

**Independent School District No. 727
Big Lake, Minnesota**

Basic Financial Statements

June 30, 2024

**Independent School District No. 727
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Independent School District No. 727
Board of Education and Administration
Error! Unknown switch argument.

<u>Board of Education</u>	<u>Position</u>	<u>Term Expires</u>
Tonya Reasoner	Chairperson	December 31, 2026
Amber Sixberry	Treasurer	December 31, 2024
Tony Scales	Clerk	December 31, 2024
Lenette Brown	Director	December 31, 2026
Derek Nelson	Director	December 31, 2024
Ashley Schabilion	Director	December 31, 2026
 <u>Administration</u>		
Tim Truebenbach	Superintendent	
Angie Manuel	Director of Business Services	
Robert Dockendorf	High School Principal	
Mark Ernst	Middle School Principal	
Teresa Smock-Potter	Liberty Elementary Principal	
Jona Deveal	Independence Elementary Principal	

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Independent Auditor's Report

To the School Board
Independent School District No. 727
Big Lake, 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. 727, Big Lake, 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. 727, as of June 30, 2024, and the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 727 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. 727 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 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.

BerganKDV, Ltd.

St. Cloud, Minnesota
November 7, 2024

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Independent School District No. 727 Management's Discussion and Analysis

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

The Management's Discussion and Analysis (MD&A) is an element of 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

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

- ◆ Net Position increased from \$10,700,316 to \$23,292,490, an increase of \$12,592,174 due to a \$6.7 million increase in general operational results and decrease in long-term liabilities of \$4.6 million.
- ◆ General Fund revenues were \$48,575,560 as compared to expenditures of \$44,141,982 for revenues over expenditures of \$4,433,578. After other financing sources of \$2,263,034, the net change in general fund balances was \$6,696,612.
- ◆ Total General Fund balance increased \$6,696,612. Unassigned General Fund Balance increased \$1,529,666, which was a result of an increase in state special education cross subsidy aid. Restricted and Committed/Assigned Fund Balances increased \$5,194,467, mainly due to timing of capital projects and receipt of insurance proceeds. Nonspendable Fund balance decreased by \$27,521.
- ◆ The District decreased its long-term liabilities by \$4,944,233 as a result of payments on its general obligation bonds with no issuance of new debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

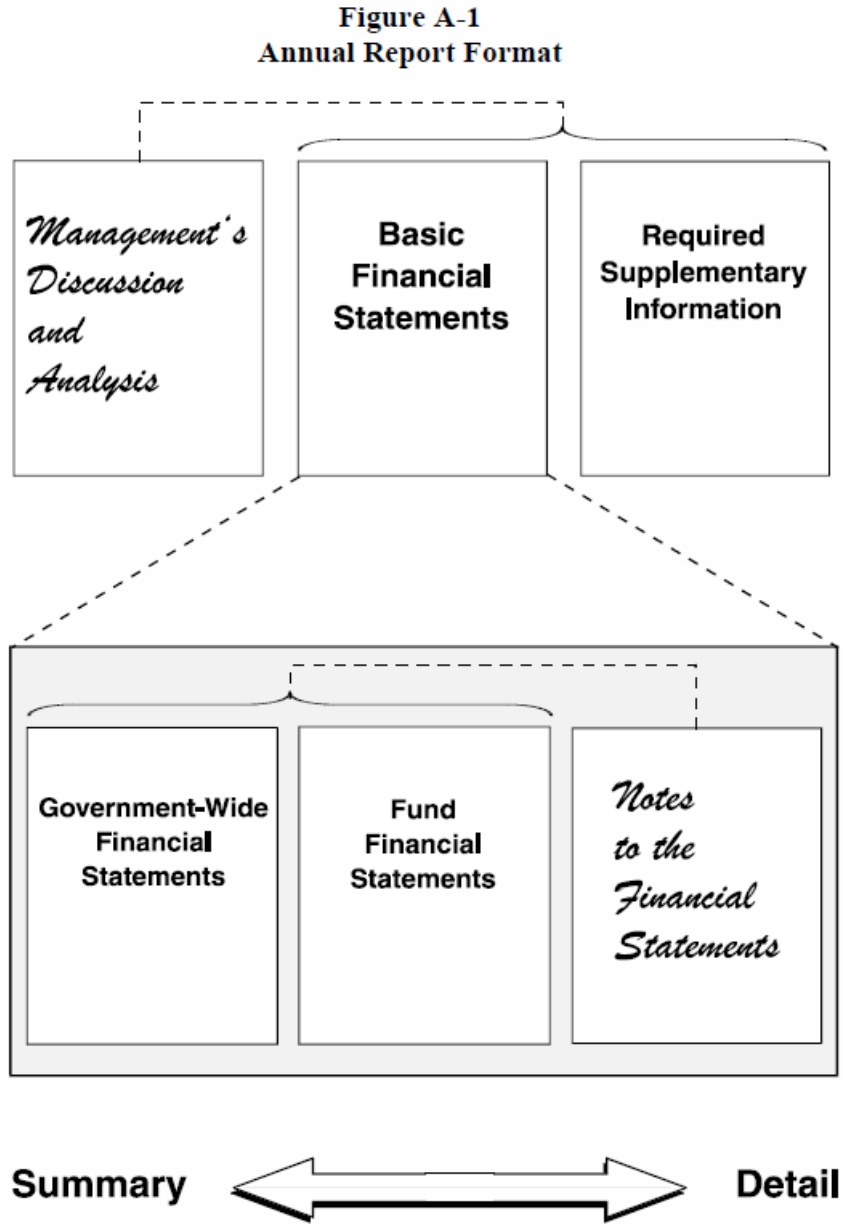
- ◆ The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- ◆ The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's 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.

Independent School District No. 727
Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



**Independent School District No. 727
Management's Discussion and Analysis**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and contents of each of the statements.

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements				
Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District's government (except fiduciary funds) and the Districts Component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	◆ Statement of net position	◆ Balance sheet	◆ Statement of net position	◆ Statement of fiduciary net position
	◆ Statement of activities	◆ Statement of revenues, expenditures, & changes in fund balances	◆ Statement of changes in net position	◆ Statement of changes in fiduciary net assets
			◆ Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the District's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

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

The two government-wide statements report the District's Net Position and how they have changed. Net Position: the difference between the District's assets, deferred outflows of resources, 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 are an indicator of whether its financial position is improving or deteriorating, respectively.

Independent School District No. 727 Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Statements (Continued)

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

In the 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, student support services, 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 may establish other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The District has two types 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 by those to whom the assets belong. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

**Independent School District No. 727
Management's Discussion and Analysis**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined Net Position was \$23,292,490 on June 30, 2024, an increase of \$12,592,174 due to a \$6.7 million increase in general operational results and decrease in long-term liabilities of \$4.6 million. (See Table A-1). The decrease in current and other assets resulted in an increase in capital and noncurrent assets due to the third year of planned construction projects related to the November 2021 bond referendum.

Table A-1

	Governmental Activities		Percentage Change
	2024	2023	
Current and other assets	\$ 50,640,375	\$ 53,755,739	-5.80%
Capital and noncurrent assets	84,672,112	75,189,731	12.61%
Total assets	<u>135,312,487</u>	<u>128,945,470</u>	4.94%
Deferred outflows of resources	<u>8,267,799</u>	<u>9,771,927</u>	-15.39%
Current liabilities	12,842,020	13,505,192	-4.91%
Long-term liabilities	<u>91,524,470</u>	<u>96,151,577</u>	-4.81%
Total liabilities	<u>104,366,490</u>	<u>109,656,769</u>	-4.82%
Deferred inflows of resources	<u>15,921,306</u>	<u>18,360,312</u>	-13.28%
Net position			
Invested in capital assets, net of related debt	25,663,203	22,093,474	16.16%
Restricted	7,599,343	5,284,247	43.81%
Unrestricted	<u>(9,970,056)</u>	<u>(16,677,405)</u>	40.22%
Net position	<u><u>\$ 23,292,490</u></u>	<u><u>\$ 10,700,316</u></u>	<u>117.68%</u>

Changes in Net Position

The District's total revenues were \$64,445,934 for the year ended June 30, 2024. Property taxes, unrestricted state formula aid, and other revenue accounted for 62% of total revenue for the year (See Figure A-3). The remaining 38% came from other program revenues (charges for services, operating and capital grants, and contributions). Investment earnings increase is a result of rising interest rates during 2023-2024. Charges for services increased due to insurance proceeds from a wind/hail claim in July 2023. Operating grants and contributions increased because of a legislative change in special education cross subsidy aid and receipt of state funds for the free meals program. 2023-2024 was the first year of free meals for all students in the state of Minnesota.

**Independent School District No. 727
Management's Discussion and Analysis**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

**Table A-2
Change in Net Position**

	Governmental Activities for the Fiscal Year Ended June 30,		Total Percentage Change
	2024	2023	
Revenues			
Program revenues			
Charges for services	\$ 5,921,877	\$ 4,310,079	37.40%
Operating grants and contributions	17,297,030	10,579,920	63.49%
Capital grants and contributions	1,182,926	1,173,308	0.82%
General revenues			
Property taxes	12,741,521	11,242,508	13.33%
Unrestricted state aid	25,523,843	25,264,450	1.03%
Investment earnings	1,711,485	998,147	71.47%
Other	67,252	72,455	-7.18%
Total revenues	<u>64,445,934</u>	<u>53,640,867</u>	<u>20.14%</u>
Expenses			
Administration	1,545,798	1,310,180	17.98%
District support services	1,488,364	1,360,257	9.42%
Regular instruction	18,829,089	15,810,226	19.09%
Vocational education instruction	703,061	587,406	19.69%
Special education instruction	9,942,373	8,255,936	20.43%
Instructional support services	2,199,652	2,724,042	-19.25%
Pupil support services	4,389,767	3,764,806	16.60%
Sites and buildings	5,435,989	5,338,511	1.83%
Fiscal and other fixed cost programs	285,159	246,496	15.69%
Food service	2,378,096	2,153,486	10.43%
Community service	3,472,092	3,081,072	12.69%
Interest and fiscal charges on Long-term liabilities	1,184,320	1,385,998	-14.55%
Total expenses	<u>51,853,760</u>	<u>46,018,416</u>	<u>12.68%</u>
Increase (decrease) in net position	12,592,174	7,622,451	65.20%
Beginning net position	<u>10,700,316</u>	<u>3,077,865</u>	
Change in accounting principle	<u>-</u>	<u>-</u>	
Ending net position	<u>\$ 23,292,490</u>	<u>\$ 10,700,316</u>	

Independent School District No. 727
Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Figure A-3 Sources of District Revenue for Fiscal 2024

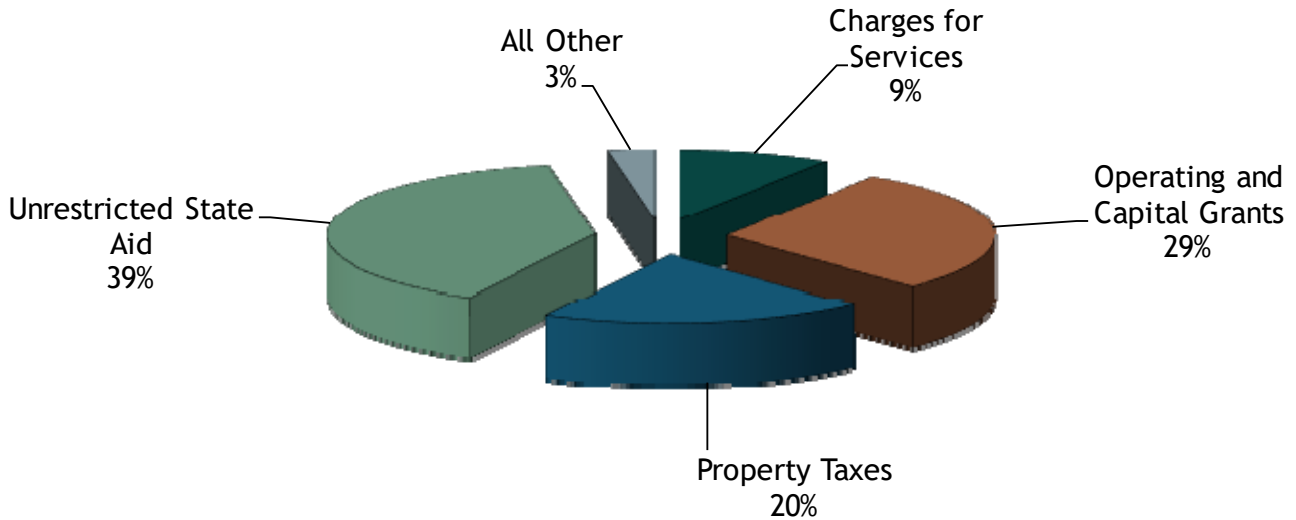
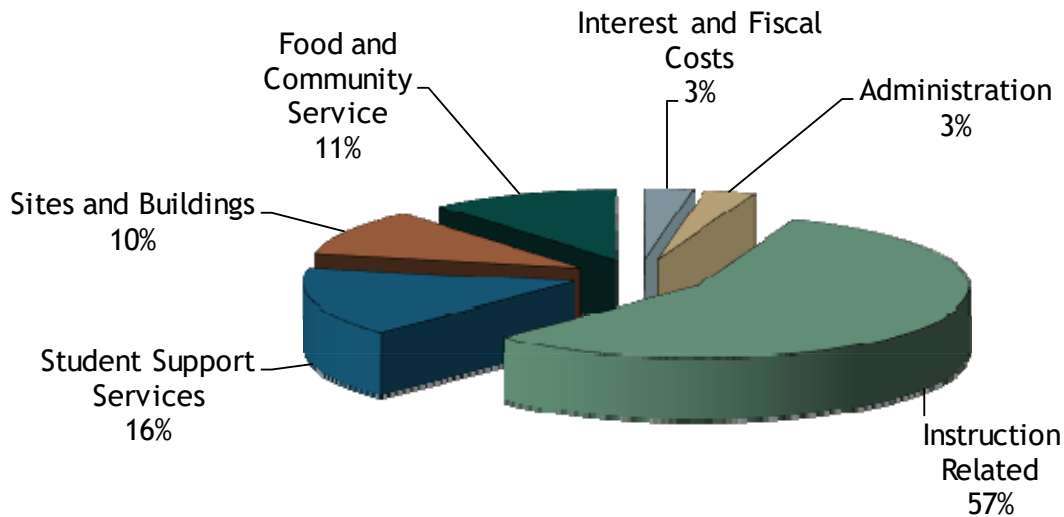


Figure A-4 District Expenses for Fiscal 2024



The total cost of all programs and services was \$51,853,760 for fiscal year 2024. The District's expenses are predominately related to educating and caring for students (73%). (See Figure A-4). Another 3% of expenses are related to interest and fiscal costs for the District's bonds. Another 10% support the facilities maintenance needs of the entire District. Only 3% of the costs are for administration. Finally, 11% of total expenses are for food and community service programs.

