

**Independent School District No. 879
Delano, Minnesota**

Basic Financial Statements

June 30, 2024

**Independent School District No. 879
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Independent School District No. 879
Board of Education and Administration
June 30, 2024

<u>Board of Education</u>	<u>Position</u>	<u>Term Expires</u>
Rachel Depa	Chair	December 31, 2026
Susan Roeser	Vice Chairperson	December 31, 2024
Amy Johnson	Clerk	December 31, 2024
James Gierke	Treasurer	December 31, 2024
Ryan Schaust	Director	December 31, 2026
Sarah Baker	Director	December 31, 2026
Corey Black	Director	December 31, 2026
 <u>Administration</u>		
Matthew Schoen	Superintendent	
Mary Reeder	Business Manager	

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Independent Auditor's Report

To the School Board
Independent School District No. 879
Delano, Minnesota

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 879, Delano, Minnesota, as of and for the year ended June 30, 2024, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 879, Delano, Minnesota, as of June 30, 2024, and the respective changes in financial position 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 879 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The management of Independent School District No. 879 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bergan KDV Ltd.

St. Cloud, Minnesota
November 7, 2024

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Independent School District No. 879 Management's Discussion and Analysis

This section of Independent School District No. 879, Delano Public Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2024. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued in June 1999. Certain comparative information between the current year (2023-2024) and the prior year (2022-2023) is required to be presented in the MD&A.

Financial Highlights

- ◆ *General Fund 01:* The overall fund balance increased by \$1,679,690.
- ◆ *Food Service Fund 02:* The overall fund balance increased by \$221,229.
- ◆ *Community Service Fund 04:* The overall fund balance increased by \$128,561.
- ◆ *Debt Service Fund 07:* The overall fund balance increased by \$119,810.

Overview of the Financial Statements

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

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

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

- A. Management's Discussion and Analysis
- B. Basic Financial Statements
 - 1. Government-Wide Financial Statements
 - 2. Fund Financial Statements

Government-Wide Financial Statements

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

Independent School District No. 879 Management's Discussion and Analysis

Overview of the Financial Statements (Continued)

Government-Wide Financial Statements (Continued)

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

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

- ◆ **Governmental Funds** - Most of the District's basic services are included in governmental funds, which generally focus on:
 - (1) How cash and other financial assets that can readily be converted to cash flow in and out, and
 - (2) The balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- ◆ **Fiduciary Funds** - The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

**Independent School District No. 879
Management's Discussion and Analysis**

Financial Analysis of the District as a Whole

	Net Position		Percentage Change
	Table A-1		
	Governmental Activities		
	<u>2024</u>	<u>2023</u>	
Current and other assets	\$ 27,561,863	\$ 25,197,454	9.38%
Capital assets	74,856,418	76,037,156	-1.55%
Total assets	<u>102,418,281</u>	<u>101,234,610</u>	1.17%
Deferred outflows of resources	4,756,402	6,445,495	-26.21%
Current liabilities	7,503,702	7,407,035	1.31%
Long-term liabilities	52,941,214	56,960,171	-7.06%
Net pension and OPEB liability	23,469,139	24,430,956	-3.94%
Total liabilities	<u>83,914,055</u>	<u>88,798,162</u>	-9.69%
Deferred inflows of resources	13,485,505	15,757,558	-14.42%
Net Position			
Invested in capital assets, net of related debt	18,196,361	15,493,965	17.44%
Restricted	5,974,170	5,029,013	18.74%
Unrestricted	<u>(14,395,408)</u>	<u>(17,398,593)</u>	-17.28%
Net position	<u>\$ 9,775,123</u>	<u>\$ 3,124,385</u>	<u>212.87%</u>

The District's combined net position was \$9,775,123 on June 30, 2024, an increase of \$6,650,738, which was due to positive fund operations, paying debt faster than assets are depreciating and decreases in the pension expense related to the state-wide plans and long-term liabilities.

**Independent School District No. 879
Management's Discussion and Analysis**

Financial Analysis of the District as a Whole (Continued)

Changes in Net Position

The following Table A-2 presents the Change in Net Position of the District:

	Change in Net Position		Total Percentage Change
	Table A-2		
	Governmental Activities for the Fiscal Year Ended June, 30		
	2024	2023	
Revenues			
Program revenues			
Charges for services	\$ 2,990,495	\$ 3,840,973	-22.14%
Operating grants and contributions	10,740,661	8,373,900	28.26%
Capital grants and contributions	389,211	394,424	-1.32%
General Revenues			
Property taxes	10,574,637	9,839,642	7.47%
State aid-formula grants	18,118,079	17,518,864	3.42%
Investment earnings	758,886	476,194	59.36%
Other	52,458	48,291	8.63%
Total revenues	43,624,427	40,492,288	7.74%
Expenditures			
Administration	1,314,342	1,139,291	15.36%
District support services	939,959	933,400	0.70%
Elementary and secondary regular instruction	14,362,001	11,664,401	23.13%
Vocational education instruction	385,819	320,374	20.43%
Special education instruction	4,721,173	4,016,144	17.55%
Instructional support services	1,422,294	1,142,935	24.44%
Pupil support services	2,830,029	2,519,820	12.31%
Sites and buildings	4,245,630	4,025,107	5.48%
Fiscal and other fixed cost programs	250,507	212,398	17.94%
Food service	1,587,535	1,392,971	13.97%
Community education and services	2,590,140	2,527,690	2.47%
Unallocated depreciation	1,696,452	1,690,352	0.36%
Interest and fiscal charges on long-term debt	1,481,395	1,617,220	-8.40%
Total expenditures	37,827,276	33,202,103	13.93%
Increase/(decrease) in net position	5,797,151	7,290,185	-20.48%
Beginning of year net position	3,124,385	(4,165,800)	175.00%
Change in Accounting Principle (Note 9)	853,587	-	100.00%
Beginning of year net position - Restated	3,977,972	(4,165,800)	275.00%
End of year net position	\$ 9,775,123	\$ 3,124,385	212.87%

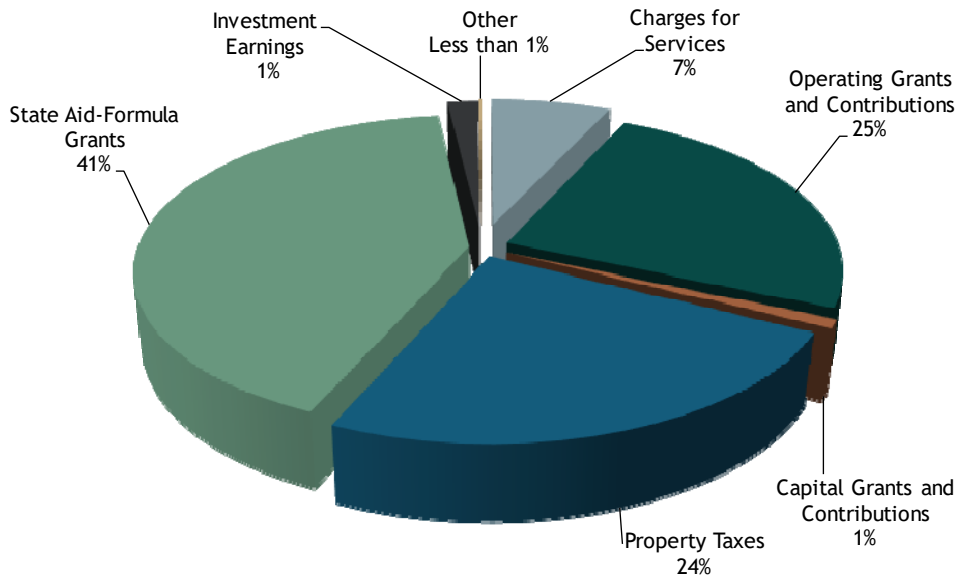
**Independent School District No. 879
Management's Discussion and Analysis**

Financial Analysis of the District as a Whole (Continued)

District's Revenues

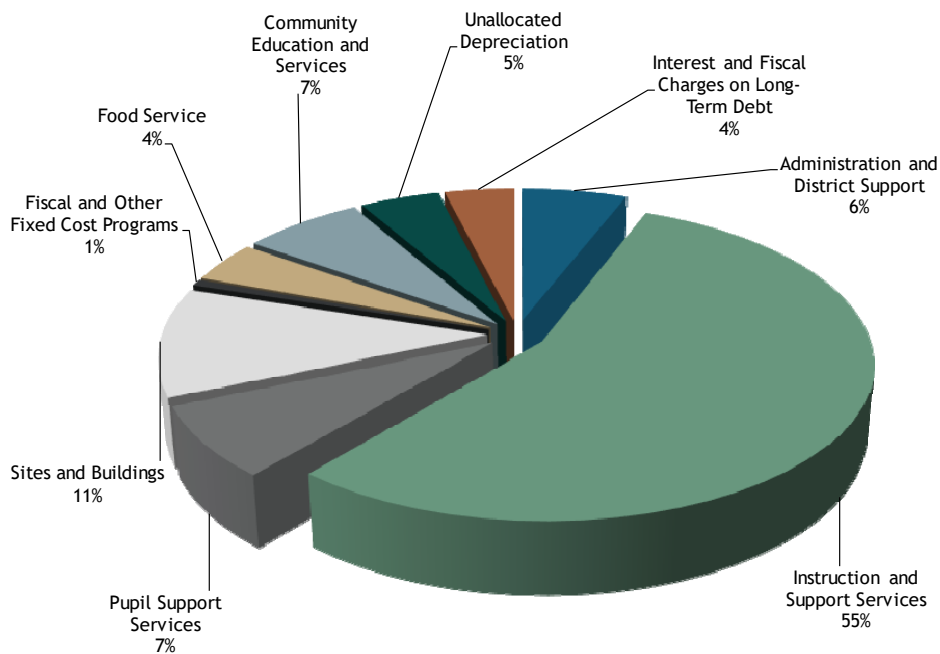
The District's total revenues were \$43,624,427 for the year ended June 30, 2024. Property taxes and state aid-formula grants accounted for 65% of total revenue for the year. (See Figure A-1). The remaining 35% came from other program revenues (charges for services and operating and capital grants and contributions), investment earnings and other.

Figure A-1 Sources of District's Revenues for Fiscal 2024



District's Expenses

Figure A-2 District Expenses for Fiscal 2024



**Independent School District No. 879
Management's Discussion and Analysis**

Financial Analysis of the District as a Whole (Continued)

District's Expenses (Continued)

The total costs of all programs and services were \$37,827,276 for fiscal year 2024. The District's expenses are predominately related to instruction and pupil support services (62%). (See Figure A-2.) Interest and fiscal charges for the District's bonds account for another 4%, and 11% accounts for the facilities maintenance needs of the entire district.

The cost of all governmental activities this year was \$37,827,276.

- ◆ Some of the cost was paid by the users of the District's programs - \$2,990,495.
- ◆ The federal and state governments subsidized certain programs with grants and contributions - \$11,129,872.
- ◆ Most of the District's costs - \$28,692,716, however, were paid for by District taxpayers and the taxpayers of the State of Minnesota.

Typically the District does not incorporate funds allocated to direct instruction as part of an analysis of expenditures in all governmental funds. Funding for general operation of the District is controlled by the state and the District does not have latitude to allocate money received from entrepreneurial-type funds like Food Service and Community Education. Therefore, a more accurate analysis would be limited to the allocation of resources received for the general operation of the District and would show that 62% of those resources are spent on instruction and support services associated with education.

**Independent School District No. 879
Management's Discussion and Analysis**

Financial Analysis of the District as a Whole (Continued)

District's Expenses (Continued)

Table A-3 presents the total cost of governmental activities, as well as the cost of those activities. The net cost represents total cost less program revenues applicable in each category.

