pension plan investments	–	90,751
Changes in proportion	530,489	100,093
District's contributions to the TRA subsequent to the measurement date	1,893,751	–
Total	<u>\$ 5,776,683</u>	<u>\$ 575,280</u>

A total of \$1,893,751 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2025	\$ 535,819
2026	\$ 60,266
2027	\$ 3,118,920
2028	\$ (338,830)
2029	\$ (68,523)

E. Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of the PERA and the TRA, 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	33.50 %	5.10 %
International equity	16.50	5.30 %
Private markets	25.00	5.90 %
Fixed income	25.00	0.75 %
Total	<u>100.00 %</u>	

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

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.25%	2.50%
Wage growth rate		2.85% before July 1, 2028, and 3.25% thereafter
Projected salary increase	3.00%	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% thereafter
Investment rate of return	7.00%	7.00%

1. GERF

The long-term rate of return on pension plan investments used in the determination of the total liability is 7.00 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.00 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the GERF Plan range in annual increments from 10.25 percent after one year of service to 3.00 percent after 27 years of service.

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

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

2. TRA

Salary increases were based on a service-related table.

Mortality Assumptions Used in Valuation of Total Pension Liability	
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 and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 Scale.
Post-disability	RP-2014 Disabled Retiree Mortality Table, without adjustment.

Cost of living benefit increases after retirement for retirees are assumed to be 1.00 percent for January 2019 through January 2023, then increasing by 0.10 percent each year, up to 1.50 percent annually.

Actuarial assumptions for the TRA Plan were based on the results of actuarial experience studies. The most recent experience study in the TRA Plan was completed in 2019, with economic assumptions updated in 2019.

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

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

1. GERF

CHANGES IN PLAN PROVISIONS

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, noncompounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

CHANGES IN ACTUARIAL ASSUMPTIONS

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

2. TRA

CHANGES IN ACTUARIAL ASSUMPTIONS

- The normal retirement age for active and eligible Tier II members will be 65 effective July 1, 2024.
- The employer contribution rate will increase from 8.75 percent to 9.50 percent on July 1, 2025.
- The employee contribution rate will increase from 7.75 percent to 8.00 percent on July 1, 2025.
- The pension adjustment rate for school districts and the base budgets for MnSCU, Perpich Center for Arts Education, and Minnesota academies will increase to reflect the 0.75 percent employer contribution rate increase.

G. Discount Rate

1. GERF

The discount rate used to measure the total pension liability in 2023 was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF 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.

2. TRA

The discount rate used to measure the total pension liability was 7.00 percent. 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.

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

H. Pension Liability Sensitivity

The following table presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed on the preceding page, 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	Current Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.00%	7.00%	8.00%
District's proportionate share of the GERF net pension liability	\$ 8,003,032	\$ 4,523,837	\$ 1,662,068
TRA discount rate	6.00%	7.00%	8.00%
District's proportionate share of the TRA net pension liability	\$ 42,269,505	\$ 26,502,479	\$ 13,595,249

I. Pension Plan Fiduciary Net Position

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

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

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

The District provides post-employment benefits to certain eligible employees through the OPEB Plan, a single-employer defined benefit plan administered by the District. Management of the plan is vested with the School Board of the District. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements.

The District administers a defined benefit Post-Employment Benefits Trust Fund. The assets of the plan are reported in the District's financial report in the Post-Employment Benefits Trust Fund, established by the District to finance these obligations. The plan assets may be used only for the payment of benefits of the plan, in accordance with the terms of the plan. The plan does not issue a publicly available financial report.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

B. Benefits Provided

All retirees of the District have the option under state law to continue their medical insurance coverage through the District from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of certain employee groups, the District pays for all or part of the eligible retiree's premiums for medical insurance from the time of retirement until the employee reaches the age of eligibility for Medicare. Benefits paid by the District differ by bargaining unit, with some contracts specifying a certain dollar amount per month, and some covering premium costs as defined within each collective bargaining agreement. Retirees not eligible for these district-paid premium benefits must pay the full district premium rate for their coverage.

The District is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees until the retiree reaches Medicare eligibility, whether the premiums are paid by the District or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the District's younger and statistically healthier active employees.

C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District.

D. Membership

Membership in the plan consisted of the following as of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	33
Active plan members	<u>358</u>
Total members	<u><u>391</u></u>

E. Net OPEB Liability of the District

The District's net OPEB liability was measured as of June 30, 2024. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as July 1, 2022, and update procedures were used to roll forward the total OPEB liability to the measurement date. The components of the net OPEB liability of the District at year-end were as follows:

Total OPEB liability	\$ 7,693,897
Plan fiduciary net position	<u>(2,820,121)</u>
District's net OPEB liability	<u><u>\$ 4,873,776</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u><u>36.7%</u></u>

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2022, and a measurement date as of June 30, 2024, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	4.10%
Expected long-term investment return	4.00%
20-year municipal bond yield	4.10%
Inflation rate	2.50%
Salary increases	Service graded table
Healthcare trend rate	6.00% grading to 5.00% over 5 years, and then to 4.00% over the next 48 years

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale. The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

The District's policy in regard to the allocation of invested assets is established and may be amended by the School Board by a majority vote of its members. It is the policy of the School Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes allowable under state statutes.

The long-term expected rate of return on OPEB Plan investments has been set based on the plan's target investment allocation, along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Fixed income	95.00 %	4.00 %
Cash	5.00	3.00 %
Total	100.00 %	4.00 %

Assumption changes since the prior measurement date include the following:

- The discount rate was changed from 4.00 percent to 4.10 percent.
- The expected long-term investment return was changed from 5.00 percent to 4.00 percent.

Plan changes since the prior measurement date include the following:

- Retired teachers receiving a district-paid subsidy to post-employment medical insurance are now limited to \$1,600/month if hired before July 1, 2003, and \$800/month if hired before June 30, 2017.
- Retiring teachers hired before July 1, 2003, now receive 30 days of pay paid to a Health Care Savings Plan at the time of retirement.
- Retiring teachers hired after June 30, 2003, but before June 30, 2017, now receive an additional monthly subsidy to post-employment medical insurance calculated as the retiree's accumulated unused sick leave at the time of retirement in excess of 60 days, up to 260 days, times \$90 divided by the number of months between retirement and Medicare eligibility.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 4.80 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

H. Discount Rate

The discount rate used to measure the total OPEB liability was 4.10 percent. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. The contribution and benefit payment history, as well as the funding policy, have also been considered. The District discount rate used at the prior measurement date was 4.00 percent.

I. Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Beginning balance – July 1, 2023	\$ 7,941,185	\$ 3,210,575	\$ 4,730,610
Changes for the year			
Service cost	292,720	–	292,720
Interest cost	316,444	–	316,444
Assumption changes	(16,487)	–	(16,487)
Plan changes	(187,947)	–	(187,947)
Contributions – paid through operating funds	–	108,747	(108,747)
Projected investment return	–	128,423	(128,423)
Differences between expected and actual experience	–	24,394	(24,394)
Benefit payments – paid through trust	(652,018)	(652,018)	–
Total net changes	(247,288)	(390,454)	143,166
Ending balance – June 30, 2024	\$ 7,693,897	\$ 2,820,121	\$ 4,873,776

J. Net OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
OPEB discount rate	3.10%	4.10%	5.10%
Net OPEB liability	\$ 5,235,342	\$ 4,873,776	\$ 4,520,956

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

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

	1% Decrease in Healthcare Trend Rate	Current Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Healthcare trend rate	5.00% grading to 4.00%, then 3.00%	6.00% grading to 5.00%, then 4.00%	7.00% grading to 6.00%, then 5.00%
Net OPEB liability	\$ 4,423,981	\$ 4,873,776	\$ 5,390,327

K. OPEB Expense and Related Deferred Outflows of Resources and Deferred Inflows of Resources

For the current year ended, the District recognized OPEB expense of \$535,112. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,155,137	\$ 125,077
Changes in actuarial assumptions	109,920	308,972
Differences between projected and actual investment earnings	161,058	—
Total	<u>\$ 1,426,115</u>	<u>\$ 434,049</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	OPEB Expense Amount
2025	\$ 242,237
2026	\$ 225,509
2027	\$ 236,037
2028	\$ 292,990
2029	\$ (2,356)
Thereafter	\$ (2,351)

NOTE 9 – FLEXIBLE BENEFIT PLAN

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

Before the beginning of the Plan year, which is from January 1 to December 31, each participant designates a total amount of pretax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants’ annual contributions to the Plan, whether or not such contributions have been made.

Payments of health insurance premiums are made by the District directly to the designated insurance companies and are accounted for in the General Fund. Amounts withheld for medical and dependent care reimbursement are accounted for by an independent contract plan administrator. Payments are made to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the employee. The medical and dependent care reimbursement activity plan is included in the financial statements in the General Fund.

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

NOTE 10 – INTERFUND BALANCES

The District’s General Fund has a receivable of \$543,271 at year-end due from the Post-Employment Benefits Trust Fund to reimburse OPEB costs. Interfund receivables and payables reported in the fund financial statements are eliminated to the extent possible in the government-wide financial statements. However, receivables and payables between the District’s governmental activities and the fiduciary funds are not eliminated.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Revenues

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

B. Legal Claims

The District has the usual and customary legal claims pending at year-end, mostly of a minor nature and/or covered by insurance. The District's government-wide financial statements include an estimated liability related to current legal claims. Although the outcomes of these claims are not presently determinable, the District does not believe the resolution of these matters will not have a material adverse effect on its financial position beyond the estimated liability accrued.

C. Power Purchase Commitment

During fiscal years 2020 and 2021, the District entered into various power purchase agreements to purchase the energy generated by solar panels contributed to the District and installed on various buildings of the District. Future power purchase payments are as follows:

Year Ending June 30,	Amount
2025	\$ 79,997
2026	81,091
2027	82,823
2028	84,907
2029	87,059
2030–2034	442,073
2035–2039	415,793
2040–2041	92,097
	<u>\$ 1,365,840</u>

D. Contract Commitments

The District is committed to a number of contracts awarded for various construction and maintenance projects. The District's commitment for uncompleted work on these contracts at June 30, 2024 was approximately \$3,454,933.