**Independent School District No. 727
Management's Discussion and Analysis**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The cost of all governmental activities this year was \$51,853,760.

- ◆ Some of the cost was paid by the users of the District's programs (\$5,921,877).
- ◆ The federal and state governments subsidized certain programs with grants and contributions (\$18,479,956).
- ◆ Most of the District's costs (\$38,265,364); however, were paid for by District taxpayers and taxpayers of the State of Minnesota.

Typically, the District does not incorporate funds distributed 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 73% of those resources are spent on instruction and support services associated with education.

**Table A-3
Program Expenses and Net Cost of Services**

	Total Cost of Services		Percent Change	Net Cost of Services		Percent Change
	2024	2023		2024	2023	
Administration	\$ 1,545,798	\$ 1,310,180	17.98%	\$ 1,545,798	\$ 1,310,180	17.98%
District support services	1,488,364	1,360,257	9.42%	1,488,364	1,360,257	9.42%
Regular instruction	18,829,089	15,810,226	19.09%	13,743,759	12,153,381	13.09%
Vocational education instruction	703,061	587,406	19.69%	675,680	546,888	23.55%
Special education instruction	9,942,373	8,255,936	20.43%	1,321,556	3,133,390	-57.82%
Instructional support services	2,199,652	2,724,042	-19.25%	1,284,225	2,101,075	-38.88%
Pupil support services	4,389,767	3,764,806	16.60%	3,420,562	3,013,265	13.52%
Sites and buildings	5,435,989	5,338,511	1.83%	2,480,787	4,601,042	-46.08%
Fiscal and other fixed cost programs	285,159	246,496	15.69%	285,159	246,496	15.69%
Food service	2,378,096	2,153,486	10.43%	(255,434)	29,391	-969.09%
Community service	3,472,092	3,081,072	12.69%	277,151	73,746	275.82%
Interest and fiscal charges on long-term liabilities	1,184,320	1,385,998	-14.55%	1,184,320	1,385,998	-14.55%
Total	\$ 51,853,760	\$ 46,018,416	12.68%	\$ 27,451,927	\$ 29,955,109	-8.36%

**Independent School District No. 727
Management's Discussion and Analysis**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$29,703,028. Revenues for the District's governmental funds were \$62,064,307 while total expenditures were \$67,717,069, for a decrease of \$5,652,762. After other financing sources of \$2,263,034 the combined fund balance decreased \$3,389,728. This decrease was the result of the continuing construction projects from the November 2021 bond referendum, which financed various deferred capital projects and renovations to educational spaces.

GENERAL FUND

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

A sizable portion of General Fund revenue is generated by state general education aid. The basic formula allowance in 2024 was \$7,138 per adjusted marginal cost per pupil unit (AMCPU). Other factors that influence the general education aid formula include operating referendum allowance, age of school buildings, transportation sparsity index, percent of eligible free and reduced students, number of English Learner (EL) students, number of Gifted and Talented students, and number of open enrolled students in and out of the District. Total general education aid was \$ 29,328,142 which represents 60% of total General Fund revenue. The other major General Fund revenue is state special education aid. Total special education aid in 2024 was \$7,928,674 16% of total General Fund revenue. Other state formulas then determine what part of the general fund revenue will be provided by property taxes. Property taxes totaled \$6,587,230, 13.5% of total General Fund revenue. In fiscal year 2024, pandemic related federal grants totaled \$ 998,855, 2% of total General Fund revenue. After factoring in general education aid, special education aid and property taxes, which are all formula driven, and pandemic related federal grants, only 8.5% of General Fund revenues are generated by other miscellaneous state aids, aid from the federal government and local revenues such as fees or sales.

GENERAL FUND - ENROLLMENT

Enrollment is a critical factor in determining revenue with most of the General Fund revenue being driven by student counts. The chart on the next page shows that enrollment decreased 2.75% in 2020-2021 because of the COVID-19 pandemic. With the return to 100% in person learning as well as the addition of K-5 and 6-12 Big Lake Online programming, enrollment increased 4.89% in 2021-2022. Growth continued in 2022-2023 with another 1.93% increase in enrollment but the District experienced a slight decline of 1.09% in 2023-2024.

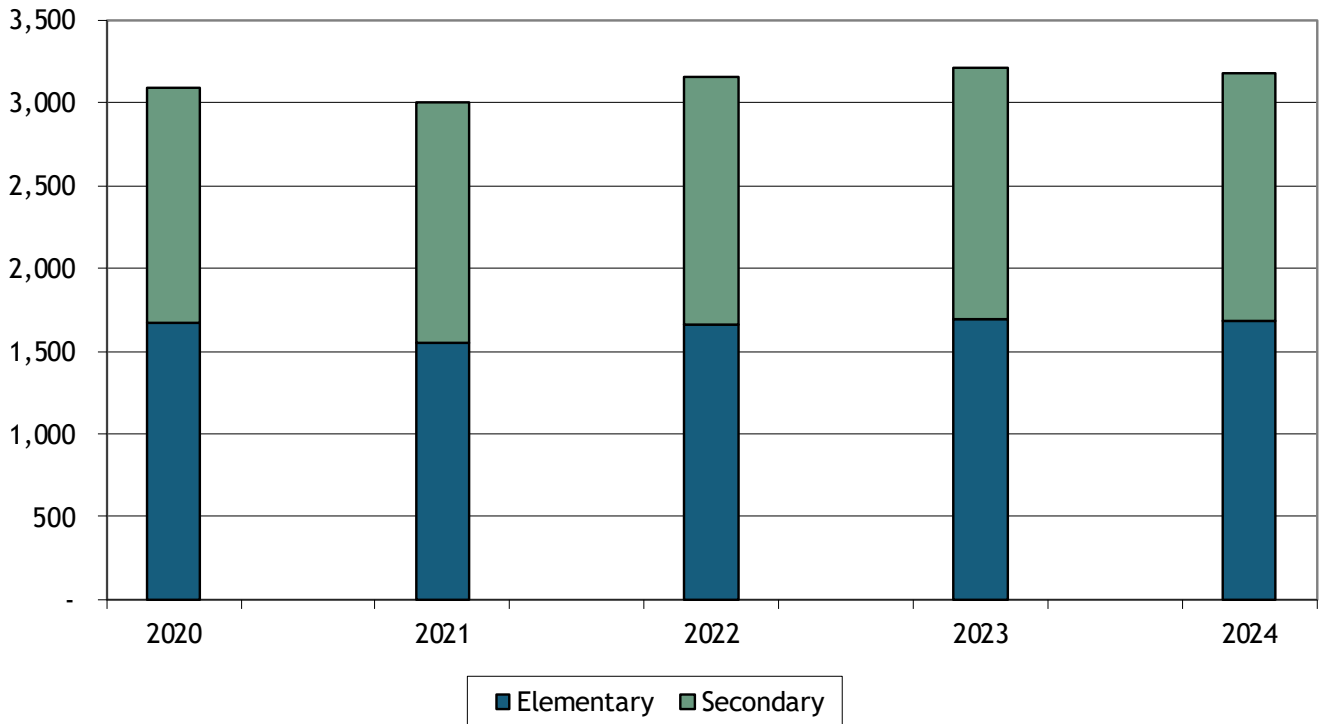
**Independent School District No. 727
Management's Discussion and Analysis**

GENERAL FUND - ENROLLMENT (CONTINUED)

**Table A-4
Five Year Enrollment Trend
Average Daily Membership (ADM)**

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Elementary	1,668	1,545	1,656	1,692	1,683
Secondary	<u>1,423</u>	<u>1,461</u>	<u>1,497</u>	<u>1,522</u>	<u>1,496</u>
Total	<u><u>3,091</u></u>	<u><u>3,006</u></u>	<u><u>3,153</u></u>	<u><u>3,214</u></u>	<u><u>3,179</u></u>
		-2.75%	4.89%	1.93%	-1.09%

**Big Lake Public Schools
Student Enrollment (in ADM's)**



**Independent School District No. 727
Management's Discussion and Analysis**

GENERAL FUND - REVENUES/EXPENDITURES

The table below presents a summary of General Fund Revenues:

**Table A-5
General Fund Revenues**

Fund	Year Ended		Change	
	June 30,		Increase	Percent
	2024	2023	(Decrease)	
Local sources				
Property taxes	\$ 6,587,230	\$ 5,559,780	\$ 1,027,450	18.48%
Investment earnings	745,366	364,051	381,315	104.74%
Other	1,278,490	1,228,970	49,520	4.03%
State sources	38,273,303	32,497,857	5,775,446	17.77%
Federal sources	1,691,171	1,831,517	(140,346)	-7.66%
Total	\$ 48,575,560	\$ 41,482,175	\$ 7,093,385	17.10%

Revenues from the General Fund totaled \$48,575,560, an increase of 17.10% from the prior year. The favorable results in investment earnings reflected the rise in interest rates during 2023-2024. State sources increased due to increases in general education, most notably compensatory funding, and special education cross subsidy aid.

The following schedule presents a summary of General Fund Expenditures:

**Table A-6
General Fund Expenditures**

	Year Ended		Change	
	June 30,		Increase	Percent
	2024	2023	(Decrease)	
Salaries	\$ 25,635,979	\$ 24,177,297	\$ 1,458,682	6.03%
Employee benefits	9,782,558	9,175,955	606,603	6.61%
Purchased services	6,129,128	6,129,715	(587)	-0.01%
Supplies and materials	1,548,931	1,973,460	(424,529)	-21.51%
Capital expenditures	977,160	885,846	91,314	10.31%
Other expenditures	68,226	69,761	(1,535)	-2.20%
Total	\$ 44,141,982	\$ 42,412,034	\$ 1,729,948	4.08%

**Independent School District No. 727
Management's Discussion and Analysis**

GENERAL FUND - REVENUES/EXPENDITURES (CONTINUED)

Total General Fund expenditures increased 4.08% from the prior year. Salaries and benefits increased because of contract increases and the addition of student support services staff as well as special education staff, due to an increase in special education students. The decrease in supplies and materials is due to the District purchasing several technology devices for staff and students as well as buying new curriculum subscriptions in 2022-2023.

Total General Fund balance increased \$6,696,612. Unassigned General Fund Balance increased \$1,529,666, which was a result of an increase in state special education cross subsidy aid. Restricted and Committed/Assigned Fund Balances increased \$5,194,467, mainly due to timing of capital projects and receipt of insurance proceeds. Nonspendable Fund balance decreased by \$27,521. The Unassigned Fund Balance, or fund balance available for operations, is 19.4% of total General Fund expenditures.

Fund balance is the single best measure of overall financial health. It is the goal of the Big Lake School Board to maintain an unassigned fund balance of 9-12% of general fund operating expenditures. At

June 30, 2024, the Big Lake School District is in compliance with that fund balance goal.

GENERAL FUND - BUDGETARY HIGHLIGHTS

Actual revenues were \$1,159,393 over the final budget, a 2.4% variance. The variance is due to larger than expected special education aid and better than expected investment earnings. The special education aid increase was due to less tuition expenditures to the District's special education cooperative. Actual expenditures were \$1,608,171 under budget, a 3.5% variance. The expenditure variance is mainly the result of the timing of certain capital and curriculum expenditures and less than expected salaries and benefits, mainly in extra duty pay and budgeted positions that were not able to be filled. Some part-time and casual positions as well as paraeducators were not able to be filled due to the competitive labor market. In addition, a building project related to an insurance claim was budgeted to be partially completed in 2023-2024, but the start date was delayed to 2024-2025.

The General Fund budget is adjusted several times throughout the year for changes in enrollment, changes in special education funding assumptions, changes in other state aids, and expenditure changes such as staffing costs, transportation, utilities, and capital expenditures. In fiscal year 2024, revenue was adjusted for increased enrollment, changes in special education funding, changes in grants, increased investment earnings, and insurance recovery revenue. As for expenditures, the budget was changed throughout the year for changes in staffing and benefit assumptions, changes in grants, increase in transportation costs, and timing of capital projects.

DEBT SERVICE FUND

The Debt Service Fund net change in fund balance was \$ \$70,301. Favorable investment earnings contributed to the surplus in 2023-2024.

School districts in Minnesota are only allowed to keep 5% of the following year's bond principal and interest payments due in their ending fund balance. Any excess fund balance is returned to the local taxpayers in a subsequent year property tax levy.

**Independent School District No. 727
Management's Discussion and Analysis**

CAPITAL PROJECTS FUND

In 2021-2023, after successful passage of the November 2021 bond referendum, the District issued \$30,000,000 in General Obligation Bonds to finance various deferred capital projects and renovations to educational spaces. Projects are expected to be completed over four years and 2023-2024 represented the third year of various capital projects pertaining to the referendum. Projects in 23-24 included HVAC upgrades, renovation of media center spaces, and a new high school fitness center.

OTHER NON-MAJOR FUNDS

The Food Service Fund balance increased \$100,191 for an ending fund balance of \$906,526. Fiscal year 2023-2024 was the first year of Minnesota's Free Meals program. All students receive one free meal for breakfast and one free meal at lunch, and districts were reimbursed by the state of Minnesota for those students that did not qualify for federal free meals. Meal counts increased greatly in 23-24 due to Minnesota's free meals program. The positive results in 2023-2024, as well as prior years, are being reinvested back into the food program with \$346,000 in equipment being replaced in 2023-2024.

