

**Independent School District No. 277  
Minnetrista, Minnesota**

**Basic Financial Statements**

**June 30, 2024**

**Independent School District No. 277  
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**Independent School District No. 277  
Board of Education and Administration  
June 30, 2024**

Board of Education	Position	Term Expires
Gary Wollner	Chairperson	January 1, 2026
Heidi Marty	Vice-Chair	January 1, 2028
Loren Davis	Clerk	January 1, 2026
Ralph Harrison	Treasurer	January 1, 2028
Brian Roath	Director	January 1, 2028
David Olson	Director	January 1, 2028
Brian Carlson	Director	January 1, 2026
<hr/> <b>Administration</b> <hr/>		
Kevin Borg	Superintendent	
Mark Femrite	Assistant Superintendent for Teaching and Learning	
Kathy Miller	Director of Finance	
Scott Lhotka	Director of Community Education	
Cory Wolf	Director of Technology Services	
Emily Rustman	Director of Special Services	
Jolene Herfel	Principal - Mound Westonka High School	
Christy Keeley-Zachow	Principal - Grandview Middle School	
Scott Eidsness	Principal - Shirley Hills Primary	
Mike Moch	Principal - Hilltop Primary	



## Independent Auditor's Report

To the School Board  
Independent School District No. 277  
Minnetrista, Minnesota

### **Report on the Audit of the Financial Statements**

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. 277, Minnetrista, Minnesota, as of and for the year ended June 30, 2024, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 277, Minnetrista, Minnesota, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 277 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

The management of Independent School District No. 277 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

### **Required Supplementary Information**

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

### **Supplementary Information**

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2024, on our consideration of the District's internal control over basic financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

**BerganKDV, Ltd.**

Minneapolis, Minnesota  
September 25, 2024

## **Independent School District No. 277 Management's Discussion and Analysis**

This section of Independent School District No. 277's (the "District") annual financial report presents the District's management discussion and analysis of the District's financial performance during the year that ended on June 30, 2024. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued in June 1999.

### **Overview of the Financial Statements**

The financial section of the annual report consists of four parts - Independent Auditor's Report, Required Supplementary Information that includes the Management's Discussion and Analysis ([MD&A] this section), the Basic Financial Statements, and Supplemental Information. The basic financial statements include two kinds of statements that present different views of the District:

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

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

### ***District-Wide Statements***

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

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

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

## Independent School District No. 277 Management's Discussion and Analysis

### Overview of the Financial Statements (Continued)

#### *District-Wide Statements (Continued)*

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

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

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

#### **Fund Financial Statements**

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

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

The District has three kinds of funds:

- ◆ **Governmental Funds** - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the Governmental Funds Statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on the Governmental Funds Statements that explain the relationship (or differences) between them.
- ◆ **Proprietary Funds** - These funds present short and long-term financial information about the activities the District operates like a business, such as internal service funds for self-insurance.
- ◆ **Fiduciary Funds** - The District is the trustee, or fiduciary, for assets that belong to others, such as scholarships. 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. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

**Independent School District No. 277  
Management's Discussion and Analysis**

**Financial Analysis of the District as a Whole**

- ◆ Net Position - The District's combined net position was \$29,360,040 on June 30, 2024.

**Table 1  
Statement of Net Position  
Governmental Activities**

	2023	2024	Percentage Change 2023-24
<b>Assets</b>			
Current and other assets	\$ 30,761,295	\$ 28,700,461	-6.7%
Capital assets	67,486,462	69,814,049	3.4%
Total assets	<u>98,247,757</u>	<u>98,514,510</u>	<u>0.3%</u>
<b>Deferred Outflow of Resources</b>			
Deferred outflows	<u>\$ 8,445,400</u>	<u>\$ 6,235,686</u>	<u>-26.2%</u>
<b>Liabilities</b>			
Long-term liabilities	\$ 58,524,945	\$ 99,883,853	70.7%
Other liabilities	4,616,804	7,430,665	60.9%
Total liabilities	<u>63,141,749</u>	<u>107,314,518</u>	<u>70.0%</u>
<b>Deferred Inflow of Resources</b>			
Deferred inflows	<u>20,071,267</u>	<u>22,400,345</u>	<u>11.6%</u>
<b>Net Position</b>			
Net investment in capital assets	35,828,716	39,963,875	11.5%
Restricted	2,668,745	1,692,523	-36.6%
Unrestricted	<u>(14,750,567)</u>	<u>(12,296,358)</u>	<u>-16.6%</u>
Total net position	<u>\$ 23,746,894</u>	<u>\$ 29,360,040</u>	<u>23.6%</u>

**Independent School District No. 277  
Management's Discussion and Analysis**

**Financial Analysis of the District as a Whole (Continued)**

A summary of the revenue and expenses is presented in Table 2.

**Table 2  
Change in Net Position**

	2023	2024	Percentage Change 2023-24
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 5,130,554	\$ 4,915,418	-4.2%
Operating grants and contributions	7,326,844	9,888,481	35.0%
Capital grants and contributions	66,197	36,105	-45.5%
General revenues			
Property taxes	15,503,277	15,894,548	2.5%
State aid - formula grants	17,875,219	18,536,514	3.7%
Other	513,528	1,753,562	241.5%
Total revenues	<u>46,415,619</u>	<u>51,024,628</u>	<u>9.9%</u>
<b>Expenses</b>			
Administration	1,015,684	1,246,637	22.7%
District Support Services	1,533,542	1,698,103	10.7%
Elementary and Secondary Regular Instruction	13,764,516	16,059,266	16.7%
Vocational Education Instruction	431,843	357,407	-17.2%
Special Education Instruction	5,778,684	7,693,807	33.1%
Instructional Support Services	1,599,175	1,962,592	22.7%
Pupil Support Services	2,441,560	2,647,845	8.4%
Sites, buildings, and equipment	3,898,917	4,402,158	12.9%
Fiscal and other fixed cost programs	176,187	206,071	17.0%
Food Service	1,724,193	2,067,971	19.9%
Community Education and Services	4,045,197	4,368,606	8.0%
Unallocated depreciation	1,023,889	1,030,186	0.6%
Interest on long-term debt	644,265	1,670,833	159.3%
Total expenses	<u>38,077,652</u>	<u>45,411,482</u>	<u>19.3%</u>
Change in net position	<u>8,337,967</u>	<u>5,613,146</u>	-32.7%
End of year net position	<u>\$ 23,746,894</u>	<u>\$ 29,360,040</u>	23.6%

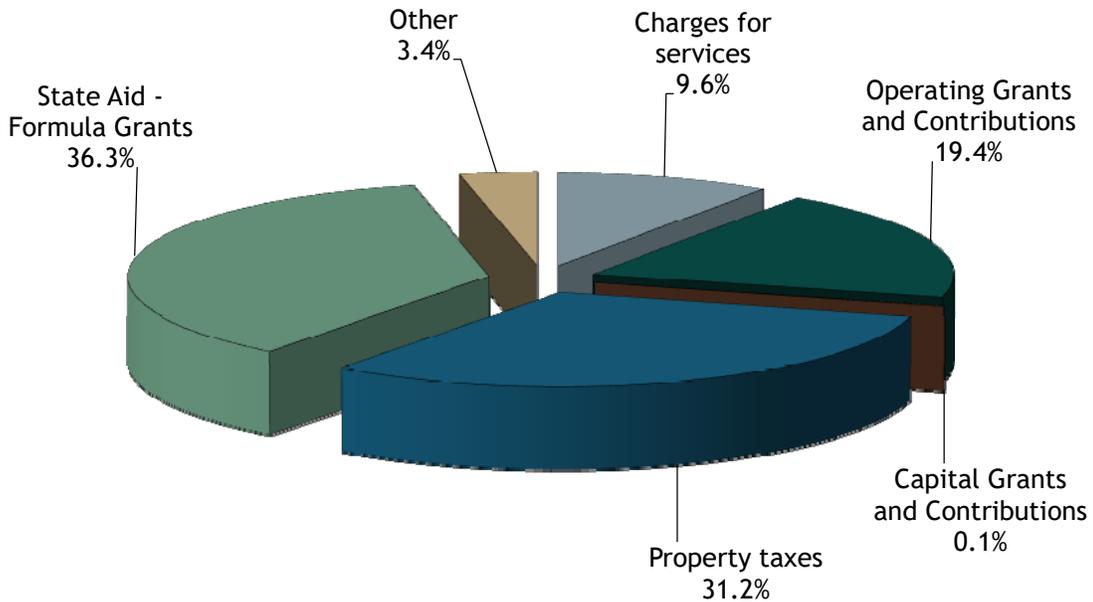
Independent School District No. 277  
Management's Discussion and Analysis

Financial Analysis of the District as a Whole (Continued)

**Changes in Net Position** - The District's total revenues were \$51,024,628 for the year ended June 30, 2024. Property taxes and state formula aid accounted for 67.5% of total revenue for the year (see Figure A). Another 32.5% came from other general revenues combined with interest earnings and the remainder from program revenues.

