



**Independent School District No. 286
Brooklyn Center, Minnesota**

**Annual Financial Report
for the
Fiscal Year Ended June 30, 2024**

INDEPENDENT SCHOOL DISTRICT NO. 286
BROOKLYN CENTER, MINNESOTA

Financial Statements and
Supplementary Information

Year Ended
June 30, 2024

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INDEPENDENT SCHOOL DISTRICT NO. 286

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INTRODUCTORY SECTION

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INDEPENDENT SCHOOL DISTRICT NO. 286

School Board and Administration
Year Ended June 30, 2024

SCHOOL BOARD

	<u>Board Position</u>
Cheryl Jechorek	Chair
Richard Zeck	Vice Chair
Amy Bailey	Clerk
Janelle Collier	Treasurer
Ruthie Dallas	Director
Aubry Woksonsommers	Director

ADMINISTRATION

Carly Baker	Superintendent
Sara Bratsch	Finance Director
Kathleen Heider	Assistant Finance Director
Brittany Johnson	Accountant

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FINANCIAL SECTION

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PRINCIPALS

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

INDEPENDENT AUDITOR’S REPORT

To the School Board and Management of
Independent School District No. 286
Brooklyn Center, Minnesota

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINIONS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 286 (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

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

BASIS FOR OPINIONS

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

EMPHASIS OF MATTER

Change in Accounting Principle

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

(continued)

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

(continued)

REQUIRED SUPPLEMENTARY INFORMATION

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

SUPPLEMENTARY INFORMATION

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual fund financial statements and schedules and the Schedule of Expenditures of Federal Awards required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the District. 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 combining and individual fund financial statements and schedules, the Schedule of Expenditures of Federal Awards, and the UFARS Compliance Table are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER INFORMATION

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

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

(continued)

PRIOR YEAR COMPARATIVE INFORMATION

We have previously audited the District's 2023 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 27, 2023. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
December 30, 2024

INDEPENDENT SCHOOL DISTRICT NO. 286

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

This section of Independent School District No. 286's (the District) annual financial statements presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2024. Please read it in conjunction with the other components of the District's annual financial statements.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2024 by \$12,953,392 (net position deficit). The District's total net position increased by \$3,758,750 during the fiscal year ended June 30, 2024.
- Government-wide revenues totaled \$49,155,785 and were \$2,690,225 more than expenses of \$46,465,560.
- The District adopted new accounting guidance for capital assets in the current year, which increased beginning net position by \$1,068,525. This change is further described in Note 1 of the notes to basic financial statements.
- The General Fund's total fund balance (under the governmental fund presentation) increased \$1,547,442 from the prior year, compared to an increase of \$1,658,623 planned in the budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual financial statements consists of the following parts:

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The two government-wide financial statements report the District's *net position* and how it has changed. Net position—the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District requires consideration of additional nonfinancial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

FUND FINANCIAL STATEMENTS

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

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. For Minnesota schools, funds are established in accordance with Uniform Financial Accounting and Reporting Standards in accordance with statutory requirements and accounting principles generally accepted in the United States of America. Some funds are required by state law and by bond covenants. The District can establish other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District maintains the following kinds of funds:

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

	2024	2023
Assets		
Current and other assets	\$ 20,358,482	\$ 20,812,826
Capital assets, net of depreciation	53,418,748	51,342,155
Total assets	\$ 73,777,230	\$ 72,154,981
Deferred outflows of resources		
Pension plan deferments	\$ 6,205,143	\$ 7,902,107
OPEB plan deferments	59,674	120,050
Total deferred outflows of resources	\$ 6,264,817	\$ 8,022,157
Liabilities		
Current and other liabilities	\$ 8,712,356	\$ 9,860,789
Long-term liabilities, including due within one year	74,243,998	74,818,019
Total liabilities	\$ 82,956,354	\$ 84,678,808
Deferred inflows of resources		
Property taxes levied for subsequent year	\$ 6,893,247	\$ 6,025,477
Pension plan deferments	2,491,386	5,308,022
OPEB plan deferments	654,452	876,973
Total deferred inflows of resources	\$ 10,039,085	\$ 12,210,472
Net position		
Net investment in capital assets	\$ 4,127,720	\$ 3,046,189
Restricted	892,556	765,347
Unrestricted	(17,973,668)	(20,523,678)
Total net position	\$ (12,953,392)	\$ (16,712,142)

The District's financial position is the product of many factors. For example, the determination of the District's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus liberal approach to depreciation estimates, as well as capitalization policies, will produce a significant difference in the calculated amounts. Another major factor in determining net position as compared to fund balances are the liabilities for long-term severance, pension, and other post-employment benefits (OPEB), which impacts the unrestricted portion of net position.

The District's increase in net investment in capital assets is due mostly to the relationship between the rate at which the District's capital assets are being added, depreciated, and how that compares to the rate at which the District is repaying the debt issued to purchase or construct those assets. The increase in net position restricted for food service and other state funding restrictions contributed to the change in this portion of net position. The change in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans contributed to the change in deferred outflows of resources, long-term liabilities, deferred inflows of resources, and unrestricted net position. Positive operations in the General Fund also contributed to the increase in unrestricted net position.

Table 2 presents a summarized version of the District’s Statement of Activities:

Table 2		
Summary Statement of Activities		
for the Years Ended June 30, 2024 and 2023		
	2024	2023
Revenues		
Program revenues		
Charges for services	\$ 487,835	\$ 551,739
Operating grants and contributions	12,617,950	11,542,233
General revenues		
Property taxes	6,764,683	6,457,061
General grants and aids	28,338,078	29,327,674
Other	947,239	897,381
Total revenues	49,155,785	48,776,088
Expenses		
Administration	1,555,745	1,389,099
District support services	2,045,503	1,893,865
Elementary and secondary regular instruction	13,825,570	12,285,640
Vocational education instruction	254,024	235,372
Special education instruction	5,792,816	5,206,765
Instructional support services	2,743,345	2,348,498
Pupil support services	8,432,547	10,540,214
Sites and buildings	6,615,725	6,154,368
Fiscal and other fixed cost programs	142,794	108,235
Food service	1,536,834	1,527,857
Community service	1,559,295	1,467,997
Interest and fiscal charges	1,961,362	1,744,868
Total expenses	46,465,560	44,902,778
Change in net position	2,690,225	3,873,310
Net position – beginning, as previously reported	(16,712,142)	(20,585,452)
Change in accounting principle	1,068,525	–
Net position – beginning, as restated	(15,643,617)	(20,585,452)
Net position – ending	\$ (12,953,392)	\$ (16,712,142)

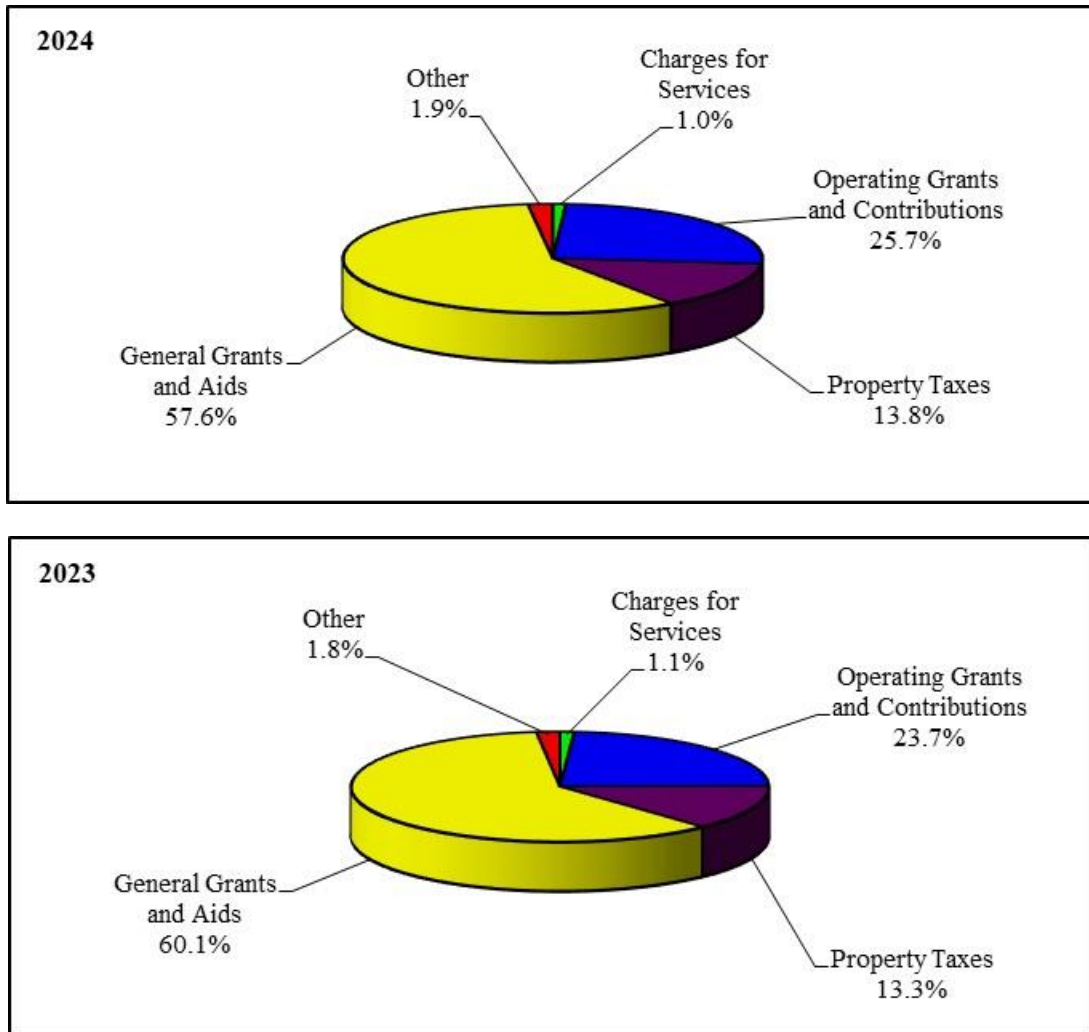
This table is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Revenues increased by \$379,697, in the current year. The District recognized more special education funding and more state funding for child nutrition, contributing to the increase in operating grants and contributions. The increase in the approved levy contributed to the change in property taxes. General grants and aids were down with the final spending and the end of several pandemic-related entitlements in the current year.

Expenses were up compared to the prior year, due primarily to changes in state-wide pension plans and natural inflationary increases.

Figure A shows further analysis of these revenue sources:

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

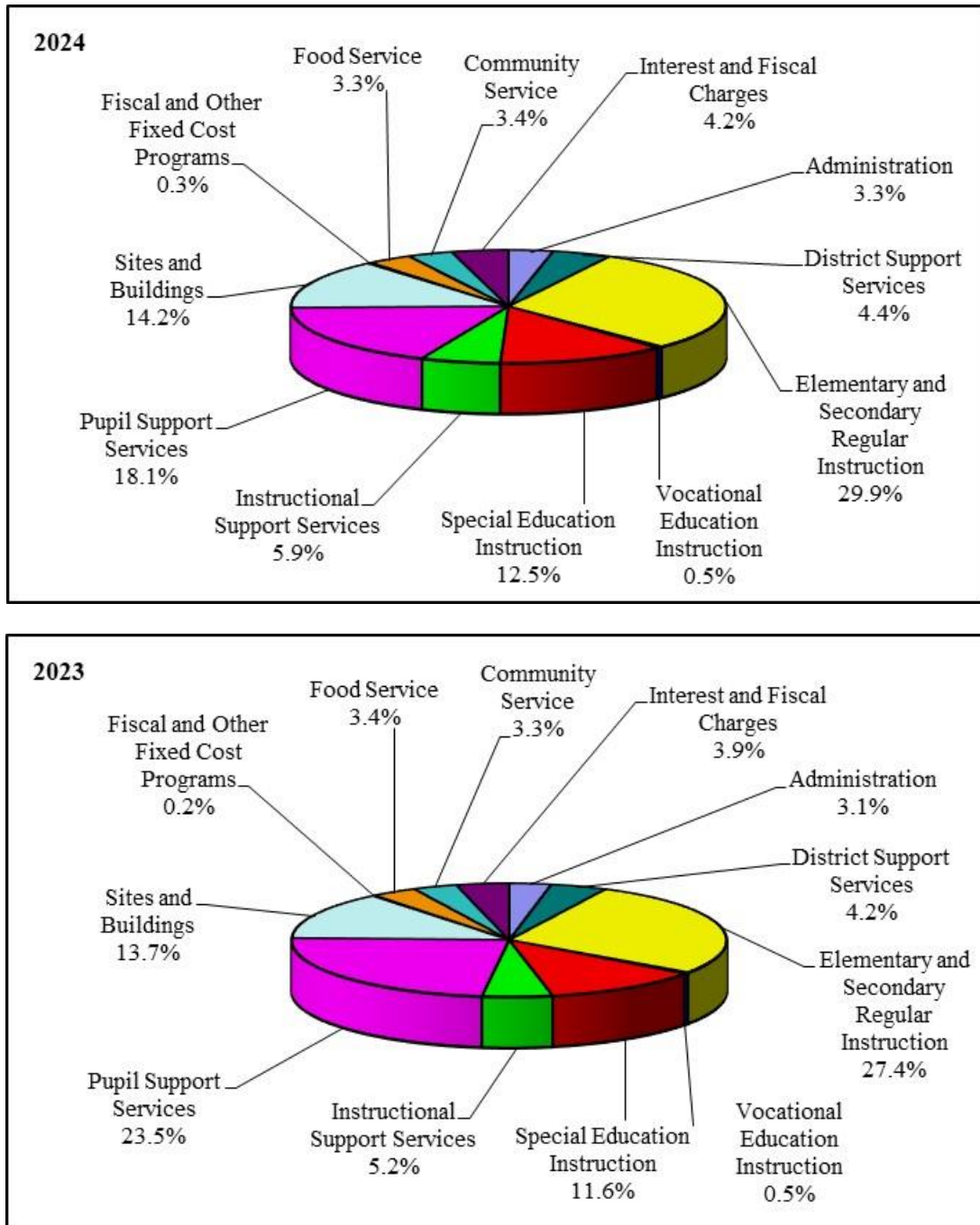


The largest share of the District’s revenue is received from the state, including the general education aid formula and most of the operating grants.

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

Figure B shows further analysis of these expense functions:

Figure B – Expenses for Fiscal Years 2024 and 2023



The District's expenses are predominately related to educating students. Programs (or functions), such as elementary and secondary regular instruction, vocational education instruction, special education instruction, and instructional support services are directly related to classroom instruction, while the rest of the programs support instruction and other necessary costs to operate the District. The shift in expenses between programs when compared to prior year was largely due to changes in the TRA state-wide pension plan obligations.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Major funds			
General	\$ 3,570,713	\$ 2,023,271	\$ 1,547,442
Capital Projects – Building Construction	119,454	1,376,627	(1,257,173)
Debt Service	754,238	914,112	(159,874)
Nonmajor funds			
Food Service Special Revenue	23,695	(252,817)	276,512
Community Service Special Revenue	(141,878)	520	(142,398)
Total governmental funds	<u>\$ 4,326,222</u>	<u>\$ 4,061,713</u>	<u>\$ 264,509</u>

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

At June 30, 2024, the District's governmental funds reported a combined fund balance of \$4,326,222, an increase of \$264,509 in comparison with the prior year. Approximately 44.2 percent of this amount (\$1,914,334) constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned to indicate that it is: 1) not in spendable form (\$149,203); 2) restricted for particular purposes (\$1,691,340); or 3) assigned for particular purposes (\$571,345).