**Net Cost of Governmental Activities
Table A-3**

	Total Cost of Services		Total Percent age Change 2023- 2024	Net Cost of Services		Total Percent age Change 2023- 2024
	2024	2023		2024	2023	
Administration	\$ 1,314,342	\$1,139,291	15.36%	\$1,299,539	\$1,110,160	17.06%
District support services	939,959	933,400	0.70%	894,199	869,274	2.87%
Elementary and secondary regular education	14,362,001	11,664,401	23.13%	11,543,638	9,171,426	25.87%
Vocational education instruction	385,819	320,374	20.43%	382,405	313,072	22.15%
Special education instruction	4,721,173	4,016,144	17.55%	590,336	456,878	29.21%
Instructional support services	1,422,294	1,142,935	24.44%	939,954	69,339	8.12%
Pupil support services	2,830,029	2,519,820	12.31%	1,518,788	1,304,938	16.39%
Sites and buildings	4,245,630	4,025,107	5.48%	3,246,175	3,226,927	0.60%
Fiscal and other fixed cost programs	250,507	212,398	17.94%	250,507	212,398	17.94%
Food service	1,587,535	1,392,971	13.97%	(230,101)	(179,695)	28.05%
Community education and services	2,590,140	2,527,690	2.47%	93,622	(69,483)	234.74%
Unallocated depreciation	1,696,452	1,690,352	0.36%	1,696,452	1,690,352	0.36%
Interest and fiscal charges on long-term debt	1,481,395	1,617,220	-8.40%	1,481,395	1,617,220	-8.40%
Total	<u>\$37,827,276</u>	<u>\$33,202,103</u>	<u>13.93%</u>	<u>\$23,706,909</u>	<u>\$20,592,806</u>	<u>15.12%</u>

Financial Analysis of the District's Funds

Governmental Funds

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$13,167,539, for an increase of \$2,149,290 over last year's ending fund balance of \$11,018,249.

**Independent School District No. 879
Management's Discussion and Analysis**

Financial Analysis of the District's Funds (Continued)

Revenues and other financing sources for the District's governmental funds were \$43,416,648, while total expenditures and other financing uses were \$41,267,358, for a positive net change of \$2,149,290.

Governmental Funds

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$13,167,539, for an increase of \$2,149,290 over last year's ending fund balance of \$11,018,249.

Revenues and other financing sources for the District's governmental funds were \$43,416,648, while total expenditures and other financing uses were \$41,267,358, for a positive net change of \$2,149,290.

General Fund

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

General Fund revenues are outlined in Table A-4 below:

**Summary of General Fund Revenues
Table A-4**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30,			
	2024	2023		
Local Sources				
Property taxes	\$5,302,427	\$4,611,863	\$ 690,564	14.97%
Other local and county sources	2,160,142	1,544,632	615,510	39.85%
State sources	25,323,505	23,576,005	1,747,500	7.41%
Federal sources	537,641	674,649	(137,008)	-20.31%
Sales and other conversion of assets	3,441	3,298	143	4.34%
Total General Fund revenue	\$33,327,156	\$30,410,447	\$ 2,916,709	9.59%

Revenues from the General Fund totaled \$33,327,156, an increase of 9.59% over the preceding year. Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of an equalized mix of property tax and state aid revenue. Other state-authorized revenue, including excess levy referendum, involves an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on revenue.

State sources of revenue increased due to an increase of 4% to the general education aid formula allowance, the special education cross subsidy increased, plus there were new categorical aids added in the 2023-2024 school year. Other local and county sources increased due to higher interest rates for interest revenue. Federal sources decreased due to ESSER III grants and ARP funds that were fully spent in the prior year.

**Independent School District No. 879
Management's Discussion and Analysis**

Financial Analysis of the District's Funds (Continued)

General Fund (Continued)

State sources of revenue increased due to an increase of 4% to the general education aid formula allowance, the special education cross subsidy increased, plus there were new categorical aids added in the 2023-2024 school year. Other local and county sources increased due to higher interest rates for interest revenue. Federal sources decreased due to ESSER III grants and ARP funds that were fully spent in the prior year.

General Fund expenditures are itemized in Table A-5:

**Summary of General Fund Expenditures
Table A-5**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30,			
	2024	2023		
Salaries	\$16,671,733	\$15,843,453	\$ 828,280	5.23%
Employee benefits	6,648,784	6,345,863	302,921	4.77%
Purchased services	5,856,962	5,109,395	747,567	14.63%
Supplies and materials	1,587,701	1,708,197	(120,496)	-7.05%
Capital expenditures	712,300	626,064	86,236	13.77%
Other expenditures	169,996	475,102	(305,106)	-64.22%
Total General Fund expenditures	\$31,647,476	\$30,108,074	\$ 1,539,402	5.11%

Total General Fund expenditures increased by \$1,539,402 or 5.11% over the previous year.

Salaries increased due to budgeted contract salary increases, added grant positions and long-term substitute teachers for staff on leaves of absences. Benefits increased due to employer-paid benefits tied to increased salary costs and summer hourly personnel unemployment costs. Purchased services increased due to increased usage of contracted special education services, payments to other districts for care and treatment places, increased transportation costs due to budgeted contract increases, increased property and liability insurance premiums, and one-time expenditures for a new district website and strategic planning process. Supplies and materials decreased due to lower natural gas costs due to the mild winter. Capital expenditures increased due to the purchase of two solar arrays - one located on the Intermediate School building and one on the High School building.

In 2023-2024, the General Fund recorded an increase of \$1,679,690. The unassigned fund balance closed at \$5,681,239, which is 18% of the total General Fund expenditures.

It is the goal of the School Board of Education to maintain an unassigned fund balance of 12% of operating expenditures. For the fiscal year ended June 30, 2024, the District is in compliance with the fund balance goal.

General Fund Budgetary Highlights

Actual revenues were \$187,003 over the final budget, a 0.6% variance. Actual expenditures were \$1,416,917 under budget, which is a variance of 4.5%. The variance between actual and final budgeted revenue amounts was due to increased interest revenue and unbudgeted donations that came in at year end. The expenditure budget variance is due to unspent budgeted professional services, unspent building and department budgeted expenses, capital and LTFM budgeted projects that were carried forward to the next school year.

**Independent School District No. 879
Management's Discussion and Analysis**

Financial Analysis of the District's Funds (Continued)

Debt Service Fund

The Debt Service Fund revenues exceeded expenditures by \$119,810 in 2023-2024.

Capital Assets and Debt Administration

Capital Assets

The District investment in capital assets for its governmental activities amounts to \$74,856,418 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment (see Table A-6). Additional information on capital assets can be found in Note 3 of this report.

**Capital Assets - Governmental Activities
Table A-6**

	2024	2023	Percentage Change
Land	\$ 1,022,151	\$ 1,022,151	0.00%
Land improvements	6,027,587	6,027,587	0.00%
Buildings	96,268,497	96,167,795	0.10%
Equipment	5,403,160	4,019,449	34.43%
Leased assets	107,069	111,191	-3.71%
Construction in progress	21,036	-	100.00%
Less accumulated depreciation	(33,993,082)	(31,311,017)	8.57%
Total	\$ 74,856,418	\$ 76,037,156	-1.55%

Long-Term Liabilities

At year-end, the District had \$56,720,748 in total long-term debt, a decrease of 6.38% from the previous year, as shown in Table A-7. (More detailed information about long-term liabilities can be found in Note 4 of the financial statements.)

**Long-Term Liabilities
Table A-7**

	2024	2023	Percentage Change
General obligation bonds payable	\$ 54,625,000	\$ 58,170,000	-6.09%
Bond premium payable	1,621,392	1,921,506	-15.62%
Lease payable	82,465	102,085	-19.22%
Special assessments payable	331,200	349,600	-5.26%
Vacation payable	60,691	44,430	36.60%
Total	\$ 56,720,748	\$ 60,587,621	-6.38%

Independent School District No. 879 Management's Discussion and Analysis

Factors Bearing on the District's Future

The District will continue to monitor enrollment as this is the largest factor in determining revenue funding. The enrollment in 2023-2024 increased by 3 students from 2022-2023. As of this date, enrollment in the 2024-2025 school year has increased by 14 students from the prior school year.

Another factor bearing on the District's future continues to be the tight labor market. The district continues to see staffing shortages in the Food Service, Custodial/Maintenance, Paraprofessional and Community Education areas. The District will continue to be creative and find ways to fill open positions while maintaining compliance with state statues.

Finally, the District will continue to strive to achieve its mission statement of "Systemic growth toward educational excellence for every learner".

Contacting the District's Financial Management

This financial report 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. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Delano Public Schools ISD #879, Attention: Business Manager, 700 Elm Avenue East, Delano, MN 55328.

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BASIC FINANCIAL STATEMENTS

Independent School District No. 879
Statement of Net Position
June 30, 2024

	Governmental Activities
Assets	
Cash and investments	\$ 18,686,474
Current property taxes receivable	5,273,012
Delinquent property taxes receivable	479,100
Accounts receivable	48,594
Interest receivable	24,405
Due from Department of Education	2,405,146
Due from Federal Government through Department of Education	30,744
Due from other Minnesota school districts	162,651
Due from other governmental units	37,827
Inventory	64,191
Prepaid items	100,311
Equity interest in joint venture	249,408
Capital assets, not being depreciated	
Land	1,022,151
Construction in progress	21,036
Capital assets, net of accumulated depreciation/amortization	
Land improvements	3,018,932
Buildings	68,217,113
Machinery and equipment	2,496,753
Leased equipment	80,433
Total assets	<u>102,418,281</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	4,407,024
Deferred outflows of resources related to other post employment benefits (OPEB)	349,378
Total deferred outflows of resources	<u>4,756,402</u>
Total assets and deferred outflows of resources	<u>\$ 107,174,683</u>
Liabilities	
Accounts payable	\$ 232,500
Contracts payable	11,852
Salaries and benefits payable	2,482,232
Interest payable	696,141
Due to other Minnesota school districts	128,988
Due to other governmental units	136,438
Unearned revenue	36,017
Bonds payable	
Payable within one year	3,680,000
Payable after one year	52,566,392
Lease liability	
Payable within one year	20,443
Payable after one year	62,022
Special assessment payable	
Payable within one year	18,400
Payable after one year	312,800
Vacation payable	
Payable within one year	60,691
Total OPEB liability	
Payable within one year	162,834
Payable after one year	3,426,423
Net pension liability	19,879,882
Total liabilities	<u>83,914,055</u>
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	10,638,438
Deferred inflows of resources related to pensions	1,880,945
Deferred inflows of resources related to other post employment benefits (OPEB)	966,122
Total deferred inflows of resources	<u>13,485,505</u>
Net Position	
Net investment in capital assets	18,196,361
Restricted for	
Debt service	841,748
Other purposes	5,132,422
Unrestricted	(14,395,408)
Total net position	<u>9,775,123</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 107,174,683</u>

See notes to basic financial statements.