The Community Service Fund had another successful operational year with growth in youth and recreational programs as well as school age care and preschool programs. As a result, the Community Service fund revenues exceeded expenditures by \$151,160. The ending fund balance of \$1,342,213 is being retained to keep program fees low and will also be used to reinvest in community education programming and offset the inadequate funding for school readiness programs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2024, the District had invested \$134 million in a broad range of capital assets, including school buildings, athletic facilities and fields, instructional and non-instructional equipment, computers, and other technology devices. (More detailed information about capital assets can be found in Note 3 to the financial statements.) Total depreciation expense for the year was \$3.7 million.

**Table A-7
Capital Assets (Net of Accumulated Depreciation)**

	2024	2023	Percentage Change
Land	\$ 784,389	\$ 784,389	0.00%
Construction on progress	18,114,020	22,094,096	-18.01%
Land improvements	5,571,898	5,960,458	-6.52%
Buildings and improvements	56,052,766	43,987,913	27.43%
Equipment	4,149,039	2,362,875	75.59%
 Total	 <u>\$ 84,672,112</u>	 <u>\$ 75,189,731</u>	 <u>12.61%</u>

**Independent School District No. 727
Management's Discussion and Analysis**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Each year, departments review their machinery and equipment capital inventories. Disposals are then accounted for accordingly as items are sold or deemed obsolete. The overall increase in capital assets is a result of the addition of Construction in Progress Phases I-III of the capital projects funded by the 2022A School Building Bonds from the November 2021 bond referendum.

Construction - Next Five Years

On November 2nd, 2021, the Big Lake School District successfully passed a \$30 million bond referendum to restore and renew school facilities for future generations. Phase I of the referendum projects began in the spring and summer of 2022, Phases II and III occurred in 2022-2023 and 2023-2024. Over the next two years the District will be updating career and technical education spaces at the redesigning, and improving media centers and upgrading special education spaces, all at the middle school. In addition, the redesign of Liberty elementary parking lot for safety and security occurred in the summer of 2024.

In 2024-2025, the District will begin repairing roofs at all buildings from a hailstorm in July, 2023.

LONG-TERM LIABILITIES

At year-end, the District had \$66,297,379 in total long-term debt, a decrease of 6.94% from last year, as shown in Table A-8. Included in this total, the District has \$241,491 in severance liabilities. More detailed information about long-term liabilities can be found in Note 4 of the financial statements.

**Table A-8
Long-Term Liabilities**

	Total Cost of Services		Percentage
	2024	2023	Change
General obligation bonds	\$ 64,185,000	\$ 68,880,000	-6.82%
Premium	1,486,872	1,868,772	-20.44%
Severance payable	241,491	256,109	-5.71%
Compensated absences payable	384,016	236,731	62.22%
Total	\$ 66,297,379	\$ 71,241,612	-6.94%

General obligation bonds and premium on bonds decreased due to the yearly payments on bonds and amortization of premium with no new debt issued. Severance payable decreased 5.71% due to retirement of qualified employees from a closed retirement plan. Compensated absences increased due to salary increases and various changes in policies allowing more time to be accumulated.

Independent School District No. 727 Management's Discussion and Analysis

FACTORS BEARING ON THE DISTRICT'S FUTURE

The number one factor bearing on the District's future is enrollment. Enrollment determines most state funding, especially general education aid. Over the last five years, the District experienced a significant decline in the COVID pandemic year of 2020-2021 and a small decline in 2023-2024 due to less residents and more open enrolled students out to other districts. In the fall of 2024-2025, the District is again experiencing growth with an increase in kindergarten and robust growth in the Big Lake Online program, most notably in the secondary grade levels. The Big Lake Online program has been instrumental in attracting resident students as well as students from other districts. Without the online program, the District would have been experiencing a more significant decline in enrollment in the past.

Another significant determining factor in the District's future is the state of the Minnesota economy. School districts received historic increases in funding from the 2024 Legislature; however, historic unfunded mandates were also passed, including summer term unemployment eligibility for hourly employees. While the state provided some funding for the summer term unemployment, it is expected to be depleted sometime in the 2025-2026 school year. Compensatory funding, which was held harmless for districts in 2024-2025, is expected to decrease in 2025-2026 as the Legislature changed the formula which may negatively affect many districts, including Big Lake. Fortunately, the state of Minnesota did increase funding for special education cross-subsidy aid, which positively impacted the District's budget and is expected to increase in the years to come.

Last, the future for school funding across the state remains unknown after the recent historical general election of 2024, both at the state and federal level. At the local level, the Big Lake School District was able to successfully pass the renewal of a technology levy, but the questions for an increase in the operating referendum and the building of a multi-purpose facility for curriculum and special education spaces failed. The District has begun the process of evaluating and seeking feedback on why the operating and building referendums failed and considering the possibility of going out to the voters again in November 2025.

As always, the District remains committed to providing academic excellence and educational opportunities for its students within a framework of financial fiduciary responsibility.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Business Services, Independent School District 727, 701 Minnesota Avenue, Big Lake, Minnesota, 55309-9246.

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BASIC FINANCIAL STATEMENTS

Independent School District No. 727
Statement of Net Position
June 30, 2024

	<u>Governmental Activities</u>
Assets	
Cash and investments (including cash equivalents)	\$ 38,441,030
Current property taxes receivable	6,574,600
Delinquent property taxes receivable	113,331
Accounts receivable	236,431
Interest receivable	259,902
Due from Department of Education	3,358,107
Due from Federal Government through Department of Education	769,456
Due from other Minnesota school districts	507,030
Due from other governmental units	158,895
Inventory	45,846
Prepaid items	67,718
Equity interest in joint venture	108,029
Capital assets, not being depreciated	
Land	784,389
Construction in progress	18,114,020
Capital assets, net of accumulated depreciation	
Land improvements	5,571,898
Buildings	56,052,766
Machinery and equipment	4,149,039
Total assets	<u>135,312,487</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	8,106,763
Deferred outflows of resources related to OPEB	161,036
Total deferred outflows of resources	<u>8,267,799</u>
 Total assets and deferred outflows of resources	 <u><u>\$ 143,580,286</u></u>

Independent School District No. 727
Statement of Net Position
June 30, 2024

	<u>Governmental Activities</u>
Liabilities	
Accounts and contracts payable	\$ 2,990,152
Salaries and benefits payable	4,029,299
Interest payable	643,302
Due to other Minnesota school districts	245,041
Due to other governmental units	56,176
Unearned revenue	135,312
Bond principal payable	
Payable within one year	4,605,000
Payable after one year	61,066,872
Compensated absences payable	
Payable after one year	384,016
Severance payable	
Payable after one year	241,491
Net other post employment benefits (OPEB) liability	
Payable within one year	137,738
Payable after one year	848,086
Net pension liability	28,984,005
Total liabilities	<u>104,366,490</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	2,055,758
Deferred inflows of resources related to OPEB	539,834
Deferred charge on refunding	65,707
Property taxes levied for subsequent year's expenditures	13,260,007
Total deferred inflows of resources	<u>15,921,306</u>
Net Position	
Net investment in capital assets	25,663,203
Restricted for	
Debt service	944,191
Capital projects	1,346,811
Other purposes	5,308,341
Unrestricted	(9,970,056)
Total net position	<u>23,292,490</u>
 Total liabilities, deferred inflows of resources, and net position	 <u><u>\$ 143,580,286</u></u>

Independent School District No. 727
Statement of Activities
Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Administration	\$ 1,545,798	\$ -	\$ -	\$ -	\$ (1,545,798)
District support services	1,488,364	-	-	-	(1,488,364)
Elementary and secondary regular instruction	18,829,089	358,769	4,168,642	557,919	(13,743,759)
Vocational education instruction	703,061	-	27,381	-	(675,680)
Special education instruction	9,942,373	533,347	8,087,470	-	(1,321,556)
Instructional support services	2,199,652	6,401	909,026	-	(1,284,225)
Pupil support services	4,389,767	32,421	936,784	-	(3,420,562)
Sites and buildings	5,435,989	2,299,923	30,272	625,007	(2,480,787)
Fiscal and other fixed cost programs	285,159	-	-	-	(285,159)
Food service	2,378,096	196,944	2,436,586	-	255,434
Community education and services	3,472,092	2,494,072	700,869	-	(277,151)
Interest and fiscal charges on long-term debt	1,184,320	-	-	-	(1,184,320)
Total governmental activities	\$ 51,853,760	\$ 5,921,877	\$ 17,297,030	\$ 1,182,926	(27,451,927)
General revenues					
Taxes					
Property taxes, levied for general purposes					6,593,110
Property taxes, levied for community service					324,122
Property taxes, levied for debt service					5,824,289
State aid-formula grants					25,523,843
Other general revenues					67,252
Investment income					1,711,485
Total general revenues					<u>40,044,101</u>
Change in net position					12,592,174
Net position - beginning					<u>10,700,316</u>
Net position - ending					<u>\$ 23,292,490</u>

Independent School District No. 727
Balance Sheet - Governmental Funds
June 30, 2024

	General	Capital Projects	Debt Service	Other Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 21,039,031	\$ 10,453,342	\$ 4,425,951	\$ 2,522,706	\$ 38,441,030
Current property taxes receivable	3,593,273	-	2,846,265	135,062	6,574,600
Delinquent property taxes receivable	54,233	-	55,633	3,465	113,331
Accounts receivable	172,156	2,199	-	62,076	236,431
Interest receivable	137,636	122,266	-	-	259,902
Due from Department of Education	3,254,545	-	54,731	48,831	3,358,107
Due from Federal Government through Department of Education	717,146	-	-	52,310	769,456
Due from other Minnesota school districts	496,556	-	-	10,474	507,030
Due from other governmental units	106,967	14,000	21,238	16,690	158,895
Inventory	-	-	-	45,846	45,846
Prepaid items	67,718	-	-	-	67,718
Total assets	\$ 29,639,261	\$ 10,591,807	\$ 7,403,818	\$ 2,897,460	\$ 50,532,346
Liabilities					
Accounts and contracts payable	\$ 385,574	\$ 2,516,326	\$ -	\$ 88,252	\$ 2,990,152
Salaries and benefits payable	3,822,415	-	-	206,884	4,029,299
Due to other Minnesota school districts	245,041	-	-	-	245,041
Due to other governmental units	56,176	-	-	-	56,176
Unearned revenue	64,269	-	-	71,043	135,312
Total liabilities	4,573,475	2,516,326	-	366,179	7,455,980
Deferred Inflows of Resources					
Unavailable revenue - delinquent property taxes	54,233	-	55,633	3,465	113,331
Property taxes levied for subsequent year's expenditures	7,164,605	-	5,816,325	279,077	13,260,007
Total deferred inflows of resources	7,218,838	-	5,871,958	282,542	13,373,338
Fund Balances					
Nonspendable	67,718	-	-	45,846	113,564
Restricted	3,077,128	8,075,481	1,531,860	2,222,929	14,907,398
Committed	1,256,435	-	-	-	1,256,435
Assigned	4,854,232	-	-	-	4,854,232
Unassigned	8,591,435	-	-	(20,036)	8,571,399
Total fund balances	17,846,948	8,075,481	1,531,860	2,248,739	29,703,028
Total liabilities, deferred inflows of resources, and fund balances	\$ 29,639,261	\$ 10,591,807	\$ 7,403,818	\$ 2,897,460	\$ 50,532,346

Independent School District No. 727
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2024

Total fund balances - governmental funds	\$ 29,703,028
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	134,028,907
Less accumulated depreciation	(49,356,795)
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 (net of premiums)	(65,671,872)
Deferred charge on refunding	(65,707)
Compensated absences payable	(384,016)
Severance payable	(241,491)
Net pension liability	(28,984,005)
OPEB obligation	(985,824)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.	
Deferred outflows of resources related to pensions	8,106,763
Deferred inflows of resources related to pensions	(2,055,758)
Deferred outflows of resources related to OPEB	161,036
Deferred inflows of resources related to OPEB	(539,834)
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.	113,331
Equity interest in underlying capital assets of joint ventures are not reported in the funds because they do not represent current financial assets (liabilities).	
Equity interest in joint venture - Wright Technical Center	108,029
Governmental funds do not report a liability for accrued interest on bonds until due and payable.	<u>(643,302)</u>
Total net position - governmental activities	<u><u>\$ 23,292,490</u></u>

Independent School District No. 727
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2024

	General	Capital Projects	Debt Service	Other Nonmajor Funds	Total Governmental Funds
Revenues					
Local property taxes	\$ 6,587,230	\$ -	\$ 5,821,771	\$ 324,176	\$ 12,733,177
Other local and county revenues	1,966,882	694,202	165,271	2,728,649	5,555,004
Revenue from state sources	38,273,303	-	547,309	1,682,840	40,503,452
Revenue from federal sources	1,691,171	-	-	1,308,047	2,999,218
Sales and other conversion of assets	56,974	-	-	216,482	273,456
Total revenues	<u>48,575,560</u>	<u>694,202</u>	<u>6,534,351</u>	<u>6,260,194</u>	<u>62,064,307</u>
Expenditures					
Current					
Administration	1,555,819	-	-	-	1,555,819
District support services	1,450,066	-	-	-	1,450,066
Elementary and secondary regular instruction	18,416,590	-	-	-	18,416,590
Vocational education instruction	783,742	-	-	-	783,742
Special education instruction	10,146,808	-	-	-	10,146,808
Instructional support services	2,514,075	-	-	-	2,514,075
Pupil support services	4,430,096	-	-	-	4,430,096
Sites and buildings	3,573,173	425,719	-	-	3,998,892
Fiscal and other fixed cost programs	285,159	-	-	-	285,159
Food service	-	-	-	2,223,569	2,223,569
Community education and services	9,294	-	-	3,333,764	3,343,058
Capital outlay					
Elementary and secondary regular instruction	191,428	-	-	-	191,428
Instructional support services	174,373	-	-	-	174,373
Pupil support services	243,185	-	-	-	243,185
Sites and buildings	368,174	10,676,475	-	-	11,044,649
Food service	-	-	-	345,898	345,898
Community education and services	-	-	-	105,612	105,612
Debt service					
Principal	-	-	4,695,000	-	4,695,000
Interest and fiscal charges	-	-	1,769,050	-	1,769,050
Total expenditures	<u>44,141,982</u>	<u>11,102,194</u>	<u>6,464,050</u>	<u>6,008,843</u>	<u>67,717,069</u>
Excess of revenues over (under) expenditures	4,433,578	(10,407,992)	70,301	251,351	(5,652,762)
Other Financing Sources					
Proceeds from sale of capital assets	1,348	-	-	-	1,348
Insurance recovery	2,261,686	-	-	-	2,261,686
Total other financing sources	<u>2,263,034</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,263,034</u>
Net change in fund balances	6,696,612	(10,407,992)	70,301	251,351	(3,389,728)
Fund Balances					
Beginning of year	<u>11,150,336</u>	<u>18,483,473</u>	<u>1,461,559</u>	<u>1,997,388</u>	<u>33,092,756</u>
End of year	<u>\$ 17,846,948</u>	<u>\$ 8,075,481</u>	<u>\$ 1,531,860</u>	<u>\$ 2,248,739</u>	<u>\$ 29,703,028</u>

See notes to basic financial statements.