Total revenues surpassed expenses, increasing net position \$5,613,146 over last year.

**Figure A**  
**Sources of the District's Revenues for Fiscal Year 2024**

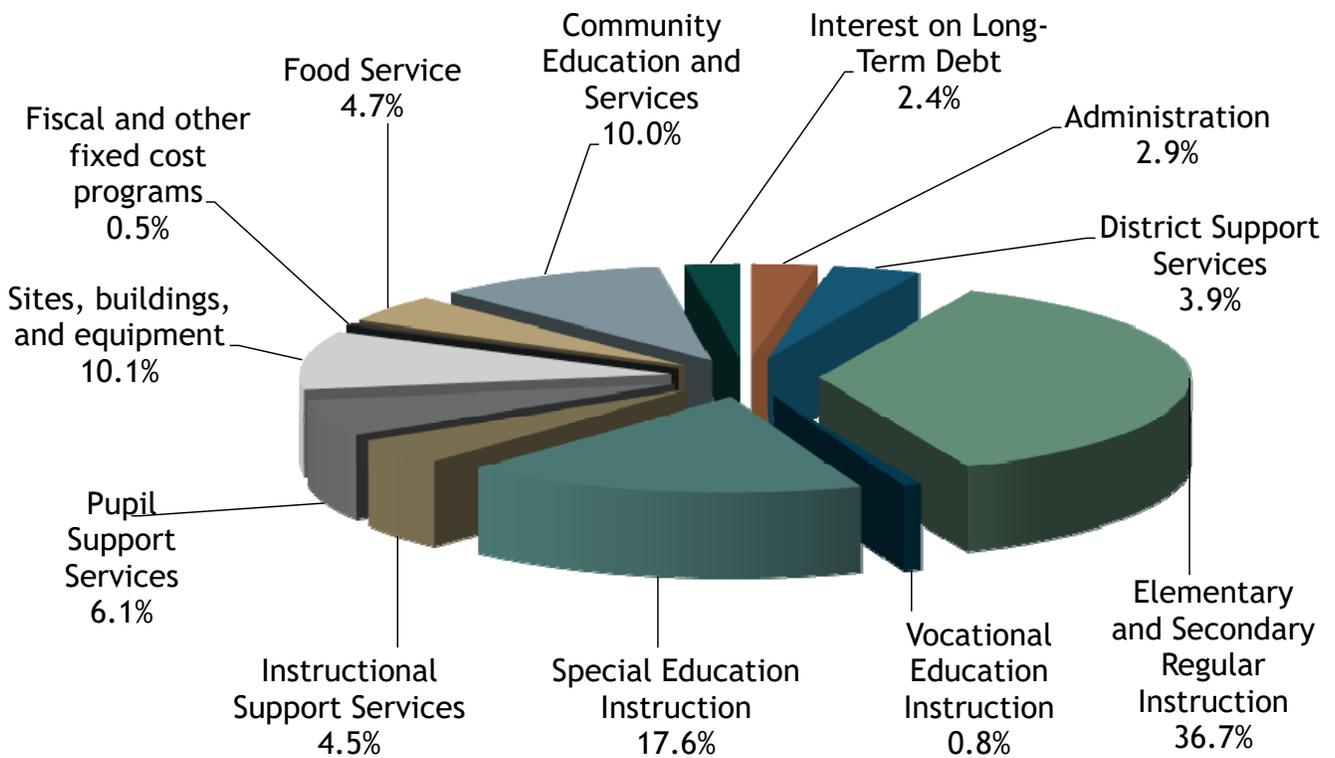


Independent School District No. 277  
Management's Discussion and Analysis

Financial Analysis of the District as a Whole (Continued)

**Changes in Net Position (Continued)** - The total cost of all programs and services was \$45,411,482. The District's expenses predominately related to the educating and caring for students (regular instructional programs, vocational instruction, special education programs and instructional and pupil support) were 63% of expenses incurred; see Figure B. The purely administrative activities of the District accounted for just 3% of total costs.

**Figure B**  
**The District's Expenses for Fiscal Year 2024**



**Independent School District No. 277  
Management's Discussion and Analysis**

**Financial Analysis of the District as a Whole (Continued)**

**Table 3  
Net Cost of Governmental Activities**

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2023	2024	Change	2023	2024	Change
			2023-24			2023-24
Administration	\$ 1,015,684	\$ 1,246,637	22.7%	\$ 1,015,684	\$ 1,246,637	22.7%
District Support Services	1,533,542	1,698,103	10.7%	1,480,296	1,648,623	11.4%
Elementary and Secondary Regular instruction	13,764,516	16,059,266	16.7%	11,492,639	13,054,142	13.6%
Vocational Education Instruction	431,843	357,407	-17.2%	419,015	345,434	-17.6%
Special Education Instruction	5,778,684	7,693,807	33.1%	1,207,300	1,949,701	61.5%
Instructional Support Services	1,599,175	1,962,592	22.7%	1,537,422	1,905,324	23.9%
Pupil Support Services	2,441,560	2,647,845	8.4%	1,990,381	2,533,171	27.3%
Sites, buildings, and equipment	3,898,917	4,402,158	12.9%	3,832,720	4,366,053	13.9%
Fiscal and other fixed cost programs	176,187	206,071	17.0%	176,187	206,071	17.0%
Community Education and Services	1,724,193	2,067,971	19.9%	49,373	(75,140)	-252.2%
Food Service	4,045,197	4,368,606	8.0%	684,886	690,443	0.8%
Unallocated depreciation	1,023,889	1,030,186	Undefined	1,023,889	1,030,186	Undefined
Interest on long-term debt	644,265	1,670,833	159.3%	644,265	1,670,833	159.3%
<b>Total</b>	<b>\$ 38,077,652</b>	<b>\$ 45,411,482</b>	<b>19.3%</b>	<b>\$ 25,554,057</b>	<b>\$ 30,571,478</b>	<b>19.6%</b>

The cost of all governmental activities for 2023-24 was \$45,411,482.

- ◆ Some of the cost was paid by the users of the District's programs was \$4,915,418.
- ◆ The federal and state governments subsidized certain programs with grants and contributions was \$9,888,481.
- ◆ Most of the District's costs were paid for by District taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$15,894,548 in property taxes and \$18,536,514 of state aid based on the statewide education aid formula.
- ◆ In addition, \$1,753,562 of investment earnings and other general revenues was recognized.

**Financial Analysis of the District's Funds**

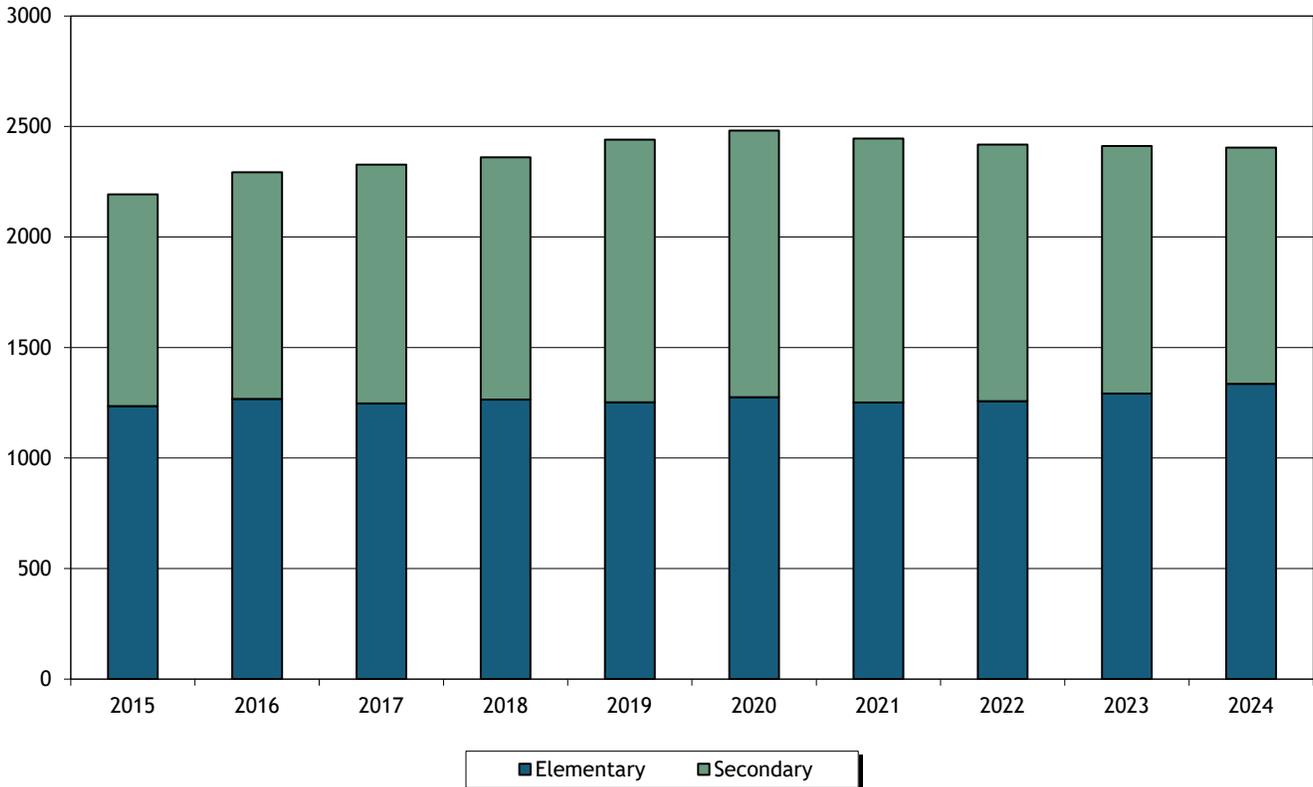
The financial performance of the District as a whole is reflected in its governmental funds as well. When the District completed the year, the governmental funds reported a combined fund balance of \$54,327,729 an increase of \$46,021,305 from last year's ending fund balance of \$8,306,424.