THIS PAGE INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 278

Public Employees Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2024

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.0826%	\$ 3,880,134	\$ —	\$ 3,880,134	\$ 4,348,782	89.22%	78.70%
06/30/2016	06/30/2015	0.0792%	\$ 4,104,555	\$ —	\$ 4,104,555	\$ 4,653,351	88.21%	78.20%
06/30/2017	06/30/2016	0.0824%	\$ 6,690,471	\$ 87,405	\$ 6,777,876	\$ 4,848,272	138.00%	68.90%
06/30/2018	06/30/2017	0.0832%	\$ 5,311,432	\$ 66,776	\$ 5,378,208	\$ 5,318,213	99.87%	75.90%
06/30/2019	06/30/2018	0.0811%	\$ 4,499,096	\$ 147,648	\$ 4,646,744	\$ 5,453,435	82.50%	79.50%
06/30/2020	06/30/2019	0.0843%	\$ 4,660,759	\$ 144,827	\$ 4,805,586	\$ 5,964,762	78.14%	80.20%
06/30/2021	06/30/2020	0.0931%	\$ 5,581,770	\$ 172,174	\$ 5,753,944	\$ 6,629,796	84.19%	79.10%
06/30/2022	06/30/2021	0.0906%	\$ 3,869,026	\$ 118,068	\$ 3,987,094	\$ 6,518,565	59.35%	87.00%
06/30/2023	06/30/2022	0.0878%	\$ 6,953,789	\$ 203,923	\$ 7,157,712	\$ 6,579,960	105.68%	76.70%
06/30/2024	06/30/2023	0.0809%	\$ 4,523,837	\$ 124,661	\$ 4,648,498	\$ 6,413,978	70.53%	83.10%

Public Employees Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2024

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 343,252	\$ 343,252	\$ —	\$ 4,653,351	7.38%
06/30/2016	\$ 363,557	\$ 363,557	\$ —	\$ 4,848,272	7.50%
06/30/2017	\$ 398,006	\$ 398,006	\$ —	\$ 5,318,213	7.48%
06/30/2018	\$ 408,983	\$ 408,983	\$ —	\$ 5,453,435	7.50%
06/30/2019	\$ 447,359	\$ 447,359	\$ —	\$ 5,964,762	7.50%
06/30/2020	\$ 497,236	\$ 497,236	\$ —	\$ 6,629,796	7.50%
06/30/2021	\$ 488,568	\$ 488,568	\$ —	\$ 6,518,565	7.50%
06/30/2022	\$ 493,497	\$ 493,497	\$ —	\$ 6,579,960	7.50%
06/30/2023	\$ 481,463	\$ 481,463	\$ —	\$ 6,413,978	7.51%
06/30/2024	\$ 531,370	\$ 531,370	\$ —	\$ 7,084,724	7.50%

INDEPENDENT SCHOOL DISTRICT NO. 278

Teachers Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2024

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.3080%	\$ 14,192,418	\$ 998,516	\$ 15,190,934	\$ 14,057,289	100.96%	81.50%
06/30/2016	06/30/2015	0.2900%	\$ 17,939,368	\$ 2,200,629	\$ 20,139,997	\$ 14,720,573	121.87%	76.80%
06/30/2017	06/30/2016	0.2953%	\$ 70,436,096	\$ 7,069,067	\$ 77,505,163	\$ 15,468,330	455.36%	44.88%
06/30/2018	06/30/2017	0.2981%	\$ 59,506,168	\$ 5,751,982	\$ 65,258,150	\$ 16,096,552	369.68%	51.57%
06/30/2019	06/30/2018	0.3016%	\$ 18,943,303	\$ 1,779,586	\$ 20,722,889	\$ 16,664,426	113.68%	78.07%
06/30/2020	06/30/2019	0.3064%	\$ 19,530,000	\$ 1,728,266	\$ 21,258,266	\$ 17,400,046	112.24%	78.21%
06/30/2021	06/30/2020	0.3133%	\$ 23,147,024	\$ 1,940,042	\$ 25,087,066	\$ 18,209,246	127.12%	75.48%
06/30/2022	06/30/2021	0.3217%	\$ 14,078,554	\$ 1,187,260	\$ 15,265,814	\$ 19,250,809	73.13%	86.63%
06/30/2023	06/30/2022	0.3225%	\$ 25,824,094	\$ 1,914,995	\$ 27,739,089	\$ 19,933,215	129.55%	76.17%
06/30/2024	06/30/2023	0.3210%	\$ 26,502,479	\$ 1,856,539	\$ 28,359,018	\$ 20,579,040	128.78%	76.42%

Teachers Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2024

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 1,104,043	\$ 1,104,043	\$ —	\$ 14,720,573	7.50%
06/30/2016	\$ 1,160,919	\$ 1,160,919	\$ —	\$ 15,468,330	7.51%
06/30/2017	\$ 1,209,519	\$ 1,209,519	\$ —	\$ 16,096,552	7.51%
06/30/2018	\$ 1,249,682	\$ 1,249,682	\$ —	\$ 16,664,426	7.50%
06/30/2019	\$ 1,340,741	\$ 1,340,741	\$ —	\$ 17,400,046	7.71%
06/30/2020	\$ 1,442,163	\$ 1,442,163	\$ —	\$ 18,209,246	7.92%
06/30/2021	\$ 1,565,042	\$ 1,565,042	\$ —	\$ 19,250,809	8.13%
06/30/2022	\$ 1,661,391	\$ 1,661,391	\$ —	\$ 19,933,215	8.33%
06/30/2023	\$ 1,759,936	\$ 1,759,936	\$ —	\$ 20,579,040	8.55%
06/30/2024	\$ 1,893,751	\$ 1,893,751	\$ —	\$ 21,669,771	8.74%

INDEPENDENT SCHOOL DISTRICT NO. 278

Other Post-Employment Benefits Plan
Schedule of Changes in the District's Net
OPEB Liability and Related Ratios
Year Ended June 30, 2024

	District Fiscal Year Ended June 30,							
	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability								
Service cost	\$ 292,720	\$ 305,530	\$ 282,171	\$ 350,244	\$ 366,288	\$ 327,523	\$ 327,106	\$ 345,050
Interest cost	316,444	228,921	140,132	169,397	189,014	191,824	161,748	156,808
Assumption changes	(16,487)	68,667	(468,221)	(182,203)	183,261	82,521	(177,738)	—
Plan changes	(187,947)	43,071	—	—	—	1,361	—	—
Differences between expected and actual experience	—	1,732,707	—	(338,798)	—	(85,035)	—	—
Benefit payments – paid through operating funds	—	—	(90,092)	(25,741)	(30,000)	—	—	(327,157)
Benefit payments – paid through trust	(652,018)	(309,967)	(246,637)	(310,904)	(128,505)	(341,944)	(274,363)	—
Net change in total OPEB liability	(247,288)	2,068,929	(382,647)	(338,005)	580,058	176,250	36,753	174,701
Total OPEB liability – beginning of year	7,941,185	5,872,256	6,254,903	6,592,908	6,012,850	5,836,600	5,799,847	5,625,146
Total OPEB liability – end of year	7,693,897	7,941,185	5,872,256	6,254,903	6,592,908	6,012,850	5,836,600	5,799,847
Plan fiduciary net position								
Contributions – paid through operating funds	108,747	—	90,092	25,741	30,000	—	—	327,157
Net investment income	128,423	172,664	151,944	118,225	118,526	63,808	64,243	41,707
Differences between expected and actual experience	24,394	(105,398)	(250,626)	(85,439)	(411)	—	—	—
Benefit payments	(652,018)	(309,967)	(336,729)	(336,645)	(158,505)	(341,944)	(274,363)	(327,157)
Net change in plan fiduciary net position	(390,454)	(242,701)	(345,319)	(278,118)	(10,390)	(278,136)	(210,120)	41,707
Plan fiduciary net position – beginning of year	3,210,575	3,453,276	3,798,595	4,076,713	4,087,103	4,365,239	4,575,359	4,533,652
Plan fiduciary net position – end of year	2,820,121	3,210,575	3,453,276	3,798,595	4,076,713	4,087,103	4,365,239	4,575,359
Net OPEB liability (asset)	<u>\$ 4,873,776</u>	<u>\$ 4,730,610</u>	<u>\$ 2,418,980</u>	<u>\$ 2,456,308</u>	<u>\$ 2,516,195</u>	<u>\$ 1,925,747</u>	<u>\$ 1,471,361</u>	<u>\$ 1,224,488</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>36.65%</u>	<u>40.43%</u>	<u>58.81%</u>	<u>60.73%</u>	<u>61.83%</u>	<u>67.97%</u>	<u>74.79%</u>	<u>78.89%</u>
Covered-employee payroll	<u>\$25,443,977</u>	<u>\$24,702,891</u>	<u>\$24,506,490</u>	<u>\$23,792,709</u>	<u>\$22,528,956</u>	<u>\$21,872,773</u>	<u>\$20,730,611</u>	<u>\$20,126,807</u>
Net OPEB liability as a percentage of covered-employee payroll	<u>19.15%</u>	<u>19.15%</u>	<u>9.87%</u>	<u>10.32%</u>	<u>11.17%</u>	<u>8.80%</u>	<u>7.10%</u>	<u>6.08%</u>

Note: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 278

Other Post-Employment Benefits Plan
Schedule of Investment Returns
Year Ended June 30, 2024

<u>Year</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2017	0.92 %
2018	1.40 %
2019	1.50 %
2020	2.90 %
2021	0.80 %
2022	(2.60) %
2023	1.90 %
2024	4.80 %

Note: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 278

Notes to Required Supplementary Information
June 30, 2024

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2023 CHANGES IN PLAN PROVISIONS

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, noncompounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2020 CHANGES IN PLAN PROVISIONS

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023, and zero percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- 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 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, 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.

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2020 CHANGES IN ACTUARIAL ASSUMPTIONS (CONTINUED)

- 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 MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

2019 CHANGES IN PLAN PROVISIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, 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 1.00 percent per year, with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio, to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 CHANGES IN PLAN PROVISIONS

- The state's contribution for the Minneapolis Employees Retirement Fund equals \$16.0 million in 2017 and 2018, and \$6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21.0 million to \$31.0 million in calendar years 2019 to 2031. The state's contribution changed from \$16.0 million to \$6.0 million in calendar years 2019 to 2031.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Retirement Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892.0 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.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

TEACHERS RETIREMENT ASSOCIATION (TRA)

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The normal retirement age for active and eligible Tier II members will be 65 effective July 1, 2024.
- The employer contribution rate will increase from 8.75 percent to 9.50 percent on July 1, 2025.
- The employee contribution rate will increase from 7.75 percent to 8.00 percent on July 1, 2025.
- The pension adjustment rate for school districts and the base budgets for MnSCU, Perpich Center for Arts Education, and Minnesota academies will increase to reflect the 0.75 percent employer contribution rate increase.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

- The cost of living adjustment (COLA) was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent 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 2.50 percent if the funded ratio was at least 90.00 percent for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return assumption was changed from 8.50 percent to 7.50 percent.
- The single discount rate changed from 5.12 percent to 7.50 percent.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The COLA was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the CSA loads. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS (CONTINUED)

- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years, followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate changed from 4.66 percent to 5.12 percent.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The single discount rate was changed from 8.00 percent to 4.66 percent.

2015 CHANGES IN PLAN PROVISIONS

- The Duluth Teachers Retirement Fund Association was merged into the TRA on June 30, 2015.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The annual COLA for the June 30, 2015 valuation assumed 2.00 percent. The prior year valuation used 2.00 percent, with an increase to 2.50 percent commencing in 2034.
- The discount rate used to measure the total pension liability was 8.00 percent. This is a decrease from the discount rate at the prior measurement date of 8.25 percent.

OTHER POST-EMPLOYMENT BENEFITS PLAN

2024 CHANGES IN PLAN PROVISIONS

- Retired teachers receiving a district-paid subsidy to post-employment medical insurance are now limited to \$1,600/month if hired before July 1, 2003, and \$800/month if hired before June 30, 2017.
- Retiring teachers hired before July 1, 2003, now receive 30 days of pay paid to a Health Care Savings Plan at the time of retirement.
- Retiring teachers hired after June 30, 2003, but before June 30, 2017, now receive an additional monthly subsidy to post-employment medical insurance calculated as the retiree's accumulated unused sick leave at the time of retirement in excess of 60 days, up to 260 days, times \$90 divided by the number of months between retirement and Medicare eligibility.