Independent School District No. 727
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 \$ (3,389,728)

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

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

Capital outlays	13,300,020
Depreciation expense	(3,738,490)
Loss on disposal	(79,149)

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. (147,285)

Severance payments are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. (2,221)

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

Pension expense	1,280,426
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Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no effect on net position in the Statement of Activities. 4,695,000

OPEB obligations are recognized when paid in the governmental funds but recognized when incurred in the Statement of Activities. 29,493

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. 90,188

Governmental funds report debt issuance premiums and the deferred charge bond refunding at the time of issuance. Premiums, discounts and losses on refundings are reported as an unamortized asset or liability in the government-wide financial statements.

Debt issuance premium and deferred charge refunding	494,542
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Net loss from the equity interest in joint venture does not provide current financial resources and is not reported as revenue in the funds. 51,034

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. 8,344

Change in net position - governmental activities \$ 12,592,174

Independent School District No. 727
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	\$ 6,555,021	\$ 6,542,058	\$ 6,587,230	\$ 45,172
Other local and county revenues	1,314,275	1,668,128	1,966,882	298,754
Revenue from state sources	37,056,518	37,525,876	38,273,303	747,427
Revenue from federal sources	1,453,527	1,608,875	1,691,171	82,296
Sales and other conversion of assets	70,350	71,230	56,974	(14,256)
Total revenues	<u>46,449,691</u>	<u>47,416,167</u>	<u>48,575,560</u>	<u>1,159,393</u>
Expenditures				
Current				
Administration	1,596,754	1,578,868	1,555,819	(23,049)
District support services	1,649,309	1,741,560	1,450,066	(291,494)
Elementary and secondary regular instruction	19,148,969	18,845,249	18,416,590	(428,659)
Vocational education instruction	797,332	780,655	783,742	3,087
Special education instruction	10,820,903	10,541,591	10,146,808	(394,783)
Instructional support services	2,944,164	2,767,622	2,514,075	(253,547)
Pupil support services	4,442,707	4,515,809	4,430,096	(85,713)
Sites and buildings	3,847,863	3,834,482	3,573,173	(261,309)
Fiscal and other fixed cost programs	254,500	270,224	285,159	14,935
Community education and services	-	9,000	9,294	294
Capital outlay				
District support services	24,512	-	-	-
Elementary and secondary regular instruction	174,434	184,635	191,428	6,793
Instructional support services	120,275	174,374	174,373	(1)
Pupil support services	-	136,586	243,185	106,599
Sites and buildings	249,407	369,498	368,174	(1,324)
Total expenditures	<u>46,071,129</u>	<u>45,750,153</u>	<u>44,141,982</u>	<u>(1,608,171)</u>
Excess of revenues over expenditures	378,562	1,666,014	4,433,578	2,767,564
Other Financing Sources				
Proceeds from sale of capital assets	-	-	1,348	1,348
Insurance recoveries	-	2,261,686	2,261,686	-
Total other financing sources	<u>-</u>	<u>2,261,686</u>	<u>2,263,034</u>	<u>1,348</u>
Net change in fund balances	<u>\$ 378,562</u>	<u>\$ 3,927,700</u>	6,696,612	<u>\$ 2,768,912</u>
Fund Balance				
Beginning of year			<u>11,150,336</u>	
End of year			<u>\$ 17,846,948</u>	

See notes to basic financial statements.

Independent School District No. 727
Statement of Fiduciary Net Position
Year Ended June 30, 2024

	Custodial Fund	Other Post Employment Benefits Irrevocable Trust Fund
Assets		
Current		
Deposits	\$ 803	\$ 139,000
Investments		
Goldman Sachs Government Money Market	-	3,659
Vanguard Total Stock Market ETF	-	274,368
Vanguard Total Bond Market ETF	-	615,739
Vanguard Short Term Bond ETF	-	243,676
Vanguard Mortgage-Backed Security	-	112,910
Total investments	-	1,250,352
Interest receivable	-	9,274
Total assets	\$ 803	\$ 1,398,626
Liabilities		
Accounts payable	\$ -	50,282
Benefits payable	-	29,227
Total liabilities	\$ -	\$ 79,509
Net Position		
Restricted for extracurricular activities	\$ 803	\$ -
Held in trust for OPEB	\$ -	\$ 1,319,117

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

	Custodial Fund	Other Post Employment Benefits Irrevocable Trust Fund
Additions		
Investment income	\$ -	\$ 114,438
Other local and county revenue	1,451	-
Total additions	1,451	114,438
Deductions		
Program expense	648	-
Benefit payments	-	71,906
Miscellaneous expense	-	4,050
Total deductions	648	75,956
Change in net position	803	38,482
Net Position		
Beginning of year	-	1,280,635
End of year	\$ 803	\$ 1,319,117

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. The governing body consists of a six-member board elected by the voters of the District to serve 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 the School Board's control and are reported in the General Fund.

B. Basic Financial Statement Information

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

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 are not included among program revenues; instead, they are properly reported as general revenues.

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

Separate fund financial statements are provided for governmental funds 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 OPEB Trust Fund and Custodial Fund are 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 fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

2. Recording of Expenditures

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

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. It includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities, equipment purchases, health and safety projects, and disabled accessibility projects.

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

**Independent School District No. 727
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds: (Continued)

Major Funds: (Continued)

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

Nonmajor Funds:

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

Community Service Special Revenue Fund - This fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, K-6 extended day programs, or other similar services.

Fiduciary Funds:

OPEB Irrevocable Trust Fund - This fund is used to account for the financial resources relating to post employment benefits.

Custodial Fund - This fund is used to account for assets held by a governmental unit as an agent for individuals, private organization, other governmental units, and other funds.

D. Deposits and Investments

The District's total deposits and investments are comprised of two major components, each with its own set of legal and contractual provisions as described on the following page.

1. District Funds Other than OPEB Trust Fund

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

Minnesota Statutes requires all deposits be protected by federal depository 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.

Cash and investments include nonpooled investment balances related to bond proceeds and balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. State statutes authorize the government and the District to invest in obligations of the U.S. Treasury, corporate bonds, commercial paper, and the State Treasurer's Investment Pool. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

**Independent School District No. 727
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

1. District Funds Other than OPEB Trust Fund (Continued)

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. Investment held by investment pools are measured at amortized cost.

The District's cash and cash equivalents are considered to be cash on hand, deposits, and highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

Short-term, highly liquid debt instruments (including certificates of deposit, banker's acceptances, and U.S. Treasury and agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.

Cash and investments at June 30, 2024, were comprised of deposits and investments as detailed in Note 2. In accordance with GASB Statement No. 79, the various MNTrust securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from MNTrust. 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.

2. OPEB Trust Fund

These funds represent investments administered by the District's OPEB Trust Fund investment managers. As of June 30, 2024, they were comprised of investments as detailed in Note 2. The District's investment policy, discussed previously, extends to the OPEB Trust Fund investments.

Minnesota Statutes authorize the OPEB Trust Fund 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, corporate bonds, common stock and foreign stock of the highest quality, mutual funds, repurchase and reverse agreements, commercial paper of the highest quality with a maturity no longer than 270 days and in the State Board of Investments. Investments are stated at fair value.

The OPEB Trust Agreement indicates permitted investments include one or more series of MN Trust shares relating to a separate portfolio of investments, or from multi-class shares of MN Trust within the same portfolio.

E. Property Tax Receivable

Current property taxes receivable are recorded for taxes certified the previous December and collectible in the current calendar year, which have not been received by the District. Delinquent property taxes receivable represents uncollected taxes for the past six years and 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.

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Property Taxes Levied for Subsequent Year's Expenditures

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

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.

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. Sherburne County is the collecting agency for the levy and remits 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 per single item, but more than \$50,000 in the aggregate and an estimated useful life in excess of one year. Such assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation.

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

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

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

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

K. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net 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 Net Position and fund balance sheets 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 five 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. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. 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.

L. 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 are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium.

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. Issuance costs, whether or not withheld or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Compensated Absences

District employees earn vacation days based upon the number of completed years of service. The District compensates employees for unused vacation upon termination of employment.

The District maintains various sick leave plans for its employee groups. All District employees are entitled to sick leave at various rates. Sick leave may be accumulated to a maximum of 125 days for all employee groups. Unused sick leave is a factor in the calculation of an employee's severance pay upon retirement under some collective bargaining agreements. The amount of compensated absences is recorded in the Statement of Net Position.

N. Severance Benefits

The District maintains various severance plans for its employee groups. Severance benefits consist of lump sum early retirement incentive payments, severance based upon experience and sick leave balances.

O. Post Employment Health Benefits

Under the terms of certain collectively bargained employment contracts, the District is required to pay the hospital/medical insurance premiums and dental insurance premiums for retired employees until they reach specified age requirements such as Medicare eligibility. The amount to be paid is equal to the full monthly premium cost for insurance coverage available under the appropriate current employment contract.

P. 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.

Q. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

**Independent School District No. 727
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. 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.

S. Fund Equity

1. Classification

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

- ◆ Nonspendable Fund Balances - These are amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact and include inventory and prepaid items.
- ◆ Restricted Fund Balances - These are amounts that are restricted to specific purposes either by constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through enabling legislation.
- ◆ Committed Fund Balances - These are amounts that can only be used for specific purposes pursuant to constraints imposed by the School Board (highest level of decision-making authority) through resolution.
- ◆ Assigned Fund Balances - The School Board delegates to the Director of Business Services, after consultation with the Finance Committee, the authority to assign fund balances for specific purposes.
- ◆ Unassigned Fund Balances - This fund represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose in the General Fund.

The District's policy is to spend resources from fund balance classifications in the following order (first to last) if resources from more than one fund balance classification could be spent: restricted, committed, assigned, and unassigned.

2. Minimum Fund Balance Policy

The District will strive to maintain a minimum General Fund unassigned fund balance of 9-12% of General Fund operating expenditures. When the District is projected to drop below its minimum fund balance, District administration shall initiate measures to either generate additional revenue or to reduce expenditures through a budget reduction plan, or a combination of both.

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Net Position

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

U. 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.

V. Budgetary Information

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

1. Prior to July 1, the Director of Business Services 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 Director of Business Services is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for the General, Food Service, Community Service, Capital Projects, and Debt Service Funds.
4. Budgets for the General, Special Revenue, Capital Projects, 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

1. District Funds Other than OPEB Trust Fund

Custodial Credit Risk - Deposits: This is the risk in the event of a bank failure, the District's deposits may not be returned to it. The District has a policy that requires the District's deposits be collateralized by obtaining collateral or bond for all uninsured amounts on deposit and by obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law.

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

1. District Funds Other than OPEB Trust Fund (Continued)

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

Checking	\$ 226,247
Certificates of deposit	<u>2,809,550</u>
 Total deposits	 <u><u>\$ 3,035,797</u></u>

2. Bond Proceeds

The District's nonpooled deposits related to Bonds had a book balance as follows:

Certificates of deposit	<u>\$ 1,855,150</u>
 Total deposits	 <u><u>\$ 1,855,150</u></u>

3. OPEB Trust Fund

As of June 30, 2024, the District's OPEB Trust Fund has the following non pooled deposits:

Certificates of deposit	<u><u>\$ 139,000</u></u>
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B. Investments

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to be in the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy refers to *Minnesota Statutes* governing investments. Statutes limits investments in the top two ratings issued by nationally recognized statistical rating organizations. The policy also states the District will prequalify the financial institutions, broker/dealers, intermediaries, and advisors with which the District will do business. As of June 30, 2024, the District's investments were rated in the table on following page.

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 states the District will diversify the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized. Diversification strategies shall be determined and revised periodically by the investment officer for all funds as allowed by law.

Interest Rate Risk: This is the risk that the market value of securities will fall due to the changes in market interest rates. The District's policy states interest rate risk will be managed by structuring the investment portfolio, so securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing operating funds primarily in shorter term securities, money market mutual funds or similar investment pools and limiting the average maturity of the portfolio.

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Custodial Credit Risk - Investments: This is the risk in the event of the failure of the counterparty; the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy states an annual review of the financial condition and registration of all qualified financial institutions and broker/dealers will be conducted by the investment officer. In addition, the School Board shall annually designate one or more official depositories for District funds. The Finance Manager of the District may also exercise the power of the School Board to designate a depository.