Independent School District No. 277  
Management's Discussion and Analysis

**Financial Analysis of the District's Funds (Continued)**

Revenues for the District's governmental funds were \$50,770,232 while total expenditures were \$52,306,293, resulting in \$1,536,061 of expenditures over revenues. The following graph shows the number of students served by the District.

**Students Served (Average Daily Membership)**



During 2023-24, the District's total enrollment slightly decreased from the previous fiscal year. Post-COVID-19 enrollment projections predict that a trend of stable to increasing enrollment will occur based on new housing construction occurring and planned in the District.

**General Fund**

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

**Independent School District No. 277  
Management's Discussion and Analysis**

**General Fund (Continued)**

The following schedule presents a summary of General Fund Revenues.

	Year Ended June 30, 2023	Year Ended June 30, 2024	Percentage Change 2023-24
Local sources			
Property taxes	\$ 10,779,497	\$ 10,921,996	1.3%
Other	1,840,572	2,176,634	18.3%
State sources	22,570,386	24,967,294	10.6%
Federal sources	1,218,836	958,412	-21.4%
Total	<u>\$ 36,409,291</u>	<u>\$ 39,024,336</u>	<u>7.2%</u>

Total General Fund revenue increased by \$2,615,045 or 7.2%, from the previous year. This is primarily due to an increased General Education and Special Education Aid.

Other state-authorized revenue, including excess levy referendum and the property tax shift, involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change on revenue.

The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30, 2023	Year Ended June 30, 2024	Percentage Change 2023-24
Salaries	\$ 19,676,681	\$ 21,104,502	7.3%
Benefits	6,655,187	7,151,621	7.5%
Purchased services	5,562,568	6,418,478	15.4%
Supplies, materials, and equipment	4,161,432	4,226,766	1.6%
Other expenses	296,553	224,382	-24.3%
Total	<u>\$ 36,352,421</u>	<u>\$ 39,125,749</u>	<u>7.6%</u>

**Financial Analysis of the District's Funds**

Total General Fund expenditures increased \$2,763,328, or 7.6%, from the previous year primarily due to increases in wages and benefits and general inflation of purchased services, capital improvements, as well as technology initiatives including a one-to-one device for students.

In 2023-24, General Fund revenues and other financing sources were over expenditures by \$94,010.

After deducting statutory reserves, the unassigned fund balance was \$3,161,597 at June 30, 2023. The unassigned fund balance is \$3,373,598 at June 30, 2024.

## Independent School District No. 277 Management's Discussion and Analysis

### Financial Analysis of the District's Funds (Continued)

#### *General Fund Budget Highlights*

Over the course of the year, the District revised the annual operating budget. Budget amendments fall into two categories:

- ◆ Implementing budgets for specially funded projects, which include both federal and state grants, and budgeting for clearing, resale, and gifts.
- ◆ Increases in appropriations for significant unbudgeted costs.

While the District's final budget for the General Fund anticipated that expenditures and other financing uses would exceed revenues and other financing sources by \$448,497; the actual results for the year show revenue and other financing uses exceed expenditures by \$101,413.

- ◆ Actual revenues were \$54,756 less than expected, about a 0.1% variance.
- ◆ The actual expenditures were \$401,840 less than budgeted, about a 1% variance.

#### **Nonmajor Funds**

The Community Service Fund experienced a current year fund balance increase of \$110,063 due to increased participation. The Community Service fund balance was \$287,769 as of June 30, 2024.

The Food Service Fund had positive operations of \$1,138 due to changes in meal regulations and home delivery. It has a restricted fund balance of \$1,161,983 on June 30, 2024. This balance will be used to offset future operating losses and to fund equipment improvements.

The Debt Service Fund expenditures exceeded revenues by \$173,295 in 2023-24. The remaining fund balance of \$984,076 at June 30, 2024, is available for meeting future debt service obligations.

#### **Capital Asset and Debt Administration**

##### *Capital Assets*

By the end of 2024, the District had invested \$69,814,049 in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices (see Table 4). Total depreciation expense for the year was \$1,416,566. More detailed information can be found in Note 3 of the financial statements.

**Independent School District No. 277  
Management's Discussion and Analysis**

**Capital Asset and Debt Administration (Continued)**

***Capital Assets (Continued)***

**Table 4  
Capital Assets - Governmental Activities**

	2023	2024	Total Percent Change 2023-24
Land	\$ 1,645,835	\$ 2,345,834	42.5%
Land improvements	5,591,467	5,619,467	0.5%
Buildings	74,494,612	74,483,557	0.0%
Furniture and equipment	10,276,723	11,461,694	11.5%
Vehicles	213,234	222,229	4.2%
Construction in progress	-	1,821,093	0.0%
Less accumulated depreciation	(24,735,409)	(26,139,825)	5.7%
Total	<u>\$ 67,486,462</u>	<u>\$ 69,814,049</u>	<u>3.4%</u>

***Long-Term Liabilities***

At year-end, the District had \$69,247,658 in G.O. bonds and notes from direct borrowing outstanding, a increase of 146.9% from last year, as shown in Table 5. The District also had \$81,176 in compensated absences payable at June 30, 2024. Finally, the District had \$29,136,238 in long-term pension and OPEB liabilities. Total long-term liability increased by 66.2%. More detailed information can be found in Note 4 of the financial statements.

**Table 5  
Outstanding Long-Term Liabilities**

	2023	2024	Total Percent Change 2023-24
G.O. bonds payable	\$ 27,385,000	\$ 67,615,000	146.9%
Notes from direct borrowing payable	1,730,638	1,632,658	-5.7%
Compensated absences	71,121	81,176	14.1%
Net pension liability	26,040,351	24,953,253	-4.2%
Net OPEB liability	4,013,623	4,182,985	4.2%
Total	<u>\$ 59,240,733</u>	<u>\$ 98,465,072</u>	<u>66.2%</u>

**Factors Bearing on the District's Future**

With the exception of voter-approved excess operating referendum and building bond referendum, the District is dependent on the State of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation. demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

## **Independent School District No. 277 Management's Discussion and Analysis**

### **Factors Bearing on the District's Future**

The 2023 legislative sessions provided a 4% and 2% increase in the basic education funding formula allowance for the 2023-24 and 2024-25 years. The District will strive to maximize resources available through efficient and effective management of its operations.

The District will strive to maintain its longstanding commitment to academic excellence and educational opportunities for students within a framework of financial fiduciary responsibility.

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers and investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for money it receives. If you have questions about this report or need additional financial information, contact: Business Services Office, Westonka Public Schools, Independent School District No. 277, Educational Service Center, 5901 Sunnyfield Road East, Minnetrista, Minnesota 55364, (952) 491-8021.