Independent School District No. 879
Statement of Activities
Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense)
		Charges for Services	Operating Grants and Contributions		Governmental Activities
Governmental activities					
Administration	\$ 1,314,342	\$ -	\$ 14,803	\$ -	\$ (1,299,539)
District support services	939,959	5,530	40,230	-	(894,199)
Elementary and secondary regular instruction	14,362,001	575,097	2,243,266	-	(11,543,638)
Vocational education instruction	385,819	-	3,414	-	(382,405)
Special education instruction	4,721,173	20,340	4,110,497	-	(590,336)
Instructional support services	1,422,294	-	482,340	-	(939,954)
Pupil support services	2,830,029	-	1,311,241	-	(1,518,788)
Sites and buildings	4,245,630	-	610,244	389,211	(3,246,175)
Fiscal and other fixed cost programs	250,507	-	-	-	(250,507)
Food service	1,587,535	147,508	1,670,128	-	230,101
Community education and services	2,590,140	2,242,020	254,498	-	(93,622)
Unallocated depreciation	1,696,452	-	-	-	(1,696,452)
Interest and fiscal charges on long-term debt	1,481,395	-	-	-	(1,481,395)
Total governmental activities	\$ 37,827,276	\$ 2,990,495	\$ 10,740,661	\$ 389,211	(23,706,909)
General revenues					
Taxes					
Property taxes, levied for general purposes					5,339,437
Property taxes, levied for community service					233,364
Property taxes, levied for debt service					5,001,836
State aid-formula grants					18,118,079
Investment income					758,886
Net income (loss) from joint venture					52,448
Gain of sale of assets					10
Total general revenues					<u>29,504,060</u>
Change in net position					5,797,151
Net position - beginning					3,124,385
Change in accounting principle (Note 9)					853,587
Net position - beginning, restated					<u>3,977,972</u>
Net position - ending					<u>\$ 9,775,123</u>

See notes to basic financial statements.

Independent School District No. 879
Balance Sheet - Governmental Funds
June 30, 2024

	General	Debt Service	Other Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 13,083,765	\$ 3,870,470	\$ 1,732,239	\$ 18,686,474
Current property taxes receivable	2,596,070	2,576,945	99,997	5,273,012
Delinquent property taxes receivable	223,021	243,095	12,984	479,100
Accounts receivable	32,603	-	15,991	48,594
Interest receivable	24,405	-	-	24,405
Due from Department of Education	2,346,354	38,511	20,281	2,405,146
Due from Federal Government through Department of Education	26,879	-	3,865	30,744
Due from other Minnesota school districts	153,680	-	8,971	162,651
Due from other governmental units	37,827	-	-	37,827
Inventory	8,630	-	55,561	64,191
Prepaid items	96,341	-	3,970	100,311
	<u>\$ 18,629,575</u>	<u>\$ 6,729,021</u>	<u>\$ 1,953,859</u>	<u>\$ 27,312,455</u>
Liabilities				
Accounts payable	\$ 197,079	\$ -	\$ 35,421	\$ 232,500
Contracts payable	11,852	-	-	11,852
Salaries and benefits payable	2,366,066	-	116,166	2,482,232
Due to other Minnesota school districts	128,988	-	-	128,988
Due to other governmental units	133,493	-	2,945	136,438
Unearned revenue	-	-	36,017	36,017
Total liabilities	<u>2,837,478</u>	<u>-</u>	<u>190,549</u>	<u>3,028,027</u>
Deferred Inflows of Resources				
Property taxes levied for subsequent year's expenditures	5,236,295	5,191,132	211,011	10,638,438
Unavailable revenue - delinquent property taxes	222,719	242,766	12,966	478,451
Total deferred inflows of resources	<u>5,459,014</u>	<u>5,433,898</u>	<u>223,977</u>	<u>11,116,889</u>
Fund Balances				
Nonspendable	104,971	-	59,531	164,502
Restricted	3,580,123	1,295,123	1,479,802	6,355,048
Committed	102,076	-	-	102,076
Assigned	864,674	-	-	864,674
Unassigned	5,681,239	-	-	5,681,239
Total fund balances	<u>10,333,083</u>	<u>1,295,123</u>	<u>1,539,333</u>	<u>13,167,539</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 18,629,575</u>	<u>\$ 6,729,021</u>	<u>\$ 1,953,859</u>	<u>\$ 27,312,455</u>

See notes to basic financial statements.

Independent School District No. 879
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2024

Total fund balance - governmental funds	\$ 13,167,539
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Equity interests in underlying capital assets of joint ventures are not reported in the funds because they do not represent current assets.	
Equity interest in joint venture - Wright Technical Center	249,408
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	108,849,500
Less accumulated depreciation/amortization	(33,993,082)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bond principal payable	(54,625,000)
Lease liability	(82,465)
Special assessment payable	(331,200)
Net premium on bonds payable	(1,621,392)
Vacation payable	(60,691)
Total OPEB liability	(3,589,257)
Net pension liability	(19,879,882)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and OPEB that are not recognized in the governmental funds.	
Deferred inflows of resources related to pensions	(1,880,945)
Deferred outflows of resources related to pensions	4,407,024
Deferred inflows of resources related to OPEB	(966,122)
Deferred outflows of resources related to OPEB	349,378
Delinquent property taxes receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	
	478,451
Governmental funds do not report a liability for accrued interest on bonds and capital loans until due and payable.	
	<u>(696,141)</u>
Total net position - governmental activities	<u>\$ 9,775,123</u>

Independent School District No. 879
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2024

	General	Debt Service	Other Nonmajor Funds	Total Governmental Funds
Revenues				
Local property taxes	\$ 5,302,427	\$ 4,968,330	\$ 228,007	\$ 10,498,764
Other local and county revenues	2,160,142	126,488	2,208,842	4,495,472
Revenue from state sources	25,323,505	385,115	1,303,306	27,011,926
Revenue from federal sources	537,641	-	583,194	1,120,835
Sales and other conversion of assets	3,441	-	286,200	289,641
Total revenues	<u>33,327,156</u>	<u>5,479,933</u>	<u>4,609,549</u>	<u>43,416,638</u>
Expenditures				
Current				
Administration	1,318,032	-	-	1,318,032
District support services	856,391	-	-	856,391
Elementary and secondary regular instruction	15,175,074	-	-	15,175,074
Vocational education instruction	398,179	-	-	398,179
Special education instruction	4,955,990	-	-	4,955,990
Instructional support services	1,492,332	-	-	1,492,332
Pupil support services	2,862,545	-	-	2,862,545
Sites and buildings	3,573,185	-	-	3,573,185
Fiscal and other fixed cost programs	250,507	-	-	250,507
Food service	-	-	1,576,680	1,576,680
Community education and services	-	-	2,614,720	2,614,720
Capital outlay				
Administration	5,263	-	-	5,263
District support services	291,114	-	-	291,114
Elementary and secondary regular instruction	40,193	-	-	40,193
Special education instruction	4,662	-	-	4,662
Instructional support services	8,014	-	-	8,014
Pupil support services	1,929	-	-	1,929
Sites and buildings	361,125	-	-	361,125
Food service	-	-	58,243	58,243
Community education and services	-	-	10,116	10,116
Debt service				
Principal	38,020	3,545,000	-	3,583,020
Interest and fiscal charges	14,921	1,815,123	-	1,830,044
Total expenditures	<u>31,647,476</u>	<u>5,360,123</u>	<u>4,259,759</u>	<u>41,267,358</u>
Excess of revenues over expenditures	1,679,680	119,810	349,790	2,149,280
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	10	-	-	10
Net change in fund balances	1,679,690	119,810	349,790	2,149,290
Fund Balances				
Beginning of year	8,653,393	1,175,313	1,189,543	11,018,249
End of year	<u>\$ 10,333,083</u>	<u>\$ 1,295,123</u>	<u>\$ 1,539,333</u>	<u>\$ 13,167,539</u>

See notes to basic financial statements.

Independent School District No. 879
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities -
Governmental Funds
Year Ended June 30, 2024

Net change in fund balances - total governmental funds \$ 2,149,290

Amounts reported for governmental activities in the Statement of Activities are different because:

Net income from the equity interest in a joint venture does not provide current financial resources and its not reported as revenue in the funds. 52,448

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation/amortization expense.

Capital outlays	686,491
Depreciation/amortization expense	(2,712,471)
Loss on disposal	(8,345)

Vacation payable are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. (16,261)

Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities. 3,583,020

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 48,535

Premiums and discounts are amortized over the life of the bond on the statement of net position. 300,114

Net OPEB are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. (57,568)

Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective. 1,696,025

State aid related to pension expense	
Pension expense	

Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. 75,873

Change in net position - governmental activities \$ 5,797,151

Independent School District No. 879
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	\$ 5,249,260	\$ 5,300,118	\$ 5,302,427	\$ 2,309
Other local and county revenues	883,000	1,930,548	2,160,142	229,594
Revenue from state sources	25,369,821	25,365,478	25,323,505	(41,973)
Revenue from federal sources	495,873	540,568	537,641	(2,927)
Sales and other conversion of assets	-	3,441	3,441	-
Total revenues	<u>31,997,954</u>	<u>33,140,153</u>	<u>33,327,156</u>	<u>187,003</u>
Expenditures				
Current				
Administration	1,405,293	1,429,425	1,318,032	(111,393)
District support services	921,831	890,315	856,391	(33,924)
Elementary and secondary regular instruction	14,795,983	15,441,039	15,175,074	(265,965)
Vocational education instruction	330,760	412,310	398,179	(14,131)
Special education instruction	5,095,722	5,088,581	4,955,990	(132,591)
Instructional support services	1,575,783	1,520,579	1,492,332	(28,247)
Pupil support services	2,845,758	2,903,866	2,862,545	(41,321)
Sites and buildings	4,541,252	4,265,186	3,573,185	(692,001)
Fiscal and other fixed cost programs	236,000	250,945	250,507	(438)
Capital outlay				
Administration	9,347	8,868	5,263	(3,605)
District support services	276,000	291,594	291,114	(480)
Elementary and secondary regular instruction	29,000	44,537	40,193	(4,344)
Special education instruction	-	4,662	4,662	-
Instructional support services	11,000	7,864	8,014	150
Pupil support services	1,100	1,929	1,929	-
Sites and buildings	70,000	475,532	361,125	(114,407)
Debt service				
Principal	18,102	25,048	38,020	12,972
Interest and fiscal charges	6,000	2,113	14,921	12,808
Total expenditures	<u>32,168,931</u>	<u>33,064,393</u>	<u>31,647,476</u>	<u>(1,416,917)</u>
Excess of revenues over (under) expenditures	(170,977)	75,760	1,679,680	1,603,920
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	10	10	-
Lease issuance	-	112,882	-	(112,882)
Total other financing sources (uses)	<u>-</u>	<u>112,892</u>	<u>10</u>	<u>(112,882)</u>
Net change in fund balance	<u>\$ (170,977)</u>	<u>\$ 188,652</u>	1,679,690	<u>\$ 1,491,038</u>
Fund Balance				
Beginning of year			<u>8,653,393</u>	
End of year			<u>\$ 10,333,083</u>	

Independent School District No. 879
Statement of Fiduciary Net Position
June 30, 2024

	Custodial Fund
Assets	
Current	
Cash and investments	\$ 26,064
Total Assets	\$ 26,064
Liabilities	
Accounts Payable	\$ 2,750
Net Position	
Restricted for scholarships	4,630
Restricted for other purposes	18,684
Total Net Position	23,314
Total Liabilities and Net Position	\$ 26,064

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

	Custodial Fund
Additions	
Other local revenues	\$ 76,585
Deductions	
Scholarships	15,000
Pupil support services	70,551
Total deductions	85,551
Change in net position	(8,966)
Net Position	
Beginning of year	32,280
End of year	\$ 23,314

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Independent School District No. 879
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

Joint Venture

A joint venture is a legal entity or other organization that results from a contracted agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control. The participants retain either an ongoing financial interest or an ongoing financial responsibility. The District participates in one joint venture. A description of this organization is included in Note 8.

B. Basic Financial Statement Information

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

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

1. Revenue Recognition

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

**Independent School District No. 879
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

2. Recording of Expenditures

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

The District applies resources in the following order when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available: restricted, committed, assigned, and unassigned.

Description of Funds:

Major Funds:

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

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

Nonmajor Funds:

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

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

Fiduciary Fund:

Custodial Fund - This fund is used to account for resources received and held by the District to be used in making scholarship awards, theater, concerts in the park, county conferences, and youth assistance programs.