Changes in the table above are discussed on the following pages.

ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

Table 4 General Fund Budget				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Change</u>	<u>Percent Change</u>
Revenues	<u>\$ 34,481,781</u>	<u>\$ 39,763,409</u>	<u>\$ 5,281,628</u>	<u>15.3%</u>
Expenditures	<u>\$ 34,622,796</u>	<u>\$ 38,104,786</u>	<u>\$ 3,481,990</u>	<u>10.1%</u>

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

Table 5 summarizes the operating results of the General Fund:

Table 5 General Fund Operating Results					
	<u>2024 Actual</u>	<u>Over (Under) Final Budget</u>		<u>Over (Under) Prior Year</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Revenues	\$ 42,698,887	\$ 2,935,478	7.4%	\$ 728,532	1.7%
Expenditures	<u>41,038,467</u>	<u>2,933,681</u>	7.7%	<u>(2,821,398)</u>	(6.4%)
Excess (deficiency) of revenue over expenditures	1,660,420	1,797		3,549,930	
Net other financing sources (uses)	<u>(112,978)</u>	<u>(112,978)</u>		<u>(872,239)</u>	
Net change in fund balances	<u>\$ 1,547,442</u>	<u>\$ (111,181)</u>		<u>\$ 2,677,691</u>	

The fund balance of the General Fund increased \$1,547,442, compared to an increase of \$1,658,623 approved in the final budget.

The General Fund revenue variance to budget was primarily in state sources. State sources were more than budgeted amounts mainly in desegregation transportation and special education. The increase in total revenue over the prior year was primarily in state sources and property taxes. State sources increased over the prior year with more special education and compensatory funding in fiscal 2024. Property taxes were up with the approved levy in the current year. These increases were offset by a decrease in federal sources with the final spending and the end of several pandemic-related entitlements.

General Fund expenditures were over appropriations, mainly in purchased services costs. Purchased services in the pupil support services program was over budget, due to transportation costs being more than anticipated. Purchased services in the sites and buildings program was also over budget, due to the timing of projects. These budget variances were offset by purchased services in the district support services program being less than anticipated. The decrease from the prior year was mainly in salaries, benefits, and purchased services. Salaries and benefits were down in the current year with a decrease in staffing. Purchased services decreased mainly in pupil support services with decreased transportation costs.

COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS

Capital Projects – Building Construction Fund

The Capital Projects – Building Construction Fund reported a fund balance decrease of \$1,257,173, with capital spending exceeding revenues and other financing sources in the current year, due to the District spending down debt issued in the prior year. The year-end fund balance is restricted for capital projects for a variety of facility needs.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources and payment of the District's general obligation debt. Activity of the Debt Service Fund is primarily controlled with each debt issue's financing plan. The remaining fund balance of \$754,238 at June 30, 2024, is available for meeting future debt service obligations.

Other Governmental Funds

The Food Service Special Revenue Fund ended the year with revenues and other financing sources exceeding expenditures, increasing equity by \$276,512, compared to a balanced budget. Revenues were over budget with a change in food service programs, due to increased participation levels. Expenditures were more than projected with more supplies and materials costs than anticipated. In the current year, the District was required to transfer from the General Fund to eliminate the deficit fund balance.

The Community Service Special Revenue Fund ended the year with expenditures exceeding revenues, reducing equity by \$142,398, compared to a balanced budget. The variance to budget was primarily in revenues from federal sources, due to budgeting grant entitlements that were carried over to a future fiscal year. Expenditures were under budget, mainly in purchased services.

Internal Service Funds

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

Operating revenues for the internal service funds for fiscal year 2024 totaled \$3,045,708. This is a decrease from the fiscal year 2023 operating revenue level of \$3,448,904. The nonoperating revenues in the current year totaled \$46,225 which is an increase from the fiscal year 2023 nonoperating revenues of \$30,616. Operating expenses totaled \$3,437,306, which represents an increase from fiscal year 2023 operating expenditures of \$3,284,085, primarily due to more health benefit claims.

The net position balance for all internal service funds as of June 30, 2024 was \$998,481, which represents a decrease of \$345,373 from the prior year.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

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

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Land	\$ 856,990	\$ 856,990	\$ –
Construction in progress	1,905,000	509,780	1,395,220
Land and building improvements	34,490,133	33,274,592	1,215,541
Buildings	41,488,639	41,325,393	163,246
Furniture and equipment	10,166,954	8,050,310	2,116,644
Less accumulated depreciation	<u>(35,488,968)</u>	<u>(32,674,910)</u>	<u>(2,814,058)</u>
Total	<u><u>\$ 53,418,748</u></u>	<u><u>\$ 51,342,155</u></u>	<u><u>\$ 2,076,593</u></u>
Depreciation expense	<u><u>\$ 2,296,229</u></u>	<u><u>\$ 2,069,971</u></u>	<u><u>\$ 226,258</u></u>

By the end of 2024, the District had invested in a broad range of capital assets, including school buildings, athletic facilities, and other equipment for various instructional programs (see Table 6).

The changes presented in the table above reflect the ongoing activity and completion of projects at district sites during fiscal year 2024, consistent with the activity of the Capital Projects – Building Construction Fund discussed on the previous page. The changes above also reflect the capital and long-term facilities maintenance spending in the General Fund.

The implementation of new authoritative literature for purchases of groups of assets, as previously discussed, increased furniture and equipment in the current year.

The District defines capital assets as those with an initial, individual cost of \$5,000 or more, which benefit more than one fiscal year.

Additional details about capital assets can be found in the notes to basic financial statements.

Long-Term Liabilities

Table 7 illustrates the components of the District’s long-term liabilities with changes from the prior year:

	<u>2024</u>	<u>2023</u>	<u>Change</u>
General obligation bonds payable	\$ 43,172,000	\$ 43,073,000	\$ 99,000
Unamortized premium/discount	1,194,909	1,256,301	(61,392)
Finance purchase payable	5,043,573	5,343,292	(299,719)
Net pension liability	24,639,980	24,958,344	(318,364)
Severance benefits payable	17,224	17,224	–
Compensated absences payable	<u>176,312</u>	<u>169,858</u>	<u>6,454</u>
Total	<u><u>\$ 74,243,998</u></u>	<u><u>\$ 74,818,019</u></u>	<u><u>\$ (574,021)</u></u>

The changes in general obligation bonds payable, finance purchase payable, and unamortized premium/discount in the table above, are primarily due to principal payments and amortization during fiscal year 2024, as planned in the approved repayment schedules, offset by the issuance of general obligation bonds in the current year.

The differences in the net pension liability reflect the change in the District’s proportionate share of the state-wide pension obligations for the PERA and the TRA.

The state limits the amount of general obligation debt the District can issue to 15 percent of the market value of all taxable property within the District’s corporate limits (see Table 8):

District’s market value	\$ 1,033,772,700
Limit rate	<u>15.0%</u>
Legal debt limit	<u><u>\$ 155,065,905</u></u>

Additional details of the District’s long-term debt activity can be found in the notes to basic financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

These financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about these statements, or need additional financial information, contact the Business Office, Independent School District No. 286, 5910 Shingle Creek Parkway, Brooklyn Center, Minnesota 55430.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 286

Statement of Net Position
as of June 30, 2024

(With Partial Comparative Information as of June 30, 2023)

	Governmental Activities	
	2024	2023
Assets		
Cash and temporary investments	\$ 7,785,915	\$ 6,182,185
Receivables		
Current taxes	3,758,924	3,408,570
Delinquent taxes	91,158	186,903
Accounts and interest	38,648	112,454
Due from other governmental units	8,442,108	10,707,224
Inventory	23,695	23,148
Prepaid items	125,508	138,757
Net OPEB asset	92,526	53,585
Capital assets		
Not depreciated/amortized	2,761,990	1,366,770
Depreciated, net of accumulated depreciation/amortization	<u>50,656,758</u>	<u>49,975,385</u>
Total capital assets, net of accumulated depreciation/amortization	<u>53,418,748</u>	<u>51,342,155</u>
Total assets	73,777,230	72,154,981
Deferred outflows of resources		
Pension plan deferments	6,205,143	7,902,107
OPEB plan deferments	59,674	120,050
Total deferred outflows of resources	<u>6,264,817</u>	<u>8,022,157</u>
Total assets and deferred outflows of resources	<u>\$ 80,042,047</u>	<u>\$ 80,177,138</u>
Liabilities		
Aid anticipation certificates	\$ 3,500,000	\$ 4,000,000
Salaries payable	1,466,902	1,882,698
Accounts and contracts payable	2,455,906	2,789,751
Accrued interest payable	874,228	793,078
Due to other governmental units	58,109	91,729
Unearned revenue	96,954	146,992
Claims incurred, but not reported	260,257	156,541
Long-term liabilities		
Due within one year	2,351,066	2,175,577
Due in more than one year	<u>71,892,932</u>	<u>72,642,442</u>
Total long-term liabilities	<u>74,243,998</u>	<u>74,818,019</u>
Total liabilities	82,956,354	84,678,808
Deferred inflows of resources		
Property taxes levied for subsequent year	6,893,247	6,025,477
Pension plan deferments	2,491,386	5,308,022
OPEB plan deferments	654,452	876,973
Total deferred inflows of resources	<u>10,039,085</u>	<u>12,210,472</u>
Net position		
Net investment in capital assets	4,127,720	3,046,189
Restricted for		
Capital asset acquisition	-	13,725
Debt service	49,103	280,716
Food service	23,695	-
Community service	2,110	66,176
Other purposes (state funding restrictions)	817,648	404,730
Unrestricted	<u>(17,973,668)</u>	<u>(20,523,678)</u>
Total net position	<u>(12,953,392)</u>	<u>(16,712,142)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 80,042,047</u>	<u>\$ 80,177,138</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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

Functions/Programs	2024			2023	
	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	\$ 1,555,745	\$ -	\$ -	\$ (1,555,745)	\$ (1,389,099)
District support services	2,045,503	-	-	(2,045,503)	(1,893,865)
Elementary and secondary regular instruction	13,825,570	71,775	957,702	(12,796,093)	(11,021,963)
Vocational education instruction	254,024	-	55,512	(198,512)	(182,903)
Special education instruction	5,792,816	-	7,699,349	1,906,533	1,397,015
Instructional support services	2,743,345	-	-	(2,743,345)	(2,348,498)
Pupil support services	8,432,547	-	1,587,962	(6,844,585)	(9,070,798)
Sites and buildings	6,615,725	-	-	(6,615,725)	(5,963,670)
Fiscal and other fixed cost programs	142,794	-	-	(142,794)	(108,235)
Food service	1,536,834	47,247	1,458,344	(31,243)	(365,882)
Community service	1,559,295	368,813	859,081	(331,401)	(116,040)
Interest and fiscal charges	1,961,362	-	-	(1,961,362)	(1,744,868)
Total governmental activities	<u>\$ 46,465,560</u>	<u>\$ 487,835</u>	<u>\$ 12,617,950</u>	(33,359,775)	(32,808,806)
General revenue					
Taxes					
Property taxes, levied for general purposes				3,697,303	3,427,733
Property taxes, levied for community service				188,010	182,609
Property taxes, levied for debt service				2,879,370	2,846,719
General grants and aids				28,338,078	29,327,674
Other general revenues				564,362	360,333
Gain on sale of capital assets				-	314,616
Investment earnings				382,877	222,432
Total general revenue				<u>36,050,000</u>	<u>36,682,116</u>
Change in net position				2,690,225	3,873,310
Net position – beginning, as previously reported				(16,712,142)	(20,585,452)
Change in accounting principle				1,068,525	-
Net position – beginning, as restated				<u>(15,643,617)</u>	<u>(20,585,452)</u>
Net position – ending				<u>\$ (12,953,392)</u>	<u>\$ (16,712,142)</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Balance Sheet
Governmental Funds
as of June 30, 2024

(With Partial Comparative Information as of June 30, 2023)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	\$ 3,742,982	\$ 319,716	\$ 2,461,179
Receivables			
Current taxes	1,962,221	–	1,715,614
Delinquent taxes	48,203	–	40,335
Accounts and interest	38,648	–	–
Due from other governmental units	7,851,457	–	20,075
Due from other funds	542,186	–	–
Inventory	–	–	–
Prepaid items	125,508	–	–
	<u>14,311,205</u>	<u>319,716</u>	<u>4,237,203</u>
Total assets	\$ 14,311,205	\$ 319,716	\$ 4,237,203
Liabilities			
Aid anticipation certificates	\$ 3,500,000	\$ –	\$ –
Salaries payable	1,466,902	–	–
Accounts and contracts payable	2,169,883	200,262	550
Due to other governmental units	58,109	–	–
Due to other funds	–	–	–
Accrued interest payable	136,644	–	–
Unearned revenue	90,079	–	–
Total liabilities	7,421,617	200,262	550
Deferred inflows of resources			
Property taxes levied for subsequent year	3,280,200	–	3,449,966
Unavailable revenue – delinquent taxes	38,675	–	32,449
Total deferred inflows of resources	3,318,875	–	3,482,415
Fund balances (deficit)			
Nonspendable	125,508	–	–
Restricted	817,648	119,454	754,238
Assigned	571,345	–	–
Unassigned	2,056,212	–	–
Total fund balances (deficit)	3,570,713	119,454	754,238
	<u>14,311,205</u>	<u>319,716</u>	<u>4,237,203</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ 14,311,205	\$ 319,716	\$ 4,237,203

Nonmajor Funds	Total Governmental Funds	
	2024	2023
\$ —	\$ 6,523,877	\$ 4,676,762
81,089	3,758,924	3,408,570
2,620	91,158	186,903
—	38,648	112,454
570,576	8,442,108	10,707,224
—	542,186	527,439
23,695	23,695	23,148
—	125,508	138,757
<u>\$ 677,980</u>	<u>\$ 19,546,104</u>	<u>\$ 19,781,257</u>
\$ —	\$ 3,500,000	\$ 4,000,000
—	1,466,902	1,882,698
81,911	2,452,606	2,784,723
—	58,109	91,729
542,186	542,186	527,439
—	136,644	83,507
6,875	96,954	146,992
<u>630,972</u>	<u>8,253,401</u>	<u>9,517,088</u>
163,081	6,893,247	6,025,477
2,110	73,234	176,979
<u>165,191</u>	<u>6,966,481</u>	<u>6,202,456</u>
23,695	149,203	161,905
—	1,691,340	2,760,744
—	571,345	—
<u>(141,878)</u>	<u>1,914,334</u>	<u>1,139,064</u>
<u>(118,183)</u>	<u>4,326,222</u>	<u>4,061,713</u>
<u>\$ 677,980</u>	<u>\$ 19,546,104</u>	<u>\$ 19,781,257</u>

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INDEPENDENT SCHOOL DISTRICT NO. 286