2024 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 4.00 percent to 4.10 percent.
- The expected long-term investment return assumption was changed from 5.00 percent to 4.00 percent.

2023 CHANGES IN PLAN PROVISIONS

- The new superintendent has subsidized retiree medical benefits of full single premium coverage for the highest deductible plan for the earlier of nine years or Medicare eligibility.
- The post-employment subsidized medical benefit for principals hired after July 1, 2006 was updated to allow eligibility starting at 8 years instead of 12 on a reduced basis. Principals hired on or after July 1, 2022 will no longer be eligible for post-employment subsidized medical benefits.

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.80 percent to 4.00 percent.
- The expected long-term investment return was changed from 4.00 percent to 5.00 percent.
- The salary scales for nonteachers were updated.
- Healthcare trend rates, mortality tables, and withdrawal rates were updated.

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.20 percent to 3.80 percent.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.50 percent to 2.20 percent.
- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service and contract group.

OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.00 percent to 2.50 percent.
- The long-term rate of return assumption was changed to 2.90 percent from 2.40 percent.

2019 CHANGES IN PLAN PROVISIONS

- The District's post-employment medical subsidy for one retired employee was changed from up to \$580 per month to the full district-paid single premiums.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality table was updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- Healthcare trend rates were changed to better anticipate short-term and long-term medical increases. The trend rate on post-age 65 subsidies for three administrators was changed to 4.00 percent per year.
- The discount rate was changed from 3.20 percent to 3.00 percent.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.70 percent to 3.20 percent.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from RP-2000 projected to 2014 with Scale BB to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.
- The withdrawal table for all employees and retirement tables for only employees eligible to retire with Rule of 90 also were updated.
- The discount rate was changed from 3.50 percent to 2.70 percent.
- The percentage of food service employees who were assumed to continue on one of the District's medical plans post-employment was reduced from 50.00 percent to 10.00 percent.

THIS PAGE INTENTIONALLY LEFT BLANK

SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 278

Nonmajor Governmental Funds
Combining Balance Sheet
as of June 30, 2024

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	\$ 1,170,749	\$ 1,951,009	\$ 3,121,758
Receivables			
Current taxes	—	164,264	164,264
Delinquent taxes	—	3,799	3,799
Accounts and interest	102	8,081	8,183
Due from other governmental units	—	135,277	135,277
Lease	—	51,407	51,407
Inventory	38,371	—	38,371
Prepaid items	480	3,395	3,875
Total assets	<u>\$ 1,209,702</u>	<u>\$ 2,317,232</u>	<u>\$ 3,526,934</u>
Liabilities			
Salaries and compensated absences payable	\$ 867	\$ 98,199	\$ 99,066
Accounts and contracts payable	15,498	95,825	111,323
Due to other governmental units	—	10,398	10,398
Unearned revenue	71,484	283,899	355,383
Total liabilities	<u>87,849</u>	<u>488,321</u>	<u>576,170</u>
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	—	3,186	3,186
Lease revenue for subsequent years	—	51,407	51,407
Property taxes levied for subsequent year	—	330,504	330,504
Total deferred inflows of resources	<u>—</u>	<u>385,097</u>	<u>385,097</u>
Fund balances			
Nonspendable	38,851	3,395	42,246
Restricted	1,083,002	1,440,419	2,523,421
Total fund balances	<u>1,121,853</u>	<u>1,443,814</u>	<u>2,565,667</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,209,702</u>	<u>\$ 2,317,232</u>	<u>\$ 3,526,934</u>

INDEPENDENT SCHOOL DISTRICT NO. 278

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2024

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	\$ —	\$ 296,044	\$ 296,044
Investment earnings	49,787	84,117	133,904
Other	655,980	3,253,544	3,909,524
State sources	1,240,719	317,433	1,558,152
Federal sources	579,607	109,950	689,557
Total revenue	<u>2,526,093</u>	<u>4,061,088</u>	<u>6,587,181</u>
Expenditures			
Current			
Food service	2,278,705	—	2,278,705
Community service	—	3,987,970	3,987,970
Capital outlay	138,496	8,004	146,500
Total expenditures	<u>2,417,201</u>	<u>3,995,974</u>	<u>6,413,175</u>
Excess of revenue over expenditures	108,892	65,114	174,006
Other financing sources			
Sale of capital assets	699	—	699
Net change in fund balances	109,591	65,114	174,705
Fund balances			
Beginning of year	<u>1,012,262</u>	<u>1,378,700</u>	<u>2,390,962</u>
End of year	<u>\$ 1,121,853</u>	<u>\$ 1,443,814</u>	<u>\$ 2,565,667</u>

INDEPENDENT SCHOOL DISTRICT NO. 278

General Fund
Balance Sheet by Account
as of June 30, 2024
(With Comparative Totals as of June 30, 2023)

	2024			2023
	Operating	Capital Expenditure	Total	Total
Assets				
Cash and temporary investments	\$ 7,114,451	\$ 1,424,324	\$ 8,538,775	\$ 8,279,207
Receivables				
Current taxes	6,908,227	—	6,908,227	6,802,476
Delinquent taxes	160,576	—	160,576	206,568
Accounts and interest	456,012	—	456,012	527,836
Due from other governmental units	3,902,738	—	3,902,738	3,353,947
Due from other funds	543,271	—	543,271	309,967
Inventory	48,548	—	48,548	89,314
Prepaid items	233,697	56,569	290,266	225,472
Total assets	<u>\$ 19,367,520</u>	<u>\$ 1,480,893</u>	<u>\$ 20,848,413</u>	<u>\$ 19,794,787</u>
Liabilities				
Salaries and compensated absences payable	\$ 1,101,081	\$ —	\$ 1,101,081	\$ 1,117,841
Accounts and contracts payable	1,088,144	403,794	1,491,938	1,376,044
Due to other governmental units	140,784	—	140,784	221,563
Unearned revenue	184,388	—	184,388	186,447
Total liabilities	<u>2,514,397</u>	<u>403,794</u>	<u>2,918,191</u>	<u>2,901,895</u>
Deferred inflows of resources				
Unavailable revenue – delinquent taxes	137,994	—	137,994	140,732
Property taxes levied for subsequent year	12,893,513	—	12,893,513	13,070,045
Total deferred inflows of resources	<u>13,031,507</u>	<u>—</u>	<u>13,031,507</u>	<u>13,210,777</u>
Fund balances				
Nonspendable for inventory	48,548	—	48,548	89,314
Nonspendable for prepaid items	233,697	56,569	290,266	225,472
Restricted for student activities	100,045	—	100,045	133,947
Restricted for scholarships	737,523	—	737,523	749,984
Restricted for operating capital	—	494,282	494,282	218,676
Restricted for safe schools levy	13,060	—	13,060	28,068
Restricted for long-term facilities maintenance	—	542,552	542,552	491,912
Assigned for curriculum and development	117,663	—	117,663	—
Assigned for athletics carryover	28,141	—	28,141	—
Assigned for wellness	100,589	—	100,589	105,814
Assigned for separation/retirement benefits	175,000	—	175,000	175,000
Unassigned – capital projects levy restricted account deficit	—	(105,572)	(105,572)	—
Unassigned	2,267,350	89,268	2,356,618	1,463,928
Total fund balances	<u>3,821,616</u>	<u>1,077,099</u>	<u>4,898,715</u>	<u>3,682,115</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 19,367,520</u>	<u>\$ 1,480,893</u>	<u>\$ 20,848,413</u>	<u>\$ 19,794,787</u>

INDEPENDENT SCHOOL DISTRICT NO. 278

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account
Year Ended June 30, 2024
(With Comparative Totals for the Year Ended June 30, 2023)

	2024			2023
	Operating	Capital Expenditure	Total	Total
Revenue				
Local sources				
Property taxes	\$ 10,711,797	\$ 3,576,231	\$ 14,288,028	\$ 13,017,100
Investment earnings	308,291	—	308,291	200,735
Other	2,500,844	—	2,500,844	2,213,308
State sources	29,282,863	222,570	29,505,433	27,245,247
Federal sources	805,868	—	805,868	1,084,865
Total revenue	43,609,663	3,798,801	47,408,464	43,761,255
Expenditures				
Current				
Administration	1,480,806	—	1,480,806	1,523,374
District support services	1,512,091	214,043	1,726,134	1,785,053
Elementary and secondary regular instruction	22,378,159	461,192	22,839,351	21,916,956
Vocational education instruction	413,269	—	413,269	331,450
Special education instruction	5,820,716	—	5,820,716	5,477,134
Instructional support services	2,637,364	1,019,473	3,656,837	3,622,601
Pupil support services	3,849,533	11,770	3,861,303	3,356,979
Sites and buildings	3,857,630	1,842,413	5,700,043	6,057,177
Fiscal and other fixed cost programs	431,604	—	431,604	380,595
Debt service				
Principal	226,354	128,266	354,620	484,720
Interest and fiscal charges	65,380	7,181	72,561	83,943
Total expenditures	42,672,906	3,684,338	46,357,244	45,019,982
Excess (deficiency) of revenue over expenditures	936,757	114,463	1,051,220	(1,258,727)
Other financing sources				
Debt issued	—	129,616	129,616	—
Insurance recovery	29,938	—	29,938	500
Sale of capital assets	5,826	—	5,826	44,971
Total other financing sources	35,764	129,616	165,380	45,471
Net change in fund balances	972,521	244,079	1,216,600	(1,213,256)
Fund balances				
Beginning of year	2,849,095	833,020	3,682,115	4,895,371
End of year	\$ 3,821,616	\$ 1,077,099	\$ 4,898,715	\$ 3,682,115

INDEPENDENT SCHOOL DISTRICT NO. 278

General Fund – Operating Account
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2024
(With Comparative Actual Amounts for the Year Ended June 30, 2023)

	2024			2023
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 10,661,575	\$ 10,711,797	\$ 50,222	\$ 9,361,321
Investment earnings	200,000	308,291	108,291	200,735
Other	1,942,750	2,500,844	558,094	2,213,308
State sources	29,624,332	29,282,863	(341,469)	27,011,092
Federal sources	1,122,166	805,868	(316,298)	978,920
Total revenue	43,550,823	43,609,663	58,840	39,765,376
Expenditures				
Current				
Administration	1,497,600	1,480,806	(16,794)	1,523,374
District support services	1,846,190	1,512,091	(334,099)	1,483,701
Elementary and secondary regular instruction	22,529,557	22,378,159	(151,398)	21,635,469
Vocational education instruction	346,850	413,269	66,419	331,450
Special education instruction	6,220,179	5,820,716	(399,463)	5,477,134
Instructional support services	2,454,393	2,637,364	182,971	2,303,179
Pupil support services	3,639,610	3,849,533	209,923	3,356,979
Sites and buildings	4,121,790	3,857,630	(264,160)	3,936,362
Fiscal and other fixed cost programs	375,000	431,604	56,604	380,595
Debt service				
Principal	226,520	226,354	(166)	112,985
Interest and fiscal charges	77,570	65,380	(12,190)	20,129
Total expenditures	43,335,259	42,672,906	(662,353)	40,561,357
Excess (deficiency) of revenue over expenditures	215,564	936,757	721,193	(795,981)
Other financing sources				
Insurance recovery	—	29,938	29,938	500
Sale of capital assets	—	5,826	5,826	44,971
Total other financing sources	—	35,764	35,764	45,471
Net change in fund balances	\$ 215,564	972,521	\$ 756,957	(750,510)
Fund balances				
Beginning of year		2,849,095		3,599,605
End of year		\$ 3,821,616		\$ 2,849,095