D. Deposits and Investments

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

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

**Independent School District No. 879
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

Cash and investments at June 30, 2024, were comprised of deposits, shares in the Minnesota School District Liquid Asset Fund (MSDLAF), shares in MNTrust MNTrust Term series. MSDLAF and MNTrust securities are valued at amortized cost, which approximates fair value

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

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

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

E. Property Tax Receivable

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

F. Property Taxes Levied for Subsequent Year's Expenditures

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

G. Inventories

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

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Prepaid Items

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

I. Property Taxes

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

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

J. Capital Assets

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

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

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

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

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

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

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

**Independent School District No. 879
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Right-to-Use Lease Assets/Lease Liabilities (Continued)

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

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

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

L. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the Statement of Financial Position and fund financial statements will sometimes report a separate section for deferred inflows of resources.

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

**Independent School District No. 879
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Long-Term Obligations

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

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

N. Compensated Absences

Certain District employees earn vacation days based on the number of completed years of service. Vacation is accumulated at various rates and maximum hours are capped at different amounts. Certain employees are compensated for unused vacation upon termination of employment.

Employees are entitled to paid sick leave at various rates for each month of full-time service. Employees are not compensated for unused sick leave upon termination of employment (sick pay is recorded as an expenditure when payment is made).

O. Pensions

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

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

P. Risk Management

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

**Independent School District No. 879
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Fund Equity

In the fund financial statements, governmental funds report various levels of spending constraints.

- ◆ Nonspendable Fund Balances - These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include prepaids and inventory.
- ◆ Restricted Fund Balances - These amounts are subject to externally enforceable legal restrictions.
- ◆ Committed Fund Balances - The government's highest level of decision making authority is the School Board. The formal action to establish, modify, or rescind a commitment must be made by the School Board.
- ◆ Assigned Fund Balances - The School Board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The School Board also delegates the power to assign fund balances to the Superintendent or Business Manager.
- ◆ Minimum Fund Balance Policy - The District will strive to maintain a minimum unassigned General Fund balance of 12% of operating expenditures.

R. Net Position

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

S. Use of Estimates

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

T. Budgetary Information

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

1. Prior to July 1, the School Superintendent submits to the School Board, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Budgetary Information (Continued)

3. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, and Debt Service Funds.
4. Budgets for the General, Special Revenue, and Debt Service Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits

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

Custodial Credit Risk - Deposits: This is the risk that in the event of the failure of a depository financial institution, the District will not be able to recover deposits or collateral securities that are in possession of an outside party. The District has a policy that requires the District's deposits be collateralized as required by *Minnesota Statutes* for an amount exceeding FDIC, SAIF, BIF, or FCUA coverage. As of June 30, 2024, the District's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

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

Checking	\$ 867,679
Certificates of deposit	<u>471,150</u>
 Total deposits	 <u><u>\$ 1,338,829</u></u>

B. Investments

1. District Governmental Funds Pooled

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

	Fair Value	Less Than One Year	1-2 Years	Moody's/S&P Ratings
MSDLAF - Liquid Class	\$ 2,394,846	\$ 2,394,846	\$ -	AAAm
MSDLAF - Max Class	9,917,682	9,917,682	-	AAAm
MNTrust IS Account Balance	1,772,762	1,772,762	-	AAAm
MNTrust Full Flx PenFed HCC	<u>3,287,819</u>	<u>3,287,819</u>	-	AAAm
 Total investments	 <u><u>\$ 17,373,109</u></u>	 <u><u>\$ 17,373,109</u></u>	 <u><u>\$ -</u></u>	

**Independent School District No. 879
Notes to Basic Financial Statements**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The District's investment policy states the District shall manage its investments in a manner to attain a market yield rate of return through various economics and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments to be in the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy indicates the District will follow state law. The District's investments were rated in the table above by Standards and Poor's (S&P) and Moody's Investor Services. These investments were in the top two rating categories.

1. District Governmental Funds Pooled (Continued)

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's policy does not allow for an investment in any one issuer that is in excess of five percent of the total investments. The District's investments were exposed to concentration of credit risk at June 30, 2024, as investments in MN Trust Series Flex PenFed C (18.92%) represented more than 5% of total investments.

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

C. Summary of Deposits and Investments

Summary of deposits and investments as of June 30, 2024:

Deposits (Note 3.A.)	\$ 1,338,829
Petty cash	600
Investments (Note 3.B.)	17,373,109
Total deposits and investments	\$ 18,712,538

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

Statement of Net Position	
Cash and investments	\$ 18,686,474
Statement of Fiduciary Net Position	
Cash and investments - custodial fund	26,064
Total deposits and investments	\$ 18,712,538

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 3 - CAPITAL ASSETS

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

	Beginning Balance	Change in Accounting Principle	Increases	Decreases	Ending Balance
Governmental activities					
Capital assets not being depreciated					
Land	\$ 1,022,151	\$ -	\$ -	\$ -	\$ 1,022,151
Construction in progress	-	-	21,036	-	21,036
Total capital assets not being depreciated	1,022,151	-	21,036	-	1,043,187
Other capital assets					
Improvements	6,027,587	-	-	-	6,027,587
Buildings	96,167,795	-	100,702	-	96,268,497
Equipment	4,019,449	853,587	564,751	34,627	5,403,160
Lease equipment	111,191	-	-	4,122	107,069
Total other capital assets at historical cost	106,326,022	853,587	665,453	38,749	107,806,313
Less accumulated depreciation for					
Improvements	2,766,603	-	242,052	-	3,008,655
Buildings	26,100,104	-	1,951,280	-	28,051,384
Equipment	2,435,130	-	497,559	26,282	2,906,407
Less accumulated amortization for					
Lease equipment	9,180	-	21,578	4,122	26,636
Total accumulated depreciation/amortization	31,311,017	-	2,712,469	30,404	33,993,082
Total capital assets being depreciated/ amortized, net	75,015,005	853,587	(2,047,016)	8,345	73,813,231
Governmental activities, capital assets, net	<u>\$ 76,037,156</u>	<u>\$ 853,587</u>	<u>\$ (2,025,980)</u>	<u>\$ 8,345</u>	<u>\$ 74,856,418</u>

See Note 9 for an explanation of the change in accounting principle. Depreciation/amortization expense for the year ended June 30, 2024, was charged to the following functions:

Administration	\$ 55,308
District Support Services	21,578
Elementary and Secondary Regular Instruction	221,799
Special Education Instruction	2,243
Pupil Support Services	14,819
Sites and Buildings	693,110
Community Service	7,162
Unallocated	1,696,450
Total depreciation/amortization expense	<u>\$ 2,712,469</u>

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 4 - LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities						
G.O. School Refunding Bonds, Series 2015A	04/08/15	3.00%-5.00%	13,140,000	02/01/25	1,555,000	1,555,000
G.O. School Building Bonds, Series 2016A	02/18/16	2.75%-4.00%	62,900,000	02/01/36	51,610,000	1,775,000
G.O. Alternative Facilities Bonds, Series 2017A	09/21/17	2.00%-3.00%	3,390,000	02/01/28	1,460,000	350,000
Total G.O. bonds					<u>54,625,000</u>	<u>3,680,000</u>
Premium on bonds payable					1,621,392	-
Lease liability					82,465	20,443
Special assessments payable					331,200	18,400
Vacation payable					<u>60,691</u>	<u>60,691</u>
 Total all long-term liabilities					 <u>\$ 56,720,748</u>	 <u>\$ 3,779,534</u>

The long-term bond liabilities listed above were issued to finance acquisition and construction of capital facilities or to refinance (refund) previous bond issues.

The bond obligations are paid from the Debt Service Fund. Other long term liability payments are paid from the General Fund.

B. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. bonds	\$ 58,170,000	\$ -	\$ 3,545,000	\$ 54,625,000
Premium on bonds payable	1,921,506	-	300,114	1,621,392
Lease liability	102,085	-	19,620	82,465
Special assessments payable	349,600	-	18,400	331,200
Vacation payable	44,430	138,705	122,444	60,691
	<u>60,587,621</u>	<u>138,705</u>	<u>4,005,578</u>	<u>56,720,748</u>
 Total long-term liabilities	 <u>\$ 60,587,621</u>	 <u>\$ 138,705</u>	 <u>\$ 4,005,578</u>	 <u>\$ 56,720,748</u>

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 4 - LONG-TERM DEBT (CONTINUED)

C. Bond Payment Schedule

Minimum annual principal and interest payments required to retire bonds:

Year Ending June 30,	G.O. Bonds		
	Principal	Interest	Total
2025	\$ 3,680,000	\$ 1,670,738	\$ 5,350,738
2026	3,835,000	1,542,588	5,377,588
2027	3,955,000	1,396,388	5,351,388
2028	4,070,000	1,279,588	5,349,588
2029	4,385,000	1,159,388	5,544,388
2030-2034	24,040,000	3,805,330	27,845,330
2035-2036	10,660,000	482,100	11,142,100
Total	<u>\$ 54,625,000</u>	<u>\$ 11,336,118</u>	<u>\$ 65,961,118</u>

D. Lease Liability

On March 31, 2023, the District entered into a lease agreement for copiers. The obligation totaled \$93,528. This agreement includes monthly principal and interest payments of \$1,758 per month for 60 months.

On April 19, 2023, the District entered into a lease agreement for a postage machine. The obligation totaled \$13,541. This agreement includes monthly principal and interest payments of \$251 per month for 60 months.

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

Year Ending June 30,	Lease Liability		
	Principal	Interest	Total
2025	\$ 20,443	\$ 3,659	\$ 24,102
2026	21,489	2,313	23,802
2027	22,588	1,514	24,102
2028	17,945	381	18,326
Total	<u>\$ 82,465</u>	<u>\$ 7,867</u>	<u>\$ 90,332</u>

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 4 - LONG-TERM DEBT (CONTINUED)

E. Special Assessment

The District is obligated to pay special assessments to the City of Delano for a water main relocation. The minimum annual principal and interest payments required to retire the assessment are as follows:

Year Ending June 30,	Special Assessments		
	Principal	Interest	Total
2025	\$ 18,400	\$ 10,638	\$ 29,038
2026	18,400	10,085	28,485
2027	18,400	95,334	113,734
2028	18,400	8,981	27,381
2029	18,400	8,430	26,830
2030-2034	110,400	32,838	143,238
2035-2039	128,800	13,834	142,634
Total	<u>\$ 331,200</u>	<u>\$ 180,140</u>	<u>\$ 511,340</u>

NOTE 5 -FUND BALANCES

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

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 5 - FUND BALANCES (CONTINUED)

Fund Equity

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

	General Fund	Debt Service Fund	Other Nonmajor Funds	Total
Nonspendable for				
Inventory	\$ 8,630	\$ -	\$ 55,561	\$ 64,191
Prepays items	96,341	-	3,970	100,311
Total nonspendable	<u>104,971</u>	<u>-</u>	<u>59,531</u>	<u>164,502</u>
Restricted/reserved for				
Student Activities	46,739	-	-	46,739
Scholarships	4,195	-	-	4,195
Staff Development	122,618	-	-	122,618
Literacy Incentive	115,336	-	-	115,336
Operating Capital	912,155	-	-	912,155
Long-Term Facilities Maintenance	2,289,953	-	-	2,289,953
Medical Assistance	89,127	-	-	89,127
Debt Service	-	1,295,123	-	1,295,123
Food Service	-	-	956,139	956,139
Community Service	-	-	5,596	5,596
Community Education	-	-	503,300	503,300
Early Childhood and Family Education	-	-	260	260
School Readiness	-	-	13,610	13,610
Adult Basic Education	-	-	897	897
Total restricted/reserved	<u>3,580,123</u>	<u>1,295,123</u>	<u>1,479,802</u>	<u>6,355,048</u>
Committed for				
Separation/Retirement Benefits	<u>102,076</u>	<u>-</u>	<u>-</u>	<u>102,076</u>
Assigned for				
Donated Funds	520,424	-	-	520,424
Student Activities Carryover	122	-	-	122
Q Comp	314,995	-	-	314,995
Providing Transformative Learning Experiences	29,133	-	-	29,133
Total assigned	<u>864,674</u>	<u>-</u>	<u>-</u>	<u>864,674</u>
Unassigned	<u>5,681,239</u>	<u>-</u>	<u>-</u>	<u>5,681,239</u>
Total fund balance	<u>\$ 10,333,083</u>	<u>\$ 1,295,123</u>	<u>\$ 1,539,333</u>	<u>\$ 13,167,539</u>

Nonspendable for Inventory - This balance represents fund balance that has already been spent as inventory.