## **BASIC FINANCIAL STATEMENTS**

Independent School District No. 277  
Statement of Net Position  
June 30, 2024

	Governmental Activities
<b>Assets</b>	
Cash and investments	\$ 68,591,811
Current property taxes receivable	10,391,467
Delinquent property taxes receivable	276,559
Accounts receivable	101,883
Interest receivable	510,374
Due from Department of Education	2,564,197
Due from Federal Government through Department of Education	424,691
Due from other Minnesota school districts	41,267
Inventory	56,262
Prepaid items	66,657
Capital assets (net of accumulated depreciation)	
Land	2,345,834
Construction in progress	1,821,093
Land improvements	3,607,515
Buildings	57,720,114
Equipment	4,217,835
Vehicles	101,658
Total assets	<u>152,839,217</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows related to pensions	5,902,239
Deferred outflows related to OPEB	333,447
Total deferred outflows of resources	<u>6,235,686</u>
 Total assets and deferred outflows of resources	 <u>\$ 159,074,903</u>
<b>Liabilities</b>	
Accounts payable	\$ 900,373
Salaries and benefits payable	180,946
Interest payable	1,207,784
Due to other Minnesota school districts	332,884
Unearned revenue	86,993
Bond principal payable, net	
Payable within one year	4,395,000
Payable after one year	69,360,466
Notes from direct borrowing	
Payable within one year	261,744
Payable after one year	1,370,914
Compensated absences payable	
Payable within one year	64,941
Payable after one year	16,235
Total OPEB liability	
Payable within one year	282,835
Payable after one year	3,900,150
Net pension liability	24,953,253
Total liabilities	<u>107,314,518</u>
<b>Deferred Inflows of Resources</b>	
Property taxes levied for subsequent year's expenditures	19,224,952
Deferred amount on refunding	84,583
Deferred inflows related to pensions	2,031,712
Deferred inflows related to OPEB	1,059,098
Total deferred inflows of resources	<u>22,400,345</u>
<b>Net Position</b>	
Net investment in capital assets	39,963,875
Restricted	1,692,523
Unrestricted	(12,296,358)
Total net position	<u>29,360,040</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 159,074,903</u>

See notes to basic financial statements.

Independent School District No. 277  
Statement of Activities  
Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities</b>					
Administration	\$ 1,246,637	\$ -	\$ -	\$ -	\$ (1,246,637)
District support services	1,698,103	49,480	-	-	(1,648,623)
Elementary and secondary regular instruction	16,059,266	1,233,796	1,771,328	-	(13,054,142)
Vocational education instruction	357,407	-	11,973	-	(345,434)
Special education instruction	7,693,807	-	5,744,106	-	(1,949,701)
Instructional support services	1,962,592	27,268	30,000	-	(1,905,324)
Pupil support services	2,647,845	24,753	89,921	-	(2,533,171)
Sites and buildings	4,402,158	-	-	36,105	(4,366,053)
Fiscal and other fixed cost programs	206,071	-	-	-	(206,071)
Food service	2,067,971	255,432	1,887,679	-	75,140
Community education and services	4,368,606	3,324,689	353,474	-	(690,443)
Unallocated depreciation	1,030,186	-	-	-	(1,030,186)
Interest and fiscal charges on long-term debt	1,670,833	-	-	-	(1,670,833)
<b>Total governmental activities</b>	<b>\$ 45,411,482</b>	<b>\$ 4,915,418</b>	<b>\$ 9,888,481</b>	<b>\$ 36,105</b>	<b>(30,571,478)</b>
<b>General revenues</b>					
<b>Taxes</b>					
Property taxes, levied for general purposes					10,919,281
Property taxes, levied for community service					858,061
Property taxes, levied for debt service					4,117,206
State aid-formula grants					18,536,514
Other general revenues					380,708
Investment income					1,311,391
Gain of sale of assets					61,463
<b>Total general revenues</b>					<b>36,184,624</b>
<b>Change in net position</b>					<b>5,613,146</b>
<b>Net position - beginning</b>					<b>23,746,894</b>
<b>Net position - ending</b>					<b>\$ 29,360,040</b>

**Independent School District No. 277**  
**Balance Sheet - Governmental Funds**  
**June 30, 2024**

	General	Debt Service	Building Construction	Other Nonmajor Funds	Total Governmental Funds
<b>Assets</b>					
<b>Cash and investments</b>					
Cash and investments	\$ 8,290,941	\$ 4,706,935	\$ 45,712,687	\$ 2,105,799	\$ 60,816,362
Current property taxes receivable	6,151,231	3,701,890	-	538,346	10,391,467
Delinquent property taxes receivable	179,045	83,615	-	13,899	276,559
Accounts receivable	96,345	-	-	5,538	101,883
Interest receivable	52,532	-	434,883	-	487,415
Due from Department of Education	2,500,178	652	-	63,367	2,564,197
Due from Federal Government through Department of Education	396,726	-	-	27,965	424,691
Due from other Minnesota school districts	23,396	-	-	17,871	41,267
Inventory	34,874	-	-	21,388	56,262
Prepaid items	3,594	-	-	-	3,594
<b>Total assets</b>	<b><u>\$ 17,728,862</u></b>	<b><u>\$ 8,493,092</u></b>	<b><u>\$ 46,147,570</u></b>	<b><u>\$ 2,794,173</u></b>	<b><u>\$ 75,163,697</u></b>
<b>Liabilities</b>					
Accounts payable	\$ 217,099	\$ -	\$ 525,037	\$ 42,122	\$ 784,258
Salaries and benefits payable	66,620	-	-	114,326	180,946
Due to other Minnesota school districts	325,956	-	-	6,928	332,884
Unearned revenue	-	-	-	86,993	86,993
<b>Total liabilities</b>	<b><u>609,675</u></b>	<b><u>-</u></b>	<b><u>525,037</u></b>	<b><u>250,369</u></b>	<b><u>1,385,081</u></b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - delinquent property taxes	143,902	70,539	-	11,494	225,935
Property taxes levied for subsequent year's expenditures	10,703,917	7,438,477	-	1,082,558	19,224,952
<b>Total deferred inflows of resources</b>	<b><u>10,847,819</u></b>	<b><u>7,509,016</u></b>	<b><u>-</u></b>	<b><u>1,094,052</u></b>	<b><u>19,450,887</u></b>
<b>Fund Balances</b>					
Nonspendable	38,468	-	-	21,388	59,856
Restricted	429,258	984,076	45,622,533	1,428,364	48,464,231
Committed	75,174	-	-	-	75,174
Assigned	2,354,870	-	-	-	2,354,870
Unassigned	3,373,598	-	-	-	3,373,598
<b>Total fund balances</b>	<b><u>6,271,368</u></b>	<b><u>984,076</u></b>	<b><u>45,622,533</u></b>	<b><u>1,449,752</u></b>	<b><u>54,327,729</u></b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b><u>\$ 17,728,862</u></b>	<b><u>\$ 8,493,092</u></b>	<b><u>\$ 46,147,570</u></b>	<b><u>\$ 2,794,173</u></b>	<b><u>\$ 75,163,697</u></b>

**Independent School District No. 277  
Reconciliation of the Balance Sheet to  
the Statement of Net Position - Governmental Funds  
June 30, 2024**

Total fund balances - governmental funds	\$ 54,327,729
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	95,953,874
Less accumulated depreciation	(26,139,825)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bond principal payable	(67,615,000)
Deferred amount on refunding	(84,583)
Notes from direct borrowing	(1,632,658)
Compensated absences payable	(81,176)
Net pension liability	(24,953,253)
Total OPEB liability	(4,182,985)
Bond premiums are reported as a liability within the Statement of Net Position and are reported as an other financing source in the year the debt is issued in governmental funds.	
	(6,140,466)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.	
Deferred outflows of resources related to pensions	5,902,239
Deferred inflows of resources related to pensions	(2,031,712)
Deferred outflows related to OPEB liability	333,447
Deferred inflows related to OPEB liability	(1,059,098)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	
	225,935
The Post Employment Benefits Revocable Trust Internal Service Fund is used to charge change the the benefits to the fund that incurs the cost. This amount represents assets available to fund the liabilities.	
	7,745,356
Governmental funds do not report a liability for accrued interest on bonds and notes from direct borrowing until due and payable.	
	<u>(1,207,784)</u>
Total net position - governmental activities	<u><u>\$ 29,360,040</u></u>

**Independent School District No. 277**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Funds**  
**Year Ended June 30, 2024**