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

	<u>2024</u>	<u>2023</u>
Total fund balances – governmental funds	\$ 4,326,222	\$ 4,061,713
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	88,907,716	84,017,065
Accumulated depreciation/amortization	(35,488,968)	(32,674,910)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.		
General obligation bonds payable	(43,172,000)	(43,073,000)
Unamortized premium/discount	(1,194,909)	(1,256,301)
Finance purchase payable	(5,043,573)	(5,343,292)
Net pension liability	(24,639,980)	(24,958,344)
Severance benefits payable	(17,224)	(17,224)
Compensated absences payable	(176,312)	(169,858)
Net OPEB asset reported in the Statement of Net Position does not require the use of current financial resources and is not reported in the governmental funds.	92,526	53,585
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	998,481	1,343,854
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(737,584)	(709,571)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	6,205,143	7,902,107
Deferred outflows of resources – OPEB plan deferments	59,674	120,050
Deferred inflows of resources – pension plan deferments	(2,491,386)	(5,308,022)
Deferred inflows of resources – OPEB plan deferments	(654,452)	(876,973)
Deferred inflows of resources – unavailable revenue – delinquent taxes	73,234	176,979
Total net position – governmental activities	<u>\$ (12,953,392)</u>	<u>\$ (16,712,142)</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	\$ 3,754,856	\$ –	\$ 2,923,096
Investment earnings	179,180	107,213	50,259
Other	419,248	–	–
State sources	35,908,546	–	200,743
Federal sources	2,437,057	–	–
Total revenue	<u>42,698,887</u>	<u>107,213</u>	<u>3,174,098</u>
Expenditures			
Current			
Administration	1,612,906	–	–
District support services	2,047,634	–	–
Elementary and secondary regular instruction	13,830,972	–	–
Vocational education instruction	272,092	–	–
Special education instruction	6,050,050	–	–
Instructional support services	2,800,961	–	–
Pupil support services	8,493,468	–	–
Sites and buildings	5,124,585	–	–
Fiscal and other fixed cost programs	142,794	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	3,165,903	–
Debt service			
Principal	299,719	–	1,706,000
Interest and fiscal charges	363,286	80,243	1,627,972
Total expenditures	<u>41,038,467</u>	<u>3,246,146</u>	<u>3,333,972</u>
Excess (deficiency) of revenue over expenditures	1,660,420	(3,138,933)	(159,874)
Other financing sources (uses)			
Debt issued	–	1,805,000	–
Premium on debt issued	–	76,760	–
Sale of capital assets	–	–	–
Insurance recovery	216,889	–	–
Transfers in	–	–	–
Transfers (out)	(329,867)	–	–
Total other financing sources (uses)	<u>(112,978)</u>	<u>1,881,760</u>	<u>–</u>
Net change in fund balances	1,547,442	(1,257,173)	(159,874)
Fund balances (deficit)			
Beginning of year	<u>2,023,271</u>	<u>1,376,627</u>	<u>914,112</u>
End of year	<u>\$ 3,570,713</u>	<u>\$ 119,454</u>	<u>\$ 754,238</u>

Nonmajor Funds	Total Governmental Funds	
	2024	2023
\$ 190,476	\$ 6,868,428	\$ 6,368,668
–	336,652	191,816
416,060	835,308	911,425
732,905	36,842,194	33,921,656
1,584,520	4,021,577	6,833,556
<u>2,923,961</u>	<u>48,904,159</u>	<u>48,227,121</u>
–	1,612,906	1,591,273
–	2,047,634	2,110,303
–	13,830,972	14,311,846
–	272,092	332,840
–	6,050,050	6,371,955
–	2,800,961	2,890,676
–	8,493,468	10,822,092
–	5,124,585	5,053,041
–	142,794	108,235
1,503,894	1,503,894	1,493,847
1,560,768	1,560,768	1,534,487
55,052	3,220,955	4,561,311
–	2,005,719	1,740,974
–	2,071,501	1,866,545
<u>3,119,714</u>	<u>50,738,299</u>	<u>54,789,425</u>
(195,753)	(1,834,140)	(6,562,304)
–	1,805,000	4,995,000
–	76,760	–
–	–	647,350
–	216,889	647
329,867	329,867	–
–	(329,867)	–
<u>329,867</u>	<u>2,098,649</u>	<u>5,642,997</u>
134,114	264,509	(919,307)
<u>(252,297)</u>	<u>4,061,713</u>	<u>4,981,020</u>
<u>\$ (118,183)</u>	<u>\$ 4,326,222</u>	<u>\$ 4,061,713</u>

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INDEPENDENT SCHOOL DISTRICT NO. 286

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

	<u>2024</u>	<u>2023</u>
Total net change in fund balances – governmental funds	\$ 264,509	\$ (919,307)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation/amortization expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	3,304,297	4,988,075
Depreciation/amortization expense	(2,296,229)	(2,069,971)
A gain or loss on the disposal of capital assets and the lease liability, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.		
	–	(362,435)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
General obligation bonds payable	(1,805,000)	–
Finance purchase payable	–	(4,995,000)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	1,706,000	1,634,000
Finance purchase payable	299,719	38,710
Lease liability	–	68,264
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.		
	61,392	131,755
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability	318,364	(11,419,110)
Net OPEB asset	38,941	466,826
Compensated absences payable	(6,454)	(31,250)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.		
	(345,373)	195,435
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.		
	(28,013)	(10,078)
The recognition of certain revenues and expenses/expenditures differs between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	(1,696,964)	(787,494)
Deferred outflows of resources – OPEB plan deferments	(60,376)	3,729
Deferred inflows of resources – pension plan deferments	2,816,636	17,220,482
Deferred inflows of resources – OPEB plan deferments	222,521	(367,714)
Deferred inflows of resources – unavailable revenue – delinquent taxes	(103,745)	88,393
Change in net position – governmental activities	<u>\$ 2,690,225</u>	<u>\$ 3,873,310</u>

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 286

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

	Budgeted Amounts		Actual	Over (Under)
	Original	Final		Final Budget
Revenue				
Local sources				
Property taxes	\$ 3,444,807	\$ 3,444,807	\$ 3,754,856	\$ 310,049
Investment earnings	18,000	100,000	179,180	79,180
Other	193,303	373,885	419,248	45,363
State sources	29,225,078	33,758,880	35,908,546	2,149,666
Federal sources	1,600,593	2,085,837	2,437,057	351,220
Total revenue	<u>34,481,781</u>	<u>39,763,409</u>	<u>42,698,887</u>	<u>2,935,478</u>
Expenditures				
Current				
Administration	1,414,991	1,492,123	1,612,906	120,783
District support services	2,104,035	3,187,826	2,047,634	(1,140,192)
Elementary and secondary regular instruction	13,699,037	13,668,366	13,830,972	162,606
Vocational education instruction	259,496	222,365	272,092	49,727
Special education instruction	6,215,064	6,098,246	6,050,050	(48,196)
Instructional support services	2,364,461	2,968,706	2,800,961	(167,745)
Pupil support services	4,908,006	6,729,002	8,493,468	1,764,466
Sites and buildings	3,066,349	2,999,419	5,124,585	2,125,166
Fiscal and other fixed cost programs	118,041	118,041	142,794	24,753
Debt service				
Principal	299,719	299,719	299,719	–
Interest and fiscal charges	173,597	320,973	363,286	42,313
Total expenditures	<u>34,622,796</u>	<u>38,104,786</u>	<u>41,038,467</u>	<u>2,933,681</u>
Excess (deficiency) of revenue over expenditures	(141,015)	1,658,623	1,660,420	1,797
Other financing sources (uses)				
Insurance recovery	–	–	216,889	216,889
Transfers (out)	–	–	(329,867)	(329,867)
Total other financing sources (uses)	<u>–</u>	<u>–</u>	<u>(112,978)</u>	<u>(112,978)</u>
Net change in fund balances	<u>\$ (141,015)</u>	<u>\$ 1,658,623</u>	<u>1,547,442</u>	<u>\$ (111,181)</u>
Fund balances				
Beginning of year			<u>2,023,271</u>	
End of year			<u>\$ 3,570,713</u>	

INDEPENDENT SCHOOL DISTRICT NO. 286

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

	<u>2024</u>	<u>2023</u>
Assets		
Current assets		
Cash and temporary investments	\$ 1,262,038	\$ 1,505,423
Receivables		
Due from other funds	<u>9,330</u>	<u>6,904</u>
Total current assets	<u>1,271,368</u>	<u>1,512,327</u>
Liabilities		
Current liabilities		
Accounts and contracts payable	3,300	5,028
Due to other funds	9,330	6,904
Claims incurred, but not reported	<u>260,257</u>	<u>156,541</u>
Total current liabilities	<u>272,887</u>	<u>168,473</u>
Net position		
Unrestricted	<u>\$ 998,481</u>	<u>\$ 1,343,854</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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

	<u>2024</u>	<u>2023</u>
Operating revenue		
Charges for services		
Contributions from governmental funds	\$ 3,045,708	\$ 3,448,904
Operating expenses		
Health benefit claims	3,248,859	3,097,756
Dental benefit claims	188,447	186,329
Total operating expenses	<u>3,437,306</u>	<u>3,284,085</u>
Operating income (loss)	(391,598)	164,819
Nonoperating revenue		
Investment earnings	<u>46,225</u>	<u>30,616</u>
Change in net position	(345,373)	195,435
Net position		
Beginning of year	<u>1,343,854</u>	<u>1,148,419</u>
End of year	<u>\$ 998,481</u>	<u>\$ 1,343,854</u>

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INDEPENDENT SCHOOL DISTRICT NO. 286

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

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Contributions from governmental funds	\$ 3,045,708	\$ 3,448,904
Payment for health claims	(3,143,887)	(3,140,749)
Payment for dental claims	(191,431)	(182,419)
Net cash flows from operating activities	<u>(289,610)</u>	<u>125,736</u>
Cash flows from noncapital financing activities		
Cash received from other funds	2,426	16,267
Cash paid to other funds	(2,426)	(16,267)
Net cash flows from noncapital financing activities	<u>—</u>	<u>—</u>
Cash flows from investing activities		
Investment income received	46,225	30,616
Net change in cash and cash equivalents	(243,385)	156,352
Cash and cash equivalents		
Beginning of year	<u>1,505,423</u>	<u>1,349,071</u>
End of year	<u>\$ 1,262,038</u>	<u>\$ 1,505,423</u>
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ (391,598)	\$ 164,819
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets and liabilities		
Accounts and contracts payable	(1,728)	(2,143)
Claims incurred, but not reported	103,716	(36,940)
Net cash flows from operating activities	<u>\$ (289,610)</u>	<u>\$ 125,736</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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

	<u>Post-Employment Benefits Trust Fund</u>
Assets	
Cash and investments held by trustee	
Money Market	\$ 884,745
U.S. treasuries	500,149
Total assets	<u>1,384,894</u>
Net position	
Restricted for OPEB	<u>\$ 1,384,894</u>

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

	<u>Post-Employment Benefits Trust Fund</u>
Additions	
Investment earnings	\$ 67,624
Deductions	
Administrative expenses	<u>167</u>
Change in net position	67,457
Net position	
Beginning of year	<u>1,317,437</u>
End of year	<u>\$ 1,384,894</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Notes to Basic Financial Statements
June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 286 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

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

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. Generally, the effect of material interfund activity has been removed from the government-wide financial statements. Transactions representing interfund services provided and used are not eliminated in the consolidation process to the government-wide financial statements.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

D. Fund Financial Statement Presentation

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

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

- 1. Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues, including property taxes, to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Proceeds of long-term debt are reported as other financing sources.
- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term obligations, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Description of Funds

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

Major Governmental Funds

General Fund – The General Fund is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is used primarily to record financial activities of the District’s child nutrition program.

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

Proprietary Funds

Internal Service Funds – Internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District’s internal service funds are used to account for dental and health insurance benefits offered by the District to its employees as self-insured plans.

Fiduciary Funds

Post-Employment Benefits Trust Fund – The Post-Employment Benefits Trust Fund is used to administer resources received and held by the District as the trustee for others. The Post-Employment Benefits Trust Fund includes assets held in an irrevocable trust to fund post-employment insurance benefits of eligible employees.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information

The School Board adopts an annual budget for all governmental funds prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted appropriations lapse at year-end. Actual expenditures exceeded final budgeted appropriations for fiscal 2024 by \$2,933,681 in the General Fund, \$86,946 in the Food Service Special Revenue Fund, and \$8,003 in the Capital Projects – Building Construction Fund. These variances were funded by revenue and other financing sources in excess of budget and available fund balance.

F. Cash and Temporary Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Debt proceeds recorded in the Capital Projects – Building Construction Fund are not pooled, and earnings on these proceeds are allocated directly to the fund.

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

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

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

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

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

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

G. Receivables

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Inventories

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

I. Prepaid Items

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

J. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$665,677 of the property tax levy collectible in 2024 as revenue to the District in fiscal year 2023–2024. The remaining portion of the taxes collectible in 2024 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

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

K. Capital Assets

Capital assets that are purchased or constructed by the District are recorded at historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation. The District defines capital assets as those with an initial, individual cost of \$5,000 or more, which benefit more than one fiscal year. Groups of similar assets acquired at or near the same time for a single objective, with individual acquisition costs below this threshold, are also capitalized if cost of the assets is considered significant in the aggregate. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 10 to 50 years for land and building improvements and buildings, and 5 to 15 years for furniture and equipment. Land and construction in progress are not depreciated.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District does not possess material amounts of infrastructure capital assets, such as sidewalks or parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

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. If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period as other financing sources or uses, respectively. The face amount of debt issued is reported as other financing sources.

M. Compensated Absences

Under the terms of collectively bargained contracts, eligible employees accrue vacation and sick leave at varying rates, portions of which may be carried over to future years. Employees are reimbursed for unused, accrued vacation to the limit specified in their labor contract or School Board policy upon termination. Unused sick leave enters into the calculation of severance benefits for some employees upon termination. Compensated absences are accrued when earned in the government-wide financial statements. Compensated absences are accrued in the governmental fund financial statements only to the extent they have been used or otherwise matured prior to year-end, due to employee termination or similar circumstances.

N. Severance

The District provides lump sum severance benefits to eligible employees in accordance with provisions in certain collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. Severance benefits are calculated by converting a portion of an eligible employee's unused accumulated sick leave. No individual can receive severance benefits in excess of one year's salary.

Severance benefits payable are recorded as a liability in the government-wide financial statements as they are earned and it becomes probable they will vest at some point in the future. Severance benefits payable are accrued in the governmental fund financial statements as the liability matures, due to employee termination.

O. State-Wide Pension Plans

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Other Post-Employment Benefits (OPEB) Plan

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

Q. Deferred Outflows/Inflows of Resources

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

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

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

Unavailable revenue from property taxes arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available.

R. 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 and disclosure in the financial statements during the reporting period. Actual results could differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Net Position

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

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

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

T. Fund Balance Classifications

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Risk Management and Self-Insurance

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

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

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

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

	<u>Balance – Beginning of Year</u>	<u>Charges and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance – End of Year</u>
2023	\$ 15,364	\$ 186,329	\$ 182,419	\$ 19,274
2024	\$ 19,274	\$ 188,447	\$ 191,431	\$ 16,290

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

	<u>Balance – Beginning of Year</u>	<u>Charges and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance – End of Year</u>
2023	\$ 178,117	\$ 3,097,756	\$ 3,138,606	\$ 137,267
2024	\$ 137,267	\$ 3,248,859	\$ 3,142,159	\$ 243,967

V. Prior Period Comparative Financial Information/Reclassification

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

W. Change in Accounting Principle

During the year ended June 30, 2024, the District implemented new accounting guidance for capitalizing purchases of groups of similar assets. This recent change in authoritative literature, which provides new guidance on accounting and financial reporting for capital assets, requires a government to capitalize groups of similar assets purchased at or near the same time, that are individually below the District's capitalization threshold, if the aggregate cost is significant. In prior periods, the District only capitalized assets whose individual cost exceeded the capitalization policy threshold. Certain amounts necessary to fully restate prior fiscal years financial information are not determinable; therefore, prior year comparative amounts have not been restated. The implementation of this new guidance resulted in the District reporting certain groups of similar capital assets acquired in previous years and accumulated depreciation thereon, increasing beginning net position by \$1,068,525 in the government-wide financial statements in the current year. See Note 3 for additional details on this change in the current year.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

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

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

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

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

At year-end, the carrying amount of the District's deposits was \$622,887, while the balance on the bank records was \$941,775. At June 30, 2024, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the District's agent in the District's name.