INDEPENDENT SCHOOL DISTRICT NO. 278

General Fund – Capital Expenditure Account
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2024
(With Comparative Actual Amounts for the Year Ended June 30, 2023)

	2024			2023
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 3,574,428	\$ 3,576,231	\$ 1,803	\$ 3,655,779
State sources	216,478	222,570	6,092	234,155
Federal sources	—	—	—	105,945
Total revenue	<u>3,790,906</u>	<u>3,798,801</u>	<u>7,895</u>	<u>3,995,879</u>
Expenditures				
Current				
District support services	184,804	214,043	29,239	301,352
Elementary and secondary regular instruction	225,000	461,192	236,192	281,487
Instructional support services	1,078,226	1,019,473	(58,753)	1,319,422
Pupil support services	—	11,770	11,770	—
Sites and buildings	1,920,013	1,842,413	(77,600)	2,120,815
Debt service				
Principal	379,887	128,266	(251,621)	371,735
Interest and fiscal charges	2,976	7,181	4,205	63,814
Total expenditures	<u>3,790,906</u>	<u>3,684,338</u>	<u>(106,568)</u>	<u>4,458,625</u>
Excess (deficiency) of revenue over expenditures	—	114,463	114,463	(462,746)
Other financing sources				
Debt issued	<u>—</u>	<u>129,616</u>	<u>129,616</u>	<u>—</u>
Net change in fund balances	<u>\$ —</u>	<u>244,079</u>	<u>\$ 244,079</u>	<u>(462,746)</u>
Fund balances				
Beginning of year		<u>833,020</u>		<u>1,295,766</u>
End of year		<u>\$ 1,077,099</u>		<u>\$ 833,020</u>

INDEPENDENT SCHOOL DISTRICT NO. 278

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Cash and temporary investments	\$ 1,170,749	\$ 1,024,093
Receivables		
Accounts and interest	102	320
Inventory	38,371	37,442
Prepaid items	<u>480</u>	<u>5,313</u>
Total assets	<u>\$ 1,209,702</u>	<u>\$ 1,067,168</u>
Liabilities		
Salaries and compensated absences payable	\$ 867	\$ —
Accounts and contracts payable	15,498	3,682
Unearned revenue	<u>71,484</u>	<u>51,224</u>
Total liabilities	87,849	54,906
Fund balances		
Nonspendable for inventory	38,371	37,442
Nonspendable for prepaid items	480	5,313
Restricted for food service	<u>1,083,002</u>	<u>969,507</u>
Total fund balances	<u>1,121,853</u>	<u>1,012,262</u>
Total liabilities and fund balances	<u>\$ 1,209,702</u>	<u>\$ 1,067,168</u>

INDEPENDENT SCHOOL DISTRICT NO. 278

Food Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2024
(With Comparative Actual Amounts for the Year Ended June 30, 2023)

	2024			2023
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 6,500	\$ 49,787	\$ 43,287	\$ 33,664
Other – primarily meal sales	827,000	655,980	(171,020)	1,488,412
State sources	930,637	1,240,719	310,082	72,149
Federal sources	340,000	579,607	239,607	612,438
Total revenue	<u>2,104,137</u>	<u>2,526,093</u>	<u>421,956</u>	<u>2,206,663</u>
Expenditures				
Current				
Salaries	687,137	679,048	(8,089)	684,979
Employee benefits	254,550	256,499	1,949	253,722
Purchased services	90,250	170,782	80,532	126,553
Supplies and materials	1,008,500	1,170,017	161,517	991,065
Other expenditures	1,700	2,359	659	1,328
Capital outlay	137,000	138,496	1,496	62,201
Total expenditures	<u>2,179,137</u>	<u>2,417,201</u>	<u>238,064</u>	<u>2,119,848</u>
Excess (deficiency) of revenue over expenditures	(75,000)	108,892	183,892	86,815
Other financing sources				
Sale of capital assets	<u>–</u>	<u>699</u>	<u>699</u>	<u>1,880</u>
Net change in fund balances	<u>\$ (75,000)</u>	<u>109,591</u>	<u>\$ 184,591</u>	<u>88,695</u>
Fund balances				
Beginning of year		<u>1,012,262</u>		<u>923,567</u>
End of year		<u>\$ 1,121,853</u>		<u>\$ 1,012,262</u>

INDEPENDENT SCHOOL DISTRICT NO. 278

Community Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Cash and temporary investments	\$ 1,951,009	\$ 1,994,848
Receivables		
Current taxes	164,264	145,803
Delinquent taxes	3,799	5,162
Accounts and interest	8,081	7,236
Due from other governmental units	135,277	52,319
Lease	51,407	86,810
Prepaid items	<u>3,395</u>	<u>—</u>
Total assets	<u><u>\$ 2,317,232</u></u>	<u><u>\$ 2,292,178</u></u>
Liabilities		
Salaries and compensated absences payable	\$ 98,199	\$ 107,995
Accounts and contracts payable	95,825	106,105
Due to other governmental units	10,398	—
Unearned revenue	<u>283,899</u>	<u>311,363</u>
Total liabilities	488,321	525,463
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	3,186	3,487
Lease revenue for subsequent years	51,407	86,810
Property taxes levied for subsequent year	<u>330,504</u>	<u>297,718</u>
Total deferred inflows of resources	385,097	388,015
Fund balances		
Nonspendable for prepaid items	3,395	—
Restricted for community education programs	1,290,595	1,149,102
Restricted for early childhood family education programs	86,301	129,174
Restricted for school readiness	<u>63,523</u>	<u>100,424</u>
Total fund balances	<u><u>1,443,814</u></u>	<u><u>1,378,700</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 2,317,232</u></u>	<u><u>\$ 2,292,178</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 278

Community Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2024
(With Comparative Actual Amounts for the Year Ended June 30, 2023)

	2024			2023
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 338,433	\$ 296,044	\$ (42,389)	\$ 319,395
Investment earnings	—	84,117	84,117	44,971
Other – primarily tuition and fees	2,959,600	3,253,544	293,944	3,423,322
State sources	140,250	317,433	177,183	233,541
Federal sources	—	109,950	109,950	93,735
Total revenue	<u>3,438,283</u>	<u>4,061,088</u>	<u>622,805</u>	<u>4,114,964</u>
Expenditures				
Current				
Salaries	2,190,874	2,448,501	257,627	2,131,598
Employee benefits	399,000	426,195	27,195	356,497
Purchased services	519,817	892,062	372,245	800,062
Supplies and materials	169,995	183,427	13,432	183,441
Other expenditures	37,800	37,785	(15)	52,694
Capital outlay	<u>5,775</u>	<u>8,004</u>	<u>2,229</u>	<u>1,698</u>
Total expenditures	<u>3,323,261</u>	<u>3,995,974</u>	<u>672,713</u>	<u>3,525,990</u>
Net change in fund balances	<u>\$ 115,022</u>	65,114	<u>\$ (49,908)</u>	588,974
Fund balances				
Beginning of year		<u>1,378,700</u>		<u>789,726</u>
End of year		<u>\$ 1,443,814</u>		<u>\$ 1,378,700</u>

INDEPENDENT SCHOOL DISTRICT NO. 278

Capital Projects – Building Construction Fund
Comparative Balance Sheet
as of June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Cash and temporary investments	<u>\$ 4,325,159</u>	<u>\$ 5,739,987</u>
Liabilities		
Accounts and contracts payable	\$ 1,093,663	\$ 31,517
Fund balances		
Restricted for long-term facilities maintenance	2,627,566	4,395,845
Restricted for building construction	<u>603,930</u>	<u>1,312,625</u>
Total fund balances	<u>3,231,496</u>	<u>5,708,470</u>
Total liabilities and fund balances	<u>\$ 4,325,159</u>	<u>\$ 5,739,987</u>

INDEPENDENT SCHOOL DISTRICT NO. 278

Capital Projects – Building Construction Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2024
(With Comparative Actual Amounts for the Year Ended June 30, 2023)

	2024			2023
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ —	\$ 305,259	\$ 305,259	\$ 67,333
Expenditures				
Capital outlay				
Purchased services	50,000	313,789	263,789	201,768
Supplies and materials	—	1,101	1,101	—
Capital expenditures	5,589,675	2,467,343	(3,122,332)	1,002,105
Debt service				
Fiscal charges and other	68,794	—	(68,794)	96,569
Total expenditures	<u>5,708,469</u>	<u>2,782,233</u>	<u>(2,926,236)</u>	<u>1,300,442</u>
Excess (deficiency) of revenue over expenditures	(5,708,469)	(2,476,974)	3,231,495	(1,233,109)
Other financing sources				
Debt issued	—	—	—	5,555,000
Premium on debt issued	—	—	—	485,059
Total other financing sources	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,040,059</u>
Net change in fund balances	<u>\$ (5,708,469)</u>	<u>(2,476,974)</u>	<u>\$ 3,231,495</u>	4,806,950
Fund balances				
Beginning of year		<u>5,708,470</u>		<u>901,520</u>
End of year		<u>\$ 3,231,496</u>		<u>\$ 5,708,470</u>

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 278

Debt Service Fund
Balance Sheet by Account
as of June 30, 2024
(With Comparative Totals as of June 30, 2023)

	Regular Debt Service Account	OPEB Debt Service Account	Totals	
			2024	2023
Assets				
Cash and temporary investments	\$ 4,868,855	\$ 271,280	\$ 5,140,135	\$ 4,671,909
Receivables				
Current taxes	3,813,104	181,297	3,994,401	3,129,255
Delinquent taxes	76,414	4,795	81,209	108,474
Due from other governmental units	3,481	16	3,497	3,397
Total assets	<u>\$ 8,761,854</u>	<u>\$ 457,388</u>	<u>\$ 9,219,242</u>	<u>\$ 7,913,035</u>
Deferred inflows of resources				
Unavailable revenue – delinquent taxes	\$ 64,013	\$ 4,035	\$ 68,048	\$ 73,964
Property taxes levied for subsequent year	<u>7,672,070</u>	<u>364,775</u>	<u>8,036,845</u>	<u>6,389,693</u>
Total deferred inflows of resources	<u>7,736,083</u>	<u>368,810</u>	<u>8,104,893</u>	<u>6,463,657</u>
Fund balances				
Restricted for debt service	<u>1,025,771</u>	<u>88,578</u>	<u>1,114,349</u>	<u>1,449,378</u>
Total deferred inflows of resources and fund balances	<u>\$ 8,761,854</u>	<u>\$ 457,388</u>	<u>\$ 9,219,242</u>	<u>\$ 7,913,035</u>