	General	Debt Service	Building Construction	Other Nonmajor Funds	Total Governmental Funds
<b>Revenues</b>					
Local property taxes	\$ 10,921,996	\$ 4,104,271	\$ -	\$ 857,246	\$ 15,883,513
Other local and county revenues	2,108,992	-	902,493	3,422,546	6,434,031
Revenue from state sources	24,967,294	6,524	-	1,429,688	26,403,506
Revenue from federal sources	958,412	-	-	767,766	1,726,178
Sales and other conversion of assets	67,642	-	-	255,362	323,004
Total revenues	<u>39,024,336</u>	<u>4,110,795</u>	<u>902,493</u>	<u>6,732,608</u>	<u>50,770,232</u>
<b>Expenditures</b>					
<b>Current</b>					
Administration	1,323,700	-	-	-	1,323,700
District support services	1,433,466	-	-	-	1,433,466
Elementary and secondary regular instruction	17,217,976	-	-	-	17,217,976
Vocational education instruction	376,667	-	-	-	376,667
Special education instruction	7,984,730	-	-	-	7,984,730
Instructional support services	2,047,749	-	-	-	2,047,749
Pupil support services	2,702,656	-	-	-	2,702,656
Sites and buildings	3,366,561	-	2,130,156	-	5,496,717
Fiscal and other fixed cost programs	206,071	-	-	-	206,071
Food service	-	-	-	1,984,928	1,984,928
Community education and services	-	-	-	4,381,099	4,381,099
<b>Capital outlay</b>					
Administration	1,288	-	-	-	1,288
District support services	267,263	-	-	-	267,263
Elementary and secondary regular instruction	503,122	-	-	-	503,122
Special education instruction	22,841	-	-	-	22,841
Sites and buildings	1,384,351	-	139,140	-	1,523,491
Food service	-	-	-	189,491	189,491
Community education and services	-	-	-	45,250	45,250
<b>Debt service</b>					
Principal	235,074	2,870,000	-	17,132	3,122,206
Interest and fiscal charges	52,234	1,067,500	352,341	3,507	1,475,582
Total expenditures	<u>39,125,749</u>	<u>3,937,500</u>	<u>2,621,637</u>	<u>6,621,407</u>	<u>52,306,293</u>
Excess of revenues over (under) expenditures	(101,413)	173,295	(1,719,144)	111,201	(1,536,061)
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of capital assets	41,197	-	-	20,266	61,463
Bond issuance	-	-	43,100,000	-	43,100,000
Bond premium	-	-	4,241,677	-	4,241,677
Note from direct borrowing issuance	154,226	-	-	-	154,226
Total other financing sources (uses)	<u>195,423</u>	<u>-</u>	<u>47,341,677</u>	<u>20,266</u>	<u>47,557,366</u>
Net change in fund balances	94,010	173,295	45,622,533	131,467	46,021,305
<b>Fund Balances</b>					
Beginning of year	<u>6,177,358</u>	<u>810,781</u>	<u>-</u>	<u>1,318,285</u>	<u>8,306,424</u>
End of year	<u>\$ 6,271,368</u>	<u>\$ 984,076</u>	<u>\$ 45,622,533</u>	<u>\$ 1,449,752</u>	<u>\$ 54,327,729</u>

See notes to basic financial statements.

**Independent School District No. 277**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances to the**  
**Statement of Activities - Governmental Funds**  
**Year Ended June 30, 2024**

Net change in fund balances - total governmental funds \$ 46,021,305

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

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

Capital outlays	3,755,847
Depreciation expense	(1,416,566)
Loss on disposal	(11,694)

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. (10,055)

Governmental funds recognize OPEB contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to OPEB on a full accrual perspective. 101,080

Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective. 1,500,303

Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no impact on net position in the Statement of Activities. 3,122,206

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (753,987)

Governmental funds report the effect of bond premiums and deferred amounts on refunding when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. 558,736

The issuance of long-term debt provides current financial resources to governmental funds and has No effect on net assets. These amounts are reported in the governmental funds as a source of Financing. These amounts are not shown as revenues in the Statement of Activities, but rather constitute long-term liabilities in the statement of net assets.

Bonds	(43,100,000)
Bond premium	(4,241,677)
Notes from direct borrowing	(154,226)

The post employment benefits revocable trust internal service fund is used to charge the benefits to the fund that incurs the cost. This amount represents the change in assets available to fund the liabilities. 230,839

Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. 11,035

Change in net position - governmental activities \$ 5,613,146

**Independent School District No. 277**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended June 30, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Local property taxes	\$ 10,644,870	\$ 10,657,015	\$ 10,921,996	\$ 264,981
Other local and county revenues	1,663,714	2,191,195	2,108,992	(82,203)
Revenue from state sources	24,554,186	25,250,603	24,967,294	(283,309)
Revenue from federal sources	794,867	903,404	958,412	55,008
Sales and other conversion of assets	57,293	76,875	67,642	(9,233)
Total revenues	<u>37,714,930</u>	<u>39,079,092</u>	<u>39,024,336</u>	<u>(54,756)</u>
<b>Expenditures</b>				
<b>Current</b>				
Administration	1,338,653	1,328,510	1,323,700	(4,810)
District support services	1,669,116	1,722,400	1,433,466	(288,934)
Elementary and secondary regular instruction	17,544,457	17,195,798	17,217,976	22,178
Vocational education instruction	358,633	538,533	376,667	(161,866)
Special education instruction	7,489,178	8,023,753	7,984,730	(39,023)
Instructional support services	2,007,202	2,102,298	2,047,749	(54,549)
Pupil support services	2,471,437	2,782,348	2,702,656	(79,692)
Sites and buildings	2,732,839	3,173,714	3,366,561	192,847
Fiscal and other fixed cost programs	169,290	206,071	206,071	-
<b>Capital outlay</b>				
Administration	997	997	1,288	291
District support services	136,570	90,595	267,263	176,668
Elementary and secondary regular instruction	545,961	682,685	503,122	(179,563)
Vocational education instruction	2,000	-	-	-
Special education instruction	12,142	13,642	22,841	9,199
Sites and buildings	768,824	1,254,063	1,384,351	130,288
<b>Debt service:</b>				
Principal	359,666	359,441	235,074	(124,367)
Interest and fiscal charges	52,741	52,741	52,234	(507)
Total expenditures	<u>37,659,706</u>	<u>39,527,589</u>	<u>39,125,749</u>	<u>(401,840)</u>
Excess of revenues over (under) expenditures	55,224	(448,497)	(101,413)	347,084
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	-	5,500	41,197	35,697
Note from direct borrowing issuance	-	-	154,226	154,226
Total other financing sources (uses)	<u>-</u>	<u>5,500</u>	<u>195,423</u>	<u>189,923</u>
Net change in fund balance	<u>\$ 55,224</u>	<u>\$ (442,997)</u>	<u>94,010</u>	<u>\$ 537,007</u>
<b>Fund Balance</b>				
Beginning of year			<u>6,177,358</u>	
End of year			<u>\$ 6,271,368</u>	

See notes to basic financial statements.

Independent School District No. 277  
Statement of Net Position - Proprietary Funds  
June 30, 2024

	Governmental Activities - Internal Service Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 4,723,624
Investments	3,051,825
Interest receivable	22,959
Prepays	<u>63,063</u>
Total assets	<u>\$ 7,861,471</u>
<b>Liabilities and Net Position</b>	
<b>Liabilities</b>	
Accounts payable	\$ 116,115
<b>Net Position</b>	
Unrestricted	<u>7,745,356</u>
Total liabilities and net position	<u>\$ 7,861,471</u>

**Independent School District No. 277**  
**Statement of Revenues, Expenses, and Changes**  
**in Fund Net Position - Proprietary Funds**  
**Year Ended June 30, 2024**

	Governmental Activities - Internal Service Funds
<b>Operating Revenue</b>	
Charges for services	\$ 4,964,863
<b>Operating Expenses</b>	
Employee benefits	4,818,696
Professional services	229
Total operating expenses	4,818,925
Operating income	145,938
<b>Nonoperating Revenue</b>	
Investment income	84,901
Change in net position	230,839
<b>Net Position</b>	
Beginning of year	7,514,517
End of year	\$ 7,745,356

Independent School District No. 277  
Statement of Cash Flows - Proprietary Funds  
Year Ended June 30, 2024

	Governmental Activities - Internal Service Funds
<b>Cash Flows - Operating Activities</b>	
Receipts from employee contributions	\$ 4,973,450
Payments to employees	(4,917,042)
Payments to vendors	(229)
Net cash flows - operating activities	<u>56,179</u>
<b>Cash Flows - Investment Activities</b>	
Sale (purchase) of investments	253,268
Interest received	77,477
Net cash flows - investment activities	<u>330,745</u>
Net change in cash and cash equivalents	386,924
<b>Cash and Cash Equivalents</b>	
Beginning of year	<u>4,336,700</u>
End of year	<u><u>\$ 4,723,624</u></u>
<b>Reconciliation of Operating Income to Net Cash Flows - Operating Activities</b>	
Operating income	\$ 145,938
Adjustments to reconcile operating income to net cash flows - operating activities	
Accounts payable	(98,346)
Prepaid items	8,587
Net adjustments	<u>(89,759)</u>
Net cash flows - operating activities	<u><u>\$ 56,179</u></u>
<b>Non-Cash Activities</b>	
Change in fair value of investments	<u><u>\$ 71,691</u></u>

Independent School District No. 277  
Statement of Fiduciary Net Position  
Year Ended June 30, 2024

	Custodial Fund
<b>Assets</b>	
Cash and investments	\$ 132,569
<b>Net Position</b>	
Restricted for scholarships	\$ 132,569

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

	Custodial Fund
<b>Additions</b>	
Contributions	\$ 74,263
Interest revenue	3,478
Total additions	77,741
<b>Deductions</b>	
Scholarships	83,750
Change in net position	(6,559)
<b>Net Position</b>	
Beginning of year	139,128
End of year	\$ 132,569

**Independent School District No. 277**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

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

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

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

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

**B. Basic Financial Statement Information**

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

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

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

**Independent School District No. 277  
Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basic Financial Statement Information (Continued)**

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Internal Service Fund is employee and District contributions. Operating expenses for proprietary funds include claims paid. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**C. Measurement Focus and Basis of Accounting**

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

**1. Revenue Recognition**

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

**2. Recording of Expenditures**

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

The District applies restricted resources first when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance are available. Further, the District will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned.