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

Investment Type	Fair Value	Investment Maturities		S & P Credit Ratings
		Less Than 1 Year	1 to 3 Years	
Pooled				
MN Trust Term Series	\$ 5,000,000	\$ 5,000,000	\$ -	AAA
SDA Flex	3,023,304	3,023,304	-	NR
Negotiable CDs	1,713,920	248,350	1,465,570	NR
MN Trust Limited Term Duration	4,338,850	4,338,850	-	AAA
Treasury Notes	2,321,396	2,321,396	-	AA+
MN Trust Investment Shares Portfolio	8,483,423	8,483,423	-	AAA
Total pooled investments	<u>24,880,893</u>	<u>23,415,323</u>	<u>1,465,570</u>	
Non Pooled				
Bond Proceeds Investments				
Money Market Account	277,354	277,354	-	NR
Treasury Notes	3,235,211	3,235,211	-	AA+
MN Trust Investment Shares Portfolio	5,151,304	5,151,304	-	AAA
Total 2015A, 2015B and 2017B Bonds	<u>8,663,869</u>	<u>8,663,869</u>	<u>-</u>	
OPEB Investments				
Equities - Vanguard	274,368	274,368	-	NR
Goldman Sachs Government Money Market	3,659	3,659	-	NR
Fixed income - Vanguard	972,325	972,325	-	NR
Total OPEB Investments	<u>1,250,352</u>	<u>1,250,352</u>	<u>-</u>	
Total non-pooled investments	<u>9,914,221</u>	<u>9,914,221</u>	<u>-</u>	
Total investments	<u>\$ 34,795,114</u>	<u>\$ 33,329,544</u>	<u>\$ 1,465,570</u>	

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

- ◆ \$1,246,693 of investments are valued using quoted market prices (Level 1 inputs)
- ◆ \$7,274,186 of investments are valued using a significant other observable (Level 2 inputs)

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments

The following is a summary of total deposits and investments:

District Governmental Funds and Private Purpose Trust Fund

Deposits - pooled (Note 2.A.)	\$ 3,035,797
Deposits - non pooled (Note 2.A.)	1,855,150
Deposits - non pooled (Note 2.A.)	139,000
Petty cash	6,124
Investments - pooled	24,880,893
Investments - non pooled - bond proceeds	8,663,869
Investments - non pooled - OPEB	<u>1,250,352</u>

Total deposits and investments \$ 39,831,185

Statement of Net Position

Cash and investments \$ 38,441,030

Statement of Fiduciary Net Position

Custodial Fund 803

OPEB Trust Fund 1,389,352

Total \$ 39,831,185

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 3 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 784,389	\$ -	\$ -	\$ 784,389
Construction in progress	22,094,096	10,060,738	14,040,814	18,114,020
Total capital assets not being depreciated	<u>22,878,485</u>	<u>10,060,738</u>	<u>14,040,814</u>	<u>18,898,409</u>
Capital assets being depreciated				
Land improvements	8,679,482	-	-	8,679,482
Buildings	84,625,459	14,466,607	-	99,092,066
Machinery and equipment	4,825,610	2,813,489	280,149	7,358,950
Total capital assets being depreciated	<u>98,130,551</u>	<u>17,280,096</u>	<u>280,149</u>	<u>115,130,498</u>
Less accumulated depreciation for				
Land improvements	2,719,024	388,560	-	3,107,584
Buildings	40,637,546	2,401,754	-	43,039,300
Machinery and equipment	2,462,735	948,176	201,000	3,209,911
Total accumulated depreciation	<u>45,819,305</u>	<u>3,738,490</u>	<u>201,000</u>	<u>49,356,795</u>
Total capital assets being depreciated, net	<u>52,311,246</u>	<u>13,541,606</u>	<u>79,149</u>	<u>65,773,703</u>
Governmental activities, capital assets, net	<u>\$ 75,189,731</u>	<u>\$ 23,602,344</u>	<u>\$ 14,119,963</u>	<u>\$ 84,672,112</u>

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 3 - CAPITAL ASSETS (CONTINUED)

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

Administration	\$ 22,565
District Support Services	3,272
Elementary and Secondary Regular Instruction	1,098,409
Vocational Instruction	233
Special Education Instruction	35,774
Instructional Support Services	650,922
Pupil Support Services	28,461
Sites and Buildings	1,751,061
Food Service	129,211
Community Service	<u>18,582</u>
Total depreciation expense	<u><u>\$ 3,738,490</u></u>

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 4 - LONG TERM LIABILITIES

A. Components of Long-Term Liabilities

	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>	<u>Due Within One Year</u>
Long-term liabilities						
G.O. Bonds including						
Refunding Bonds						
G.O. Facilities Maintenance Bonds, Series 2016A	02/18/16	3.00%-5.00%	\$ 5,120,000	02/01/31	\$ 2,795,000	\$ 370,000
G.O. School Building Bonds, Series 2016B	07/27/16	2.00%-2.75%	4,000,000	02/01/33	4,000,000	-
G.O. School Building Bonds, Series 2017A	02/16/17	2.50%-3.00%	5,080,000	02/01/33	5,080,000	-
G.O. Facilities Maintenance Bonds, Series 2017B	12/28/17	3.00%	3,900,000	02/01/33	3,125,000	200,000
G.O. Tax Abatement and Facilities Maintenance Bonds Series 2019A	02/14/19	3.00%-4.00%	3,750,000	02/01/35	3,185,000	190,000
G.O. Facilities Maintenance Bonds, Series 2020A	02/13/20	2.00%-4.00%	7,350,000	02/01/36	7,350,000	415,000
G.O. Facilities Maintenance Bonds, Series 2021A	02/18/21	1.00%-2.00%	7,975,000	02/01/39	7,975,000	125,000
G.O. Facilities Refunding Bonds, Series 2021B	11/10/21	5.00%	8,020,000	02/01/25	2,045,000	2,045,000
G.O. School Building Bonds, Series 2022A	01/27/22	2.00%-4.00%	30,000,000	02/01/42	28,630,000	1,260,000
Total G.O. Bonds					<u>64,185,000</u>	<u>4,605,000</u>
Plus net bond premium					1,486,872	-
Net bonds payable					<u>65,671,872</u>	<u>4,605,000</u>
Severance payable					241,491	-
Compensated absences payable					<u>384,016</u>	<u>-</u>
Total all long-term liabilities					<u>\$ 66,297,379</u>	<u>\$ 4,605,000</u>

Long-term bond and loan liabilities listed above were issued to finance acquisition and construction of capital facilities or to refinance (refund) previous bond issues. Other long-term liabilities, such as severance and compensated absences, are typically liquidated through the General Fund.

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 4 - LONG TERM LIABILITIES (CONTINUED)

B. Minimum Debt Payments for Bonds and Loans

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

Year Ending June 30,	G.O. Bonds		
	Principal	Interest	Total
2025	\$ 4,605,000	\$ 1,543,924	\$ 6,148,924
2026	3,130,000	1,343,775	4,473,775
2027	3,170,000	1,251,325	4,421,325
2028	3,280,000	1,161,101	4,441,101
2029	3,300,000	1,068,650	4,368,650
2030-2034	17,790,000	4,050,424	21,840,424
2035-2039	19,025,000	2,085,950	21,110,950
2040-2042	9,885,000	398,000	10,283,000
Total	<u>\$ 64,185,000</u>	<u>\$ 12,903,149</u>	<u>\$ 77,088,149</u>

C. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. Bonds	\$ 68,880,000	\$ -	\$ 4,695,000	\$ 64,185,000
Premium	1,868,772	-	381,900	1,486,872
Severance payable	256,109	2,221	16,839	241,491
Compensated absences payable	236,731	225,942	78,657	384,016
Total long-term liabilities	<u>\$ 71,241,612</u>	<u>\$ 228,163</u>	<u>\$ 5,172,396</u>	<u>\$ 66,297,379</u>

The only changes occurred during the year were normal payments.

NOTE 5 - FUND BALANCES/NET POSITION

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

A. Fund Balances

Fund balances are classified on the following page to reflect the limitations and restrictions of the respective funds.

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 5 - FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

	General Fund	Capital Projects Fund	Debt Service Fund	Other Nonmajor Funds	Total
Nonspendable for					
Inventory	\$ -	\$ -	\$ -	\$ 45,846	\$ 45,846
Prepaid items	67,718	-	-	-	67,718
Total nonspendable	<u>67,718</u>	<u>-</u>	<u>-</u>	<u>45,846</u>	<u>113,564</u>
Restricted/reserved for					
Student Activities	26,464	-	-	-	26,464
Scholarships	18,761	-	-	-	18,761
Staff Development	242,280	-	-	-	242,280
Literacy Aid	20,652	-	-	-	20,652
American Indian Education Aid	4,083	-	-	-	4,083
Long-Term Facilities Maintenance	162,556	226,774	-	-	389,330
Area Learning Center	147,768	-	-	-	147,768
Operating Capital	861,269	-	-	-	861,269
Basic Skills Programs	677,875	-	-	-	677,875
School Library Aid	21,272	-	-	-	21,272
Capital Projects Levy	575,153	-	-	-	575,153
Medical Assistance	318,995	-	-	-	318,995
Community Education	-	-	-	1,177,338	1,177,338
Early Childhood and Family Education	-	-	-	138,876	138,876
HIVE Time	-	-	-	46,035	46,035
Debt Service	-	-	1,531,860	-	1,531,860
Capital Projects	-	7,848,707	-	-	7,848,707
Food Service	-	-	-	860,680	860,680
Total restricted/reserved	<u>3,077,128</u>	<u>8,075,481</u>	<u>1,531,860</u>	<u>2,222,929</u>	<u>14,907,398</u>
Committed for					
Separation/retirement	1,227,315	-	-	-	1,227,315
Liberty shelter	29,120	-	-	-	29,120
Total committed	<u>1,256,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,256,435</u>
Assigned for					
Q-Comp	119,756	-	-	-	119,756
Insurance claims	2,317,353	-	-	-	2,317,353
Copier replacement	50,000	-	-	-	50,000
Curriculum materials	273,761	-	-	-	273,761
Special education vehicles	65,424	-	-	-	65,424
Athletics and activities	93,671	-	-	-	93,671
Technology repairs and replacement	143,476	-	-	-	143,476
Facilities repairs and replacement	621,369	-	-	-	621,369
Activities bus	2,574	-	-	-	2,574
Building level activities	166,848	-	-	-	166,848
Insurance deductible	1,000,000	-	-	-	1,000,000
Total assigned	<u>4,854,232</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,854,232</u>
Unassigned for					
General purposes	8,591,435	-	-	-	8,591,435
School Readiness	-	-	-	(20,036)	(20,036)
Total unassigned	<u>8,591,435</u>	<u>-</u>	<u>-</u>	<u>(20,036)</u>	<u>8,571,399</u>
Total fund balances	<u>\$ 17,846,948</u>	<u>\$ 8,075,481</u>	<u>\$ 1,531,860</u>	<u>\$ 2,248,739</u>	<u>\$ 29,703,028</u>

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 5 - FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

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

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 Codes 316. Expenditures for staff development must equal at least 2% of the basic general education revenue, unless legal stipulations are met (*Minnesota Statutes* § 22A.61, subd. 1).

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

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

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

Restricted/Reserved for School Library Aid - This balance represents resources available for the school library aid uses listed in *Minnesota Statute* § 134.356, subd. 1.

Restricted/Reserved for American Indian Education Aid - This balance represents resources remaining in the American Indian Education Funds.

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

**Independent School District No. 727
Notes to Basic Financial Statements**

NOTE 5 - FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

Restricted/Reserved for Capital Projects Levy - This balance represents available resources from the capital projects levy to be used for building construction and other projects under *Minnesota Statutes* § 126C.10, subd. 14. All interest income attributable to the capital projects levy must be credited to this account.

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

Restricted/Reserved for 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 for services for early childhood and family education programming.

Restricted/Reserved for HIVE Time - This balance represents the resources available to be used for HIVE time

Restricted/Reserved for Debt Service - This balance represents the positive fund balance of the Debt Service Fund.

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

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

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).

Committed for Liberty Shelter - This balance represents the remaining donation proceeds earmarked for a shelter on Liberty Elementary fields.

Assigned for Q-Comp - This balance represents resources segregated from unassigned fund balance for unspent Q-Comp, or quality compensation, tax levy, and state aids.

Assigned for Insurance Claims - This balance represents resources segregated from the unassigned fund balance for projects related to insurance recoveries.

Assigned for Copier Replacement - This balance represents resources segregated from the unassigned fund balance for future replacement of copiers.

**Independent School District No. 727
Notes to Basic Financial Statements**

NOTE 5 - FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

Assigned for Curriculum Materials - This balance represents resources segregated from the unassigned fund balance for the curriculum materials.

Assigned for Special Education Vehicles - This balance represents resources segregated from the unassigned fund balance for the replacement of special education vans.

Assigned for Athletics and Activities - This balance represents resources segregated from unassigned fund balance for athletics and activity programming.

Assigned for Technology Repairs and Replacement - This balance represents resources segregated from unassigned fund balance for technology protection repairs and replacement of chromebooks.

Assigned for Middle School Sound System - This balance represents resources segregated from unassigned fund balance for upgrading the middle school sound system in the student center.

Assigned for Activities Bus - This balance represents resources segregated from unassigned fund balance for Activities Bus.

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

Assigned for Insurance Deductible - This balance represents resources segregated from unassigned fund balance for insurance deductibles.

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

B. Restricted Net Position

Net position restricted for other purposes is comprised of the total positive restricted fund balances within the General Fund plus the total fund balances in the Community Service and Food Service Funds.

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 \$1,231,263. The components of pension expense are noted in the following plan summaries. The General Fund typically liquidates the Liability related to the pensions.

Teachers' Retirement Association

A. Plan Description

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

**Independent School District No. 727
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 1 Benefits

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

With these provisions:

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

Or

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

**Independent School District No. 727
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. 727
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

C. Contribution Rate (Continued)

Tier II Benefits (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.

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.

**Independent School District No. 727
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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.

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 table on the following page.

**Independent School District No. 727
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

<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
 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 and methods for the June 30, 2023, 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.

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).

**Independent School District No. 727
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability

On June 30, 2024, the District reported a liability of \$23,951,306 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 0.2901% at the end of the measurement period and 0.2739% 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	\$ 23,951,306
State's proportionate share of the net pension liability associated with the District	1,677,641

For the year ended June 30, 2024, the District recognized pension expense of \$357,799. Included in this amount, the District recognized \$236,225 as pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 212,982	\$ 334,630
Net collective difference between projected and actual earnings on plan investment	172,071	-
Changes of assumptions	2,469,875	-
Changes in proportion	1,701,881	169,974
Contributions to TRA subsequent to the measurement date	1,722,459	-
Total	\$ 6,279,268	\$ 504,604

The \$1,722,459 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.