INDEPENDENT SCHOOL DISTRICT NO. 278

Debt Service Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account
Budget and Actual
Year Ended June 30, 2024
(With Comparative Actual Amounts for the Year Ended June 30, 2023)

		2024	
		Actual	
	Budget	Regular Debt Service Account	OPEB Debt Service Account
Revenue			
Local sources			
Property taxes	\$ 6,393,784	\$ 5,986,343	\$ 367,167
Investment earnings	—	182,549	10,395
State sources	—	34,800	162
Total revenue	<u>6,393,784</u>	<u>6,203,692</u>	<u>377,724</u>
Expenditures			
Debt service			
Principal	4,655,000	4,680,000	300,000
Interest	1,853,037	1,860,838	68,033
Fiscal charges and other	—	7,100	474
Total expenditures	<u>6,508,037</u>	<u>6,547,938</u>	<u>368,507</u>
Net change in fund balances	<u>\$ (114,253)</u>	(344,246)	9,217
Fund balances			
Beginning of year		<u>1,370,017</u>	<u>79,361</u>
End of year		<u>\$ 1,025,771</u>	<u>\$ 88,578</u>

		2023
Total	Over (Under) Budget	Actual
\$ 6,353,510	\$ (40,274)	\$ 6,586,657
192,944	192,944	107,895
34,962	34,962	33,965
6,581,416	187,632	6,728,517
4,980,000	325,000	4,465,000
1,928,871	75,834	1,939,536
7,574	7,574	5,824
6,916,445	408,408	6,410,360
(335,029)	\$ (220,776)	318,157
1,449,378		1,131,221
\$ 1,114,349		\$ 1,449,378

INDEPENDENT SCHOOL DISTRICT NO. 278

Combining Statement of Net Position
 Proprietary Funds
 as of June 30, 2024
 (With Comparative Totals as of June 30, 2023)

	Internal Service Funds			
	Dental	Medical	Totals	
	Self-Insurance	Self-Insurance	2024	2023
Assets				
Current assets				
Cash and cash equivalents	\$ 213,621	\$ 4,069,434	\$ 4,283,055	\$ 3,593,938
Receivables				
Accounts and interest	2,516	101,072	103,588	10,361
Total current assets	216,137	4,170,506	4,386,643	3,604,299
Liabilities				
Current liabilities				
Accounts and contracts payable	30,410	397,836	428,246	458,574
Unearned revenue	25,079	372,482	397,561	391,521
Total current liabilities	55,489	770,318	825,807	850,095
Net position				
Unrestricted	\$ 160,648	\$ 3,400,188	\$ 3,560,836	\$ 2,754,204

INDEPENDENT SCHOOL DISTRICT NO. 278

Combining Statement of Revenue, Expenses, and Changes in Net Position
 Proprietary Funds
 Year Ended June 30, 2024
 (With Comparative Totals for the Year Ended June 30, 2023)

	Internal Service Funds			
	Dental	Medical	Totals	
	Self-Insurance	Self-Insurance	2024	2023
Operating revenue				
Charges for services				
Assessed to governmental funds	\$ 293,778	\$ 4,695,640	\$ 4,989,418	\$ 4,863,789
Operating expenses				
Administrative expenses	—	47,612	47,612	35,000
Dental benefit claims	318,272	—	318,272	310,248
Medical benefit claims	—	3,992,630	3,992,630	3,573,251
Total operating expenses	<u>318,272</u>	<u>4,040,242</u>	<u>4,358,514</u>	<u>3,918,499</u>
Operating income (loss)	(24,494)	655,398	630,904	945,290
Nonoperating revenue				
Investment earnings	<u>8,970</u>	<u>166,758</u>	<u>175,728</u>	<u>83,622</u>
Change in net position	(15,524)	822,156	806,632	1,028,912
Net position				
Beginning of year	<u>176,172</u>	<u>2,578,032</u>	<u>2,754,204</u>	<u>1,725,292</u>
End of year	<u>\$ 160,648</u>	<u>\$ 3,400,188</u>	<u>\$ 3,560,836</u>	<u>\$ 2,754,204</u>

INDEPENDENT SCHOOL DISTRICT NO. 278

Combining Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2024
 (With Comparative Totals for the Year Ended June 30, 2023)

	Internal Service Funds			
	Dental	Medical	Totals	
	Self-Insurance	Self-Insurance	2024	2023
Cash flows from operating activities				
Contributions from governmental funds	\$ 294,057	\$ 4,608,174	\$ 4,902,231	\$ 4,858,804
Payments to employees	–	(47,612)	(47,612)	(35,000)
Payments for dental claims	(310,709)	–	(310,709)	(304,944)
Payments for medical claims	–	(4,030,521)	(4,030,521)	(3,783,285)
Net cash flows from operating activities	(16,652)	530,041	513,389	735,575
Cash flows from investing activities				
Interest on investments	8,970	166,758	175,728	83,622
Net change in cash and cash equivalents	(7,682)	696,799	689,117	819,197
Cash and cash equivalents				
Beginning of year	221,303	3,372,635	3,593,938	2,774,741
End of year	\$ 213,621	\$ 4,069,434	\$ 4,283,055	\$ 3,593,938
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ (24,494)	\$ 655,398	\$ 630,904	\$ 945,290
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Changes in assets and liabilities				
Accounts and interest receivable	(155)	(93,072)	(93,227)	(1,054)
Accounts and contracts payable	7,563	(37,891)	(30,328)	(204,730)
Unearned revenue	434	5,606	6,040	(3,931)
Net cash flows from operating activities	\$ (16,652)	\$ 530,041	\$ 513,389	\$ 735,575

STATISTICAL SECTION

(UNAUDITED)

THIS PAGE INTENTIONALLY LEFT BLANK

STATISTICAL SECTION (UNAUDITED)

This section of Independent School District No. 278's (the District) Annual Comprehensive Financial Report (ACFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the District's most significant local revenue source, property taxes.

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating Indicators

These schedules contain service and infrastructure data to help the reader understand how the information in the District's ACFR relates to the services the District provides, and the activities it performs.

Source: Unless otherwise noted, the information in these schedules is derived from the District's ACFR for the relevant year.

INDEPENDENT SCHOOL DISTRICT NO. 278

Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2015	2016	2017	2018
Governmental activities				
Net investment in capital assets	\$ 7,868,907	\$ 8,753,841	\$ 6,534,251	\$ 7,778,439
Restricted	3,844,782	2,979,828	4,065,675	3,560,209
Unrestricted	<u>(15,287,877)</u>	<u>(15,210,721)</u>	<u>(29,672,163)</u>	<u>(38,266,096)</u>
Total governmental activities net position	<u>\$ (3,574,188)</u>	<u>\$ (3,477,052)</u>	<u>\$ (19,072,237)</u>	<u>\$ (26,927,448)</u>

Note 1: The District implemented GASB Statement No. 75 in fiscal 2017. The District reported a change in accounting principle as a result of implementing this standard that decreased unrestricted net position by approximately \$5.2 million. Prior years were not restated.

Note 2: The District implemented GASB Statement No. 84 in fiscal 2020. The District reported a change in accounting principle as a result of implementing this standard that increased unrestricted net position by approximately \$863 thousand. Prior years were not restated.

<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
\$ 9,268,412	\$ 13,126,922	\$ 14,642,963	\$ 16,858,664	\$ 19,909,838	\$ 23,413,394
3,223,874	3,272,665	3,592,808	4,180,193	4,833,653	5,231,671
<u>(29,473,464)</u>	<u>(32,124,340)</u>	<u>(35,093,654)</u>	<u>(35,529,938)</u>	<u>(29,642,066)</u>	<u>(25,885,046)</u>
<u><u>\$ (16,981,178)</u></u>	<u><u>\$ (15,724,753)</u></u>	<u><u>\$ (16,857,883)</u></u>	<u><u>\$ (14,491,081)</u></u>	<u><u>\$ (4,898,575)</u></u>	<u><u>\$ 2,760,019</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 278

Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2015	2016	2017	2018
Governmental activities				
Expenses				
Administration	\$ 1,419,501	\$ 1,210,448	\$ 2,051,816	\$ 1,644,415
District support services	1,352,392	1,452,785	1,727,629	1,883,055
Elementary and secondary regular instruction	17,853,192	19,243,525	26,536,175	26,417,988
Vocational education instruction	252,752	266,949	398,942	398,458
Special education instruction	3,847,621	4,172,151	5,783,842	5,835,792
Instructional support services	1,947,093	2,170,518	2,694,470	2,678,015
Pupil support services	2,517,343	2,632,360	2,934,532	3,003,901
Sites and buildings	3,954,424	4,543,936	5,148,314	5,437,461
Fiscal and other fixed cost programs	163,768	130,476	153,893	218,719
Food service	1,484,656	1,584,898	1,599,610	1,550,110
Community service	3,056,864	3,137,082	3,155,738	3,224,093
Interest and fiscal charges	2,298,810	2,205,783	3,666,352	3,077,375
Total governmental activities expenses	40,148,416	42,750,911	55,851,313	55,369,382
Program revenues				
Charges for services				
District support services	—	—	—	—
Elementary and secondary regular instruction	505,005	454,212	443,288	434,607
Instructional support services	95,393	94,186	98,355	84,414
Sites and buildings	41,627	54,161	91,946	200,841
Food service	1,154,225	1,185,196	1,217,362	1,185,258
Community service	2,732,277	2,792,652	2,525,272	2,789,796
Operating grants and contributions	4,910,953	5,026,723	6,092,995	5,415,378
Capital grants and contributions	—	—	—	—
Total governmental activities program revenues	9,439,480	9,607,130	10,469,218	10,110,294
Net (expense) revenue	(30,708,936)	(33,143,781)	(45,382,095)	(45,259,088)
General revenues and other changes in net position				
Property taxes	13,006,374	13,757,445	14,859,066	16,538,863
General grants and aids	17,755,988	18,724,777	19,186,103	19,324,330
Investment earnings and other	998,139	758,695	945,725	1,540,684
Total general revenues and other changes in net position	31,760,501	33,240,917	34,990,894	37,403,877
Change in net position	\$ 1,051,565	\$ 97,136	\$(10,391,201)	\$ (7,855,211)