**Independent School District No. 277**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting (Continued)**

**Description of Funds:**

**Major Funds:**

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

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

Building Construction - Capital Projects - This fund is used to account for financial resources used for the maintenance projects authorized with the School Building Bonds.

**Nonmajor Funds:**

Food Service Special Revenue Fund - This fund is used to account for food service revenues and expenditures. Local, state, and federal revenues are received in this Fund to specifically support the food service program.

Community Service Special Revenue Fund - This fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education, or other similar services. The District receipts property tax and local and state revenues in this Fund that were received for these specific purposes.

**Fiduciary Fund:**

Custodial Fund - This fund is used to account for resources received and held by the District on behalf of a third party to be used in making scholarship awards.

**Proprietary Funds:**

Post Employment Benefits Revocable Trust Internal Service Fund - This fund is used to account for the accumulation of resources to fund post-employment benefits.

Self-Insured Benefits Internal Service Fund - This fund is used to account for the activity of the self-insured employee health and dental plans.

**D. Deposits and Investments**

All governmental and fiduciary funds of the District participate in a government-wide investment pool. Cash and investment balances from all funds are combined and invested to the extent available in various securities as authorized by state law. State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances. Deposits and investments in the OPEB Internal Service Fund are not pooled with the rest of the District's deposits and investments.

**Independent School District No. 277  
Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Deposits and Investments**

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

Cash and investments at June 30, 2024, were comprised of deposits, certificates of deposits, and money market accounts, and government securities.

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

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

**E. Property Tax Receivable**

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

**F. Property Taxes Levied for Subsequent Year's Expenditures**

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

**G. Inventory**

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

**H. Prepaid Items**

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

**Independent School District No. 277**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Property Taxes**

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

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

**J. Capital Assets**

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

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

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

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 40 years for land improvements and buildings, and 5 to 20 years for equipment.

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

**K. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has two items that qualify for reporting in this category. Deferred outflows related to pension activity reported in the government-wide Statement of Net Position. A deferred outflow relating to pension activity results from the difference between actual and expected economic experience, changes in actuarial assumptions and employer contributions subsequent to the measurement date. Deferred outflows of resources related to OPEB is recorded for various estimate differences that will be amortized and recognized over future years.

**Independent School District No. 277  
Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Deferred Outflows/Inflows of Resources (Continued)**

In addition to liabilities, the Statement of Financial Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four types of items which qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. The third item is a deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The fourth item is deferred inflows related to pension and OPEB activity as a result of the net difference between projected and actual earnings on plan investments and changes in proportionate share.

**L. Unearned Revenue**

Unearned revenue represents monies received prior to June 30, 2024, but earned subsequent to year-end.

**M. Long-Term Obligations**

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

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

**N. Compensated Absences**

The District compensates administration, clerical, and custodial employees upon termination of employment for unused vacation. Vacation accrual may be carried over up to five days for school service employees while ten days may be carried over for other employees.

Employees are not compensated for unused sick leave upon termination of employment. Sick leave pay is shown as an expenditure in the year paid.

**Independent School District No. 277  
Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Pensions**

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

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

**P. Risk Management**

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

**Q. Fund Equity**

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

- ◆ Nonspendable Fund Balances - These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include inventory and prepaid items.
- ◆ Restricted Fund Balances - These are subject to externally enforceable legal restrictions.
- ◆ Committed Fund Balances - These are amounts comprised of unrestricted funds used for a specific purpose pursuant to constraints imposed by formal action of the School Board and that remain binding unless removed by the School Board by subsequent formal action.
- ◆ Assigned Fund Balances - The School Board delegates the Superintendent and Director of Finance the power to assign balances for specific purposes.
- ◆ Unassigned Fund Balances - These are amounts that have not been restricted, committed, or assigned to a specific purpose in the General Fund. Other funds may also report a negative unassigned fund balance if the total nonspendable, restricted and committed fund balances exceed the total net resources of that fund.
- ◆ Minimum Fund Balance Policy - The District's annual budget will be developed to maintain a minimum unassigned General Fund balance of 8% of the prior year's expenditures and a maximum of 18% of the prior year's expenditures.

**Independent School District No. 277**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**R. Net Position**

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

**S. Use of Estimates**

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

**T. Budgetary Information**

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

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

**NOTE 2 - DEPOSITS AND INVESTMENTS**

**A. Deposits**

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

**Custodial Credit Risk - Deposits:** This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a deposit policy which requires deposits in excess of federal deposit coverage to be collateralized as required by *Minnesota Statutes* § 118A.03.

**Independent School District No. 277**  
**Notes to Basic Financial Statements**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**A. Deposits (Continued)**

As of June 30, 2024, the District's bank balances were not exposed to custodial credit risk as they were insured and properly collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

At June 30, 2024, the District had the following deposits:

Checking	\$ (996,871)
Savings deposit account	1,006,042
Savings deposit account - Building Bonds	3,062,230
Certificates of deposit	1,727,400
Certificates of deposit - Building Bonds	21,179,150
	Total
	\$ 25,977,951

**B. Investments**

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

Investment	Weighted Average Maturities In Years	Fair Value
Brokered Money Markets	N/A	\$ 16,579,011
Brokered Money Markets - OPEB	N/A	140,713
Brokered Money Markets - Building Bonds	N/A	11,559,243
Negotiable Certificates of Deposits	0.45	1,230,932
Government Securities - OPEB	1.44	2,951,825
Government Securities - Building Bonds	0.03	981,670
Term Series	0.00	302,885
Term Series - Building Bonds	1.94	9,000,000
		Total
		\$ 42,746,279

**Credit Risk:** This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* §§ 118A.04 and 118A.05 limit investments to the top two rating issued by nationally recognized statistical rating organizations. The District's investment policy limits investments to those specified in the above statutes. The District's investments in certificates of deposit are not rated. The District's investments in government securities were rated Ba1 or higher by Moody's. The remaining investment types are unrated and, therefore, not subject to credit risk.

**Independent School District No. 277**  
**Notes to Basic Financial Statements**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

**Concentration of Credit Risk:** This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy states the District will diversify its investment to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. The District's investments were not exposed to credit risk at June 30, 2024.

**Interest Rate Risk:** This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy states the District's investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account cash flow requirements.

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

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

- ◆ Investments of \$5,164,427 are valued using a matrix pricing model (Level 2 inputs).

Following is a summary of deposits and investments at June 30, 2024:

Deposits (Note 3.A)	\$ 25,977,951
Petty cash	150
Investments - pooled	18,112,828
Investments - non-pooled	24,633,451
	\$ 68,724,380
Total deposits and investments	\$ 68,724,380

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

Statement of Net Position	
Cash and investments	\$ 68,591,811
Statement of fiduciary net position	
Scholarship Custodial Fund - cash and investments	132,569
	\$ 68,724,380
Total deposits and investments	\$ 68,724,380

**Independent School District No. 277**  
**Notes to Basic Financial Statements**

**NOTE 3 - CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,645,835	\$ 699,999	\$ -	\$ 2,345,834
Construction in progress	-	1,821,093	-	1,821,093
Total capital assets not being depreciated	<u>1,645,835</u>	<u>2,521,092</u>	<u>-</u>	<u>4,166,927</u>
Capital assets being depreciated				
Land improvements	5,591,467	28,000	-	5,619,467
Buildings	74,494,612	-	(11,055)	74,483,557
Equipment	10,276,723	1,197,760	(12,789)	11,461,694
Vehicles	213,234	8,995	-	222,229
Total capital assets being depreciated	<u>90,576,036</u>	<u>1,234,755</u>	<u>(23,844)</u>	<u>91,786,947</u>
Less accumulated				
Land improvements	1,933,364	78,588	-	2,011,952
Buildings	15,840,239	923,204	-	16,763,443
Equipment	6,845,972	410,037	(12,150)	7,243,859
Vehicles	115,834	4,737	-	120,571
Total accumulated depreciation	<u>24,735,409</u>	<u>1,416,566</u>	<u>(12,150)</u>	<u>26,139,825</u>
Total capital assets being depreciated, net	<u>65,840,627</u>	<u>(181,811)</u>	<u>(11,694)</u>	<u>65,647,122</u>
Governmental activities, capital assets, net	<u>\$ 67,486,462</u>	<u>\$ 2,339,281</u>	<u>\$ (11,694)</u>	<u>\$ 69,814,049</u>