**Independent School District No. 727
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

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	\$ 683,259
2026	283,221
2027	2,866,815
2028	46,540
2029	172,370
Total	\$ 4,052,205

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%).

District Proportionate Share of NPL		
1% Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
\$ 38,200,571	\$ 23,951,306	\$ 12,286,547

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.

**Independent School District No. 727
Notes to Basic Financial Statements**

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

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 plans 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.

General Employees Plan Benefits

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

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

C. Contributions

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

**Independent School District No. 727
Notes to Basic Financial Statements**

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

Public Employees' Retirement Association (Continued)

C. Contributions (Continued)

General Employees Plan 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 in fiscal year 2024. The District's contributions to the General Employees Plan for the year ended June 30, 2024, were \$552,381. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Plan Pension Costs

At June 30, 2024, the District reported a liability of \$5,032,699 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$138,763.

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 0.0900% at the end of the measurement period and 0.0857% for the beginning of the period.

School's proportionate share of net pension liability	\$ 5,032,699
State of Minnesota's proportionate share of the net pension liability associated with the School	<u>138,763</u>
Total	<u><u>\$ 5,171,462</u></u>

For the year ended June 30, 2024, the District recognized pension expense of \$873,464 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized an additional \$624 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. 727
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 Plan 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 sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 163,378	\$ 31,702
Changes in actuarial assumptions	746,246	1,379,420
Net collective difference between projected and actual investments	-	140,032
Changes in proportion	365,490	-
District's contributions to PERA subsequent to the measurement date	552,381	-
Total	\$ 1,827,495	\$ 1,551,154

The \$552,381 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 pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2025	\$ 248,983
2026	(587,690)
2027	171,844
2028	(109,177)
Total	\$ (276,040)

**Independent School District No. 727
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:

<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
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. 727
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:

General Employees Fund

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	\$ 8,903,249	\$ 5,032,699	\$ 1,849,025

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. 727
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 Blue Cross Blue Shield. It is the District's policy to periodically review its medical coverage, and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees.

B. Benefit Provided

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 June 30, 2024, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	21
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>407</u>
Total	<u><u>428</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 Blue Cross Blue Shield. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2024, the District contributed \$0 to the plan.

**Independent School District No. 727
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:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Investment rate of return	5.00%
Inflation	2.50%
Healthcare cost trend increases	6.5%, gradually decreasing over several decades to an ultimate rate of 4.0% in 54 years.
Mortality Assumption	Pub-2010 Public Retirement Plan Headcount - Weighted mortality tables 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, 2023 through June 30, 2024.

The following changes in actuarial assumptions occurred in 2024:

Changes in Actuarial Assumptions

- ◆ The discount rate was changed from 4.2% to 4.4%.

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

Asset Class	Target	Long-Term Expected Real Rate of Return
Domestic equity	20.00 %	5.00 %
Fixed income	75.00	5.00
Cash	5.00	4.00
Total	100.00 %	5.00 %

The details of the investments and the investment policy are described in Note 2. of the District's financial statements. For the year ended June 30, 2024, the annual money-weighted rate of return on investments, net of investments expenses, was 5.00%.

**Independent School District No. 727
Notes to Basic Financial Statements**

NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Discount Rate

The discount rate used to measure the total OPEB liability was 4.4%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

G. Changes in Net Other Post Employment Benefit Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2023	\$ 2,182,509	\$ 1,280,636	\$ 901,873
Changes for the year			
Service cost	172,379	-	172,379
Interest	96,358	-	96,358
Assumption changes	(23,761)	-	(23,761)
Employer contributions	-	50,639	(50,639)
Projected investment income	-	64,032	(64,032)
Differences between expected and actual economic experience	-	46,354	(46,354)
Benefit payments	(122,544)	(122,544)	-
Net changes	122,432	38,481	83,951
Balances at June 30, 2024	<u>\$ 2,304,941</u>	<u>\$ 1,319,117</u>	<u>\$ 985,824</u>

**Independent School District No. 727
Notes to Basic Financial Statements**

NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

H. Other Post Employment Benefit Liability Sensitivity

The following presents the District's net OPEB liability calculated using the discount rate of 4.4% as well as the liability measured using 1 percent lower and 1 percent higher than the current discount rate.

	1% Decrease in Discount Rate (3.4%)	Current Discount Rate (4.4%)	1% Increase in Discount Rate (5.4%)
Net OPEB Liability	\$ 1,132,935	\$ 985,824	\$ 843,995

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

	1% Decrease in Trend Rate (5.50% Decreasing to 4.0%)	Current Trend Rate (6.50% Decreasing to 5.0%)	1% Increase in Trend Rate (7.50% Decreasing to 6.00%)
Net OPEB Liability	\$ 743,376	\$ 985,824	\$ 1,273,111

I. Other Post Employment Benefit Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Post Employment Benefit

For the year ended June 30, 2024, the District recognized OPEB expense of \$21,146. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability gains/losses	\$ 119,028	\$ 396,638
Assumption changes	37,947	143,196
Investment losses	4,061	-
Total	\$ 161,036	\$ 539,834

**Independent School District No. 727
Notes to Basic Financial Statements**

NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

I. Other Post Employment Benefit Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Post Employment Benefit (Continued)

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

Year Ending June 30,	Total
2025	\$ (167,959)
2026	(86,246)
2027	(129,087)
2028	(9,435)
2029	17,320
Thereafter	(3,391)
Total	\$ (378,798)

J. Payable from the OPEB Plan

At June 30, 2024, the OPEB plan reported a payable of \$50,282 to the District. The amount is reported as a payable on the OPEB Trust Fund Statement of Fiduciary Net Position.

NOTE 8 - JOINT POWERS AGREEMENT

The District entered into a joint powers agreement in February 1998 between and among eight other area independent school districts and Wright Technical Center No. 996 (WTC), a cooperative center for vocational education, to finance the acquisition and betterment of an addition to the existing WTC facilities.

The addition is being financed through capital lease agreements. Each participating district annually authorizes a leasing 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 capital costs for the addition based on the current cost allocation formula.

Separately issued financial statements can be obtained from Wright Technical Center, 1400 Highway 25 North, Buffalo, Minnesota 55313-1936.

**Independent School District No. 727
Notes to Basic Financial Statements**

NOTE 9 - COMMITMENTS

<u>Description</u>	<u>Contract Amount</u>	<u>Expended Through June 30, 2024</u>	<u>Remaining Commitment</u>
Independence Skylight Replace	\$ 227,367	\$ -	\$ 227,367
Liberty and Independence Playground	146,989	-	146,989
HS/Liberty Mechanical Controls	1,897,866	1,866,200	31,666
HS Renovation	3,516,683	3,449,743	66,940
HS HVAC Dehumidification	1,615,487	1,611,632	3,855
Independence HVAC Project	12,626,063	10,232,690	2,393,373
Liberty Media Renovation	1,252,801	538,599	714,202
Liberty/HS Parking Lot	1,145,550	322,407	823,143
MS Media Renovation	160,000	-	160,000
 Total	 <u>\$ 22,588,806</u>	 <u>\$ 18,021,271</u>	 <u>\$ 4,567,535</u>

REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 727
Schedule of Changes in Net OPEB Liability
and Related Ratios

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Total OPEB Liability				
Service cost	\$ 172,379	\$ 172,276	\$ 144,902	\$ 168,800
Interest	96,358	77,523	53,839	77,064
Changes of assumptions	(23,761)	(21,623)	(122,409)	(87,357)
Differenced between expected and actual experience	-	166,640	-	(751,726)
Benefit payments	(122,544)	(268,068)	(236,532)	(207,881)
Net change in total OPEB liability	<u>122,432</u>	<u>126,748</u>	<u>(160,200)</u>	<u>(801,100)</u>
Beginning of year	<u>2,182,509</u>	<u>2,055,761</u>	<u>2,215,961</u>	<u>3,017,061</u>
End of year	<u>\$ 2,304,941</u>	<u>\$ 2,182,509</u>	<u>\$ 2,055,761</u>	<u>\$ 2,215,961</u>
Plan Fiduciary Net Pension (FNP)				
Employer contributions	\$ 50,639	\$ 86,289	\$ 100,938	\$ 82,172
Projected investment income	64,032	69,701	56,642	49,811
Differences between expected and actual experience	46,354	(1,064)	(145,111)	87,696
Benefit payments	(122,544)	(268,068)	(236,532)	(207,881)
Administrative expense	-	(250)	(250)	(250)
Net change in plan fiduciary net position	<u>38,481</u>	<u>(113,392)</u>	<u>(224,313)</u>	<u>11,548</u>
Beginning of year	<u>1,280,636</u>	<u>1,394,028</u>	<u>1,618,341</u>	<u>1,606,793</u>
End of year	<u>\$ 1,319,117</u>	<u>\$ 1,280,636</u>	<u>\$ 1,394,028</u>	<u>\$ 1,618,341</u>
Net OPEB liability	<u>\$ 985,824</u>	<u>\$ 901,873</u>	<u>\$ 661,733</u>	<u>\$ 597,620</u>
Plan FNP as a percentage of the total OPEB liability	57.23%	58.68%	67.81%	73.03%
Covered-employee payroll	\$ 24,898,719	\$ 24,173,514	\$ 21,624,099	\$ 20,994,271
Net OPEB liability as a percentage of covered-employee payroll	3.96%	3.73%	3.06%	2.85%

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

June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
\$ 197,753	\$ 172,521	\$ 180,473	\$ 192,545
93,513	113,540	94,654	93,888
96,832	72,013	(93,263)	-
-	(521,316)	-	-
(189,650)	(177,734)	(209,937)	(285,466)
<u>198,448</u>	<u>(340,976)</u>	<u>(28,073)</u>	<u>967</u>
<u>2,818,613</u>	<u>3,159,589</u>	<u>3,187,662</u>	<u>3,186,695</u>
<u>\$ 3,017,061</u>	<u>\$ 2,818,613</u>	<u>\$ 3,159,589</u>	<u>\$ 3,187,662</u>
\$ -	\$ 89,079	\$ 112,897	\$ 152,807
52,109	59,286	64,821	43,551
11,402	-	(1,668)	36,699
(189,650)	(177,734)	(209,937)	(285,466)
(4,033)	(250)	(250)	(250)
<u>(130,172)</u>	<u>(29,619)</u>	<u>(34,137)</u>	<u>(52,659)</u>
<u>1,736,965</u>	<u>1,766,584</u>	<u>1,800,721</u>	<u>1,853,380</u>
<u>\$ 1,606,793</u>	<u>\$ 1,736,965</u>	<u>\$ 1,766,584</u>	<u>\$ 1,800,721</u>
<u>\$ 1,410,268</u>	<u>\$ 1,081,648</u>	<u>\$ 1,393,005</u>	<u>\$ 1,386,941</u>
53.26%	61.62%	55.91%	56.49%
\$ 20,561,896	\$ 19,963,006	\$ 19,228,177	\$ 18,668,133
6.86%	5.42%	7.24%	7.43%

Independent School District No. 727
Schedule of Employer Contributions - OPEB

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially Determined contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 24,898,719</u>	<u>\$ 24,173,514</u>	<u>\$ 21,624,099</u>	<u>\$ 20,994,271</u>
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%

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

<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
\$ -	\$ 89,079	\$ 112,897	\$ 152,807
<u>-</u>	<u>89,079</u>	<u>112,897</u>	<u>152,807</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 20,561,896</u>	<u>\$ 19,963,006</u>	<u>\$ 19,228,177</u>	<u>\$ 18,668,133</u>
0.00%	0.45%	0.59%	0.82%

Independent School District No. 727
Schedule of Investment Returns

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Annual money-weighted rate of return, net of investment expense	5.00%	5.00%	3.50%	3.10%	3.00%

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

June 30, 2019 June 30, 2018 June 30, 2017

3.40% 3.50% 4.30%

Independent School District No. 727
Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For 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 of Liability	District's Covered - Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered - Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Employee Pension Liability
2014	0.0950%	\$ 4,462,624	\$ -	\$ 4,462,624	\$ 4,986,276	89.5%	78.75%
2015	0.0919%	4,762,735	-	4,762,735	5,459,160	87.2%	78.19%
2016	0.0889%	7,218,239	94,209	7,312,448	5,513,720	130.9%	68.91%
2017	0.0843%	5,381,656	67,686	5,449,342	5,432,067	99.1%	75.90%
2018	0.0843%	4,676,618	153,463	4,830,081	5,667,080	82.5%	79.53%
2019	0.0806%	4,456,193	138,494	4,594,687	5,705,227	78.1%	80.23%
2020	0.0798%	4,784,375	147,603	4,931,978	5,691,653	84.1%	79.06%
2021	0.0823%	3,514,579	107,311	3,621,890	5,923,987	59.3%	87.00%
2022	0.0857%	6,787,468	198,960	6,986,428	6,415,573	105.8%	76.67%
2023	0.0900%	5,032,699	138,763	5,171,462	7,159,840	70.3%	83.10%

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

For 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 of Liability	District's Covered - Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered - Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Employee Pension Liability
2014	0.2996%	\$ 13,805,352	\$ 971,259	\$ 14,776,611	\$ 13,697,649	100.9%	81.50%
2015	0.2673%	16,535,149	2,028,282	18,563,431	13,729,307	120.4%	78.77%
2016	0.2592%	61,825,385	6,205,287	68,030,672	13,481,080	458.6%	44.88%
2017	0.2607%	52,040,449	5,030,565	57,071,014	14,031,107	370.9%	51.57%
2018	0.2577%	16,185,972	1,520,654	17,706,626	14,239,253	113.7%	78.07%
2019	0.2630%	16,763,675	1,483,666	18,247,341	14,931,686	112.3%	78.21%
2020	0.2550%	18,839,742	1,578,998	20,418,740	14,817,563	127.1%	75.48%
2021	0.2568%	11,238,336	947,970	12,186,306	15,369,213	73.1%	86.63%
2022	0.2739%	21,932,463	1,626,705	23,559,168	16,932,842	129.5%	76.17%
2023	0.2901%	23,951,306	1,677,641	25,628,947	18,442,105	129.9%	76.42%

**Independent School District No. 727
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years**

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered - Employee Payroll	Contributions as a Percentage of Covered - Employee Payroll
2015	\$ 409,437	\$ 409,437	\$ -	\$ 5,459,160	7.50%
2016	413,529	413,529	-	5,513,720	7.50%
2017	407,405	407,405	-	5,432,067	7.50%
2018	425,031	425,031	-	5,667,080	7.50%
2019	427,892	427,892	-	5,705,227	7.50%
2020	426,874	426,874	-	5,691,653	7.50%
2021	444,299	444,299	-	5,923,987	7.50%
2022	481,168	481,168	-	6,415,573	7.50%
2023	536,988	536,988	-	7,159,840	7.50%
2024	552,381	552,381	-	7,365,080	7.50%

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

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered - Employee Payroll	Contributions as a Percentage of Covered - Employee Payroll
2015	\$ 1,029,698	\$ 1,029,698	\$ -	\$ 13,729,307	7.50%
2016	1,011,081	1,011,081	-	13,481,080	7.50%
2017	1,052,333	1,052,333	-	14,031,107	7.50%
2018	1,067,944	1,067,944	-	14,239,253	7.50%
2019	1,151,233	1,151,233	-	14,931,686	7.71%
2020	1,173,551	1,173,551	-	14,817,563	7.92%
2021	1,249,517	1,249,517	-	15,369,213	8.13%
2022	1,412,199	1,412,199	-	16,932,842	8.34%
2023	1,576,800	1,576,800	-	18,442,105	8.55%
2024	1,722,459	1,722,459	-	19,685,246	8.75%

Independent School District No. 727
Notes to the Required Supplementary Information

TRA Retirement Fund

2023 Changes

Changes in Actuarial Assumptions

- ◆ 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 7.50% 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.