2019	2020	2021	2022	2023	2024
\$ 1,144,834	\$ 1,403,513	\$ 1,275,496	\$ 1,287,348	\$ 1,103,069	\$ 1,406,570
1,646,977	1,648,088	1,852,492	1,642,438	1,820,703	1,732,881
13,956,796	22,661,409	24,069,192	22,274,269	18,979,166	22,711,651
177,043	347,654	331,595	315,597	252,683	389,463
3,378,768	5,264,305	5,527,089	5,207,582	4,559,711	5,520,346
1,959,811	3,140,503	3,382,107	3,110,810	3,395,738	3,570,300
2,798,029	2,933,397	3,019,411	3,252,262	3,042,348	3,801,473
6,720,625	6,168,157	7,549,377	7,211,171	6,705,360	6,889,268
401,279	282,859	261,386	310,842	380,595	431,604
1,609,297	1,480,033	1,451,151	1,969,449	2,194,520	2,341,080
3,162,147	3,366,310	2,631,274	3,081,871	3,622,424	4,020,026
2,233,460	1,924,200	1,768,372	1,670,286	1,539,703	1,449,282
39,189,066	50,620,428	53,118,942	51,333,925	47,596,020	54,263,944
14,272	—	—	—	—	—
417,156	316,534	351,416	483,574	527,344	649,123
75,261	82,131	43,188	31,100	—	—
521,310	437,382	339,600	271,469	562,918	569,944
1,270,204	985,830	185,319	580,397	1,488,412	655,980
2,832,132	2,368,221	2,159,022	2,804,352	3,423,322	3,253,544
5,662,594	5,893,622	7,174,251	8,182,370	7,375,321	9,454,398
—	1,112,400	281,000	—	—	—
10,792,929	11,196,120	10,533,796	12,353,262	13,377,317	14,582,989
(28,396,137)	(39,424,308)	(42,585,146)	(38,980,663)	(34,218,703)	(39,680,955)
17,410,629	18,123,809	18,831,741	18,986,320	19,945,934	20,928,627
19,144,727	20,455,376	22,038,701	21,443,639	22,156,658	23,266,010
1,787,051	1,238,508	581,574	917,506	1,708,617	2,434,366
38,342,407	39,817,693	41,452,016	41,347,465	43,811,209	46,629,003
\$ 9,946,270	\$ 393,385	\$ (1,133,130)	\$ 2,366,802	\$ 9,592,506	\$ 6,948,048

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 278

Governmental Activities Tax Revenues by Source and Levy Type
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Fiscal Year	Property Tax			
	General Purposes	Community Service	Debt Service	Total
2015	\$ 8,271,967	\$ 266,886	\$ 4,467,521	\$ 13,006,374
2016	8,811,854	277,619	4,667,972	13,757,445
2017	9,730,224	270,784	4,585,058	14,586,066
2018	10,655,450	268,792	5,614,621	16,538,863
2019	11,064,867	279,156	6,066,606	17,410,629
2020	11,669,219	283,184	6,171,406	18,123,809
2021	12,176,370	301,550	6,353,821	18,831,741
2022	12,082,028	308,878	6,595,414	18,986,320
2023	13,032,373	319,739	6,593,822	19,945,934
2024	14,285,290	295,743	6,347,594	20,928,627

INDEPENDENT SCHOOL DISTRICT NO. 278

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

				Fiscal Year
	2015	2016	2017	2018
General Fund				
Nonspendable	\$ 297,934	\$ 233,587	\$ 568,630	\$ 270,511
Restricted	2,453,121	1,669,709	1,805,594	1,953,557
Assigned	1,420,294	1,289,948	903,865	651,831
Unassigned	<u>4,767,214</u>	<u>4,725,281</u>	<u>4,935,360</u>	<u>5,812,592</u>
Total General Fund	<u>\$ 8,938,563</u>	<u>\$ 7,918,525</u>	<u>\$ 8,213,449</u>	<u>\$ 8,688,491</u>
All other governmental funds				
Nonspendable	\$ 35,421	\$ 37,822	\$ 25,244	\$ 46,997
Restricted	<u>1,826,739</u>	<u>1,818,629</u>	<u>66,575,361</u>	<u>16,817,658</u>
Total all other governmental funds	<u>\$ 1,862,160</u>	<u>\$ 1,856,451</u>	<u>\$ 66,600,605</u>	<u>\$ 16,864,655</u>
Total all governmental funds	<u>\$ 10,800,723</u>	<u>\$ 9,774,976</u>	<u>\$ 74,814,054</u>	<u>\$ 25,553,146</u>

<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
\$ 225,691	\$ 201,063	\$ 603,343	\$ 238,308	\$ 314,786	\$ 338,814
1,918,520	2,582,045	2,617,404	2,112,326	1,622,587	1,887,462
1,130,600	1,258,883	1,280,879	796,041	280,814	421,393
<u>6,098,956</u>	<u>5,522,578</u>	<u>3,510,032</u>	<u>1,748,696</u>	<u>1,463,928</u>	<u>2,251,046</u>
<u>\$ 9,373,767</u>	<u>\$ 9,564,569</u>	<u>\$ 8,011,658</u>	<u>\$ 4,895,371</u>	<u>\$ 3,682,115</u>	<u>\$ 4,898,715</u>
\$ 28,731	\$ 58,342	\$ 39,309	\$ 29,083	\$ 42,755	\$ 42,246
<u>3,264,222</u>	<u>1,808,797</u>	<u>1,757,574</u>	<u>3,716,951</u>	<u>9,506,055</u>	<u>6,869,266</u>
<u>\$ 3,292,953</u>	<u>\$ 1,867,139</u>	<u>\$ 1,796,883</u>	<u>\$ 3,746,034</u>	<u>\$ 9,548,810</u>	<u>\$ 6,911,512</u>
<u>\$ 12,666,720</u>	<u>\$ 11,431,708</u>	<u>\$ 9,808,541</u>	<u>\$ 8,641,405</u>	<u>\$ 13,230,925</u>	<u>\$ 11,810,227</u>

INDEPENDENT SCHOOL DISTRICT NO. 278

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2015	2016	2017	2018
Revenues				
Local sources				
Property taxes	\$ 12,994,742	\$ 13,771,864	\$ 14,862,494	\$ 16,476,583
Investment earnings	18,875	37,152	238,884	707,479
Other	5,507,722	5,301,775	5,082,564	5,527,204
State sources	21,632,879	22,849,359	23,472,665	23,888,544
Federal sources	990,504	902,141	913,924	860,304
Total revenues	41,144,722	42,862,291	44,570,531	47,460,114
Expenditures				
Current				
Administration	1,292,593	1,292,336	1,311,624	1,408,662
District support services	1,389,978	1,464,316	1,645,753	1,822,054
Elementary and secondary regular instruction	16,190,951	17,504,473	17,599,749	18,155,931
Vocational education instruction	256,702	268,482	271,638	283,104
Special education instruction	3,892,207	4,169,778	4,342,829	4,436,551
Instructional support services	1,956,114	2,166,451	2,207,738	2,255,018
Pupil support services	2,528,801	2,634,668	2,622,242	2,737,127
Sites and buildings	4,091,578	4,726,177	4,461,292	6,344,981
Fiscal and other fixed cost programs	163,768	130,476	153,893	218,719
Food service	1,418,152	1,520,656	1,510,636	1,489,003
Community service	3,017,133	2,941,196	2,810,283	3,015,234
Capital outlay	39,522	253,428	1,384,838	15,352,154
Debt service				
Principal	2,319,616	2,579,414	2,854,443	3,356,843
Interest and fiscal charges	2,328,633	2,239,597	3,356,288	4,114,072
Total expenditures	40,885,748	43,891,448	46,533,246	64,989,453
Excess of revenues over (under) expenditures	258,974	(1,029,157)	(1,962,715)	(17,529,339)
Other financing sources (uses)				
Sale of capital assets	—	3,410	275	10,931
Debt issued	—	—	30,240,000	—
Refunding debt issued	—	—	36,450,000	—
Premium on debt issued	—	—	6,161,518	—
Financed purchases issued	—	—	—	1,767,500
Insurance recovery	—	—	—	—
Payment to refunded bond escrow agent	—	—	(5,850,000)	(33,510,000)
Total other financing sources (uses)	—	3,410	67,001,793	(31,731,569)
Net change in fund balances	\$ 258,974	\$ (1,025,747)	\$ 65,039,078	\$ (49,260,908)
Debt service as a percentage of noncapital expenditures	11.6%	11.3%	13.8%	15.7%

2019	2020	2021	2022	2023	2024
\$ 17,370,790	\$ 18,063,642	\$ 18,836,566	\$ 19,026,382	\$ 19,923,152	\$ 20,937,582
575,422	262,130	34,621	6,334	454,598	940,398
6,334,523	5,147,528	3,621,853	5,080,778	7,125,042	6,410,368
25,303,879	25,459,123	25,870,635	26,412,688	27,584,902	31,098,547
841,851	880,248	3,285,828	3,364,020	1,791,038	1,495,425
50,426,465	49,812,671	51,649,503	53,890,202	56,878,732	60,882,320
1,448,004	1,280,235	1,413,349	1,341,917	1,523,374	1,480,806
1,742,369	1,601,987	1,841,898	1,680,112	1,785,053	1,726,134
18,727,494	19,655,478	20,868,620	22,063,752	21,916,956	22,839,351
288,572	324,158	309,948	330,820	331,450	413,269
4,615,399	5,049,917	5,272,650	5,439,144	5,477,134	5,820,716
2,434,834	3,027,103	3,344,117	3,207,638	3,622,601	3,656,837
3,033,796	2,887,476	2,973,843	3,299,446	3,356,979	3,861,303
5,696,569	6,963,976	6,572,924	6,202,945	6,057,177	5,700,043
401,279	282,859	261,386	310,842	380,595	431,604
1,551,564	1,446,787	1,411,624	1,937,695	2,057,647	2,278,705
3,263,556	3,224,353	2,586,044	3,138,045	3,524,292	3,987,970
15,547,052	905,169	388,788	670,954	1,267,772	2,928,733
3,997,044	4,243,796	4,662,490	4,797,012	4,949,720	5,334,620
2,739,097	2,529,077	2,301,973	2,226,019	2,125,872	2,009,006
65,486,629	53,422,371	54,209,654	56,646,341	58,376,622	62,469,097
(15,060,164)	(3,609,700)	(2,560,151)	(2,756,139)	(1,497,890)	(1,586,777)
—	7,315	—	—	46,851	6,525
1,900,000	—	—	1,440,000	5,555,000	129,616
2,990,000	1,543,142	—	—	—	—
110,336	—	—	148,503	485,059	—
123,402	1,487,409	936,984	—	—	—
—	—	—	500	500	29,938
(2,950,000)	(1,526,218)	—	—	—	—
2,173,738	1,511,648	936,984	1,589,003	6,087,410	166,079
\$ (12,886,426)	\$ (2,098,052)	\$ (1,623,167)	\$ (1,167,136)	\$ 4,589,520	\$ (1,420,698)
13.5%	13.4%	13.2%	12.8%	12.8%	12.6%

INDEPENDENT SCHOOL DISTRICT NO. 278

General Governmental Tax Revenues by Source and Levy Type
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Fiscal Year	Property Tax			
	General Fund	Community Service Fund	Debt Service Fund	Total
2015	\$ 8,264,484	\$ 266,720	\$ 4,463,538	\$ 12,994,742
2016	8,820,421	278,040	4,673,403	13,771,864
2017	9,735,050	270,784	4,856,660	14,862,494
2018	10,616,722	267,866	5,591,995	16,476,583
2019	11,035,340	278,578	6,056,872	17,370,790
2020	11,632,385	282,388	6,148,869	18,063,642
2021	12,172,044	301,998	6,362,524	18,836,566
2022	12,112,049	309,353	6,604,980	19,026,382
2023	13,017,100	319,395	6,586,657	19,923,152
2024	14,288,028	296,044	6,353,510	20,937,582

INDEPENDENT SCHOOL DISTRICT NO. 278

Assessed and Actual Value of Taxable Property
Last Ten Fiscal Years

Payable Year	(1) Real Estate Property	(2) Personal Property	Total Tax Capacity Value	Total Direct Tax Rate
2015	\$ 34,834,094	\$ 325,356	\$ 35,159,450	22.601 %
2016	36,175,699	334,353	36,510,052	23.166
2017	38,769,896	347,527	39,117,423	23.352
2018	40,886,558	379,128	41,265,686	24.024
2019	42,187,119	432,976	42,620,095	23.552
2020	44,353,478	418,896	44,772,374	23.109
2021	47,318,767	457,064	47,775,831	22.657
2022	49,801,785	284,778	50,086,563	23.903
2023	59,793,198	342,079	60,135,277	18.934
2024	67,899,469	293,273	68,192,742	18.811

- (1) Real estate property includes residential, agricultural, public utility, railroad operating property, all other commercial and industrial property, nonhomestead residential/multiple dwelling, and commercial and seasonal recreational property.
- (2) Personal property includes certain utility systems, railroad docks and wharves, certain manufactured homes, and flight property.