Depreciation expense of \$1,416,566 for the year ended June 30, 2024, was charged to the following governmental functions:

Administration	\$ 154
District support services	4,625
Elementary and secondary regular instruction	282,301
Special education instruction	5,284
Community education and services	9,013
Instructional support services	614
Pupil support services	3,436
Sites and buildings	60,098
Food service	20,855
Unallocated	<u>1,030,186</u>
Total depreciation expense	<u>\$ 1,416,566</u>

**Independent School District No. 277**  
**Notes to Basic Financial Statements**

**NOTE 4 - LONG-TERM DEBT**

**A. Components of Long-Term Liabilities**

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One year
Long-term liabilities						
G.O. bonds including						
Refunding bonds						
G.O. School Building Bonds Series 2024A	02/01/24	4.00-5.00%	\$ 43,100,000	02/01/44	\$ 43,100,000	\$ 1,395,000
G.O. School Building Bonds Series 2020A	11/05/20	5%	11,700,000	02/01/27	6,350,000	2,015,000
G. O. School Building Bonds Series 2016A	08/04/16	3.00%-4.00%	20,815,000	02/01/32	17,165,000	800,000
G.O. Tax Abatement Bonds Series 2018A	06/27/18	3.00%-5.00%	1,835,000	02/01/29	1,000,000	185,000
Total G.O. bonds					<u>67,615,000</u>	<u>4,395,000</u>
Unamortized bond premium					6,140,466	-
Notes from direct borrowing					1,632,658	261,744
Compensated absences payable					<u>81,176</u>	<u>64,941</u>
Total all long-term liabilities					<u>\$ 75,469,300</u>	<u>\$ 4,721,685</u>

The long-term bond and lease liabilities listed above were issued to finance acquisition and construction of capital facilities. Other long-term liabilities such as compensated absences payable are typically liquidated through the General Fund.

**B. Minimum Debt Payments for Bonds**

Minimum annual principal and interest payments required to retire G.O. bonds are as follows:

Year Ending June 30,	G.O. Bonds		
	Principal	Interest	Total
2025	\$ 4,395,000	\$ 2,843,425	\$ 7,238,425
2026	4,570,000	2,632,875	7,202,875
2027	3,285,000	2,410,100	5,695,100
2028	2,895,000	2,310,000	5,205,000
2029	3,075,000	2,194,200	5,269,200
2030-2034	15,095,000	9,442,100	24,537,100
2035-2039	15,330,000	6,157,750	21,487,750
2040-2044	18,970,000	2,346,000	21,316,000
Total	<u>\$ 67,615,000</u>	<u>\$ 30,336,450</u>	<u>\$ 97,951,450</u>

**Independent School District No. 277**  
**Notes to Basic Financial Statements**

**NOTE 4 - LONG-TERM DEBT (CONTINUED)**

**C. Notes from Direct Borrowing**

On May 19, 2016, the District entered into a finance purchase agreement for building improvements. The finance purchase totaled \$2,803,400. The finance purchase agreement includes annual principal and interest payments of \$224,996. The finance purchase agreement included annual principal and interest payments of \$23,585. On July 25, 2020, the District entered into three finance purchase agreements for copier equipment. The finance purchases totaled \$171,847. The three finance purchase agreements include monthly principal and interest payments of \$2,304, \$1,649, and \$22, respectively. On May 3, 2022, the District entered into a finance purchase agreement for fitness equipment. The finance purchase totaled \$62,586. The finance purchase agreement included annual principal and interest payments of \$20,639. On July 26, 2023, the District entered into a finance purchase agreement for copier equipment. The finance purchase totaled \$154,226. The finance purchase agreement includes monthly principal and interest payments of \$3,110.

Minimum annual principal and interest payments required to retire notes from direct borrowing are as follows:

Year Ending June 30,	Notes from Direct Borrowing		
	Principal	Interest	Total
2025	\$ 243,515	\$ 46,716	\$ 290,231
2026	228,707	38,264	266,971
2027	249,890	33,068	282,958
2028	258,968	23,989	282,957
2029	215,786	15,430	231,216
2030-2031	435,792	14,200	449,992
Total	<u>\$ 1,632,658</u>	<u>\$ 171,667</u>	<u>\$ 1,804,325</u>

**D. Changes in Long-Term Liabilities**

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. Bonds	\$ 27,385,000	\$ 43,100,000	\$ 2,870,000	\$ 67,615,000
Unamortized bond premium	2,423,691	4,241,677	524,902	6,140,466
Notes from direct borrowing	1,730,638	154,226	252,206	1,632,658
Compensated absences payable	71,121	187,117	177,062	81,176
Total long-term liabilities	<u>\$ 31,610,450</u>	<u>\$ 47,683,020</u>	<u>\$ 3,824,170</u>	<u>\$ 75,469,300</u>

**Independent School District No. 277**  
**Notes to Basic Financial Statements**

**NOTE 5 - FUND BALANCES/NET POSITION**

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

**A. Fund Balances**

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

	General Fund	Debt Service	Building Construction	Nonmajor Funds	Total
<b>Nonspendable</b>					
Inventory	\$ 34,874	\$ -	\$ -	\$ 21,388	\$ 56,262
Prepaid items	3,594	-	-	-	3,594
Total nonspendable	<u>38,468</u>	<u>-</u>	<u>-</u>	<u>21,388</u>	<u>59,856</u>
<b>Restricted/reserved for</b>					
Student Activities	422,058	-	-	-	422,058
American Indian Ed Aid	7,200	-	-	-	7,200
Community Education	-	-	-	271,795	271,795
Early Childhood and Family Education	-	-	-	1,955	1,955
School Readiness	-	-	-	175	175
Community Service	-	-	-	13,844	13,844
Food Service	-	-	-	1,140,595	1,140,595
Debt Service	-	984,076	-	-	984,076
Building projects	-	-	45,622,533	-	45,622,533
Total restricted/reserved	<u>429,258</u>	<u>984,076</u>	<u>45,622,533</u>	<u>1,428,364</u>	<u>48,464,231</u>
<b>Committed for</b>					
Separation/retirement benefits	<u>75,174</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,174</u>
<b>Assigned for</b>					
Special education	500,000	-	-	-	500,000
Class size reduction	1,500,000	-	-	-	1,500,000
Technology repairs	95,549	-	-	-	95,549
Westonka Wings	54,321	-	-	-	54,321
Furniture, fixtures, and equipment	205,000	-	-	-	205,000
Total assigned	<u>2,354,870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,354,870</u>
Unassigned	<u>3,373,598</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,373,598</u>
Total fund balance	<u>\$ 6,271,368</u>	<u>\$ 984,076</u>	<u>\$ 45,622,533</u>	<u>\$ 1,449,752</u>	<u>\$ 54,327,729</u>

**Independent School District No. 277**  
**Notes to Basic Financial Statements**

**NOTE 5 - FUND BALANCES/NET POSITION (CONTINUED)**

**A. Fund Balances (Continued)**

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

Nonspendable for Prepaid Items - This balance represents a portion of the fund balance that is not available since the amounts have already been spent by the District on expenses for the next fiscal year.

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

Restricted/Reserved for American Indian Education Aid - This balance represents available resources to be used for American Indian education programs and initiatives.

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

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

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

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

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

Restricted/Reserved for Debt Service - This balance represents the positive fund balance of the debt service funds.

Restricted/Reserved for Building Projects - This balance represents available resources from the issuance of the 2024A school building bonds.

Committed for Separation/Retirement Benefits - This balance represents an amount set aside by the School Board for retirement benefits.

Assigned - This balance represents estimated amounts that are set aside for special education, class size reduction, technology repairs, Westonka Wings program, and school renovation.

**B. Net Position**

Restricted net position is comprised of the total positive General Fund restricted fund balance plus the positive fund balances of the Food Service, Community Service, and Debt Service Funds, and the effects of the conversion to the government-wide statements.

**Independent School District No. 277  
Notes to Basic Financial Statements**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE**

**Teachers' Retirement Association**

The District participates in various pension plans. Total pension expense for the year ended June 30, 2024, was \$687,260. The components of pension expense are noted in the following plan summaries.