B. Investments

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration Risk – This is the risk associated with investing a significant portion of the District’s investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District’s investment policies do not address concentration risk.

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

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

The following table presents the District’s deposits and investments at year-end:

Deposits/Investments	Credit Risk		Fair Value Measurements Using	Maturity Duration in Years		Total
	Rating	Agency		Less Than 1	1 to 5	
U.S. treasuries	AA	S&P	Level 2	\$ 500,149	\$ –	\$ 500,149
Investment pools/mutual funds						
MSDLAF Liquid Class	AAA	S&P	Amortized Cost	N/A	N/A	486,374
MSDLAF MAX Class	AAA	S&P	Amortized Cost	N/A	N/A	4,006,586
MNTrust Investment Shares Portfolio	AAA	S&P	Amortized Cost	N/A	N/A	215
MNTrust Full Flex		Not Rated	Amortized Cost	N/A	N/A	2,669,853
Goldman Sachs Government Money Market	AAA	S&P	Amortized Cost	N/A	N/A	884,745
Total investments						8,547,922
Deposits						622,887
Total deposits and investments						<u>\$ 9,170,809</u>

N/A – Not Applicable

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

Statement of Net Position	
Cash and temporary investments	\$ 7,785,915
Statement of Fiduciary Net Position	
Cash and investments held by trustee – Post-Employment Benefits Trust Fund	<u>1,384,894</u>
 Total	 <u>\$ 9,170,809</u>

The District's investments include investment pools managed by MNTrust and the Minnesota School District Liquid Asset Fund (MSDLAF), which are external investment pools regulated by Minnesota Statutes not registered with the Securities and Exchange Commission. The District's investments in these investment pools are measured at the net asset value per share provided by the pools, which are based on amortized cost methods that approximate fair value. There are no restrictions or limitations on withdrawals from the MNTrust Investment Shares Portfolio, MNTrust Full Flex, or MSDLAF Liquid Class investment pools. Investments in the MSDLAF MAX Class must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the state of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24-hour hold on all requests for redemptions.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended is as follows:

	Beginning Balance	Change in Accounting Principle*	Additions	Deletions	Completed Construction	Ending Balance
Capital assets, not depreciated/amortized						
Land	\$ 856,990	\$ –	\$ –	\$ –	\$ –	\$ 856,990
Construction in progress	509,780	–	1,905,000	–	(509,780)	1,905,000
Total capital assets, not depreciated/amortized	<u>1,366,770</u>	<u>–</u>	<u>1,905,000</u>	<u>–</u>	<u>(509,780)</u>	<u>2,761,990</u>
Capital assets, depreciated/amortized						
Land and building improvements	33,274,592	–	925,619	–	289,922	34,490,133
Buildings	41,325,393	–	–	–	163,246	41,488,639
Furniture and equipment	8,050,310	1,586,354	473,678	–	56,612	10,166,954
Total capital assets, depreciated/amortized	<u>82,650,295</u>	<u>1,586,354</u>	<u>1,399,297</u>	<u>–</u>	<u>509,780</u>	<u>86,145,726</u>
Less accumulated depreciation/amortization for						
Land and building improvements	4,078,220	–	1,123,130	–	–	5,201,350
Buildings	22,153,734	–	857,213	–	–	23,010,947
Furniture and equipment	6,442,956	517,829	315,886	–	–	7,276,671
Total accumulated depreciation/amortization	<u>32,674,910</u>	<u>517,829</u>	<u>2,296,229</u>	<u>–</u>	<u>–</u>	<u>35,488,968</u>
Net capital assets, depreciated/amortized	<u>49,975,385</u>	<u>1,068,525</u>	<u>(896,932)</u>	<u>–</u>	<u>509,780</u>	<u>50,656,758</u>
Total capital assets, net	<u>\$ 51,342,155</u>	<u>\$ 1,068,525</u>	<u>\$ 1,008,068</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 53,418,748</u>

* The change in accounting principle was required by new guidance in financial reporting on group purchases of assets implemented in the current year

NOTE 3 – CAPITAL ASSETS (CONTINUED)

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

Administration	\$ 655
Elementary and secondary regular instruction	785,748
Special education instruction	12,096
Instructional support services	174,417
Pupil support services	14,267
Sites and buildings	1,287,803
Food service	20,261
Community service	982
	<hr/>
Total depreciation/amortization expense	<u>\$ 2,296,229</u>

NOTE 4 – LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

The District currently has the following long-term obligations outstanding:

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
General obligation bonds payable					
2015A Building Refunding Bonds	12/09/2015	3.00–5.00%	\$ 21,450,000	02/01/2031	\$ 11,505,000
2018A School Building Bonds	03/15/2018	3.00–4.00%	\$ 29,395,000	02/01/2043	29,165,000
2018B Tax Abatement Bonds	12/12/2018	4.17%	\$ 525,000	02/01/2029	292,000
2020A Capital Facilities Refunding Bonds	11/03/2020	2.00–4.00%	\$ 965,000	02/01/2026	405,000
2023B School Building and Capital Facilities Bonds	08/24/2023	4.00%	\$ 1,805,000	02/01/2034	1,805,000
Total general obligation bonds payable					<hr/> 43,172,000
Unamortized premium/discount					1,194,909
Finance purchase payable					5,043,573
Net pension liability					24,639,980
Severance benefits payable					17,224
Compensated absences payable					176,312
					<hr/>
Total long-term obligations					<u>\$ 74,243,998</u>

B. Description of Long-Term Liabilities

General Obligation Bonds Payable – These obligations were issued to finance acquisition, construction, and/or improvements of capital facilities to finance the retirement (refunding) of prior bond issues, or to finance OPEB obligations. Assets of the Debt Service Fund, together with scheduled deferred ad valorem tax levies, are dedicated for the retirement of these obligations. The annual future debt service levies authorized are equal to 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

Finance Purchase Payable – The District’s tennis court project and district office building were funded through finance purchase agreements. Annual principal and interest on these agreements will be paid from the General Fund.

Issue	Issue Date	Interest Rate	Original Issue Amount	Final Maturity	Principal Outstanding
Tennis court project	05/01/2021	2.589%	\$ 426,000	04/01/2031	\$ 308,573
District office building	07/28/2022	3.300%	\$ 4,995,000	04/01/2038	<u>4,735,000</u>
Total finance purchase payable					<u><u>\$ 5,043,573</u></u>

The debt is secured by the original property purchased and includes terms that upon default all rental payments may become due and payable. The debtor also may repossess the property and seek full recovery of any losses upon default.

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

District employees participate in two state-wide, cost-sharing, multiple-employer defined benefit pension plans administered by the PERA and the TRA. The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans for the current year:

Pension Plans	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA	\$ 4,602,124	\$ 1,449,770	\$ 1,925,630	\$ 569,192
TRA	<u>20,037,856</u>	<u>4,755,373</u>	<u>565,756</u>	<u>(40,648)</u>
Total	<u><u>\$ 24,639,980</u></u>	<u><u>\$ 6,205,143</u></u>	<u><u>\$ 2,491,386</u></u>	<u><u>\$ 528,544</u></u>

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

C. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
General obligation bonds payable	\$ 43,073,000	\$ 1,805,000	\$ 1,706,000	\$ 43,172,000	\$ 1,864,000
Unamortized premium/discount	1,256,301	76,760	138,152	1,194,909	–
Subtotal	44,329,301	1,881,760	1,844,152	44,366,909	1,864,000
Finance purchase payable	5,343,292	–	299,719	5,043,573	310,754
Net pension liability	24,958,344	4,745,435	5,063,799	24,639,980	–
Severance benefits payable	17,224	–	–	17,224	–
Compensated absences payable	169,858	388,264	381,810	176,312	176,312
	<u>\$ 74,818,019</u>	<u>\$ 7,015,459</u>	<u>\$ 7,589,480</u>	<u>\$ 74,243,998</u>	<u>\$ 2,351,066</u>

D. Minimum Debt Payments

Minimum annual principal and interest payments to maturity for general obligation bonds and finance purchase are as follows:

Year Ending June 30,	General Obligation Bonds		Finance Purchase	
	Principal	Interest	Principal	Interest
2025	\$ 1,864,000	\$ 1,651,608	\$ 310,754	\$ 163,982
2026	2,006,000	1,531,619	321,816	154,010
2027	1,893,000	1,467,383	332,906	143,680
2028	1,966,000	1,407,940	344,024	132,992
2029	1,983,000	1,346,083	355,171	121,945
2030–2034	10,765,000	5,666,240	1,798,902	436,183
2035–2039	11,615,000	3,646,200	1,580,000	132,495
2040–2043	11,080,000	1,129,600	–	–
	<u>\$ 43,172,000</u>	<u>\$ 17,846,673</u>	<u>\$ 5,043,573</u>	<u>\$ 1,285,287</u>

NOTE 5 – FUND BALANCES

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

A. Classifications

At year-end, a summary of the District’s governmental fund balance classifications are as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	\$ –	\$ –	\$ –	\$ 23,695	\$ 23,695
Prepaid items	125,508	–	–	–	125,508
Total nonspendable	<u>125,508</u>	<u>–</u>	<u>–</u>	<u>23,695</u>	<u>149,203</u>
Restricted					
Scholarships	72,303	–	–	–	72,303
Literacy incentive aid	49,338	–	–	–	49,338
American Indian education aid	41,493	–	–	–	41,493
Area learning center	613,307	–	–	–	613,307
Student support personnel	41,207	–	–	–	41,207
Capital projects	–	119,454	–	–	119,454
Debt service	–	–	754,238	–	754,238
Total restricted	<u>817,648</u>	<u>119,454</u>	<u>754,238</u>	<u>–</u>	<u>1,691,340</u>
Assigned					
Subsequent year's budget	571,345	–	–	–	571,345
Unassigned					
Community education programs restricted account deficit	–	–	–	(141,878)	(141,878)
Unassigned	2,056,212	–	–	–	2,056,212
Total unassigned	<u>2,056,212</u>	<u>–</u>	<u>–</u>	<u>(141,878)</u>	<u>1,914,334</u>
Total	<u>\$ 3,570,713</u>	<u>\$ 119,454</u>	<u>\$ 754,238</u>	<u>\$ (118,183)</u>	<u>\$ 4,326,222</u>

B. Minimum Unassigned Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding the minimum unassigned fund balance for the General Fund. The policy establishes a minimum unassigned General Fund balance of 7.0 percent to a maximum of 15.0 percent of the prior fiscal year’s expenditures. At June 30, 2024, the unassigned fund balance was 5.0 percent of fiscal 2024 actual expenditures.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

The TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. The TRA is a separate statutory entity, administered by a Board of Trustees. The Board of Trustees consists of four active members, one retired member, and three statutory officials.

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

B. Benefits Provided

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

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

1. GERF Benefits

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

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

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

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

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

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

Tier II Benefits

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

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employee and employer contributions. Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District’s contributions to the GERF for the year ended June 30, 2024, were \$504,852. The District’s contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

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

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

The District’s contributions to the TRA for the plan’s fiscal year ended June 30, 2024, were \$1,263,632. The District’s contributions were equal to the required contributions for each year as set by state statutes.

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

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

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

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2024, the District reported a liability of \$4,602,124 for its proportionate share of the General Employees Fund’s net pension liability. The District’s net pension liability reflected a reduction due to the state of Minnesota’s contribution of \$16 million. The state of Minnesota is considered a nonemployer contributing entity and the state’s contribution meets the definition of a special funding situation. The state of Minnesota’s proportionate share of the net pension liability associated with the District totaled \$126,911. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportionate share of the net pension liability was based on the District’s contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of the PERA’s participating employers. The District’s proportionate share was 0.0823 percent at the end of the measurement period and 0.0835 percent for the beginning of the period.

District’s proportionate share of the net pension liability	\$ 4,602,124
State’s proportionate share of the net pension liability associated with the District	<u>126,911</u>
Total	<u>\$ 4,729,035</u>

For the year ended June 30, 2024, the District recognized pension expense of \$568,622 for its proportionate share of the GERF’s pension expense. The District also recognized an additional \$570 as pension expense for its proportionate share of the state of Minnesota’s pension expense for the annual \$16 million contribution.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 151,664	\$ 33,822
Changes in actuarial assumptions	793,254	1,261,403
Net collective difference between projected and actual investment earnings on pension plan investments	–	225,992
Changes in proportion	–	404,413
District’s contributions to the GERF subsequent to the measurement date	<u>504,852</u>	<u>–</u>
Total	<u>\$ 1,449,770</u>	<u>\$ 1,925,630</u>

The \$504,852 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2025	\$ (167,340)
2026	\$ (805,820)
2027	\$ 92,283
2028	\$ (99,835)

2. TRA Pension Costs

At June 30, 2024, the District reported a liability of \$20,037,856 for its proportionate share of the TRA’s net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Minneapolis School District. The District’s proportionate share was 0.2427 percent at the end of the measurement period and 0.2291 percent for the beginning of the period.

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

District’s proportionate share of the net pension liability	\$ 20,037,856
State’s proportionate share of the net pension liability associated with the District	<u>1,403,619</u>
Total	<u>\$ 21,441,475</u>

For the year ended June 30, 2024, the District recognized negative pension expense of \$238,289. It also recognized \$197,641 as an increase to pension expense for the support provided by direct aid.

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 182,830	\$ 284,119
Changes in actuarial assumptions	2,151,501	–
Net collective difference between projected and actual investment earnings on pension plan investments	–	23,297
Changes in proportion	1,157,410	258,340
District’s contributions to the TRA subsequent to the measurement date	<u>1,263,632</u>	<u>–</u>
Total	<u>\$ 4,755,373</u>	<u>\$ 565,756</u>

A total of \$1,263,632 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2025	\$ 336,600
2026	\$ 96,632
2027	\$ 2,373,328
2028	\$ (25,399)
2029	\$ 144,824

E. Long-Term Expected Return on Investment

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	33.50 %	5.10 %
International equity	16.50	5.30 %
Private markets	25.00	5.90 %
Fixed income	<u>25.00</u>	0.75 %
Total	<u>100.00 %</u>	

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

F. Actuarial Methods and Assumptions

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

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

1. GERF

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

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

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

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

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

2. TRA

Salary increases were based on a service-related table.

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

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

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

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

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

1. GERF

CHANGES IN PLAN PROVISIONS

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

CHANGES IN ACTUARIAL ASSUMPTIONS

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

2. TRA

CHANGES IN ACTUARIAL ASSUMPTIONS

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

G. Discount Rate

1. GERF

The discount rate used to measure the total pension liability in 2023 was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

2. TRA

The discount rate used to measure the total pension liability was 7.00 percent. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2023 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate.