Independent School District No. 727
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2018 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- ◆ The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- ◆ Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- ◆ Augmentation on deferred benefits will be reduced to 0.0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- ◆ The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes

Changes in Actuarial Assumptions

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

2016 Changes

Changes in Actuarial Assumptions

- ◆ The discount rate was decreased to 4.66% from 8.0%.
- ◆ The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- ◆ The price inflation assumption was lowered from 3% to 2.75%.
- ◆ The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- ◆ Minor changes as some durations for the merit scale of the salary increase assumption.
- ◆ The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back 6 years and female rates set back 5 years. Generational projection uses the MP 2015 scale.

Independent School District No. 727
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2016 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- ◆ The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- ◆ The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- ◆ Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- ◆ 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. 727
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.

Independent School District No. 727
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2020 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- ◆ The assumed spouse age difference was changed from two years older for females to one year older.
- ◆ The assumed number of married male new retirees electing the 100% Joint 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.

Independent School District No. 727
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2017 Changes

Changes in Actuarial Assumptions

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

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 were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

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

2015 Changes

Changes in Plan Provisions

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

Changes in Actuarial Assumptions

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

Independent School District No. 727
Notes to the Required Supplementary Information

Post Employment Health Care Plan

2024 Changes

- ◆ The discount rate was changed from 4.2% to 4.4%.

2023 Changes

Changes in Actuarial Assumptions:

- ◆ The expected long-term investment return was changed from 3.5% to 5.0%.
- ◆ The discount rate was changed from 3.7% to 4.2%.

2022 Changes

Changes in Actuarial Assumptions:

- ◆ The expected long-term investment return was changed from 3.1% to 3.5%.
- ◆ The discount rate was changed from 2.4% to 3.7%.

2021 Changes

Changes in Actuarial Assumptions

- ◆ The expected long-term investment return was changed from 3.0% to 3.1%.
- ◆ The discount rate was changed from 2.5% to 2.4%.

2020 Changes

Changes in Actuarial Assumptions

- ◆ The expected long-term investment return was changed from 3.4% to 3.0%.
- ◆ The discount rate was changed from 3.2% to 2.5%.

2019 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 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 expected long-term investment return was changed from 3.6% to 3.4%.
- ◆ The discount rate was changed from 3.5% to 3.2%.

2018 Changes

- ◆ For the fiscal year ended June 30, 2018, the expected long-term investment return was changed from 2.35% to 3.60% and the discount rate was changed from 2.90% to 3.50%.

SUPPLEMENTARY INFORMATION

Independent School District No. 727
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)	\$ 880,804	\$ 1,641,902	\$ 2,522,706
Current property taxes receivable	-	135,062	135,062
Delinquent property taxes receivable	-	3,465	3,465
Accounts receivable	22,360	39,716	62,076
Due from Department of Education	-	48,831	48,831
Due from Federal Government through Department of Education	31,370	20,940	52,310
Due from other Minnesota school districts	-	10,474	10,474
Due from other governmental units	-	16,690	16,690
Inventory	45,846	-	45,846
	<u>\$ 980,380</u>	<u>\$ 1,917,080</u>	<u>\$ 2,897,460</u>
Liabilities			
Accounts payable	\$ 36,832	\$ 51,420	\$ 88,252
Salaries and benefits payable	399	206,485	206,884
Unearned revenue	36,623	34,420	71,043
Total liabilities	<u>73,854</u>	<u>292,325</u>	<u>366,179</u>
Deferred Inflows of Resources			
Unavailable revenue - delinquent property taxes	-	3,465	3,465
Property taxes levied for subsequent year's expenditures	-	279,077	279,077
Total deferred inflows of resources	<u>-</u>	<u>282,542</u>	<u>282,542</u>
Fund Balances			
Nonspendable	45,846	-	45,846
Restricted	860,680	1,362,249	2,222,929
Unassigned	-	(20,036)	(20,036)
Total fund balances	<u>906,526</u>	<u>1,342,213</u>	<u>2,248,739</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 980,380</u>	<u>\$ 1,917,080</u>	<u>\$ 2,897,460</u>

Independent School District No. 727
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2024

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Funds</u>
	<u>Food Service</u>	<u>Community Service</u>	
Revenues			
Local property taxes	\$ -	\$ 324,176	\$ 324,176
Other local and county revenues	97,827	2,630,822	2,728,649
Revenue from state sources	1,131,047	551,793	1,682,840
Revenue from federal sources	1,243,840	64,207	1,308,047
Sales and other conversion of assets	196,944	19,538	216,482
Total revenues	<u>2,669,658</u>	<u>3,590,536</u>	<u>6,260,194</u>
Expenditures			
Current			
Food service	2,223,569	-	2,223,569
Community education and services	-	3,333,764	3,333,764
Capital outlay	345,898	105,612	451,510
Total expenditures	<u>2,569,467</u>	<u>3,439,376</u>	<u>6,008,843</u>
Excess of revenues over expenditures	100,191	151,160	251,351
Fund Balances			
Beginning of year	<u>806,335</u>	<u>1,191,053</u>	<u>1,997,388</u>
End of year	<u>\$ 906,526</u>	<u>\$ 1,342,213</u>	<u>\$ 2,248,739</u>

Independent School District No. 727
Detailed Schedule 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	\$ 6,555,021	\$ 6,542,058	\$ 6,587,230	\$ 45,172
Other local and county revenues	1,314,275	1,668,128	1,966,882	298,754
Revenue from state sources	37,056,518	37,525,876	38,273,303	747,427
Revenue from federal sources	1,453,527	1,608,875	1,691,171	82,296
Sales and other conversion of assets	70,350	71,230	56,974	(14,256)
Total revenues	<u>46,449,691</u>	<u>47,416,167</u>	<u>48,575,560</u>	<u>1,159,393</u>
Expenditures				
Current				
Administration				
Salaries	1,099,779	1,110,125	1,119,261	9,136
Employee benefits	434,287	414,246	386,902	(27,344)
Purchased services	30,758	21,687	17,930	(3,757)
Supplies and materials	5,435	5,621	5,582	(39)
Other expenditures	26,495	27,189	26,144	(1,045)
Total administration	<u>1,596,754</u>	<u>1,578,868</u>	<u>1,555,819</u>	<u>(23,049)</u>
District support services				
Salaries	1,036,770	1,043,767	892,013	(151,754)
Employee benefits	321,792	429,548	310,067	(119,481)
Purchased services	243,472	264,103	258,586	(5,517)
Supplies and materials	14,470	21,312	14,726	(6,586)
Capital expenditures	24,512	-	-	-
Other expenditures	32,805	(17,170)	(25,326)	(8,156)
Total district support services	<u>1,673,821</u>	<u>1,741,560</u>	<u>1,450,066</u>	<u>(291,494)</u>
Elementary and secondary				
Regular instruction				
Salaries	12,525,713	12,408,469	12,469,289	60,820
Employee benefits	4,739,977	4,560,736	4,462,411	(98,325)
Purchased services	846,171	836,566	811,100	(25,466)
Supplies and materials	1,016,313	1,014,587	654,148	(360,439)
Capital expenditures	174,434	184,635	191,428	6,793
Other expenditures	20,795	24,891	19,642	(5,249)
Total elementary and secondary regular instruction	<u>19,323,403</u>	<u>19,029,884</u>	<u>18,608,018</u>	<u>(421,866)</u>

Independent School District No. 727
Detailed Schedule 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		
Expenditures (Continued)				
Current (Continued)				
Vocational education instruction				
Salaries	\$ 400,876	\$ 391,818	\$ 393,224	\$ 1,406
Employee benefits	172,262	159,692	159,742	50
Purchased services	179,094	181,218	181,216	(2)
Supplies and materials	45,100	47,927	49,560	1,633
Total vocational education instruction	<u>797,332</u>	<u>780,655</u>	<u>783,742</u>	<u>3,087</u>
Special education instruction				
Salaries	6,902,836	6,900,318	6,789,874	(110,444)
Employee benefits	3,488,768	3,128,442	2,943,702	(184,740)
Purchased services	358,286	430,764	366,495	(64,269)
Supplies and materials	71,013	82,067	46,737	(35,330)
Total special education instruction	<u>10,820,903</u>	<u>10,541,591</u>	<u>10,146,808</u>	<u>(394,783)</u>
Instructional support services				
Salaries	1,606,617	1,636,644	1,519,346	(117,298)
Employee benefits	595,069	593,569	566,440	(27,129)
Purchased services	97,443	92,946	79,576	(13,370)
Supplies and materials	640,925	441,512	345,582	(95,930)
Capital expenditures	120,275	174,374	174,373	(1)
Other expenditures	4,110	2,951	3,131	180
Total instructional support services	<u>3,064,439</u>	<u>2,941,996</u>	<u>2,688,448</u>	<u>(253,548)</u>
Pupil support services				
Salaries	1,112,998	1,149,218	1,114,149	(35,069)
Employee benefits	403,869	413,896	383,325	(30,571)
Purchased services	2,849,062	2,825,059	2,790,536	(34,523)
Supplies and materials	61,458	112,294	131,216	18,922
Capital expenditures	-	136,586	243,185	106,599
Other expenditures	15,320	15,342	10,870	(4,472)
Total pupil support services	<u>4,442,707</u>	<u>4,652,395</u>	<u>4,673,281</u>	<u>20,886</u>

Independent School District No. 727
Detailed Schedule 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		
Expenditures (Continued)				
Current (Continued)				
Sites and buildings				
Salaries	\$ 1,347,812	\$ 1,310,995	\$ 1,338,824	\$ 27,829
Employee benefits	561,852	600,355	560,676	(39,679)
Purchased services	1,715,882	1,617,304	1,371,465	(245,839)
Supplies and materials	220,772	305,001	301,381	(3,620)
Capital expenditures	249,407	369,498	368,174	(1,324)
Other expenditures	1,545	827	827	-
Total sites and buildings	<u>4,097,270</u>	<u>4,203,980</u>	<u>3,941,347</u>	<u>(262,633)</u>
Fiscal and other fixed cost programs				
Purchased services	236,500	252,224	252,224	-
Other expenditures	18,000	18,000	32,935	14,935
Total fiscal and other fixed Cost programs	<u>254,500</u>	<u>270,224</u>	<u>285,159</u>	<u>14,935</u>
Community service				
Employee benefits	-	9,000	9,294	294
Total expenditures	<u>46,071,129</u>	<u>45,750,153</u>	<u>44,141,982</u>	<u>(1,608,171)</u>
Excess of revenues over expenditures	378,562	1,666,014	4,433,578	2,767,564
Other Financing Sources				
Proceeds from sale of capital assets	-	-	1,348	1,348
Insurance recovery	-	2,261,686	2,261,686	-
Total other financing sources	<u>-</u>	<u>2,261,686</u>	<u>2,263,034</u>	<u>1,348</u>
Net change in fund balances	<u>\$ 378,562</u>	<u>\$ 3,927,700</u>	6,696,612	<u>\$ 2,768,912</u>
Fund Balance				
Beginning of year			<u>11,150,336</u>	
End of year			<u>\$ 17,846,948</u>	

Independent School District No. 727
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Food Service Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Other local and county revenues	\$ 20,750	\$ 72,328	\$ 97,827	\$ 25,499
Revenue from state sources	927,429	1,153,477	1,131,047	(22,430)
Revenue from federal sources	1,228,484	1,235,752	1,243,840	8,088
Sales and other conversion of assets	222,700	186,300	196,944	10,644
Total revenues	<u>2,399,363</u>	<u>2,647,857</u>	<u>2,669,658</u>	<u>21,801</u>
Expenditures				
Current				
Food service	2,353,694	2,219,257	2,223,569	4,312
Capital outlay				
Food service	175,000	345,899	345,898	(1)
Total expenditures	<u>2,528,694</u>	<u>2,565,156</u>	<u>2,569,467</u>	<u>4,311</u>
Excess of revenues over (under) expenditures	<u>\$ (129,331)</u>	<u>\$ 82,701</u>	100,191	<u>\$ 17,490</u>
Fund Balance				
Beginning of year			<u>806,335</u>	
End of year			<u>\$ 906,526</u>	