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 278

Property Tax Rates – Direct and Overlapping Governments
Last Ten Fiscal Years

Tax Collection Calendar Year	ISD No. 278 Certified Levies			Total Direct School Tax Rate (1)	Overlapping Rates (1)		
	General Fund	Community Service	General Obligation Debt Service		City of Independence	City of Long Lake	City of Maple Plain
2015	\$ 8,695,765	\$ 278,445	\$ 4,681,099	22.601	38.856	44.491	80.776
2016	9,575,016	270,461	4,851,771	23.166	39.788	43.796	76.817
2017	10,604,537	268,492	5,606,134	23.352	39.967	39.180	75.349
2018	11,032,761	280,275	6,096,166	24.024	40.448	37.157	66.514
2019	11,506,020	283,918	6,187,223	23.552	40.361	36.417	63.221
2020	11,949,765	302,453	6,372,351	23.109	39.944	36.576	58.571
2021	12,091,007	311,621	6,653,004	22.657	40.368	36.056	55.448
2022	13,008,380	320,328	6,614,329	23.903	39.162	35.957	54.716
2023	13,895,487	297,767	6,393,784	18.934	33.784	33.441	52.443
2024	13,904,524	330,749	8,042,785	18.811	32.356	33.668	45.322

- (1) Tax rates shown above are tax capacity rates only, and do not include tax rates for taxes that are spread on referendum market value.
- (2) Special districts include Metropolitan Mosquito Control District, Metropolitan Council, Metro Transit, Park Museum, Hennepin County Regional Railroad Authority, and Hennepin Housing and Redevelopment Authority.
- (3) The total rate shown above is for property in the City of Orono.

Source: Hennepin County

City of Medina	City of Minnetonka Beach	City of Orono	City of Wayzata	Hennepin County	Three Rivers Park District	Other (2)	Direct and Overlapping Tax Rate (3)
23.577	26.798	17.387	25.705	46.398	3.789	5.996	96.1710
23.301	27.030	17.325	24.673	45.356	3.601	3.929	93.3770
22.270	25.948	16.759	23.352	44.087	3.365	5.929	93.4920
21.521	24.613	16.555	21.749	42.808	3.161	5.812	92.3600
21.529	24.710	16.406	21.672	41.861	2.961	5.589	90.3690
22.493	24.179	16.512	21.055	41.084	2.859	5.360	88.9240
22.468	22.621	16.780	20.644	38.210	2.793	5.020	85.4600
22.598	22.808	16.820	21.381	38.535	2.787	5.062	87.1070
22.559	20.771	16.569	19.468	34.542	2.473	4.471	76.9890
20.357	20.823	16.349	19.224	34.681	2.399	4.324	76.5640

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 278

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2024			2015		
	Net Tax Capacity	Rank	Percentage of Tax Capacity Value	Net Tax Capacity	Rank	Percentage of Tax Capacity Value
Brackett Point Property LLC	\$ 325,711	1	0.48 %	\$ —	—	— %
Private residence	221,239	2	0.32	119,275	2	0.34
Private residence	203,075	3	0.30	—	—	—
WJM Properties	192,750	4	0.28	97,010	6	0.28
Private residence	180,720	5	0.27	—	—	—
1725 Bohns Point LLC	161,846	6	0.24	—	—	—
Private residence	154,544	7	0.23	95,550	7	0.27
Stonebay Senior Liv LLC	150,075	8	0.22	—	—	—
Metro Storage HHF Venture	149,050	9	0.22	—	—	—
Private residence	147,146	10	0.22	—	—	—
Private residence	—	—	—	204,863	1	0.58
Private residence	—	—	—	106,078	3	0.30
Private residence	—	—	—	104,413	4	0.30
Private residence	—	—	—	100,450	5	0.29
Lafayette Club	—	—	—	86,410	8	0.25
Private residence	—	—	—	83,013	9	0.24
Private residence	—	—	—	82,875	10	0.24
Total	<u>\$ 1,886,156</u>		<u>2.77 %</u>	<u>\$ 1,079,937</u>		<u>3.07 %</u>

Source: Data compiled by Ehlers from information provided by Hennepin County

INDEPENDENT SCHOOL DISTRICT NO. 278

Property Tax Levies, Collections, and Receivables
Last Ten Fiscal Years

For Taxes Collectible	Taxes Levied for the Fiscal Year					Collected Within the First Year of Levy	
	General Fund Basic Levy	Community Service Levy	Debt Service Levy	OPEB Debt Levy	Total Tax Levy	Current Tax Collection	Percentage of Levy
2015	\$ 8,695,765	\$ 278,445	\$ 4,230,677	\$ 450,422	\$ 13,655,309	\$ 13,577,519	99.4 %
2016	9,575,016	270,461	4,406,783	444,988	14,697,248	14,702,430	100.0
2017	10,604,537	268,492	5,178,495	427,639	16,479,163	16,560,894	100.5
2018	11,032,761	280,275	5,671,071	425,095	17,409,202	17,188,659	98.7
2019	11,506,020	283,918	5,825,430	361,793	17,977,161	17,850,079	99.3
2020	11,949,765	302,453	6,005,459	366,892	18,624,569	18,391,678	98.7
2021	12,091,007	311,621	6,289,884	363,120	19,055,632	18,957,108	99.5
2022	13,008,380	320,328	6,250,549	363,780	19,943,037	19,791,606	99.2
2023	13,895,487	297,767	6,024,823	368,961	20,587,038	20,491,638	99.5
2024	13,904,524	330,749	7,677,741	365,044	22,278,058	11,211,166	50.3

Note 1: Collections include amounts collected through state paid tax credits, along with any net levy adjustments.

Note 2: Collections for the most recent year are first-half collections (through June 30) only.

Source: State of Minnesota School Tax Report

Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes	Percent
	Total Tax Collection	Percentage of Levy		
\$ 77,790	\$ 13,655,309	100.0 %	\$ —	— %
(5,182)	14,697,248	100.0	—	—
(81,731)	16,479,163	100.0	—	—
183,468	17,372,127	99.8	37,075	0.2
95,279	17,945,358	99.8	31,803	0.2
208,098	18,599,776	99.9	24,793	0.1
72,758	19,029,866	99.9	25,766	0.1
120,684	19,912,290	99.8	30,747	0.2
—	20,491,638	99.5	95,400	0.5
—	11,211,166	50.3	—	—
			<u>\$ 245,584</u>	

INDEPENDENT SCHOOL DISTRICT NO. 278

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Percentage of Personal Income (2)	Per Capita (3)
	General Obligation Bonds (1)	Financed Purchases	Lease Liabilities	Total Primary Government		
2015	\$ 49,274,034	\$ 990,547	\$ —	\$ 50,264,581	— %	\$ 4,053
2016	46,805,663	886,133	—	47,691,796	—	3,845
2017	110,611,483	776,690	—	111,388,173	—	8,902
2018	73,420,755	2,377,347	—	75,798,102	—	6,086
2019	71,225,159	2,278,705	—	73,503,864	—	5,687
2020	66,879,555	3,394,242	—	70,273,797	—	5,521
2021	62,258,951	3,798,736	—	66,057,687	—	5,058
2022	59,056,243	3,291,724	—	62,347,967	—	5,022
2023	60,117,804	2,807,004	—	62,924,808	—	4,764
2024	54,572,505	2,470,703	111,297	57,154,505	—	4,327

(1) Presented net of issuance premiums and discounts.

(2) Personal income information for residents living within the District is not available.

(3) See Demographic and Economic Statistics table for source of estimated population.

Note: Details regarding the District's outstanding debt can be found in the notes to basic financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 278

Ratio of Net General Obligation Bonded Debt
to Market Value and Net General Obligation Bonded Debt
per Capita
Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt (1)	Less Debt Service Funds on Hand (2)	Net Bonded Debt	Market Value	Percent of Net Debt to Market Value	Estimated Population (3)	Net Bonded Debt per Capita
2015	\$ 49,274,034	\$ 554,213	\$ 48,719,821	\$3,100,033,300	1.57 %	12,403	\$ 3,928
2016	46,805,663	570,580	46,235,083	3,213,352,100	1.44	12,403	3,728
2017	110,611,483	35,966,895	74,644,588	3,422,899,200	2.18	12,513	5,965
2018	73,420,755	1,062,337	72,358,418	3,594,504,400	2.01	12,454	5,810
2019	71,225,159	867,576	70,357,583	3,684,163,400	1.91	12,926	5,443
2020	66,879,555	808,454	66,071,101	3,872,495,300	1.71	12,729	5,191
2021	62,258,951	852,313	61,406,638	4,111,074,400	1.49	13,059	4,702
2022	59,056,243	1,131,221	57,925,022	4,308,333,100	1.34	12,415	4,666
2023	60,117,804	1,449,378	58,668,426	5,105,157,199	1.15	13,209	4,442
2024	54,572,505	1,114,349	53,458,156	5,735,636,149	0.93	13,209	4,047

(1) Presented net of issuance premiums and discounts.

(2) Includes all restricted fund balances in the Debt Service Fund. We believe this is the most accurate and consistent representation of the resources restricted for debt service as it includes crossover refunding bond proceeds held in escrow when applicable, which are not included in the governmental activities net position restricted for debt service, due to the conversion for full accrual accounting.

(3) See Demographic and Economic Statistics table for source of estimated population.

Source: Annual school district census and U.S. Census

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 278

Direct and Overlapping Debt
as of June 30, 2024

Governmental Unit	Debt Outstanding (1)	Percent Allocable to ISD No. 278	Portion Allocable to ISD No. 278
Independent School District No. 278	\$ 51,675,000	100.00 %	\$ 51,675,000
Overlapping debt (2)			
Hennepin County	1,211,355,000	1.30	15,706,024
City of Independence	4,120,000	49.09	2,022,480
City of Long Lake	1,470,000	100.00	1,470,000
City of Maple Plain	11,255,000	100.00	11,255,000
City of Medina	7,680,000	35.13	2,697,958
City of the Village of Minnetonka Beach	2,800,000	100.00	2,800,000
City of Orono	16,315,000	61.20	9,984,464
City of Wayzata	19,060,000	0.47	88,910
Metropolitan Council	191,435,000	1.06	2,033,676
Three Rivers Park District	54,980,000	3.27	1,796,480
Total overlapping debt			<u>49,854,992</u>
Total direct and overlapping debt			<u>\$ 101,529,992</u>

- (1) Does not include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates.
- (2) The percentage of overlapping debt applicable is estimated using taxable net tax capacity values. Applicable percentages were estimated by determining the portion of the overlapping entity's taxable net tax capacity value that is within the District's boundaries and dividing it by the overlapping government's total taxable net tax capacity value.