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

H. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.00%	7.00%	8.00%
District’s proportionate share of the GERF net pension liability	\$ 8,141,527	\$ 4,602,124	\$ 1,690,830
TRA discount rate	6.00%	7.00%	8.00%
District’s proportionate share of the TRA net pension liability	\$ 31,958,906	\$ 20,037,856	\$ 10,279,025

I. Pension Plan Fiduciary Net Position

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

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

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

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

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

B. Benefits Provided

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

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

C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District has established the Post-Employment Benefits Trust Fund to finance these obligations. The District’s contributions in the current year totaled \$131,588 as required on a pay-as-you-go basis to finance current year benefits as described in the previous section.

D. Membership

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

Retirees and beneficiaries receiving benefits	6
Active plan members	<u>354</u>
Total members	<u><u>360</u></u>

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

E. Net OPEB Liability (Asset) of the District

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

Total OPEB liability	\$ 1,292,368
Plan fiduciary net position	<u>(1,384,894)</u>
District’s net OPEB liability (asset)	<u>\$ (92,526)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>107.16%</u>

F. Actuarial Methods and Assumptions

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

Discount rate	3.60%
Expected long-term investment return	2.90% (net of investment expenses)
20-year municipal bond yield	4.10%
Inflation rate	2.50%
Salary increases	Service graded table
Medical trend rate	6.00%, grading to 5.00% over 5 years, and then 4.00% over the next 48 years
Dental trend rate	4.00%

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

The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Fixed income	95.00 %	3.00 %
Cash equivalents	<u>5.00</u>	1.00 %
Total	<u>100.00 %</u>	2.90 %

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 5.10 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

H. Discount Rate

The discount rate used to measure the total OPEB liability was 3.60 percent. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. The contribution and benefit payment history, as well as the funding policy, have also been considered. The District discount rate used in the prior measurement date was 3.50 percent.

I. Changes in the Net OPEB Liability (Asset)

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a-b)
Beginning balance	\$ 1,263,852	\$ 1,317,437	\$ (53,585)
Changes for the year			
Service cost	119,580	–	119,580
Interest	46,137	–	46,137
Changes in actuarial assumptions	(5,613)	–	(5,613)
Employer contributions	–	131,588	(131,588)
Projected investment return	–	38,206	(38,206)
Differences between expected and actual experience	–	29,418	(29,418)
Benefit payments	(131,588)	(131,588)	–
Administrative expenses	–	(167)	167
Total net changes	<u>28,516</u>	<u>67,457</u>	<u>(38,941)</u>
Ending balance	<u>\$ 1,292,368</u>	<u>\$ 1,384,894</u>	<u>\$ (92,526)</u>

Changes in actuarial assumptions since the prior measurement date include the following:

- The discount rate was changed from 3.50 percent to 3.60 percent.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

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

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

	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	2.60%	3.60%	4.60%
Net OPEB liability (asset) \$	(13,144)	\$ (92,526)	\$ (169,639)

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

	<u>1% Decrease in Healthcare Trend Rate</u>	<u>Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
OPEB medical trend rate	5.00% grading to 4.00%, then 3.00%	6.00% grading to 5.00%, then 4.00%	7.00% grading to 6.00%, then 5.00%
OPEB dental trend rate	3.00%	4.00%	5.00%
Net OPEB liability (asset) \$	(244,515)	\$ (92,526)	\$ 88,066

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

For the current year ended, the District recognized negative OPEB expense of \$69,498. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ –	\$ 556,765
Changes in actuarial assumptions	31,813	97,687
Differences between projected and actual investment earnings	27,861	–
Total	<u>\$ 59,674</u>	<u>\$ 654,452</u>

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

<u>Year Ending June 30,</u>	<u>OPEB Expense Amount</u>
2025	\$ (185,973)
2026	\$ (102,295)
2027	\$ (124,770)
2028	\$ (99,243)
2029	\$ (81,696)
Thereafter	\$ (801)

NOTE 8 – FLEXIBLE BENEFIT PLAN

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

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

The Plan is administered by an independent contract administrator for child care and medical expense reimbursements. The flexible benefit plan is included in the financial statements within the District's General Fund.

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

NOTE 9 – INTERFUND BALANCES AND TRANSACTIONS

A. Interfund Receivables and Payables

At June 30, 2024, the District's General Fund had an interfund receivable of \$193,099 from the Food Service Special Revenue Fund and \$349,087 from the Community Service Special Revenue Fund to eliminate temporary cash deficits. The Health Benefits Self-Insurance Fund also reported an interfund receivable of \$9,330 from the Dental Self-Insurance Fund to eliminate a temporary cash deficit.

B. Transfers

During fiscal 2024, the General Fund transferred \$329,867 to the Food Service Special Revenue Fund to eliminate a year-end fund balance deficit.

Such interfund balances and transactions are reported in the fund financial statements, but are eliminated as necessary in the government-wide financial statements.

NOTE 10 – STEWARDSHIP AND ACCOUNTABILITY

At June 30, 2024, the District had an accumulated fund balance deficit of \$141,878 in its Community Service Special Revenue Fund. This deficit is expected to be eliminated through future tuition and fees received.

At June 30, 2024, the District had a deficit net position total in the Dental Self-Insurance Fund of \$25,620. This deficit is expected to be eliminated through future premiums paid from the District's governmental funds.

NOTE 11 – AID ANTICIPATION CERTIFICATE

Short-term borrowing for cash flow purposes is summarized as follows:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
02/23/2023	09/30/2023	6.00%	\$ 4,000,000	\$ –	\$ 4,000,000	\$ –
09/19/2023	09/30/2024	5.00%	–	3,500,000	–	3,500,000
Total			<u>\$ 4,000,000</u>	<u>\$ 3,500,000</u>	<u>\$ 4,000,000</u>	<u>\$ 3,500,000</u>

Interest and fiscal charges of \$163,189 were charged to the General Fund during the year, net of reoffering premiums.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Programs

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

B. Legal Claims

The District has the usual and customary types of miscellaneous legal claims pending at year-end, mostly of a minor nature and usually covered by insurance carried for that purpose. Although the outcomes of these claims are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

C. Power Purchase Commitment

The District entered into solar subscription agreements with an outside party to utilize space on two of its buildings to install and operate solar panels for generating and selling solar power for a period of 20 years, beginning from the period of commercial operation date, which shall be no later than July 2020. The outside company will retain ownership of the solar panels and operate the facility. The District is committed to purchasing the annual delivered energy of the solar power system for a period of 20 years from the commercial operation date. After the 20-year term is completed, the solar panels are transferred to the District.

D. Contract Commitments

The District is committed to a number of contracts awarded for various construction and maintenance projects. The District's commitment for uncompleted work on these contracts at June 30, 2024 was approximately \$78,075.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 286

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

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.0991%	\$ 4,655,222	\$ -	\$ 4,655,222	\$ 5,202,262	89.48%	78.70%
06/30/2016	06/30/2015	0.0873%	\$ 4,524,339	\$ -	\$ 4,524,339	\$ 5,048,933	89.61%	78.20%
06/30/2017	06/30/2016	0.0928%	\$ 7,534,899	\$ 98,396	\$ 7,633,295	\$ 5,756,957	130.88%	68.90%
06/30/2018	06/30/2017	0.0912%	\$ 5,822,148	\$ 73,226	\$ 5,895,374	\$ 5,851,573	99.50%	75.90%
06/30/2019	06/30/2018	0.0932%	\$ 5,170,355	\$ 169,672	\$ 5,340,027	\$ 6,261,347	82.58%	79.50%
06/30/2020	06/30/2019	0.0919%	\$ 5,080,946	\$ 157,993	\$ 5,238,939	\$ 6,815,107	74.55%	80.20%
06/30/2021	06/30/2020	0.1039%	\$ 6,229,279	\$ 192,082	\$ 6,421,361	\$ 7,015,813	88.79%	79.10%
06/30/2022	06/30/2021	0.0878%	\$ 3,749,453	\$ 114,524	\$ 3,863,977	\$ 6,310,907	59.41%	87.00%
06/30/2023	06/30/2022	0.0835%	\$ 6,613,228	\$ 193,772	\$ 6,807,000	\$ 6,250,727	105.80%	76.70%
06/30/2024	06/30/2023	0.0823%	\$ 4,602,124	\$ 126,911	\$ 4,729,035	\$ 6,575,873	69.98%	83.10%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 378,670	\$ 378,670	\$ -	\$ 5,048,933	7.50%
06/30/2016	\$ 431,774	\$ 431,774	\$ -	\$ 5,756,957	7.50%
06/30/2017	\$ 438,868	\$ 438,868	\$ -	\$ 5,851,573	7.50%
06/30/2018	\$ 469,601	\$ 469,601	\$ -	\$ 6,261,347	7.50%
06/30/2019	\$ 511,133	\$ 511,133	\$ -	\$ 6,815,107	7.50%
06/30/2020	\$ 526,186	\$ 526,186	\$ -	\$ 7,015,813	7.50%
06/30/2021	\$ 473,318	\$ 473,318	\$ -	\$ 6,310,907	7.50%
06/30/2022	\$ 468,444	\$ 468,444	\$ -	\$ 6,250,727	7.49%
06/30/2023	\$ 493,073	\$ 493,073	\$ -	\$ 6,575,873	7.50%
06/30/2024	\$ 504,852	\$ 504,852	\$ -	\$ 6,731,357	7.50%

INDEPENDENT SCHOOL DISTRICT NO. 286

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

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.2252%	\$ 10,377,054	\$ 729,883	\$ 11,106,937	\$ 10,278,596	100.96%	81.50%
06/30/2016	06/30/2015	0.2206%	\$ 13,646,292	\$ 1,674,127	\$ 15,320,419	\$ 11,177,280	122.09%	76.80%
06/30/2017	06/30/2016	0.2296%	\$ 54,765,078	\$ 5,495,987	\$ 60,261,065	\$ 11,991,480	456.70%	44.88%
06/30/2018	06/30/2017	0.2317%	\$ 46,251,523	\$ 4,471,027	\$ 50,722,550	\$ 12,579,853	367.66%	51.57%
06/30/2019	06/30/2018	0.2362%	\$ 14,835,571	\$ 1,393,892	\$ 16,229,463	\$ 13,051,053	113.67%	78.07%
06/30/2020	06/30/2019	0.2306%	\$ 14,698,492	\$ 1,300,734	\$ 15,999,226	\$ 13,056,213	112.58%	78.21%
06/30/2021	06/30/2020	0.2212%	\$ 16,342,552	\$ 1,369,341	\$ 17,711,893	\$ 12,783,497	127.84%	75.48%
06/30/2022	06/30/2021	0.2237%	\$ 9,789,781	\$ 825,772	\$ 10,615,553	\$ 13,389,635	73.11%	86.63%
06/30/2023	06/30/2022	0.2291%	\$ 18,345,116	\$ 1,360,509	\$ 19,705,625	\$ 14,270,162	128.56%	76.17%
06/30/2024	06/30/2023	0.2427%	\$ 20,037,856	\$ 1,403,619	\$ 21,441,475	\$ 15,441,462	129.77%	76.42%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 838,296	\$ 838,296	\$ -	\$ 11,177,280	7.50%
06/30/2016	\$ 899,361	\$ 899,361	\$ -	\$ 11,991,480	7.50%
06/30/2017	\$ 943,489	\$ 943,489	\$ -	\$ 12,579,853	7.50%
06/30/2018	\$ 978,829	\$ 978,829	\$ -	\$ 13,051,053	7.50%
06/30/2019	\$ 1,006,634	\$ 1,006,634	\$ -	\$ 13,056,213	7.71%
06/30/2020	\$ 1,012,453	\$ 1,012,453	\$ -	\$ 12,783,497	7.92%
06/30/2021	\$ 1,088,324	\$ 1,088,324	\$ -	\$ 13,389,635	8.13%
06/30/2022	\$ 1,189,489	\$ 1,189,489	\$ -	\$ 14,270,162	8.34%
06/30/2023	\$ 1,319,550	\$ 1,319,550	\$ -	\$ 15,441,462	8.55%
06/30/2024	\$ 1,263,632	\$ 1,263,632	\$ -	\$ 14,441,071	8.75%

INDEPENDENT SCHOOL DISTRICT NO. 286

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

	District Fiscal Year-End Date							
	2017	2018	2019	2020	2021	2022	2023	2024
Total OPEB liability								
Service cost	\$ 172,302	\$ 174,418	\$ 113,288	\$ 125,812	\$ 139,083	\$ 121,063	\$ 117,711	\$ 119,580
Interest	57,456	61,695	77,653	51,961	46,513	40,823	62,967	46,137
Changes in actuarial assumptions	-	(77,993)	(151,062)	39,404	(57,473)	(81,678)	28,783	(5,613)
Changes in plan provisions	-	79,738	-	-	-	-	-	-
Differences between expected and actual experience	-	-	(480,992)	-	(147,060)	-	(595,547)	-
Benefit payments	(66,185)	(94,960)	(97,631)	(149,282)	(53,828)	(43,396)	(62,300)	(131,588)
Net change in total OPEB liability	163,573	142,898	(538,744)	67,895	(72,765)	36,812	(448,386)	28,516
Total OPEB liability – beginning of year	1,912,569	2,076,142	2,219,040	1,680,296	1,748,191	1,675,426	1,712,238	1,263,852
Total OPEB liability – end of year	2,076,142	2,219,040	1,680,296	1,748,191	1,675,426	1,712,238	1,263,852	1,292,368
Plan fiduciary net position								
Employer contributions	66,185	-	97,631	149,282	53,828	43,396	62,300	131,588
Projected investment return	27,103	27,290	35,095	37,735	38,830	38,992	37,671	38,206
Differences between expected and actual experience	(17,427)	3,244	(33,483)	278	(32,992)	(84,286)	(18,981)	29,418
Benefit payments	(66,185)	(94,960)	(97,631)	(149,282)	(53,828)	(43,396)	(62,300)	(131,588)
Administrative expenses	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(167)
Net change in plan fiduciary net position	9,426	(64,676)	1,362	37,763	5,588	(45,544)	18,440	67,457
Plan fiduciary net position – beginning of year	1,355,078	1,364,504	1,299,828	1,301,190	1,338,953	1,344,541	1,298,997	1,317,437
Plan fiduciary net position – end of year	1,364,504	1,299,828	1,301,190	1,338,953	1,344,541	1,298,997	1,317,437	1,384,894
Net OPEB liability (asset)	\$ 711,638	\$ 919,212	\$ 379,106	\$ 409,238	\$ 330,885	\$ 413,241	\$ (53,585)	\$ (92,526)
Plan fiduciary net position as a percentage of the total OPEB liability	65.72%	58.58%	77.44%	76.59%	80.25%	75.87%	104.24%	107.16%
Covered-employee payroll	\$ 17,090,700	\$ 17,603,421	\$ 17,192,530	\$ 17,708,306	\$ 21,090,362	\$ 21,723,073	\$ 21,229,879	\$ 21,866,775
Net OPEB liability (asset) as a percentage of covered-employee payroll	4.16%	5.22%	2.21%	2.31%	1.57%	1.90%	(0.25%)	(0.42%)

Note: The District implemented GASB Statement Nos. 74 and 75 for the year ended June 30, 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 286

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

<u>Year</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2017	0.71 %
2018	2.20 %
2019	0.12 %
2020	2.90 %
2021	0.40 %
2022	(3.40) %
2023	1.48 %
2024	5.10 %

Note: The District implemented GASB Statement Nos. 74 and 75 for the year ended June 30, 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

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INDEPENDENT SCHOOL DISTRICT NO. 286

Notes to Required Supplementary Information
June 30, 2024

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2023 CHANGES IN PLAN PROVISIONS

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

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2020 CHANGES IN PLAN PROVISIONS

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

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

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

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2020 CHANGES IN ACTUARIAL ASSUMPTIONS (CONTINUED)

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the Pub-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

2019 CHANGES IN PLAN PROVISIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 CHANGES IN PLAN PROVISIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Retirement Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892.0 million. Upon consolidation, state and employer contributions were revised; the state's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

TEACHERS RETIREMENT ASSOCIATION (TRA)

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

- The cost of living adjustment (COLA) was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit, are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.50 percent if the funded ratio was at least 90.00 percent for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS (CONTINUED)

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

OTHER POST-EMPLOYMENT BENEFITS PLAN

2024 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.50 percent to 3.60 percent.