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 5 - FUND BALANCES (CONTINUED)

Fund Equity (Continued)

Nonspendable for Prepaid Items - This balance represents fund balance that has already been spent as prepaid items.

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

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

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

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

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

Restricted/Reserved for Long-Term Facilities Maintenance (LTFM) - This balance represents available resources to be used for LTFM projects in accordance with the 10-year plan (*Minnesota Statutes* § 123B.595, subd. 12).

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

Restricted for Debt Service - This balance represents the resources available for the payment of G.O. bond principal, interest, and related costs.

Restricted for Food Service - This balance represents the accumulation of the activity to provide the food service program.

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

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

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

**Independent School District No. 879
Notes to Basic Financial Statements**

NOTE 5 - FUND BALANCES (CONTINUED)

Fund Equity (Continued)

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

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

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

Assigned for Donated Funds - This balance represents resources segregated from unassigned fund balance for different groups (athletics, media center, principals, etc.) who have done fundraising or receive donations for specific purposes.

Assigned for Student Activities Carryover - This balance represents resources segregated from unassigned fund balance for different student activities that have done fundraising or receive donations for specific purposes.

Assigned for Q Comp - This balance represents resources segregated from unassigned fund balances for unspent Q Comp dollars.

Assigned for Providing Transformative Learning Experiences - This balance represents resources segregated from unassigned fund balances for providing transformative learning experiences.

Net position restricted for other purposes on the Statement of Net Position are comprised of the total positive General Fund restricted fund balances and the total net position restricted for food service and community service.

NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE

The District participates in various pension plans. Total pension expense for the year ended June 30, 2024, was (\$910). The components of pension expense are noted in the following plan summaries.

The General Fund and Community Service Fund typically liquidate the liability related to the pensions.

Teachers' Retirement Association

A. Plan Description

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

**Independent School District No. 879
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

A. Plan Description (Continued)

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

B. Benefits Provided

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

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

Tier I Benefits

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

With these provisions:

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

Or

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

**Independent School District No. 879
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier II Benefits

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

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

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

C. Contribution Rate

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

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

Independent School District No. 879
Notes to Basic Financial Statements

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

Teachers' Retirement Association (Continued)

C. Contribution Rate (Continued)

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

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

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

**Independent School District No. 879
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Valuation date	July 1, 2023
Measurement date	June 30, 2023
Experience study	June 28, 2019 (demographic and economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% after June 30, 2028.
Projected salary increase	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% after June 30, 2028.
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Mortality Assumptions

Pre-retirement	RP 2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP 2015 scale.
Post-retirement	RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

**Independent School District No. 879
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

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

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

Changes in actuarial assumptions since the 2022 valuation:

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

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

The 2024 Omnibus Pensions and Retirement Bill:

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

**Independent School District No. 879
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

E. Discount Rate

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

F. Net Pension Liability

On June 30, 2024, the District reported a liability of \$16,793,160 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.2034% at the end of the measurement period and 0.2061% for the beginning of the year.

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

District's proportionate share of net pension liability	\$ 16,793,160
State's proportionate share of the net pension liability associated with the District	1,176,078

For the year ended June 30, 2024, the District recognized pension expense of (\$379,260). Included in this amount, the District recognized \$165,601 as pension expense for the support provided by direct aid.

**Independent School District No. 879
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 172,484	\$ 247,034
Net difference between projected and actual earnings on plan investments	-	85,923
Changes of assumptions	2,002,573	-
Changes in proportion	78,918	400,281
Contributions to TRA subsequent to the measurement date	1,196,654	-
Total	\$ 3,450,629	\$ 733,238

The \$1,1196,654 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

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

Year Ended June 30,	Pension Expense Amount
2025	\$ 171,016
2026	(168,351)
2027	1,841,795
2028	(256,960)
2029	(66,763)
Total	\$ 1,520,737

**Independent School District No. 879
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

G. Pension Liability Sensitivity

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

District Proportionate Share of NPL		
1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
\$ 26,783,854	\$ 16,793,160	\$ 8,614,560

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

H. Pension Plan Fiduciary Net Position

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

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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

B. Benefits Provided

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

**Independent School District No. 879
Notes to Basic Financial Statements**

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

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

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

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

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2024 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2024, were \$332,478. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2024, the District reported a liability of \$3,086,722 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.

**Independent School District No. 879
Notes to Basic Financial Statements**

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$85,058.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0552% at the end of the measurement period and 0.0566% for the beginning of the period.

District's proportionate share of net pension liability	\$ 3,086,722
State of Minnesota's proportionate share of the net pension liability associated with the School	<u>85,058</u>
Total	<u>\$ 3,171,780</u>

For the year ended June 30, 2024, the District recognized pension expense of \$378,350 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized \$382 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

**Independent School District No. 879
Notes to Basic Financial Statements**

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 101,986	\$ 22,226
Changes in actuarial assumptions	521,931	846,044
Net difference between projected and actual investments earnings	-	127,823
Change in proportion	-	151,614
Contributions paid to PERA subsequent to the measurement date	332,478	-
Total	\$ 956,395	\$ 1,147,707

The \$332,478 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2025	\$ 5,515
2026	(516,716)
2027	54,374
2028	(66,963)
Total	\$ (523,790)

**Independent School District No. 879
Notes to Basic Financial Statements**

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

Public Employees' Retirement Association (Continued)

E. Long-Term Expected Return on Investment

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

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

F. Actuarial Methods and Assumptions

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

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

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

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

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

**Independent School District No. 879
Notes to Basic Financial Statements**

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

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

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

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

G. Discount Rate

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

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
District's proportionate share of the PERA net pension liability	\$ 5,460,659	\$ 3,086,722	\$ 1,134,069

I. Pension Plan Fiduciary Net Position

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

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District provides a single employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. Medical coverage is administered by PIEP. It is the District's policy to periodically review its medical coverage, and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees. No assets are acclimated in a trust.

B. Benefits Paid

Teachers who apply for early retirement shall remain eligible to receive certain health insurance benefits until the end of the school year in which the teacher becomes Medicare eligible. Full vesting of such amounts occurs upon attaining 56 years of age. The General Fund, Food Service Fund and Community Service Fund typically liquidate the Liability related to OPEB.

C. Members

As of July 1, 2022, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	14
Active employees	<u>279</u>
 Total	 <u><u>293</u></u>

D. Contributions

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with PIEP. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2024, the District contributed \$216,258 to the plan.

**Independent School District No. 879
Notes to Basic Financial Statements**

NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

<u>Key Methods and Assumptions Used in Valuation of Total OPEB Liability</u>	
Discount Rate	3.90%
Salary increases	Service graded table
Inflation	2.50%
Healthcare cost trend increases	6.25% in 2023, grading to 5.00% over 5 years and then to 4.00% over the next 48 years
Mortality Assumption	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale

The actuarial assumptions used in the July 1, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2021, through June 30, 2022.

The discount rate used to measure the total OPEB liability was 3.9% based on the 20-year municipal bond yield.

F. Total OPEB Liability

The District's total OPEB liability of \$3,589,257 was measured as of July 1, 2023, and was determined by an actuarial valuation as of July 1, 2022.

Assumption changes for the June 30, 2024, year:

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

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability (Continued)

Changes in the total OPEB liability are as follows:

	Total OPEB Liability (a)
	<u>\$ 3,444,819</u>
Balances at July 1, 2023	
Changes for the year	
Service cost	222,088
Interest cost	135,710
Assumption changes	(20,356)
Benefit payments	(193,004)
Net changes	144,438
Balances at June 30, 2024	<u>\$ 3,589,257</u>

G. OPEB Liability Sensitivity

The following presents the District's total OPEB liability calculated using the discount rate of 3.9% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	1% Decrease in Discount Rate (2.9%)	Current Discount Rate (3.9%)	1% Increase in Discount Rate (4.9%)
Total OPEB liability	\$ 3,833,165	\$ 3,589,257	\$ 3,354,927

The following presents the total OPEB liability of the District as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates. The decrease in health care cost trend rates is over six years.

	1% Decrease (5.25 Decreasing to 4.0%)	1% Decrease (6.25 Decreasing to 5.0%)	1% Decrease (7.25 Decreasing to 6.0%)
Total OPEB liability	\$ 3,380,346	\$ 3,589,257	\$ 3,836,460

**Independent School District No. 879
Notes to Basic Financial Statements**

NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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

For the year ended June 30, 2024, the District recognized OPEB expense of \$253,310. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of	Deferred Inflows of
Liability losses/gains	\$ 37,539	\$ 578,861
Changes of assumptions	95,581	387,261
Subsequent contributions	<u>216,258</u>	<u>-</u>
Total	<u>\$ 349,378</u>	<u>\$ 966,122</u>

The \$216,258 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and inflows of resources will be recognized in OPEB expense as follows:

Year Ending June 30,	
2025	\$ (104,488)
2026	(104,488)
2027	(104,488)
2028	(104,485)
2029	(108,519)
Thereafter	<u>(306,534)</u>
Total	<u>\$ (833,002)</u>

NOTE 8 - COMMITMENTS

A. Joint Powers

The District entered into a joint powers agreement in February 1998 with Wright Technical Center No. 966 (WTC), a cooperative center for vocational education, between and among eight other independent school districts to finance the acquisition and betterment of the addition to the existing WTC facilities.

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 8 - COMMITMENTS (CONTINUED)

A. Joint Powers (Continued)

The addition was financed through capital lease agreements. Each participating district annually authorizes a leading levy to cover their allocated portion of the lease payment based on the formula set out in the joint powers agreement. Participating districts will also be apportioned operating costs and continuing costs for the addition based on the current cost. Separately issued basic financial statements can be obtained from Wright Technical Center, 1400 Highway 25 North Buffalo, Minnesota 55313-1936.

B. Contract Commitments

Commitments at June 30, 2024, include the following:

<u>Contractor</u>	<u>Original Contract Amount</u>	<u>Work Completed as of 6/30/24</u>	<u>Amount Remaining on Contract</u>
New Look Contracting	\$ 395,283	\$ -	\$ 395,283
Versacon	103,000	21,036	81,964
WOLD Architects	24,570	21,867	2,703
	<u>\$ 522,853</u>	<u>\$ 42,903</u>	<u>\$ 479,950</u>

NOTE 9 - CHANGE IN ACCOUNTING PRINCIPLE

As of July 1, 2023, the District implemented changes related to accounting for grouped assets as required by GASB Implementation Guide No. 2021-1. Amounts previously expensed as they were individually less than the District's capitalization threshold were required to be reported as capital assets and depreciated over the estimated useful life of the asset. This resulted in a change in accounting principle on the Statement of Activities in the amount of \$853,587.