Source: Taxable value data used to estimate applicable percentages and debt outstanding data provided by the District's financial advisor, Ehlers & Associates.

INDEPENDENT SCHOOL DISTRICT NO. 278

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2015	2016	2017	2018
Debt limit	\$ 465,004,995	\$ 482,002,815	\$ 513,434,880	\$ 539,175,660
Total debt applicable to the limit	48,719,821	46,235,083	68,968,105	67,172,663
Legal debt margin	<u>\$ 416,285,174</u>	<u>\$ 435,767,732</u>	<u>\$ 444,466,775</u>	<u>\$ 472,002,997</u>
Total debt applicable to the limit as a percentage of debt limit	10.48%	9.59%	13.43%	12.46%

Note: Under state finance law, the District's outstanding general obligation debt should not exceed 15 percent of total market property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Source: Hennepin County

2019	2020	2021	2022	2023	2024
\$ 552,624,510	\$ 580,874,295	\$ 616,661,160	\$ 591,816,186	\$ 765,773,580	\$ 860,345,422
65,532,424	61,736,546	57,562,687	54,433,779	55,205,622	50,560,651
<u>\$ 487,092,086</u>	<u>\$ 519,137,749</u>	<u>\$ 559,098,473</u>	<u>\$ 537,382,407</u>	<u>\$ 710,567,958</u>	<u>\$ 809,784,771</u>
11.86%	10.63%	9.33%	9.20%	7.21%	5.88%

Legal Debt Margin Calculation for Fiscal Year 2024

Market value	\$5,735,636,149
Debt limit (15% of market value)	860,345,422
Debt applicable to the limit	
General obligation bonds,	
less debt service funds on hand	<u>50,560,651</u>
Legal debt margin	<u>\$ 809,784,771</u>

INDEPENDENT SCHOOL DISTRICT NO. 278

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Orono School District		Per Capita Personal Income (2)	School Enrollment	Unemployment Rate (3)
	Population (1)	Personal Income (2)			
2015	12,403	\$ —	\$ —	2,779	3.3 %
2016	12,403	—	—	2,815	2.9
2017	12,513	—	—	2,811	3.7
2018	12,454	—	—	2,841	3.6
2019	12,926	—	—	2,877	3.3
2020	12,729	—	—	2,859	3.2
2021	13,059	—	—	2,844	4.2
2022	12,415	—	—	2,839	2.5
2023	13,209	—	—	2,874	2.8
2024	13,209	—	—	2,922	3.8

(1) Minnesota State Demographic Center estimate.

(2) Personal income information for residents living within the District is not available.

(3) Minnesota Department of Employment and Economic Development estimate. 2024 estimate as of August 2024.

INDEPENDENT SCHOOL DISTRICT NO. 278

Principal Employers
Current Year and Seven Years Ago (1)

Employer	Fiscal Year					
	2024			2017		
	Employees	Rank	Percentage of Total (2) Employment	Employees	Rank	Percentage of Total (2) Employment
Proto Labs, Inc.	500	1	28.06 %	500	1	29.82 %
ISD No. 278	382	2	21.44	352	2	20.99
ServiceMaster Co.	200	3	11.22	200	3	11.93
Woodhill Country Club	150	4	8.42	50	9	2.98
Herc-U-Lift, Inc.	120	5	6.73	120	4	7.16
Jem Technical Marketing Co. Inc.	100	6	5.61	—	—	—
Lafayette Club	100	6	5.61	100	6	5.96
Birch's On the Lake	100	6	5.61	—	—	—
Wenck Associates Inc.	70	9	3.93	—	—	—
Haven Homes of Maple Plain	60	10	3.37	95	8	5.66
American Custom Rotomolding	—	—	—	110	5	6.56
Otten Brothers Nursery	—	—	—	100	6	5.96
Maple Plain Food Center	—	—	—	50	9	2.98
Total	<u>1,782</u>		<u>100.00 %</u>	<u>1,677</u>		<u>100.00 %</u>
Total ISD No. 278 population (see the Schedule of Demographic and Economic Statistics)	<u>13,209</u>			<u>12,513</u>		
Percent of principal employers to total ISD No. 278 population	<u>13.5%</u>			<u>13.4%</u>		

(1) Information on principal employers is not available prior to 2017.

(2) Total employment within district boundary is not available. Percentage is of total employment for employers shown in table.

Source: City of Orono

INDEPENDENT SCHOOL DISTRICT NO. 278

Employees by Classification
Last Ten Fiscal Years

Employees	Fiscal Year			
	2015	2016	2017	2018
Administrative staff	23.0	23.0	23.5	23.0
Support service staff	126.0	129.0	130.0	130.0
Classroom teachers	160.3	160.0	165.0	175.0
Special education teachers	35.5	35.1	35.3	35.0
Total	344.8	347.1	353.8	363.0

Source: This information is derived from the Minnesota Department of Education STARS report (October 1)

2019	2020	2021	2022	2023	2024
24.0	23.0	24.0	24.0	24.0	20.0
136.0	140.0	126.0	142.0	140.0	132.0
178.0	180.0	178.0	180.0	179.0	171.0
35.0	35.0	36.0	36.0	36.0	35.0
373.0	378.0	364.0	382.0	379.0	358.0

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 278

Operating Statistics
Last Ten Fiscal Years

Fiscal Year	Enrollment	Total Governmental Activities Expenses	Cost per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio
2015	2,780	\$ 40,148,416	\$ 14,442	2.8 %	195.8	14.2
2016	2,815	42,750,911	15,188	5.2	195.1	14.4
2017	2,811	55,851,313	19,869	30.8	200.3	14.0
2018	2,841	55,369,382	19,489	(1.9)	210.0	13.5
2019	2,877	39,189,066	13,622	(30.1)	213.0	13.5
2020	2,859	50,620,428	17,706	30.0	215.0	13.3
2021	2,844	53,118,942	18,678	5.5	214.0	13.3
2022	2,839	51,333,925	18,082	(3.2)	216.0	13.1
2023	2,874	47,596,020	16,561	(8.4)	215.0	13.4
2024	2,922	54,263,944	18,571	12.1	206.0	14.2

Source: District records

INDEPENDENT SCHOOL DISTRICT NO. 278

School Building Information
Last Ten Fiscal Years

	Fiscal Year			
	2015	2016	2017	2018
Elementary Schools				
Orono Schuman Elementary (1956)				
Enrollment (1)	541	570	573	573
Square feet	89,764	89,764	89,764	89,764
Orono Intermediate (1950)				
Enrollment (1)	635	632	608	630
Square feet	127,324	127,324	127,324	127,324
Middle School				
Orono Middle School (2000)				
Enrollment (1)	684	686	698	697
Square feet	122,000	122,000	122,000	122,000
High School				
Orono High School (1967)				
Enrollment (1)	920	927	932	941
Square feet	186,444	186,444	186,444	186,444
Total enrollment	2,780	2,815	2,811	2,841
Total square feet	525,532	525,532	525,532	525,532
Athletics				
Multipurpose fields (football, soccer, lacrosse)	13	13	13	13
Running tracks	1	1	1	1
Baseball/softball	6	6	6	6
Swimming pools	1	1	1	1
Playgrounds	3	3	3	3

(1) Enrollment reflects average daily membership (ADM) served by site.

Source: Square footage, capacity, and athletic statistics are derived from district records. Enrollment was obtained from a combination of district records and school ADM reports available on the Minnesota Department of Education website.

2019	2020	2021	2022	2023	2024
585	581	596	613	623	651
89,764	89,764	89,764	89,764	89,764	89,764
658	629	611	609	638	655
127,324	127,324	127,324	127,324	127,324	127,324
698	701	699	697	699	700
122,000	122,000	122,000	122,000	122,000	122,000
936	948	938	920	914	916
281,145	281,145	281,145	281,145	281,145	281,145
2,877	2,859	2,844	2,839	2,874	2,922
620,233	620,233	620,233	620,233	620,233	620,233
13	13	13	13	13	13
2	2	2	2	2	2
4	4	4	4	4	4
1	1	1	1	1	1
3	3	3	3	3	3

INDEPENDENT SCHOOL DISTRICT NO. 278

Food Service
School Lunch Program Data
Last Ten Fiscal Years

<u>Year Ended June 30,</u>	<u>Program Adult Meals</u>	<u>Meals Served Students</u>	<u>Full Price Meals Served</u>	<u>Free Meals Served</u>	<u>Reduced-Price Meals Served</u>
2015	9,920	276,849	249,649	20,087	7,113
2016	10,226	274,214	178,992	21,229	5,839
2017	11,363	272,340	245,425	18,396	8,519
2018	6,581	253,279	226,757	18,641	7,881
2019	6,897	251,511	226,793	16,451	8,267
2020	4,730	183,114	165,795	10,445	6,874
2021	1,073	254,668	—	254,668	—
2022	5,010	294,710	—	294,710	—
2023	5,247	268,758	237,586	24,544	6,628
2024	4,931	304,407	269,665	28,987	5,755

<u>Year Ended June 30,</u>	<u>Student Regular Lunch Prices</u>		
	<u>Elementary</u>	<u>Middle</u>	<u>High School</u>
2015	\$ 2.45	\$ 2.60	\$ 2.75
2016	2.50	2.65	2.80
2017	2.55	2.70	2.85
2018	2.65	2.80	2.95
2019	2.70	2.85	3.00
2020	2.80	2.95	3.10
2021	2.80	2.95	3.10
2022	2.85	3.00	3.15
2023	3.00	3.15	3.30
2024	0.00	0.00	0.00

Note: In fiscal 2021 and 2022, all student meals served through the District's child nutrition program were reimbursed through pandemic-related federal awards. The state-wide Free School Meals for Kids Program began July 1, 2023.

INDEPENDENT SCHOOL DISTRICT NO. 278

Student Enrollment
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM)					Total Pupil Units
	Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	
2015	9	160	1,224	1,387	2,780	3,057
2016	11	183	1,219	1,402	2,815	3,095
2017	9	167	1,235	1,400	2,811	3,091
2018	11	182	1,233	1,415	2,841	3,124
2019	10	191	1,263	1,413	2,877	3,160
2020	10	185	1,251	1,413	2,859	3,141
2021	30	184	1,216	1,414	2,844	3,127
2022	34	184	1,219	1,402	2,839	3,119
2023	35	182	1,270	1,387	2,874	3,151
2024	33	215	1,288	1,386	2,922	3,200

Note 1: Student enrollment for the latest fiscal year is estimated.

Note 2: ADM is weighted as follows in computing pupil units:

	Pre-Kindergarten	Half-Day Kindergarten	Full-Day Kindergarten	Elementary 1–6	Secondary 7–12+
All years presented	1.000	0.550	1.000	1.000	1.200

Source: Minnesota Department of Education student reporting system

THIS PAGE INTENTIONALLY LEFT BLANK