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The salary increase rates for nonteachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.30 percent to 3.50 percent.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.50 percent to 2.30 percent.
- The healthcare trend rates, mortality tables, and salary increase rates were updated.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.00 percent to 2.50 percent.
- The expected long-term rate of return on plan assets changed from 2.00 percent to 2.90 percent.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The retiree plan participation assumption for participants not eligible for a pre-65 subsidy was changed from 0.50 percent to 0.30 percent.
- The discount rate was changed from 3.40 percent to 3.00 percent.

2018 CHANGES IN PLAN PROVISIONS

- The superintendent will receive post-employment subsidized medical, dental, and life insurance until Medicare eligibility.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.80 percent to 3.40 percent.

SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 286

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

	Special Revenue Funds		Total
	Food Service	Community Service	
Assets			
Receivables			
Current taxes	\$ –	\$ 81,089	\$ 81,089
Delinquent taxes	–	2,620	2,620
Due from other governmental units	258,582	311,994	570,576
Inventory	23,695	–	23,695
Total assets	<u>\$ 282,277</u>	<u>\$ 395,703</u>	<u>\$ 677,980</u>
Liabilities			
Accounts and contracts payable	\$ 65,483	\$ 16,428	\$ 81,911
Due to other funds	193,099	349,087	542,186
Unearned revenue	–	6,875	6,875
Total liabilities	<u>258,582</u>	<u>372,390</u>	<u>630,972</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	–	163,081	163,081
Unavailable revenue – delinquent taxes	–	2,110	2,110
Total deferred inflows of resources	<u>–</u>	<u>165,191</u>	<u>165,191</u>
Fund balances (deficit)			
Nonspendable	23,695	–	23,695
Unassigned	–	(141,878)	(141,878)
Total fund balances (deficit)	<u>23,695</u>	<u>(141,878)</u>	<u>(118,183)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 282,277</u>	<u>\$ 395,703</u>	<u>\$ 677,980</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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

	Special Revenue Funds		Total
	Food Service	Community Service	
Revenue			
Local sources			
Property taxes	\$ -	\$ 190,476	\$ 190,476
Other	47,247	368,813	416,060
State sources	313,739	419,166	732,905
Federal sources	1,144,605	439,915	1,584,520
Total revenue	<u>1,505,591</u>	<u>1,418,370</u>	<u>2,923,961</u>
Expenditures			
Current			
Food service	1,503,894	-	1,503,894
Community service	-	1,560,768	1,560,768
Capital outlay	55,052	-	55,052
Total expenditures	<u>1,558,946</u>	<u>1,560,768</u>	<u>3,119,714</u>
Excess (deficiency) of revenue over expenditures	(53,355)	(142,398)	(195,753)
Other financing sources			
Transfers in	<u>329,867</u>	<u>-</u>	<u>329,867</u>
Net change in fund balances	276,512	(142,398)	134,114
Fund balances (deficit)			
Beginning of year	<u>(252,817)</u>	<u>520</u>	<u>(252,297)</u>
End of year	<u>\$ 23,695</u>	<u>\$ (141,878)</u>	<u>\$ (118,183)</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

General Fund
Comparative Balance Sheet
as of June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Cash and temporary investments	\$ 3,742,982	\$ 941,638
Receivables		
Current taxes	1,962,221	1,804,115
Delinquent taxes	48,203	101,196
Accounts and interest	38,648	112,454
Due from other governmental units	7,851,457	10,192,973
Due from other funds	542,186	527,439
Prepaid items	<u>125,508</u>	<u>128,707</u>
Total assets	<u>\$ 14,311,205</u>	<u>\$ 13,808,522</u>
Liabilities		
Aid anticipation certificates	\$ 3,500,000	\$ 4,000,000
Salaries payable	1,466,902	1,882,698
Accounts and contracts payable	2,169,883	2,552,708
Due to other governmental units	58,109	91,729
Accrued interest payable	136,644	83,507
Unearned revenue	<u>90,079</u>	<u>116,572</u>
Total liabilities	7,421,617	8,727,214
Deferred inflows of resources		
Property taxes levied for subsequent year	3,280,200	2,961,809
Unavailable revenue – delinquent taxes	<u>38,675</u>	<u>96,228</u>
Total deferred inflows of resources	3,318,875	3,058,037
Fund balances		
Nonspendable for prepaid items	125,508	128,707
Restricted for scholarships	72,303	77,078
Restricted for literary incentive aid	49,338	–
Restricted for American Indian education aid	41,493	–
Restricted for area learning center	613,307	327,652
Restricted for long-term facilities maintenance	–	13,725
Restricted for student support personnel	41,207	–
Assigned for subsequent year’s budget	571,345	–
Unassigned	<u>2,056,212</u>	<u>1,476,109</u>
Total fund balances	<u>3,570,713</u>	<u>2,023,271</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 14,311,205</u>	 <u>\$ 13,808,522</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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

	2024		2023	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 3,444,807	\$ 3,754,856	\$ 310,049	\$ 3,380,977
Investment earnings	100,000	179,180	79,180	70,589
Other	373,885	419,248	45,363	567,882
State sources	33,758,880	35,908,546	2,149,666	32,826,483
Federal sources	2,085,837	2,437,057	351,220	5,124,424
Total revenue	<u>39,763,409</u>	<u>42,698,887</u>	<u>2,935,478</u>	<u>41,970,355</u>
Expenditures				
Current				
Administration				
Salaries	1,069,264	1,051,205	(18,059)	1,092,879
Employee benefits	301,675	340,749	39,074	350,134
Purchased services	42,270	73,714	31,444	51,984
Supplies and materials	68,914	141,569	72,655	89,461
Other expenditures	10,000	5,669	(4,331)	6,815
Total administration	<u>1,492,123</u>	<u>1,612,906</u>	<u>120,783</u>	<u>1,591,273</u>
District support services				
Salaries	1,212,550	1,123,580	(88,970)	1,195,978
Employee benefits	318,129	387,970	69,841	348,862
Purchased services	1,592,207	500,061	(1,092,146)	424,884
Supplies and materials	61,349	110,077	48,728	103,588
Capital expenditures	–	2,000	2,000	–
Other expenditures	3,591	(76,054)	(79,645)	36,991
Total district support services	<u>3,187,826</u>	<u>2,047,634</u>	<u>(1,140,192)</u>	<u>2,110,303</u>
Elementary and secondary regular instruction				
Salaries	8,586,824	8,425,229	(161,595)	8,755,433
Employee benefits	2,602,710	2,580,121	(22,589)	2,718,311
Purchased services	2,214,665	2,344,078	129,413	1,868,335
Supplies and materials	252,609	424,953	172,344	870,219
Other expenditures	11,558	56,591	45,033	99,548
Total elementary and secondary regular instruction	<u>13,668,366</u>	<u>13,830,972</u>	<u>162,606</u>	<u>14,311,846</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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

	2024		2023	
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	141,093	162,296	21,203	213,980
Employee benefits	41,409	42,506	1,097	64,410
Purchased services	31,518	63,358	31,840	48,475
Supplies and materials	8,215	2,508	(5,707)	4,328
Other expenditures	130	1,424	1,294	1,647
Total vocational education instruction	222,365	272,092	49,727	332,840
Special education instruction				
Salaries	4,331,047	4,210,671	(120,376)	4,353,999
Employee benefits	1,236,357	1,243,739	7,382	1,315,366
Purchased services	447,064	463,673	16,609	575,053
Supplies and materials	83,278	107,280	24,002	103,532
Other expenditures	500	24,687	24,187	24,005
Total special education instruction	6,098,246	6,050,050	(48,196)	6,371,955
Instructional support services				
Salaries	1,442,874	1,456,594	13,720	1,662,025
Employee benefits	378,990	409,661	30,671	472,084
Purchased services	546,300	345,617	(200,683)	323,636
Supplies and materials	369,478	367,821	(1,657)	225,481
Capital expenditures	155,321	97,867	(57,454)	157,014
Other expenditures	75,743	123,401	47,658	50,436
Total instructional support services	2,968,706	2,800,961	(167,745)	2,890,676
Pupil support services				
Salaries	2,606,384	2,363,747	(242,637)	2,577,436
Employee benefits	693,347	639,698	(53,649)	708,906
Purchased services	3,271,313	5,166,235	1,894,922	7,374,491
Supplies and materials	157,958	235,383	77,425	131,540
Capital expenditures	—	—	—	19,735
Other expenditures	—	88,405	88,405	9,984
Total pupil support services	6,729,002	8,493,468	1,764,466	10,822,092

INDEPENDENT SCHOOL DISTRICT NO. 286

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

	2024		2023	
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	997,879	940,158	(57,721)	931,633
Employee benefits	282,401	354,126	71,725	337,611
Purchased services	1,392,896	3,014,345	1,621,449	2,869,154
Supplies and materials	99,545	469,537	369,992	210,531
Capital expenditures	198,198	298,851	100,653	653,536
Other expenditures	28,500	47,568	19,068	50,576
Total sites and buildings	<u>2,999,419</u>	<u>5,124,585</u>	<u>2,125,166</u>	<u>5,053,041</u>
Fiscal and other fixed cost programs				
Purchased services	112,541	130,019	17,478	106,985
Other expenditures	5,500	12,775	7,275	1,250
Total fiscal and other fixed cost programs	<u>118,041</u>	<u>142,794</u>	<u>24,753</u>	<u>108,235</u>
Debt service				
Principal	299,719	299,719	–	106,974
Interest and fiscal charges	320,973	363,286	42,313	160,630
Total debt service	<u>620,692</u>	<u>663,005</u>	<u>42,313</u>	<u>267,604</u>
Total expenditures	<u>38,104,786</u>	<u>41,038,467</u>	<u>2,933,681</u>	<u>43,859,865</u>
Excess (deficiency) of revenue over expenditures	1,658,623	1,660,420	1,797	(1,889,510)
Other financing sources (uses)				
Debt issued	–	–	–	111,264
Sale of capital assets	–	–	–	647,350
Insurance recovery	–	216,889	216,889	647
Transfers (out)	–	(329,867)	(329,867)	–
Total other financing sources (uses)	<u>–</u>	<u>(112,978)</u>	<u>(112,978)</u>	<u>759,261</u>
Net change in fund balances	<u>\$ 1,658,623</u>	1,547,442	<u>\$ (111,181)</u>	(1,130,249)
Fund balances				
Beginning of year		<u>2,023,271</u>		<u>3,153,520</u>
End of year		<u>\$ 3,570,713</u>		<u>\$ 2,023,271</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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

	<u>2024</u>	<u>2023</u>
Assets		
Receivables		
Due from other governmental units	\$ 258,582	\$ 153,335
Inventory	<u>23,695</u>	<u>23,148</u>
Total assets	<u><u>\$ 282,277</u></u>	<u><u>\$ 176,483</u></u>
Liabilities		
Accounts and contracts payable	\$ 65,483	\$ 65,984
Due to other funds	193,099	332,896
Unearned revenue	–	30,420
Total liabilities	<u>258,582</u>	<u>429,300</u>
Fund balances (deficit)		
Nonspendable for inventory	23,695	23,148
Unassigned	–	(275,965)
Total fund balances (deficit)	<u>23,695</u>	<u>(252,817)</u>
Total liabilities and fund balances	<u><u>\$ 282,277</u></u>	<u><u>\$ 176,483</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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

	2024			2023
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other – primarily meal sales	\$ 62,000	\$ 47,247	\$ (14,753)	\$ 18,476
State sources	14,100	313,739	299,639	34,257
Federal sources	1,395,900	1,144,605	(251,295)	1,109,242
Total revenue	<u>1,472,000</u>	<u>1,505,591</u>	<u>33,591</u>	<u>1,161,975</u>
Expenditures				
Current				
Salaries	655,667	535,472	(120,195)	572,876
Employee benefits	152,260	178,606	26,346	191,103
Purchased services	32,150	32,673	523	63,199
Supplies and materials	600,723	753,549	152,826	663,716
Other expenditures	1,200	3,594	2,394	2,953
Capital outlay	30,000	55,052	25,052	84,800
Total expenditures	<u>1,472,000</u>	<u>1,558,946</u>	<u>86,946</u>	<u>1,578,647</u>
Excess (deficiency) of revenue over expenditures	–	(53,355)	(53,355)	(416,672)
Other financing sources				
Transfers in	–	329,867	329,867	–
Net change in fund balances	<u>\$ –</u>	<u>276,512</u>	<u>\$ 276,512</u>	<u>(416,672)</u>
Fund balances (deficit)				
Beginning of year		<u>(252,817)</u>		<u>163,855</u>
End of year		<u>\$ 23,695</u>		<u>\$ (252,817)</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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

	<u>2024</u>	<u>2023</u>
Assets		
Receivables		
Current taxes	\$ 81,089	\$ 98,469
Delinquent taxes	2,620	4,900
Due from other governmental units	<u>311,994</u>	<u>297,527</u>
Total assets	<u><u>\$ 395,703</u></u>	<u><u>\$ 400,896</u></u>
Liabilities		
Accounts and contracts payable	\$ 16,428	\$ 13,217
Due to other funds	349,087	194,543
Unearned revenue	<u>6,875</u>	<u>—</u>
Total liabilities	372,390	207,760
Deferred inflows of resources		
Property taxes levied for subsequent year	163,081	188,040
Unavailable revenue – delinquent taxes	<u>2,110</u>	<u>4,576</u>
Total deferred inflows of resources	165,191	192,616
Fund balances (deficit)		
Restricted for early childhood family education programs	—	14
Restricted for school readiness	—	61,586
Unassigned – community education programs		
restricted account deficit	<u>(141,878)</u>	<u>(61,080)</u>
Total fund balances (deficit)	<u>(141,878)</u>	<u>520</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 395,703</u></u>	<u><u>\$ 400,896</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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

	2024		Over (Under) Budget	2023
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 187,961	\$ 190,476	\$ 2,515	\$ 180,112
Other – primarily tuition and fees	405,691	368,813	(36,878)	325,067
State sources	391,361	419,166	27,805	427,000
Federal sources	639,487	439,915	(199,572)	599,890
Total revenue	<u>1,624,500</u>	<u>1,418,370</u>	<u>(206,130)</u>	<u>1,532,069</u>
Expenditures				
Current				
Salaries	1,071,068	1,141,524	70,456	1,026,932
Employee benefits	265,108	268,575	3,467	282,432
Purchased services	248,724	107,240	(141,484)	159,406
Supplies and materials	35,900	41,332	5,432	64,202
Other expenditures	3,700	2,097	(1,603)	1,515
Total expenditures	<u>1,624,500</u>	<u>1,560,768</u>	<u>(63,732)</u>	<u>1,534,487</u>
Net change in fund balances	<u>\$ –</u>	<u>(142,398)</u>	<u>\$ (142,398)</u>	<u>(2,418)</u>
Fund balances (deficit)				
Beginning of year		<u>520</u>		<u>2,938</u>
End of year		<u>\$ (141,878)</u>		<u>\$ 520</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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