	<u>Governmental Activities</u>
Net Position June 30, 2023, as previously stated	\$ 3,124,385
Change in accounting principle	<u>853,587</u>
Net Position June 30, 2023, as restated	<u>\$ 3,977,972</u>

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REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 879
Schedule of Changes in Total OPEB Liability
and Related Ratios

	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>
Total OPEB Liability				
Service cost	\$ 237,911	\$ 280,201	\$ 308,361	\$ 300,001
Interest	135,041	138,749	148,759	137,879
Changes of assumptions	-	(53,622)	97,912	(81,954)
Differenced between expected and actual experience	-	93,855	-	(472,316)
Plan changes	-	-	-	-
Benefit payments	(331,767)	(280,164)	(356,424)	(341,531)
Net change in total OPEB liability	<u>41,185</u>	<u>179,019</u>	<u>198,608</u>	<u>(457,921)</u>
Beginning of year	<u>3,898,370</u>	<u>3,939,555</u>	<u>4,118,574</u>	<u>4,317,182</u>
End of year	<u>\$ 3,939,555</u>	<u>\$ 4,118,574</u>	<u>\$ 4,317,182</u>	<u>\$ 3,859,261</u>
Covered payroll	\$ 13,280,316	\$ 14,490,655	\$ 14,925,375	\$ 15,133,308
Total OPEB liability as a percentage of covered-employee payroll	29.66%	28.42%	28.93%	25.50%

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

<u>June 30, 2022</u>	<u>June 30, 2023</u>	<u>June 30, 2024</u>
\$ 323,451	\$ 219,021	\$ 222,088
97,469	87,736	135,710
64,116	(369,185)	(20,356)
-	(347,873)	-
-	38,666	-
<u>(244,450)</u>	<u>(283,393)</u>	<u>(193,004)</u>
<u>240,586</u>	<u>(655,028)</u>	<u>144,438</u>
<u>3,859,261</u>	<u>4,099,847</u>	<u>3,444,819</u>
<u>\$ 4,099,847</u>	<u>\$ 3,444,819</u>	<u>\$ 3,589,257</u>
\$ 15,587,307	\$ 15,750,414	\$ 16,222,926
26.30%	21.87%	22.12%

Independent School District No. 879
Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
General Employees Retirement Fund

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0582%	\$ 2,733,944	\$ -	\$ 2,733,944	\$ 3,057,131	89.4%	78.7%
2015	0.0560%	2,902,211	-	2,902,211	3,237,587	89.6%	78.2%
2016	0.0591%	4,798,627	62,701	4,861,328	3,669,560	130.8%	68.9%
2017	0.0587%	3,747,369	47,113	3,794,482	3,781,053	99.1%	75.9%
2018	0.0584%	3,239,793	106,243	3,346,036	3,927,360	82.5%	79.5%
2019	0.0616%	3,405,726	105,829	3,511,555	4,361,667	78.1%	80.2%
2020	0.0607%	3,639,242	112,272	3,751,514	4,328,760	84.1%	79.1%
2021	0.0577%	2,464,048	75,168	2,539,216	4,151,733	59.3%	87.0%
2022	0.0566%	4,482,739	131,287	4,614,026	4,237,480	105.8%	76.7%
2023	0.0552%	3,086,722	85,058	3,171,780	4,389,387	70.3%	83.1%

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

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.2082%	\$ 9,593,706	\$ 674,763	\$ 10,268,469	\$ 9,502,729	101.0%	81.5%
2015	0.1976%	12,223,514	1,499,077	13,722,591	10,030,187	121.9%	76.8%
2016	0.2037%	48,587,310	4,875,894	53,463,204	10,593,453	458.7%	44.9%
2017	0.2055%	41,021,528	3,966,035	44,987,563	11,061,400	370.9%	51.6%
2018	0.2063%	12,957,571	1,217,498	14,175,069	11,396,373	113.7%	78.1%
2019	0.2112%	13,461,932	1,191,389	14,653,321	11,992,776	112.3%	78.2%
2020	0.2125%	15,699,785	1,315,641	17,015,426	12,347,336	127.2%	75.5%
2021	0.2082%	9,111,455	768,587	9,880,042	12,457,589	73.1%	86.6%
2022	0.2061%	16,503,398	1,223,608	17,727,006	12,736,894	129.6%	76.2%
2023	0.2034%	16,793,160	1,176,078	17,969,238	12,932,292	129.9%	76.4%

See notes to required supplementary information.

Independent School District No. 879
Schedule of District Contributions
General Employees Retirement Fund

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	\$ 242,819	\$ 242,819	\$ -	\$ 3,237,587	7.50%
2016	275,217	275,217	-	3,669,560	7.50%
2017	283,579	283,579	-	3,781,053	7.50%
2018	294,552	294,552	-	3,927,360	7.50%
2019	327,125	327,125	-	4,361,667	7.50%
2020	324,657	324,657	-	4,328,760	7.50%
2021	311,380	311,380	-	4,151,733	7.50%
2022	317,811	317,811	-	4,237,480	7.50%
2023	329,204	329,204	-	4,389,387	7.50%
2024	332,478	332,478	-	4,433,040	7.50%

Schedule of District Contributions
TRA Retirement Fund

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	\$ 752,264	\$ 752,264	\$ -	\$ 10,030,187	7.50%
2016	794,509	794,509	-	10,593,453	7.50%
2017	829,605	829,605	-	11,061,400	7.50%
2018	854,728	854,728	-	11,396,373	7.50%
2019	924,643	924,643	-	11,992,776	7.71%
2020	977,909	977,909	-	12,347,336	7.92%
2021	1,012,802	1,012,802	-	12,457,589	8.13%
2022	1,062,257	1,062,257	-	12,736,894	8.34%
2023	1,105,711	1,105,711	-	12,932,292	8.55%
2024	1,196,654	1,196,654	-	13,676,046	8.75%

Independent School District No. 879
Notes to the Required Supplementary Information

TRA Retirement Fund

2023 Changes

Changes of Benefit Terms

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

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

The 2024 Omnibus Pensions and Retirement Bill:

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

2022 Changes

Changes in Actuarial Assumptions

- ◆ None

2021 Changes

Changes in Actuarial Assumptions

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

2020 Changes

Changes in Actuarial Assumptions

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

2019 Changes

Changes in Actuarial Assumptions

- ◆ None

2018 Changes

Changes in Actuarial Assumptions

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

Independent School District No. 879
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2018 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

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

2017 Changes

Changes in Actuarial Assumptions

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

2016 Changes

Changes in Actuarial Assumptions

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

Independent School District No. 879
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2016 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

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

2015 Changes

Changes of Benefit Terms

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

Changes in Actuarial Assumptions

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

Independent School District No. 879
Notes to the Required Supplementary Information

General Employees Fund

2023 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2020 Changes

Changes in Actuarial Assumptions

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

Independent School District No. 879
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2020 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- ◆ The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

Independent School District No. 879
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- ◆ The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Independent School District No. 879
Notes to the Required Supplementary Information

Post Employment Health Care Plan

No assets have been accumulated in a trust to fund these benefits.

2024 Changes

Changes in Actuarial Assumptions

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

2023 Changes

Changes in Actuarial Assumptions

- ◆ The health care trend rates were changed to better anticipate short term and long-term medical increases.
- ◆ The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- ◆ The salary increase rates for non-teachers were updated to reflect the latest experience study.
- ◆ The withdrawal rates were updated to reflect the latest experience study.
- ◆ The discount rate was changed from 2.10% to 3.80%.

2022 Changes

Changes in Actuarial Assumptions

- ◆ The discount rate was changed from 2.40% to 2.10%.

2021 Changes

Changes in Actuarial Assumptions

- ◆ The health care trend rates, mortality tables, and salary increase rates were updated.
- ◆ The discount rate was changed from 3.10% to 2.40%.

2020 Changes

Changes in Actuarial Assumptions

- ◆ The discount rate was changed from 3.10% to 2.4%.
- ◆ The health care trend rates were changed to better anticipate short term and long-term medical increases.
- ◆ The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-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% per year for all employees to rates which vary by service and contract group.

2019 Changes

Changes in Actuarial Assumptions

- ◆ The discount rate was changed from 3.50% to 3.10%.

2018 Changes

Changes in Actuarial Assumptions

- ◆ The health care trend rates were changed to better anticipate short term and long term medical increases.

Independent School District No. 879
Notes to the Required Supplementary Information

Post Employment Health Care Plan (Continued)

2018 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- ◆ The mortality tables were 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.
- ◆ The discount rate was changed from 3.40% to 3.50%.
- ◆ The trend on the Medicare Supplement Rate was changed from the health care trend rates to 4% per year.
- ◆ The percentage of future retirees not eligible for a subsidy who are assumed to continue on one of the District's medical plans post-employment was decreased from 50% to 40%.
- ◆ The percentage of future spouses eligible for a subsidy who are assumed to continue on one of the District's medical plans after their spouses' retirement was increased from 15% to 25%.

2017 Changes

Changes in Actuarial Assumptions

- ◆ Changes of assumptions and other inputs reflect a change in the discount rate from 3.0% in 2016 to 3.4% in 2017.

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SUPPLEMENTARY INFORMATION

Independent School District No. 879
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2024

	Special Revenue Funds		Total Nonmajor Funds
	Food Service	Community Service	
Assets			
Cash and investments (including cash equivalents)	\$ 988,235	\$ 744,004	\$ 1,732,239
Current property taxes receivable	-	99,997	99,997
Delinquent property taxes receivable	-	12,984	12,984
Accounts receivable	3,797	12,194	15,991
Due from Department of Education	-	20,281	20,281
Due from Federal Government through Department of Education	3,865	-	3,865
Due from other Minnesota school districts	-	8,971	8,971
Inventory	48,820	6,741	55,561
Prepaid items	3,970	-	3,970
Total assets	\$ 1,048,687	\$ 905,172	\$ 1,953,859
Liabilities			
Accounts payable	\$ 2,330	\$ 33,091	35,421
Salaries and benefits payable	1,411	114,755	116,166
Due to other governmental units	-	2,945	2,945
Unearned revenue	36,017	-	36,017
Total liabilities	39,758	150,791	190,549
Deferred Inflows of Resources			
Property taxes levied for subsequent year's expenditures	-	211,011	211,011
Unavailable revenue - delinquent property taxes	-	12,966	12,966
Total deferred inflows of resources	-	223,977	223,977
Fund Balances			
Nonspendable	52,790	6,741	59,531
Restricted	956,139	523,663	1,479,802
Total fund balances	1,008,929	530,404	1,539,333
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,048,687	\$ 905,172	\$ 1,953,859

Independent School District No. 879
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2024

	Special Revenue Funds		Total Nonmajor Funds
	Food Service	Community Service	
Revenues			
Local property taxes	\$ -	\$ 228,007	\$ 228,007
Other local and county revenues	39,941	2,168,901	2,208,842
Revenue from state sources	1,117,276	186,030	1,303,306
Revenue from federal sources	551,579	31,615	583,194
Sales and other conversion of assets	147,356	138,844	286,200
Total revenues	<u>1,856,152</u>	<u>2,753,397</u>	<u>4,609,549</u>
Expenditures			
Current			
Food service	1,576,680	-	1,576,680
Community education and services	-	2,614,720	2,614,720
Capital outlay			
Food service	58,243	-	58,243
Community education and services	-	10,116	10,116
Total expenditures	<u>1,634,923</u>	<u>2,624,836</u>	<u>4,259,759</u>
Excess of revenues over expenditures	221,229	128,561	349,790
Fund Balances			
Beginning of year	<u>787,700</u>	<u>401,843</u>	<u>1,189,543</u>
End of year	<u>\$ 1,008,929</u>	<u>\$ 530,404</u>	<u>\$ 1,539,333</u>

Independent School District No. 879
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Detail General Fund
Year Ended June 30, 2024