Independent School District No. 727
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Community Service Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	\$ 325,529	\$ 325,308	\$ 324,176	\$ (1,132)
Other local and county revenues	2,111,837	2,270,481	2,630,822	360,341
Revenue from state sources	333,217	483,959	551,793	67,834
Revenue from federal sources	73,980	74,386	64,207	(10,179)
Sales and other conversion of assets	21,700	11,999	19,538	7,539
Total revenues	<u>2,866,263</u>	<u>3,166,133</u>	<u>3,590,536</u>	<u>424,403</u>
Expenditures				
Current				
Community education and services	2,888,475	3,198,965	3,333,764	134,799
Capital outlay				
Community education and services	17,500	108,128	105,612	(2,516)
Total expenditures	<u>2,905,975</u>	<u>3,307,093</u>	<u>3,439,376</u>	<u>132,283</u>
Excess of revenues over (under) expenditures	<u>\$ (39,712)</u>	<u>\$ (140,960)</u>	151,160	<u>\$ 292,120</u>
Fund Balance				
Beginning of year			<u>1,191,053</u>	
End of year			<u>\$ 1,342,213</u>	

Independent School District No. 727
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	\$ 48,575,560	\$ 48,575,560	\$ -	Total revenue	\$ 694,202	\$ 694,205	\$ (3)
Total expenditures	44,141,982	44,141,984	(2)	Total expenditures	11,102,194	11,102,195	(1)
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	67,718	67,718	-	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted/reserved:</i>			
4.01 Student Activities	26,464	26,463	1	4.07 Capital Projects Levy	-	-	-
4.02 Scholarships	18,761	18,761	-	4.09 Alternative Facility Program	-	-	-
4.03 Staff Development	242,280	242,280	-	4.67 LTFM	226,774	226,774	-
4.07 Capital Projects Levy	575,153	575,153	-	<i>Restricted:</i>			
4.08 Cooperative Programs	-	-	-	464 Restricted fund balance	7,848,707	7,848,708	(1)
4.09 Alternative Facility Program	-	-	-	<i>Unassigned:</i>			
4.12 Literacy Incentive Aid	20,652	20,652	-	4.63 Unassigned fund balance	-	-	-
4.13 Building Projects Funded by COP/LP	-	-	-				
4.14 Operating Debt	-	-	-	07 DEBT SERVICE FUND			
4.16 Levy Reduction	-	-	-	Total revenue	\$ 6,534,351	\$ 6,534,349	\$ 2
4.17 Taconite Building Maintenance	-	-	-	Total expenditures	6,464,050	6,464,050	-
4.20 American Indian Ed Aid	4,083	4,083	-	<i>Nonspendable:</i>			
4.24 Operating Capital	861,269	861,269	-	4.60 Nonspendable fund balance	-	-	-
4.26 \$25 Taconite	-	-	-	<i>Restricted/reserved:</i>			
4.27 Disabled Accessibility	-	-	-	4.25 Bond refunding	-	-	-
4.28 Learning and Development	-	-	-	4.33 Maximum effort loan aid	-	-	-
4.34 Area Learning Center	147,768	147,768	-	4.51 QZAB payments	-	-	-
4.35 Contracted Alternative Programs	-	-	-	4.67 LTFM	-	-	-
4.36 State Approved Alternative Program	-	-	-	<i>Restricted:</i>			
4.38 Gifted and Talented	-	-	-	464 Restricted fund balance	1,531,860	1,531,860	-
4.39 English Learner	-	-	-	<i>Unassigned:</i>			
4.40 Teacher Development and Evaluation	-	-	-	4.63 Unassigned fund balance	-	-	-
4.41 Basic Skills Programs	677,875	677,875	-				
4.43 School Library Aid	21,272	21,272	-	08 TRUST FUND			
4.46 First Grade Preparedness	-	-	-	Total revenue	\$ -	\$ -	\$ -
4.48 Achievement and Integration	-	-	-	Total expenditures	-	-	-
4.49 Safe Schools Revenue	-	-	-	<i>Unassigned:</i>			
4.51 QZAB Payments	-	-	-	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	-	-	-				
4.67 Long-term Facilities Maintenance	162,556	162,556	-	18 CUSTODIAL FUND			
4.71 Student Support Personnel Aid	-	-	-	Total revenue	\$ 1,451	\$ 1,451	\$ -
4.72 Medical Assistance	318,995	318,995	-	Total expenditures	648	648	-
4.75 Title VII - Impact Aid	-	-	-	<i>Unassigned:</i>			
4.76 Payments in Lieu of Taxes	-	-	-	4.01 Student Activities	-	-	-
<i>Restricted:</i>				4.02 Scholarships	-	-	-
4.64 Restricted fund balance	-	-	-	4.48 Achievement and Integration	-	-	-
<i>Committed:</i>				4.64 Restricted	803	803	-
4.18 Committed for separation	1,227,315	1,227,315	-				
4.61 Committed fund balance	29,120	29,120	-	20 INTERNAL SERVICE FUND			
<i>Assigned:</i>				Total revenue	\$ -	\$ -	\$ -
4.62 Assigned fund balance	4,854,232	4,854,232	-	Total expenditures	-	-	-
<i>Unassigned:</i>				<i>Unassigned:</i>			
4.22 Unassigned fund balance (net position)	8,591,435	8,591,432	3	4.22 Net position	-	-	-
02 FOOD SERVICE FUND							
Total revenue	\$ 2,669,658	\$ 2,669,657	\$ 1	25 OPEB REVOCABLE TRUST			
Total expenditures	2,569,467	2,569,470	(3)	Total revenue	\$ -	\$ -	\$ -
<i>Nonspendable:</i>				Total expenditures	-	-	-
4.62 Nonspendable fund balance	45,846	45,845	1	<i>Unassigned:</i>			
<i>Restricted/Reserved:</i>				4.22 Net position	-	-	-
4.52 OPEB liabilities not held in trust	-	-	-				
<i>Restricted:</i>				45 OPEB IRREVOCABLE TRUST			
4.64 Restricted fund balance	860,680	860,678	2	Total revenue	\$ 114,438	\$ 114,438	\$ -
<i>Unassigned:</i>				Total expenditures	75,956	75,956	-
4.63 Unassigned fund balance	-	-	-	<i>Unassigned:</i>			
				4.22 Net position	1,319,117	1,319,118	(1)
04 COMMUNITY SERVICE FUND							
Total revenue	\$ 3,590,536	\$ 3,590,537	\$ (1)	47 OPEB DEBT SERVICE			
Total expenditures	3,439,376	3,439,379	(3)	Total revenue	\$ -	\$ -	\$ -
<i>Capital lease payable</i>				Total expenditures	-	-	-
4.60 Nonspendable fund balance	-	-	-	<i>Nonspendable:</i>			
<i>Restricted/reserved:</i>				4.60 Nonspendable fund balance	-	-	-
4.26 \$25 Taconite	-	-	-	<i>Restricted:</i>			
4.31 Community Education	1,177,338	1,177,338	-	4.64 Restricted fund balance	-	-	-
4.32 ECFE	138,876	138,876	-	<i>Unassigned:</i>			
4.40 Teacher Development and Evaluation	-	-	-	4.63 Unassigned fund balance	-	-	-
4.44 School Readiness	(20,036)	(20,036)	-				
4.47 Adult Basic Education	-	-	-				
4.52 OPEB Liabilities not Held in Trust	-	-	-				
<i>Restricted:</i>							
4.64 Restricted fund balance	46,035	46,034	1				
<i>Unassigned:</i>							
4.63 Unassigned fund balance	-	-	-				

Independent School District No. 727
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Funding Source	Federal Assistance Listing Number	Pass Through Entity	Grant Name	Expenditures
U.S. Department of Agriculture	10.553	Minnesota Department of Education	School Breakfast	\$ 179,999
U.S. Department of Agriculture	10.555	Minnesota Department of Education	Type A Lunch	709,786
U.S. Department of Agriculture	10.555	Minnesota Department of Education	Commodities (Noncash)	197,722
U.S. Department of Agriculture	10.555C	Minnesota Department of Education	Supply Chain Assistance	83,019
U.S. Department of Agriculture	10.559	Minnesota Department of Education	COVID-19 Summer Food Service	73,314
			Total Child Nutrition Cluster	<u>1,243,840</u>
U.S. Department of Education	84.010	Minnesota Department of Education	Title I, Part A	129,264
U.S. Department of Education	84.367	Minnesota Department of Education	Title II, Part A - Teacher and Principal Training and Recruiting	47,885
U.S. Department of Education	84.365	Minnesota Department of Education	Title III, Part A - English Language Acquisition, Language Enhancement and Academic Achievement	5,667
U.S. Department of Health and Human Services	93.959	Minnesota Department of Health and Human Services	Block Grants for Substance Use Prevention, Treatment, and Recovery Services	222,626
U.S. Department of Education	84.027	Independent School District No. 882	Special Education	65,589
U.S. Department of Treasury	21.027	Minnesota Department of Education	COVID-19 American Rescue Plan Summer Academic Enrichment and Mental Health	28,626
U.S. Department of Education	84.425W	Minnesota Department of Education	COVID-19 ARP Homeless II	1,077
U.S. Department of Education	84.425U	Minnesota Department of Education	COVID-19 ESSER III Fund	756,175
U.S. Department of Education	84.425U	Minnesota Department of Education	COVID-19 ESSER III Fund - Learning Loss	181,756
U.S. Department of Education	84.425U	Minnesota Department of Education	COVID-19 Learning Recovery - Lost Instructional Time	91,905
			Total Education Stabilization Fund	<u>1,030,913</u>
U.S. Department of Justice	16.710	Independent School District No. 882	Public Safety Partnership and Community Policing Grants	120,759
Federal Communications Commission	32.009	Direct from Federal Government	COVID-19 Emergency Connectivity Fund Program	<u>100,800</u>
			Total Federal Expenditures	<u>\$ 2,995,969</u>

See notes to schedule of expenditures of federal awards.

Independent School District No. 727
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2024

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - PASS-THROUGH GRANT NUMBERS

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

NOTE 4 - INVENTORY

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

NOTE 5 - INDIRECT COST RATE

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

NOTE 6 - PRIOR YEAR GRANT EXPENDITURES

The Federal Communications Commission awarded \$100,800 of funding to the District under Federal Assistance Listing Number 32.009 for the year ended June 30, 2024 and allowed the District to apply prior year expenditures towards the grant. The amount of prior year expenditures included in the Schedule of Expenditures of Federal Awards on the previous page was \$100,800.

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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. 727
Big Lake, 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. 727, Big Lake, 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, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the 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 financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BerganKDV, Ltd.

St. Cloud, Minnesota
November 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. 727
Big Lake, 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 each of the District's major federal programs for the year ended June 30, 2024. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control over Compliance

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

Report on Internal Control over Compliance (Continued)

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

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

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

BerganKDV, Ltd.

St. Cloud, Minnesota
November 7, 2024

**Independent School District No. 727
Schedule of Findings and Questioned Costs
in Accordance 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) 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: 84.425
 Name of Federal Program or Cluster: Education Stabilization Fund

Assistance Listing No.: 93.959
 Name of Federal Program or Cluster: Block Grants for Substance Use Prevention, Treatment, and Recovery Services

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. 727
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:

During the year ended June 30, 2024, the District had a lack of segregation of accounting duties in the cash disbursements, receipts, and payroll processes due to a limited number of office employees. Although this meets the definition of a "significant deficiency," it may not be practical to correct since the costs of obtaining desirable segregation of accounting duties may exceed benefits that could be derived.

Cash Disbursements Process

- ◆ The Accounts Payable Specialist and/or the Accountant matches purchase orders to invoices, enters invoices into SMART, runs, prints, and mails checks. The Director of Business Services reviews check stubs and invoices if the Accountant has input invoices in the Accounts Payable Specialist's absence.

Cash Receipts

- ◆ The Administrative Assistant at each building can receipt cash, prepare deposit slips, and reconcile the deposit.
- ◆ The Community Education Director and Administrative Assistant can collect money, prepare the deposit, and also can perform the reconciliation to the deposit.

Payroll

- ◆ The Payroll Specialist reviews and inputs timesheets, calculates payroll, and generates payroll and also has access to change pay rates in the system. The District Accountant proofs each pay period.

Context:

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

Effect:

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

**Independent School District No. 727
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2024-001 (Continued)

Cause:

There are a limited number of office employees.

Recommendation:

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

Views of the Responsible Officials and Planned Corrective Actions:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding

The District has implemented mitigating controls to overcome the lack of segregation of accounting duties. Examples are provided on the following page for specific areas in which the District was cited.

A. Cash Disbursement Process

The Director of Business Services or Accountant reviews invoices with check stubs and purchase orders for unusual transactions or alterations. The Director of Business Services or Accountant also reviews for supervisor approval and proper documentation. The check stubs are initialed by the Director of Business Services or Accountant indicating such review has taken place.

On a monthly basis, detailed budget reports are sent to building and program administrators for review. In addition, the Director of Business Services currently reviews detailed budgeted line items on at least a quarterly basis for significant variances.

B. Cash Receipt Process

The District operates on a decentralized cash receipts process in which each building reconciles and prepares the deposits for the bank. Copies of the deposit slips are forwarded to the District Accountant, who ensures all deposits are properly credited to the District bank account during the bank reconciliation process. The Director of Business Services and building and administrator budget managers monitor receipts and revenue for significant fluctuations or unusual variations.

**Independent School District No. 727
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): (CONTINUED)

3. Actions Planned in Response to Finding

C. Payroll Process

The District Accountant posts the payroll to the general ledger and on a quarterly basis, reviews salary and benefit line item budgets with expected results based on the staffing budget. The District Accountant also reconciles all payroll liability accounts on a monthly basis and variations or fluctuations are communicated to the Payroll Specialist or Human Resources Coordinator.

4. Official Responsible for Ensuring CAP

Angie Manuel, Director of Business Services, is the official responsible for ensuring corrective action of the deficiency.

5. Planned Completion Date for CAP

The planned completion date is ongoing.

6. Plan to Monitor Completion of CAP

The School Board will be monitoring the corrective action plan.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs.

SECTION IV - PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings or questioned costs.

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Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 727
Big Lake, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 727, Big Lake, 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, 2024.

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

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

BergankDV, Ltd.

St. Cloud, Minnesota
November 7, 2024