	<u>2024</u>	<u>2023</u>
Assets		
Cash and temporary investments	<u>\$ 319,716</u>	<u>\$ 1,529,441</u>
Liabilities		
Accounts and contracts payable	\$ 200,262	\$ 152,814
Fund balances		
Restricted for capital projects	<u>119,454</u>	<u>1,376,627</u>
Total liabilities and fund balances	<u>\$ 319,716</u>	<u>\$ 1,529,441</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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

	2024		Over (Under) Budget	2023
	Budget	Actual		Actual
Revenue				
Local sources				
Investment earnings	\$ 60,000	\$ 107,213	\$ 47,213	\$ 83,066
Expenditures				
Capital outlay				
Purchased services	400,000	364,362	(35,638)	4,063,193
Supplies and materials	2,183	2,183	–	–
Capital expenditures	2,827,716	2,799,358	(28,358)	413,318
Debt service				
Fiscal charges and other	8,244	80,243	71,999	–
Total expenditures	<u>3,238,143</u>	<u>3,246,146</u>	<u>8,003</u>	<u>4,476,511</u>
Excess (deficiency) of revenue over expenditures	(3,178,143)	(3,138,933)	39,210	(4,393,445)
Other financing sources				
Debt issued	1,801,516	1,805,000	3,484	4,883,736
Premium on debt issued	–	76,760	76,760	–
Total other financing sources	<u>1,801,516</u>	<u>1,881,760</u>	<u>80,244</u>	<u>4,883,736</u>
Net change in fund balances	<u>\$ (1,376,627)</u>	<u>(1,257,173)</u>	<u>\$ 119,454</u>	490,291
Fund balances				
Beginning of year		<u>1,376,627</u>		<u>886,336</u>
End of year		<u>\$ 119,454</u>		<u>\$ 1,376,627</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Debt Service Fund
Comparative Balance Sheet
as of June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Cash and temporary investments	\$ 2,461,179	\$ 2,205,683
Receivables		
Current taxes	1,715,614	1,505,986
Delinquent taxes	40,335	80,807
Due from other governmental units	20,075	63,389
Prepaid items	<u>–</u>	<u>10,050</u>
Total assets	<u>\$ 4,237,203</u>	<u>\$ 3,865,915</u>
Liabilities		
Accounts and contracts payable	\$ 550	\$ –
Deferred inflows of resources		
Property taxes levied for subsequent year	3,449,966	2,875,628
Unavailable revenue – delinquent taxes	<u>32,449</u>	<u>76,175</u>
Total deferred inflows of resources	<u>3,482,415</u>	<u>2,951,803</u>
Fund balances		
Nonspendable for prepaid items	–	10,050
Restricted for debt service	<u>754,238</u>	<u>904,062</u>
Total fund balances	<u>754,238</u>	<u>914,112</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,237,203</u>	<u>\$ 3,865,915</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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

	2024		Over (Under) Budget	2023
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 2,875,568	\$ 2,923,096	\$ 47,528	\$ 2,807,579
Investment earnings	30,000	50,259	20,259	38,161
State sources	633,919	200,743	(433,176)	633,916
Total revenue	<u>3,539,487</u>	<u>3,174,098</u>	<u>(365,389)</u>	<u>3,479,656</u>
Expenditures				
Debt service				
Principal	1,706,000	1,706,000	-	1,634,000
Interest	1,625,447	1,625,447	-	1,699,440
Fiscal charges and other	4,500	2,525	(1,975)	6,475
Total expenditures	<u>3,335,947</u>	<u>3,333,972</u>	<u>(1,975)</u>	<u>3,339,915</u>
Net change in fund balances	<u>\$ 203,540</u>	<u>(159,874)</u>	<u>\$ (363,414)</u>	<u>139,741</u>
Fund balances				
Beginning of year		<u>914,112</u>		<u>774,371</u>
End of year		<u>\$ 754,238</u>		<u>\$ 914,112</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Internal Service Funds
 Combining Statement of Net Position
 as of June 30, 2024
 (With Comparative Total Amounts as of June 30, 2023)

	Health Benefits Self-Insurance	Dental Self-Insurance	Totals	
			2024	2023
Assets				
Current assets				
Cash and temporary investments	\$ 1,262,038	\$ –	\$ 1,262,038	\$ 1,505,423
Receivables				
Due from other funds	9,330	–	9,330	6,904
Total current assets	<u>1,271,368</u>	<u>–</u>	<u>1,271,368</u>	<u>1,512,327</u>
Liabilities				
Current liabilities				
Accounts and contracts payable	3,300	–	3,300	5,028
Due to other funds	–	9,330	9,330	6,904
Claims incurred, but not reported	243,967	16,290	260,257	156,541
Total current liabilities	<u>247,267</u>	<u>25,620</u>	<u>272,887</u>	<u>168,473</u>
Net position				
Unrestricted	<u>\$ 1,024,101</u>	<u>\$ (25,620)</u>	<u>\$ 998,481</u>	<u>\$ 1,343,854</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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

	Health Benefits Self-Insurance	Dental Self-Insurance	Totals	
			2024	2023
Operating revenue				
Charges for services				
Contributions from governmental funds	\$ 2,856,703	\$ 189,005	\$ 3,045,708	\$ 3,448,904
Operating expenses				
Health benefit claims	3,248,859	-	3,248,859	3,097,756
Dental benefit claims	-	188,447	188,447	186,329
Total operating expenses	<u>3,248,859</u>	<u>188,447</u>	<u>3,437,306</u>	<u>3,284,085</u>
Operating income (loss)	(392,156)	558	(391,598)	164,819
Nonoperating revenue				
Investment earnings	<u>46,225</u>	<u>-</u>	<u>46,225</u>	<u>30,616</u>
Change in net position	(345,931)	558	(345,373)	195,435
Net position				
Beginning of year	<u>1,370,032</u>	<u>(26,178)</u>	<u>1,343,854</u>	<u>1,148,419</u>
End of year	<u>\$ 1,024,101</u>	<u>\$ (25,620)</u>	<u>\$ 998,481</u>	<u>\$ 1,343,854</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Internal Service Funds
 Combining Statement of Cash Flows
 Year Ended June 30, 2024
 (With Comparative Total Amounts for the Year Ended June 30, 2023)

	Health Benefits	Dental	Totals	
	Self-Insurance	Self-Insurance	2024	2023
Cash flows from operating activities				
Contributions from governmental funds	\$ 2,856,703	\$ 189,005	\$ 3,045,708	\$ 3,448,904
Payment for health claims	(3,143,887)	–	(3,143,887)	(3,140,749)
Payment for dental claims	–	(191,431)	(191,431)	(182,419)
Net cash flows from operating activities	<u>(287,184)</u>	<u>(2,426)</u>	<u>(289,610)</u>	<u>125,736</u>
Cash flows from noncapital financing activities				
Cash received from other funds	–	2,426	2,426	16,267
Cash paid to other funds	<u>(2,426)</u>	<u>–</u>	<u>(2,426)</u>	<u>(16,267)</u>
Net cash flows from noncapital financing activities	<u>(2,426)</u>	<u>2,426</u>	<u>–</u>	<u>–</u>
Cash flows from investing activities				
Investment income received	<u>46,225</u>	<u>–</u>	<u>46,225</u>	<u>30,616</u>
Net change in cash and cash equivalents	<u>(243,385)</u>	<u>–</u>	<u>(243,385)</u>	<u>156,352</u>
Cash and cash equivalents				
Beginning of year	<u>1,505,423</u>	<u>–</u>	<u>1,505,423</u>	<u>1,349,071</u>
End of year	<u>\$ 1,262,038</u>	<u>\$ –</u>	<u>\$ 1,262,038</u>	<u>\$ 1,505,423</u>
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ (392,156)	\$ 558	\$ (391,598)	\$ 164,819
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Changes in assets and liabilities				
Accounts and contracts payable	(1,728)	–	(1,728)	(2,143)
Claims incurred, but not reported	<u>106,700</u>	<u>(2,984)</u>	<u>103,716</u>	<u>(36,940)</u>
Net cash flows from operating activities	<u>\$ (287,184)</u>	<u>\$ (2,426)</u>	<u>\$ (289,610)</u>	<u>\$ 125,736</u>

OTHER DISTRICT INFORMATION

(UNAUDITED)

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INDEPENDENT SCHOOL DISTRICT NO. 286

Student Enrollment
Last Ten Fiscal Years

Year Ended June 30,	Adjusted Average Daily Membership (ADM)					Total Pupil Units
	Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	
2015	21.32	198.83	1,043.83	1,158.47	2,422.45	2,654.14
2016	12.76	166.07	1,059.03	1,171.58	2,409.44	2,643.76
2017	71.50	160.00	991.19	1,196.06	2,418.75	2,657.96
2018	74.24	159.88	1,010.58	1,330.05	2,574.75	2,840.78
2019	85.20	147.93	917.41	1,336.78	2,487.32	2,754.69
2020	73.46	155.92	862.41	1,330.57	2,422.36	2,688.46
2021	59.13	108.60	822.63	1,317.14	2,307.50	2,570.92
2022	77.58	120.51	731.94	1,271.66	2,201.69	2,456.03
2023	79.08	119.38	707.43	1,277.05	2,182.94	2,438.33
2024	77.56	95.12	701.66	1,260.23	2,134.57	2,386.61

Note 1: Student enrollment numbers are estimated for the most recent fiscal year.

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

	Pre-Kindergarten	Half-Day Kindergarten	Full-Day Kindergarten	Elementary 1-6	Secondary 7-12+
Fiscal 2015 through 2024	1.000	0.550	1.000	1.000	1.200

Source: Minnesota Department of Education student reporting system

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SINGLE AUDIT AND OTHER REQUIRED REPORTS

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INDEPENDENT SCHOOL DISTRICT NO. 286

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program Title	Federal ALN	Federal Expenditures	
U.S. Department of Agriculture			
Passed through Minnesota Department of Education			
Child nutrition cluster			
School Breakfast Program	10.553	\$ 252,651	
National School Lunch Program	10.555	695,003	
Summer Food Service Program for Children	10.559	<u>33,937</u>	
Total child nutrition cluster			\$ 981,591
Child and Adult Care Food Program	10.558		91,263
Passed through Action for Healthy Kids			
Child Nutrition Discretionary Grants Limited Availability	10.579		71,752
U.S. Department of the Treasury			
Passed through Minnesota Department of Education			
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		47,040
U.S. Department of Education			
Direct			
Indian Education Grants to Local Educational Agencies	84.060		5,533
Passed through Minnesota Department of Education			
Special education cluster			
Special Education Grants to States	84.027	\$ 482,185	
COVID-19 – Special Education Grant to States	84.027	<u>26,928</u>	
Total ALN 84.027			509,113
Special Education Preschool Grants	84.173		<u>8,279</u>
Total special education cluster			517,392
Title I Grants to Local Educational Agencies	84.010		468,802
Special Education – Grants for Infants and Families	84.181		13,174
Twenty-First Century Community Learning Centers	84.287		439,915
English Language Acquisition State Grants	84.365		53,262
Supporting Effective Instruction State Grants	84.367		74,328
Student Support and Academic Enrichment Program	84.424		89,443
Education Stabilization Fund			
COVID-19 – American Rescue Plan – Elementary and Secondary			
School Emergency Relief (ARP ESSER) Fund	84.425U		892,199
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		107,164
Passed through Intermediate District No. 287			
Career and Technical Education – Basic Grants to States	84.048		27,242
Passed through Northwest Suburban Integration School District			
Magnet Schools Assistance	84.165		128,936
The Institute of Museum and Library Services			
Direct			
National Leadership Grants	45.312		<u>12,541</u>
Total federal awards			<u>\$ 4,021,577</u>

Note 1: The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the District's basic financial statements.

Note 2: All pass-through entities listed above use the same federal Assistance Listing Numbers (ALN) as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.

Note 3: The District did not elect to use the 10 percent de minimis indirect cost rate.

Note 4: The District had \$106,604 of noncash assistance included in the National School Lunch Program, federal ALN 10.555.

Note 5: The District had \$30,148 transferred into Title I federal ALN 84.010 from other Title programs.

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PRINCIPALS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the School Board and Management of
Independent School District No. 286
Brooklyn Center, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 286 (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 30, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

(continued)

REPORT ON COMPLIANCE AND OTHER MATTERS

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

DISTRICT'S RESPONSE TO 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. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
December 30, 2024



PRINCIPALS

Thomas A. Karnowski, CPA
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INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR
EACH PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the School Board and Management of
Independent School District No. 286
Brooklyn Center, Minnesota

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

QUALIFIED OPINIONS ON EACH MAJOR FEDERAL PROGRAM

We have audited Independent School District No. 286’s (the District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget *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 Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

QUALIFIED OPINIONS ON CHILD NUTRITION CLUSTER – FEDERAL ALN 10.553, 10.555, AND 10.559 AND COVID-19 – EDUCATION STABILIZATION FUND – FEDERAL ALN 84.425

In our opinion, except for the noncompliance described in the Basis for Qualified Opinions section of our report, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster – federal ALN 10.553, 10.555, and 10.559 and COVID-19 – Education Stabilization Fund – federal ALN 84.425 for the year ended June 30, 2024.

BASIS FOR QUALIFIED OPINIONS ON EACH MAJOR FEDERAL PROGRAM

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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 requirements referred to above.

(continued)

MATTER(S) GIVING RISE TO QUALIFIED OPINIONS ON CHILD NUTRITION CLUSTER – FEDERAL ALN 10.553, 10.555, AND 10.559 AND COVID-19 – EDUCATION STABILIZATION FUND – FEDERAL ALN 84.425

As described in the accompanying Schedule of Findings and Questioned Costs in finding 2024-002, the District did not comply with requirements regarding procurement, suspension, and debarment for the Child Nutrition Cluster – federal ALN 10.553, 10.555, and 10.559 and finding 2024-003, the District did not comply with requirements regarding equipment and real property management for the COVID-19 – Education Stabilization Fund – federal ALN 84.425.

Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to that program.

RESPONSIBILITIES OF MANAGEMENT FOR COMPLIANCE

Management is responsible for compliance with the requirements referred to on the previous page 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 on the previous page 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 generally accepted auditing standards, *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 on the previous page 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 generally accepted auditing standards, *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 on the previous page 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.

(continued)

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section on the previous page 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as findings 2024-002 and 2024-003 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our 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.

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

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.

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

Minneapolis, Minnesota
December 30, 2024

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INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of
Independent School District No. 286
Brooklyn Center, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 286 (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 30, 2024.

MINNESOTA LEGAL COMPLIANCE

In connection with our audit, we noted that the District failed to comply with provisions of the contracting – bid laws and claims and disbursements 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 as described in the Schedule of Findings and Questioned Costs as findings 2024-004, 2024-005, and 2024-006. Also, in connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the depositories of public funds and public investments, conflicts of interest, public indebtedness, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

DISTRICT'S RESPONSES TO FINDINGS

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

(continued)

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
December 30, 2024

INDEPENDENT SCHOOL DISTRICT NO. 286

Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

A. SUMMARY OF AUDIT RESULTS

This summary is formatted to provide federal granting agencies and pass-through agencies answers to specific questions regarding the audit of federal awards.