	2024			Variance with Final Budget - Over (Under)	2023
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Local property taxes					
Property tax levy	\$ 5,159,260	\$ 5,191,418	\$ 5,192,430	\$ 1,012	\$ 4,473,709
County apportionment	30,000	100,000	101,367	1,367	99,436
Miscellaneous taxes	60,000	8,700	8,630	(70)	38,718
Total local property taxes	5,249,260	5,300,118	5,302,427	2,309	4,611,863
Other local and county revenues					
Tuition and fees	470,000	560,083	577,019	16,936	568,558
Interest	350,000	462,600	566,113	103,513	327,873
Other local revenues	63,000	907,865	1,017,010	109,145	648,201
Total other local and county revenues	883,000	1,930,548	2,160,142	229,594	1,544,632
Revenue from state sources					
General education aid	20,006,866	19,930,252	19,907,355	(22,897)	19,083,398
Endowment fund	108,990	144,480	144,479	(1)	114,691
Special education aid	4,100,000	3,838,439	3,838,179	(260)	3,289,120
Educational agricultural and homestead credit	8,000	7,120	7,121	1	7,680
Other aids	1,145,965	1,445,187	1,426,371	(18,816)	1,081,116
Total revenue from state sources	25,369,821	25,365,478	25,323,505	(41,973)	23,576,005
Revenue from federal sources					
Title I	48,071	46,335	44,202	(2,133)	49,780
Special education	133,300	138,155	138,155	-	209,366
Other	33,279	34,116	33,322	(794)	35,521
Coronavirus relief funds	30,448	27,288	27,288	-	140,546
Education stabilization funds	250,775	294,674	294,674	-	239,436
Total revenue from federal source	495,873	540,568	537,641	(2,927)	674,649
Sales and other conversion of assets					
Local sales and other conversion of assets	-	3,441	3,441	-	3,298
Total revenues	31,997,954	33,140,153	33,327,156	187,003	30,410,447
Expenditures					
Current					
Administration					
Salaries and wages	895,310	865,615	861,084	(4,531)	857,265
Employee benefits	434,798	384,697	376,428	(8,269)	389,786
Purchased services	28,700	38,560	35,043	(3,517)	20,280
Supplies and materials	9,600	28,957	22,649	(6,308)	18,716
Capital expenditures	9,347	8,868	5,263	(3,605)	-
Other expenditures	36,885	111,596	22,828	(88,768)	25,981
Total administration	1,414,640	1,438,293	1,323,295	(114,998)	1,312,028
District support services					
Salaries and wages	411,166	422,687	421,705	(982)	392,776
Employee benefits	203,630	161,858	159,928	(1,930)	136,161
Purchased services	200,300	259,277	251,944	(7,333)	192,596
Supplies and materials	97,100	146,718	143,368	(3,350)	133,243
Capital expenditures	276,000	291,594	291,114	(480)	384,583
Other expenditures	9,635	(100,225)	(120,554)	(20,329)	8,950
Total district support services	1,197,831	1,181,909	1,147,505	(34,404)	1,248,309

Independent School District No. 879
Schedule of Revenues, Expenditures, and
Changes In Fund Balance -
Budget and Actual - Detail General Fund
Year Ended June 30, 2024

	2024			2023	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)	Actual Amounts
	Original	Final			
Expenditures					
Elementary and secondary regular instruction					
Salaries and wages	\$ 9,653,024	\$ 9,768,735	\$ 9,716,746	\$ (51,989)	\$ 9,303,465
Employee benefits	3,968,245	3,754,501	3,692,669	(61,832)	3,572,543
Purchased services	751,612	929,640	878,068	(51,572)	788,873
Supplies and materials	346,042	907,068	816,483	(90,585)	844,047
Capital expenditures	29,000	44,537	40,193	(4,344)	69,710
Other expenditures	77,060	81,095	71,108	(9,987)	67,140
Total elementary and secondary regular instruction	<u>14,824,983</u>	<u>15,485,576</u>	<u>15,215,267</u>	<u>(270,309)</u>	<u>14,645,778</u>
Vocational education instruction					
Salaries and wages	82,886	104,468	104,468	-	78,883
Employee benefits	37,874	49,145	48,830	(315)	35,932
Purchased services	207,000	252,175	239,844	(12,331)	224,382
Supplies and materials	2,000	4,522	4,521	(1)	8,037
Other expenditures	1,000	2,000	516	(1,484)	414
Total vocational education instruction	<u>330,760</u>	<u>412,310</u>	<u>398,179</u>	<u>(14,131)</u>	<u>347,648</u>
Special education instruction					
Salaries and wages	3,225,376	3,173,435	3,140,255	(33,180)	2,961,486
Employee benefits	1,287,705	1,309,858	1,258,962	(50,896)	1,127,142
Purchased services	428,925	516,886	479,310	(37,576)	478,850
Supplies and materials	103,091	35,917	26,642	(9,275)	65,973
Capital expenditures	-	4,662	4,662	-	13,553
Other expenditures	50,625	52,485	50,821	(1,664)	38,575
Total special education instruction	<u>5,095,722</u>	<u>5,093,243</u>	<u>4,960,652</u>	<u>(132,591)</u>	<u>4,685,579</u>
Instructional support services					
Salaries and wages	923,074	952,404	949,445	(2,959)	884,350
Employee benefits	379,234	401,357	397,581	(3,776)	371,709
Purchased services	44,000	81,531	76,122	(5,409)	34,268
Supplies and materials	221,585	77,932	61,896	(16,036)	59,300
Capital expenditures	11,000	7,864	8,014	150	1,747
Other expenditures	7,890	7,355	7,288	(67)	7,338
Total instructional support services	<u>1,586,783</u>	<u>1,528,443</u>	<u>1,500,346</u>	<u>(28,097)</u>	<u>1,358,712</u>
Pupil support services					
Salaries and wages	477,056	550,272	545,216	(5,056)	463,180
Employee benefits	322,484	300,238	295,602	(4,636)	290,610
Purchased services	2,023,498	2,016,248	1,992,123	(24,125)	1,842,095
Supplies and materials	18,570	32,213	24,712	(7,501)	16,189
Capital expenditures	1,100	1,929	1,929	-	8,072
Other expenditures	4,150	4,895	4,892	(3)	5,798
Total pupil support services	<u>2,846,858</u>	<u>2,905,795</u>	<u>2,864,474</u>	<u>(41,321)</u>	<u>2,625,944</u>

Independent School District No. 879
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Detail General Fund
Year Ended June 30, 2024

	2024			2023	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)	Actual Amounts
	Original	Final			
Expenditures					
Sites and buildings					
Salaries and wages	\$ 959,934	\$ 951,840	\$ 932,814	\$ (19,026)	\$ 902,048
Employee benefits	463,462	434,027	418,784	(15,243)	421,980
Purchased services	2,487,855	2,228,653	1,660,651	(568,002)	1,320,053
Supplies and materials	583,773	546,857	487,430	(59,427)	562,692
Capital expenditures	70,000	475,532	361,125	(114,407)	148,399
Other expenditures	46,228	103,809	73,506	(30,303)	74,125
Total sites and buildings	<u>4,611,252</u>	<u>4,740,718</u>	<u>3,934,310</u>	<u>(806,408)</u>	<u>3,429,297</u>
Fiscal and other fixed cost programs					
Purchased services	235,000	243,860	243,857	(3)	207,998
Other expenditures	1,000	7,085	6,650	(435)	4,400
Total fiscal and other fixed cost programs	<u>236,000</u>	<u>250,945</u>	<u>250,507</u>	<u>(438)</u>	<u>212,398</u>
Debt service					
Principal	18,102	25,048	38,020	12,972	226,043
Interest and fiscal charges	6,000	2,113	14,921	12,808	16,338
Total debt service	<u>24,102</u>	<u>27,161</u>	<u>52,941</u>	<u>25,780</u>	<u>242,381</u>
Total expenditures	<u>32,168,931</u>	<u>33,064,393</u>	<u>31,647,476</u>	<u>(1,416,917)</u>	<u>30,108,074</u>
Excess of revenues over (under) expenditures	(170,977)	75,760	1,679,680	1,603,920	302,373
Other Financing Sources					
Proceeds from sale of capital assets	-	10	10	-	45
Lease issuance	-	112,882	-	(112,882)	107,069
Total other financing sources	<u>-</u>	<u>112,892</u>	<u>10</u>	<u>(112,882)</u>	<u>107,114</u>
Net change in fund balance	<u>\$ (170,977)</u>	<u>\$ 188,652</u>	<u>1,679,690</u>	<u>\$ 1,491,038</u>	<u>409,487</u>
Fund Balance					
Beginning of year			<u>8,653,393</u>		<u>8,243,906</u>
End of year			<u>\$ 10,333,083</u>		<u>\$ 8,653,393</u>

Independent School District No. 879
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Detail Food Service Fund
Year Ended June 30, 2024

	2024			Variance with Final Budget - Over (Under)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Other local and county revenues				
Interest	\$ 10,000	\$ 42,500	\$ 38,516	\$ (3,984)
Other local revenues	3,500	1,800	1,425	(375)
Total other local and county revenues	<u>13,500</u>	<u>44,300</u>	<u>39,941</u>	<u>(4,359)</u>
Revenue from state sources				
Lunch program aid	<u>785,250</u>	<u>1,117,277</u>	<u>1,117,276</u>	<u>(1)</u>
Revenue from federal sources				
Coronavirus relief funds	52,000	121,024	83,706	(37,318)
Lunch aid program	367,278	323,897	323,549	(348)
Food distribution program	75,000	81,770	144,324	62,554
Total revenue from federal sources	<u>494,278</u>	<u>526,691</u>	<u>551,579</u>	<u>24,888</u>
Sales and other conversion of assets				
Sale of food	149,215	151,546	147,356	(4,190)
Total revenues	<u>1,442,243</u>	<u>1,839,814</u>	<u>1,856,152</u>	<u>16,338</u>
Expenditures				
Current				
Food service				
Salaries and wages	541,551	430,735	430,728	(7)
Employee benefits	202,536	170,610	170,553	(57)
Purchased services	39,205	34,165	34,137	(28)
Supplies and materials	675,400	793,816	819,028	25,212
Capital expenditures	40,000	58,245	58,243	(2)
Other expenditures	3,500	102,235	122,234	19,999
Total expenditures	<u>1,502,192</u>	<u>1,589,806</u>	<u>1,634,923</u>	<u>45,117</u>
Net change in fund balance	<u>\$ (59,949)</u>	<u>\$ 250,008</u>	221,229	<u>\$ (28,779)</u>
Fund Balance				
Beginning of year			<u>787,700</u>	
Ending of year			<u>\$ 1,008,929</u>	

Independent School District No. 879
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Detail Community Service Fund
Year Ended June 30, 2024

	2024			Variance with Final Budget - Over (Under)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Local property taxes				
Property tax levy	\$ 237,843	\$ 228,343	\$ 228,007	\$ (336)
Miscellaneous taxes	100	100	-	(100)
Total local property taxes	<u>237,943</u>	<u>228,443</u>	<u>228,007</u>	<u>(436)</u>
Other local and county revenues				
Tuition and fees	1,822,100	1,947,342	2,018,220	70,878
Interest	10,000	27,800	27,769	(31)
Other local revenues	75,000	122,471	122,912	441
Total other local and county revenues	<u>1,907,100</u>	<u>2,097,613</u>	<u>2,168,901</u>	<u>71,288</u>
Revenue from state sources				
Educational agricultural and homestead credit	1,800	1,800	1,103	(697)
Other aids	198,595	185,989	184,927	(1,062)
Lunch program aid				
Total revenue from state sources	<u>200,395</u>	<u>187,789</u>	<u>186,030</u>	<u>(1,759)</u>
Revenue from federal sources				
Education stabilization funds	30,525	31,978	31,615	(363)
Sales and other conversion of assets				
Sale of food	129,514	138,555	138,844	289
Total revenues	<u>2,505,477</u>	<u>2,684,378</u>	<u>2,753,397</u>	<u>69,019</u>
Expenditures				
Community education and services				
Salaries and wages	1,610,161	1,692,740	1,681,470	(11,270)
Employee benefits	380,454	374,294	375,734	1,440
Purchased services	285,624	331,877	323,988	(7,889)
Supplies and materials	213,776	243,660	224,577	(19,083)
Capital expenditures	17,435	29,444	10,116	(19,328)
Other expenditures	10,928	11,297	8,951	(2,346)
Total expenditures	<u>2,518,378</u>	<u>2,683,312</u>	<u>2,624,836</u>	<u>(58,476)</u>
Excess of revenues over expenditures	<u>\$ (12,901)</u>	<u>\$ 1,066</u>	128,561	<u>\$ 127,495</u>
Fund Balance				
Beginning of year			<u>401,843</u>	
End of year			<u>\$ 530,404</u>	