Financial Statements

What type of auditor's report is issued? X Unmodified
 Qualified
 Adverse
 Disclaimer

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiencies identified? X Yes None reported

Noncompliance material to the financial statements noted? Yes X No

Federal Awards

Internal controls over major federal award programs:

Material weakness(es) identified? X Yes No

Significant deficiencies identified? Yes X None reported

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

U.S. Department of Agriculture – Child Nutrition Cluster Qualified
U.S. Department of Education – COVID-19 – Education Stabilization Fund Qualified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? X Yes No

Programs tested as major programs:

Program or Cluster	Federal ALN
U.S. Department of Agriculture – Child Nutrition Cluster consisting of:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
U.S. Department of Education – COVID-19 – Education Stabilization Fund	84.425

Threshold for distinguishing type A and B programs. \$ 750,000

Does the auditee qualify as a low-risk auditee? Yes X No

INDEPENDENT SCHOOL DISTRICT NO. 286

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2024

B. FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCY

2024-001 Segregation of Duties

Criteria – Internal control over financial reporting.

Condition – Independent School District No. 286 (the District) has limited segregation of duties in several areas, including the processing of general disbursements, payroll transactions, cash receipts, and journal entries.

Questioned Costs – Not applicable.

Context – The condition applies to multiple areas as noted above.

Repeat Finding – This is a current year and prior year finding.

Cause – The limited segregation of duties is primarily caused by the limited size of the District’s business office staff.

Effect – One important element of internal accounting controls is an adequate segregation of duties such that no one individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction. A lack of segregation of duties subjects the District to a higher risk that errors or fraud could occur and not be detected in a timely manner in the normal course of business.

Recommendation – We recommend that the District continue its efforts to segregate duties as best it can within the limits of what the District considers to be cost-beneficial.

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding. The District intends to review policies, procedures, and transaction cycles, and work with the District’s financial auditors to review specific weaknesses identified during the annual audit and actions needed to eliminate or mitigate this internal control weakness. The District has separately issued a Corrective Action Plan related to this finding.

INDEPENDENT SCHOOL DISTRICT NO. 286

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2024

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE AND MATERIAL NONCOMPLIANCE – U.S. DEPARTMENT OF AGRICULTURE, PASSED THROUGH MINNESOTA DEPARTMENT OF EDUCATION, CHILD NUTRITION CLUSTER – FEDERAL ALN 10.553, 10.555, AND 10.559

2024-002 Internal Control Over Compliance and Material Noncompliance With Federal Procurement, Suspension, and Debarment Requirements

Criteria – 2 CFR § 180 and 2 CFR § 200.318-327 requires the District to establish and maintain effective internal control over compliance with requirements applicable to federal program expenditures, including procurement, suspension, and debarment requirements applicable to the child nutrition cluster federal program.

Condition – During our audit, we noted the District did not have sufficient controls in place resulting in material noncompliance within its child nutrition cluster federal program to ensure compliance with federal procurement requirements related to methods of procurement and to assure that it was not contracting for goods or services with parties that are suspended or debarred, or whose principals are suspended or debarred from participating in contracts involving the expenditures of federal program funds.

Questioned Costs – None.

Context – For two of six vendors exceeding the micro-purchase threshold, the District did not document procurement policy and the Uniform Guidance requirements related to methods of procurement and a proper documentation of suspension and debarment testing was not maintained for four of four vendors tested to ensure compliance with this requirement in the current year. This was not a statistically valid sample.

Repeat Finding – This is a current year and prior year finding.

Cause – This was an oversight by district personnel.

Effect – Noncompliance with procurement, suspension, and debarment requirements could result in the District expending federal funds inappropriately or utilizing vendors that are not eligible to be parties to such transactions, which could be viewed as a violation of the award agreement.

INDEPENDENT SCHOOL DISTRICT NO. 286

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2024

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE AND MATERIAL NONCOMPLIANCE – U.S. DEPARTMENT OF AGRICULTURE, PASSED THROUGH MINNESOTA DEPARTMENT OF EDUCATION, CHILD NUTRITION CLUSTER – FEDERAL ALN 10.553, 10.555, AND 10.559 (CONTINUED)

2024-002 Internal Control Over Compliance and Material Noncompliance With Federal Procurement, Suspension, and Debarment Requirements (continued)

Recommendation – We recommend that the District review its internal control procedures relating to procurement, suspension, and debarment for the child nutrition cluster federal program. Internal controls over compliance should be in place to ensure compliance with federal procurement procedures, including awarding and documenting contracts based on sealed bids or quotations for the purchase of goods or services exceeding applicable federal dollar thresholds. Internal controls over compliance should also include verification that any vendor with which the District contracts for goods or services exceeding \$25,000 is not listed as suspended or debarred on the federal Excluded Parties List System website.

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding. The District intends to review its policies and procedures relating to procurement, suspension, and debarment for its federal programs to ensure compliance with the Uniform Guidance in the future. The District has separately issued a Corrective Action Plan related to this finding.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE AND MATERIAL NONCOMPLIANCE – U.S. DEPARTMENT OF EDUCATION – PASSED THROUGH MINNESOTA DEPARTMENT OF EDUCATION, COVID-19 – EDUCATION STABILIZATION FUND – FEDERAL ALN 84.425

2024-003 Internal Control Over Compliance and Material Noncompliance With Equipment and Real Property Management Requirements

Criteria – 2 CFR § 200.313 requires the District to designate fixed assets purchased under federal programs and to maintain related property records, including a description of the property, a serial number or other unique identification number, the source of funding for the property (including the federal Assistance Listing Number (ALN)), who holds title, the acquisition date, cost of the property, percentage of federal participation in the project costs for the federal award under which the property was acquired, the location, use, and condition of the property, and any ultimate disposition data, including the date of disposal and sale price of the property. A physical inventory of the property must be taken and the results reconciled with the property records at least every two years.

Condition – During our audit, we noted that the District did not have sufficient controls in place within the COVID-19 – Education Stabilization Fund federal program to specifically identify federally funded fixed assets and maintain the required records as noted above to assure compliance with federal equipment and real property management requirements. The District does not have a process or procedure in place for a physical inventory of property acquired with federal funds. Fixed assets purchased with federal awards have not been maintained in accordance with federal equipment and real property management requirements.

Questioned Costs – None.

Context – Fixed assets purchased with federal awards have not been maintained in accordance with federal equipment and real property management requirements. This was not a statistically valid sample.

Repeat Finding – This is a current year and prior year finding.

Cause – The District did not have a system in place for specifically identifying federally-funded fixed assets and maintaining the required records as noted above.

Effect – This could be viewed as a violation of the award agreement.

Recommendation – We recommend that the District review its internal control procedures to ensure future compliance with the federal compliance requirements specific to equipment and real property management for the COVID-19 Education Stabilization Fund federal program.

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding. The District intends to review its control procedures relating to equipment and real property management requirements to ensure compliance for future federal awards expenditures. The District has separately issued a Corrective Action Plan related to this finding.

INDEPENDENT SCHOOL DISTRICT NO. 286

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2024

D. MINNESOTA LEGAL COMPLIANCE FINDINGS

2024-004 Payment of Invoices

Criteria – Minnesota Statutes § 471.425 requires prompt payment of local government bills within a standard payment period of 35 days from the receipt of goods and services, or the invoice for goods and services, for districts with governing boards that meet at least once a month. If such obligations are not paid within the appropriate time period, districts must pay interest on the unpaid obligations at the rate of 1.5 percent per month or part of a month.

Condition – Three of forty disbursements selected for testing were not paid within the required 35 days from the receipt of goods and services.

Questioned Costs – Not applicable.

Context – Three of forty disbursements tested were not paid within the required 35-day period.

Repeat Finding – This is a current year and prior year finding.

Cause – This was an oversight by district personnel.

Effect – The District did not pay this claim within the time frame allowed by state statutes.

Recommendation – We recommend that the District review its procedures for paying invoices to ensure that all bills are paid within the statutory time limit.

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding. The District will review its procedures relating to processing disbursements to ensure compliance in the future. The District has separately issued a Corrective Action Plan related to this finding.

INDEPENDENT SCHOOL DISTRICT NO. 286

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2024

D. MINNESOTA LEGAL COMPLIANCE FINDINGS (CONTINUED)

2024-005 Contracting, Bid, and Quote Laws Compliance

Criteria – Minnesota Statutes § 471.345 and § 574.26.

Condition – Minnesota Statutes require contracts for goods or services in excess of certain dollar thresholds to be awarded using sealed bids or quotations. For two vendors tested in the federal program audit to which this requirement applied, the District had not awarded a contract based on sealed bids or quotations. Minnesota Statutes require that when contracting for construction services with a value exceeding \$175,000, the District is required to obtain performance and payment bonds from the contractor. This requirement was not met for one such contract awarded during the year.

Questioned Costs – Not applicable.

Context – Two of seven bids tested was not in compliance with Minnesota Statutes and had not awarded a contract based on sealed bids or quotations. One of one bid tested was not in compliance with Minnesota Statutes requiring a performance and payment bond.

Repeat Finding – This is a current year and prior year finding.

Cause – This was an oversight by district personnel.

Effect – The District was not in compliance with bid and quote law requirements.

Recommendation – We recommend that the District comply with statutory contracting requirements for all applicable vendors.

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding. The District will review its procedures relating to statutory contracting requirements to ensure compliance in the future. The District has separately issued a Corrective Action Plan related to this finding.

INDEPENDENT SCHOOL DISTRICT NO. 286

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2024

D. MINNESOTA LEGAL COMPLIANCE FINDINGS (CONTINUED)

2024-006 Withholding Affidavit

Criteria – Minnesota Statutes § 270C.66.

Condition – Before making final settlement with any contractor under a contract requiring the employment of employees for wages by said contractor or subcontractors, the District must obtain a certification by the Commissioner of Revenue that the contractor or subcontractor has complied with the withholding requirements of Minnesota Statutes § 290.92 (either a Commissioner of Revenue Form IC134 or a Contractor’s Withholding Affidavit). The District did not obtain the required certificate for one of two contracts selected for testing prior to making final settlement during fiscal year 2024.

Questioned Costs – Not applicable.

Context – One of two contracts tested was not in compliance.

Repeat Finding – This is a current year finding.

Cause – This was an oversight by district personnel.

Effect – The District did not obtain the required documentation of either a Commissioner of Revenue Form IC134 or a Contractor’s Withholding Affidavit as required by state statutes prior to making final settlement.

Recommendation – We recommend that the District revenue purchasing procedures and obtain required documentation prior to making final settlement for future contracts.

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding. The District will review its procedures relating to withholding affidavits to ensure compliance in the future. The District has separately issued a Corrective Action Plan related to this finding.

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INDEPENDENT SCHOOL DISTRICT NO. 286

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2024

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		\$ 42,698,887	\$ 42,698,888	\$ (1)
Total expenditures		\$ 41,038,467	\$ 41,038,467	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ 125,508	\$ 125,508	\$ –
Restricted				
401	Student activities	\$ –	\$ –	\$ –
402	Scholarships	\$ 72,303	\$ 72,303	\$ –
403	Staff development	\$ –	\$ –	\$ –
407	Capital projects levy	\$ –	\$ –	\$ –
408	Cooperative revenue	\$ –	\$ –	\$ –
412	Literacy incentive aid	\$ 49,338	\$ 49,338	\$ –
414	Operating debt	\$ –	\$ –	\$ –
416	Levy reduction	\$ –	\$ –	\$ –
417	Taconite building maintenance	\$ –	\$ –	\$ –
420	American Indian education aid	\$ 41,493	\$ 41,493	\$ –
424	Operating capital	\$ –	\$ –	\$ –
426	\$25 taconite	\$ –	\$ –	\$ –
427	Disabled accessibility	\$ –	\$ –	\$ –
428	Learning and development	\$ –	\$ –	\$ –
434	Area learning center	\$ 613,307	\$ 613,307	\$ –
435	Contracted alternative programs	\$ –	\$ –	\$ –
436	State approved alternative program	\$ –	\$ –	\$ –
438	Gifted and talented	\$ –	\$ –	\$ –
439	English learner	\$ –	\$ –	\$ –
440	Teacher development and evaluation	\$ –	\$ –	\$ –
441	Basic skills programs	\$ –	\$ –	\$ –
443	School library sid	\$ –	\$ –	\$ –
448	Achievement and integration	\$ –	\$ –	\$ –
449	Safe schools levy	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
453	Unfunded severance and retirement levy	\$ –	\$ –	\$ –
459	Basic skills extended time	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ –	\$ –	\$ –
471	Student support personnel	\$ 41,207	\$ 41,207	\$ –
472	Medical Assistance	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
475	Title VII – impact aid	\$ –	\$ –	\$ –
476	PILT	\$ –	\$ –	\$ –
Committed				
418	Committed for separation	\$ –	\$ –	\$ –
461	Committed fund balance	\$ –	\$ –	\$ –
Assigned				
462	Assigned fund balance	\$ 571,345	\$ 571,345	\$ –
Unassigned				
422	Unassigned fund balance	\$ 2,056,212	\$ 2,056,212	\$ –
Food Service				
Total revenue		\$ 1,505,591	\$ 1,505,591	\$ –
Total expenditures		\$ 1,558,946	\$ 1,558,945	\$ 1
Nonspendable				
460	Nonspendable fund balance	\$ 23,695	\$ 23,695	\$ –
Restricted				
452	OPEB liability not in trust	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
Community Service				
Total revenue		\$ 1,418,370	\$ 1,418,369	\$ 1
Total expenditures		\$ 1,560,768	\$ 1,560,767	\$ 1
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
426	\$25 taconite	\$ –	\$ –	\$ –
431	Community education	\$ (141,878)	\$ (141,878)	\$ –
432	ECFE	\$ –	\$ –	\$ –
440	Teacher development and evaluation	\$ –	\$ –	\$ –
444	School readiness	\$ –	\$ –	\$ –
447	Adult basic education	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –

INDEPENDENT SCHOOL DISTRICT NO. 286

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2024

		Audit	UFARS	Audit – UFARS
Building Construction				
Total revenue		\$ 107,213	\$ 107,213	\$ –
Total expenditures		\$ 3,246,146	\$ 3,246,146	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
407	Capital projects levy	\$ –	\$ –	\$ –
413	Projects funded by COP	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 119,454	\$ 119,454	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
Debt Service				
Total revenue		\$ 3,174,098	\$ 3,174,098	\$ –
Total expenditures		\$ 3,333,972	\$ 3,333,972	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
425	Bond refundings	\$ –	\$ –	\$ –
433	Maximum effort loan	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 754,238	\$ 754,238	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
Trust				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
401	Student activities	\$ –	\$ –	\$ –
402	Scholarships	\$ –	\$ –	\$ –
422	Net position	\$ –	\$ –	\$ –
Custodial Fund				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
401	Student activities	\$ –	\$ –	\$ –
402	Scholarships	\$ –	\$ –	\$ –
448	Achievement and integration	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Internal Service				
Total revenue		\$ 3,091,933	\$ 3,091,932	\$ 1
Total expenditures		\$ 3,437,306	\$ 3,437,305	\$ 1
422	Net position	\$ 998,481	\$ 998,481	\$ –
OPEB Revocable Trust Fund				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
422	Net position	\$ –	\$ –	\$ –
OPEB Irrevocable Trust Fund				
Total revenue		\$ 67,624	\$ 67,625	\$ (1)
Total expenditures		\$ 167	\$ 167	\$ –
422	Net position	\$ 1,384,894	\$ 1,384,894	\$ –
OPEB Debt Service Fund				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
425	Bond refundings	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –

Note: Statutory restricted deficits, if any, are reported in unassigned fund balances in the financial statements in accordance with accounting principles generally accepted in the United States of America.

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