Independent School District No. 879
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2024

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION FUND			
Total revenue	\$ 33,327,156	\$ 33,327,153	\$ 3	Total revenue	\$ -	\$ -	\$ -
Total expenditures	31,647,476	31,647,472	4	Total expenditures	-	-	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	104,971	104,971	-	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted/reserved:</i>			
4.01 Student Activities	46,739	46,739	-	4.07 Capital Projects Levy	-	-	-
4.02 Scholarships	4,195	4,195	-	4.13 Building Projects Funded by COP	-	-	-
4.03 Staff Development	122,618	122,618	-	4.67 Long-term Facilities Maintenance	-	-	-
4.07 Capital Projects Levy	-	-	-	<i>Restricted:</i>			
4.08 Cooperative Programs	-	-	-	4.64 Restricted fund balance	-	-	-
4.12 Literacy Incentive Aid	115,336	115,336	-	<i>Unassigned:</i>			
4.13 Building Projects Funded by COP/LP	-	-	-	4.63 Unassigned fund balance	-	-	-
4.14 Operating Debt	-	-	-				
4.16 Levy Reduction	-	-	-	07 DEBT SERVICE FUND			
4.17 Taconite Building Maintenance	-	-	-	Total revenue	\$ 5,479,933	\$ 5,479,934	\$ (1)
4.20 American Indian Education Aid	-	-	-	Total expenditures	5,360,123	5,360,123	-
4.24 Operating Capital	912,155	912,155	-	<i>Nonspendable:</i>			
4.26 \$25 Taconite	-	-	-	4.60 Nonspendable fund balance	-	-	-
4.27 Disabled Accessibility	-	-	-	<i>Restricted/reserved:</i>			
4.28 Learning and Development	-	-	-	4.25 Bond refunding	-	-	-
4.34 Area Learning Center	-	-	-	4.33 Maximum effort loan aid	-	-	-
4.35 Contracted Alternative Programs	-	-	-	4.51 QZAB payments	-	-	-
4.36 State Approved Alternative Program	-	-	-	4.67 LTFM	-	-	-
4.38 Gifted and Talented	-	-	-	4.64 Restricted fund balance	1,295,123	1,295,125	(2)
4.39 English Learner	-	-	-	<i>Restricted:</i>			
4.40 Teacher Development and Evaluation	-	-	-	4.63 Unassigned fund balance	-	-	-
4.41 Basic Skills Programs	-	-	-	<i>Unassigned:</i>			
4.43 School Library Aid	-	-	-	08 TRUST FUND	\$ -	\$ -	\$ -
4.48 Achievement and Integration	-	-	-	Total revenue	-	-	-
4.49 Safe Schools Revenue	-	-	-	Total expenditures	-	-	-
4.51 QZAB Payments	-	-	-	U 4.01 Student Activities	-	-	-
4.52 OPEB Liabilities not Held in Trust	-	-	-	4.02 Scholarships	-	-	-
4.53 Unfunded Severance and Retirement Levy	-	-	-	4.22 Net position	-	-	-
4.59 Basic Skills Extended Time	-	-	-	18 CUSTODIAL FUND			
4.67 Long-term Facilities Maintenance	2,289,953	2,289,953	-	Total revenue	\$ 76,585	\$ 76,585	\$ -
4.71 Student Support Personnel Aid	-	-	-	Total expenditures	85,551	85,551	-
<i>Restricted:</i>				4.01 Student Activities	-	-	-
4.64 Restricted fund balance	-	-	-	4.02 Scholarships	4,630	4,630	-
4.72 Medical Assistance	89,127	89,127	-	4.48 Achievement & Integration	-	-	-
4.75 Title VII - Impact Aid	-	-	-	4.64 Restricted fund balance	18,684	18,684	-
4.76 Payments in Lieu of Taxes	-	-	-	20 INTERNAL SERVICE FUND			
<i>Committed:</i>				Total revenue	\$ -	\$ -	\$ -
4.18 Committed for separation	102,076	102,076	-	Total expenditures	-	-	-
4.61 Committed	-	-	-	<i>Unassigned:</i>			
<i>Assigned:</i>				4.22 Net position	-	-	-
4.62 Assigned fund balance	864,674	864,674	-	25 OPEB REVOCABLE TRUST			
<i>Unassigned:</i>				Total revenue	\$ -	\$ -	\$ -
4.22 Unassigned fund balance	5,681,239	5,681,240	(1)	Total expenditures	-	-	-
02 FOOD SERVICES FUND				<i>Unassigned:</i>			
Total revenue	\$ 1,856,152	\$ 1,856,153	\$ (1)	4.22 Net position	-	-	-
Total expenditures	1,634,923	1,634,926	(3)	45 OPEB IRREVOCABLE TRUST	\$ -	\$ -	\$ -
<i>Nonspendable:</i>				Total revenue	-	-	-
4.60 Nonspendable fund balance	52,790	52,790	-	Total expenditures	-	-	-
<i>Restricted/reserved:</i>				<i>Unassigned:</i>			
4.52 OPEB Liabilities not Held in Trust	-	-	-	4.22 Net position	-	-	-
<i>Restricted:</i>				47 OPEB DEBT SERVICE	\$ -	\$ -	\$ -
4.64 Restricted fund balance	956,139	956,138	1	Total revenue	-	-	-
<i>Unassigned:</i>				Total expenditures	-	-	-
4.63 Unassigned fund balance	-	-	-	N 4.60 Nonspendable fund balance	-	-	-
04 COMMUNITY SERVICE FUND				R 4.64 Restricted fund balance	-	-	-
Total revenue	\$ 2,753,397	\$ 2,753,396	\$ 1	U 4.25 Bond refundings	-	-	-
Total expenditures	2,624,836	2,624,836	-	4.63 Restricted fund balance	-	-	-
<i>Nonspendable:</i>				4.63 Unassigned fund balance	-	-	-
4.60 Nonspendable fund balance	6,741	6,741	-				
<i>Restricted/reserved:</i>							
4.26 \$25 Taconite	-	-	-				
4.31 Community Education	503,300	503,300	-				
4.32 ECFE	260	260	-				
4.40 Teacher Development and Evaluation	-	-	-				
4.44 School Readiness	13,610	13,610	-				
4.47 Adult Basic Education	897	897	-				
4.52 OPEB Liabilities not Held in Trust	-	-	-				
<i>Restricted:</i>							
4.64 Restricted fund balance	5,596	5,596	-				
<i>Unassigned:</i>							
4.63 Unassigned fund balance	-	-	-				

Independent School District No. 879
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal Agency/Pass Through Agency/Program Title	Federal Assistance Listing Number	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education		
Child Nutrition Cluster:		
Commodities Programs	10.555	\$ 144,324
Supply Chain Assistance Funding - COVID	10.555	64,610
School Breakfast	10.553	41,314
Type A Lunch	10.555	<u>282,235</u>
Total Child Nutrition Cluster and U.S. Department of Agriculture		532,483
U.S. Department of Treasury		
Through Minnesota Department of Education		
America Resue Plan - COVID	21.027	27,289
Through City of Delano		
Coronavirus Relief Fund - COVID	21.019	653
Total U.S. Department of Treasury		<u>27,942</u>
U.S. Department of Education		
Through Minnesota Department of Education		
Title I, Part A	84.010	44,202
Title II, Part A - Improving Teacher Quality	84.367	23,323
Title IV, Part A	84.186	10,000
Education Stabilization Fund Cluster		
ESSER III 90% - COVID	84.425U	178,953
ESSER III Learning Loss - COVID	84.425U	26,758
ESSER III ARP Learning Recovery, lost instruction - COVID	84.425U	112,990
Expanded Summer Learning - ESSER - COVID	84.425D	7,591
Total Education Stabilization Fund		<u>326,292</u>
Through Meeker and Wright Special Education Cooperative No. 938		
Special Education Cluster:		
Special Education	84.027	122,935
Preschool Grants	84.173	15,221
Total Special Education Cluster		<u>138,156</u>
Total U.S. Department of Education		<u>541,973</u>
Federal Communications Commission		
Through Universal Service Administrative Co.		
Emergency Connectivity Fund - COVID	32.009	18,443
Total Federal Expenditures		<u>\$ 1,120,841</u>

Independent School District No. 879
Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - PASS-THROUGH GRANT NUMBERS

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

NOTE 4 - INVENTORY

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

NOTE 5 - INDIRECT COST RATE

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

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

Independent Auditor's Report

To the School Board
Independent School District No. 879
Delano, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 879, Delano, Minnesota, as of and for the year ending June 30, 2024, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 7, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

District's Response to the Finding

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

Purpose of this Report

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

Bergan KDV Ltd.

St. Cloud, Minnesota
November 7, 2024



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

Independent Auditor's Report

To the School Board
Independent School District No. 879
Delano, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, Independent School District No. 879 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

Report on Internal Control over Compliance (Continued)

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

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

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

Bergan KDV Ltd.

St. Cloud, Minnesota
November 7, 2024

**Independent School District No. 879
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal control over financial reporting:
 ◆ Material weakness(es) identified? No
 ◆ Significant deficiency(ies) identified? Yes, Audit Finding 2024-001

Noncompliance material to financial statements noted? No

Federal Awards

Type of auditor's report issued on compliance for major programs: Unmodified

Internal control over major programs:
 ◆ Material weakness(es) identified? No
 ◆ Significant deficiency(ies) identified? None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516? No

Identification of Major Programs

Assistance Listing No: 10.553, 10.555
 Name of Federal Program or Cluster: Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

**Independent School District No. 879
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II - FINANCIAL STATEMENT FINDINGS

Audit Finding 2024-001

Criteria:

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

Condition:

The District does not have adequate segregation of accounting duties.

Context:

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

Cause:

There are a limited number of office employees.

Effect or Potential Effect:

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

Recommendation:

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

**Independent School District No. 879
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2024-001 (Continued)

Views of the Responsible Officials and Planned Corrective Actions:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
Administration will examine current segregation of accounting duties and identify areas of concern. As these areas are identified, Administration will develop policies that will address and mitigate such potential problems while working within current financial constraints. Specific areas of greatest concern will be identified first and then addressed, followed up by policies with a plan to reduce the risk of problems. Specifics will be noted in the policies as they are brought before the School Board. An individual who is responsible for the implementation of the specific control will be named, as well as information on how the control added will potentially reduce risk of possible misstatement in the basic financial statements. As areas are addressed, other areas will be examined and corrected whenever possible.
3. Official Responsible for Ensuring CAP
Matthew Schoen, Superintendent, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is ongoing.
5. Plan to Monitor Completion of CAP
The School Board will be monitoring this CAP.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV - PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None



Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 879
Delano, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 879, Delano, Minnesota, as of and for the year ended June 30, 2024, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 7, 2023.

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

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

Bergan KDV Ltd.

St. Cloud, Minnesota
November 7, 2024