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

**A. Plan Description**

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

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

**B. Benefits Provided**

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

*Tier 1 Benefits*

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

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

**Independent School District No. 277  
Notes to Basic Financial Statements**

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

**Teachers' Retirement Association (Continued)**

**B. Benefits Provided (Continued)**

*Tier 1 Benefits (Continued)*

With these provisions:

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

Or

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

*Tier II Benefits*

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

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

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

**Independent School District No. 277  
Notes to Basic Financial Statements**

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

**Teachers' Retirement Association (Continued)**

**C. Contribution Rate**

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

	June 30, 2022		June 30, 2023		June 30, 2024	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.0 %	12.34 %	11.0 %	12.55 %	11.25 %	12.75 %
Coordinated	7.5	8.34	7.5	8.55	7.75	8.75

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

Employer contributions reported in TRA's ACFR Statement of Changes in Fiduciary Net Position	\$ 482,679
Employer contributions not related to future contribution efforts	(2,178)
TRA's contributions not included in allocation	(572)
Total employer contributions	479,929
Total non-employer contributions	35,590
Total contributions reported in <i>Schedule of Employer and Non-Employer Allocations</i>	\$ 515,519

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

**Independent School District No. 277  
Notes to Basic Financial Statements**

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

**Teachers' Retirement Association (Continued)**

**C. Actuarial Assumptions**

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

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Key Methods and Assumptions Used in Valuation of Total Pension Liability

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**Actuarial Information**

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

**Mortality Assumptions**

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

**Independent School District No. 277  
Notes to Basic Financial Statements**

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

**Teachers' Retirement Association (Continued)**

**D. Actuarial Assumptions (Continued)**

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

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

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

Changes in actuarial assumptions since the 2022 valuation:

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

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

The 2024 Omnibus Pensions and Retirement Bill:

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

**Independent School District No. 277  
Notes to Basic Financial Statements**

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

**Teachers' Retirement Association (Continued)**

**E. Discount Rate**

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

**F. Net Pension Liability**

On June 30, 2024, the District reported a liability of \$20,731,378 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.2511% at the end of the measurement period and 0.2528% for the beginning of the year.

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

District's proportionate share of net pension liability	\$ 20,731,378
State's proportionate share of the net pension liability associated with the District	1,452,262

For the year ended June 30, 2024, the District recognized pension expense of \$131,613. Included in this amount, the District recognized \$204,490 as pension expense for the support provided by direct aid.

**Independent School District No. 277  
Notes to Basic Financial Statements**

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

**Teachers' Retirement Association (Continued)**

**F. Net Pension Liability (Continued)**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 206,084	\$ 302,951
Net difference between projected and actual earnings on plan investments	-	137,460
Changes of actuarial assumptions	2,462,116	-
Changes in proportionate share	310,797	206,800
District's contributions to TRA subsequent to the measurement date	1,502,339	-
Total	\$ 4,481,336	\$ 647,211

The \$1,502,339 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a relation of the net pension liability in the year ended June 30, 2025.

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

Year Ended June 30,	Pension Expense Amount
2025	\$ 336,224
2026	(41,743)
2027	2,397,882
2028	(299,950)
2029	(60,627)
Total	\$ 2,331,786

**Independent School District No. 277  
Notes to Basic Financial Statements**

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

**Teachers' Retirement Association (Continued)**

**G. Pension Liability Sensitivity**

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

District Proportionate Share of NPL		
1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
\$ 33,065,024	\$ 20,731,378	\$ 10,634,788

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

**H. Pension Plan Fiduciary Net Position**

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

**Public Employees' Retirement Association**

**A. Plan Description**

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

**General Employees Retirement Plan**

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

**B. Benefits Provided**

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

**Independent School District No. 277  
Notes to Basic Financial Statements**

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

**Public Employees' Retirement Association (Continued)**

**B. Benefits Provided (Continued)**

**General Employees Plan Benefits**

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

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

**C. Contributions**

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

**General Employees Fund Contributions**

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2024 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2024, were \$480,211. The District's contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

**General Employees Fund Pension Costs**

At June 30, 2024, the District reported a liability of \$4,221,875 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$116,411.

**Independent School District No. 277**  
**Notes to Basic Financial Statements**

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

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

General Employees Fund Pension Costs (Continued)

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0755% at the end of the measurement period and 0.0732% for the beginning of the period.

District's proportionate share of net pension liability	\$ 4,221,875
State's proportionate share of the net pension liability associated with the District	116,411
Total	\$ 4,338,286

For the year ended June 30, 2024, the District recognized pension expense of \$555,647 for its proportionate share of General Employees Plan's pension expense. Included in this amount, the District recognized \$523 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 137,633	\$ 28,081
Changes in actuarial assumptions	660,033	1,157,180
Difference between projected and actual investments earnings	-	154,274
Changes in proportion	143,026	44,966
District's contributions to PERA subsequent to the measurement date	480,211	-
Total	\$ 1,420,903	\$ 1,384,501

**Independent School District No. 277  
Notes to Basic Financial Statements**

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

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

General Employees Fund Pension Costs (Continued)

The \$480,211 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2025	\$ 95,324
2026	(575,183)
2027	127,636
2028	(91,586)
Total	\$ (443,809)

**E. Long-Term Expected Return on Investment**

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

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

**Independent School District No. 277  
Notes to Basic Financial Statements**

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

**Public Employees' Retirement Association (Continued)**

**F. Actuarial Methods and Assumptions**

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0%. 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 7.0% was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

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

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

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

**Changes in Actuarial Assumptions**

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

**Changes in Plan Provisions**

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

**G. Discount Rate**

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

**Independent School District No. 277  
Notes to Basic Financial Statements**

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

**Public Employees' Retirement Association (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 in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
District's proportionate share of the PERA net pension liability	\$ 7,468,837	\$ 4,221,875	\$ 1,551,126

**I. Pension Plan Fiduciary Net Position**

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

**NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN**

**A. Plan Description**

The District's defined benefit OPEB plan provides a single employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. Medical coverage is administered by Health Partners. It is the District's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees.

**B. Benefits Paid**

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

**C. Members**

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

Inactive employees or beneficiaries currently receiving benefits	20
Active employees	318
	338
Total	338

**Independent School District No. 277**  
**Notes to Basic Financial Statements**

**NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN**

**D. Contributions**

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with Health Partners. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2024, the District contributed \$260,016 to the plan.

**E. Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation measured as of July 1, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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Key Methods and Assumptions Used in Valuation of Total OPEB Liability

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Salary increases	2.85% to 10.25% per service graded table
Inflation	2.50%
Healthcare cost trend increases	6.25% as of July 1, 2022, grading to 5.00% over 5 years and then to 4.00% over the next 48 years
Mortality Assumption	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.

The actuarial assumptions used in the June 30, 2024, valuation report were based on the results of an actuarial experience study for the period July 1, 2022, through June 30, 2023.

The discount rate used to measure the total OPEB liability was 3.90% based on the 20-year Municipal Bond Yield.

**Plan Changes**

- ◆ None

**Assumption Changes**

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

**F. Total OPEB Liability**

The District's total OPEB liability of \$4,182,985 was measured as of July 1, 2023, and was determined by an actuarial valuation measured as of that date.

**Independent School District No. 277  
Notes to Basic Financial Statements**

**NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**F. Total OPEB Liability (Continued)**

Changes in the total OPEB liability are as follows:

	<u>Total OPEB Liability</u>
Balances at June 30, 2023	\$ 4,013,623
Changes for the year	
Service cost	235,723
Interest cost	157,646
Assumption changes	(20,556)
Benefit payments	<u>(203,451)</u>
Net changes	<u>169,362</u>
Balances at June 30, 2024	<u><u>\$ 4,182,985</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.80% in 2023 to 3.90% in 2024.

**H. OPEB Liability Sensitivity**

The following presents the District's net OPEB liability calculated using the discount rate of 3.8% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	<u>1% Decrease in Discount Rate (2.9%)</u>	<u>Current Discount Rate (3.9%)</u>	<u>1% Increase in Discount Rate (4.9%)</u>
Total OPEB Liability (Asset)	\$ 4,427,164	\$ 4,182,985	\$ 3,942,953

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

	<u>1% Decrease in Discount Rate (5.25% Decreasing to 3.0%)</u>	<u>Current Discount Rate (6.25% Decreasing to 4.0%)</u>	<u>1% Decrease in Discount Rate (7.25% Decreasing to 5.0%)</u>
Total OPEB Liability (Asset)	\$ 3,789,250	\$ 4,182,985	\$ 4,638,659

**Independent School District No. 277**  
**Notes to Basic Financial Statements**

**NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

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

For the year ended June 30, 2024, the District recognized OPEB expense of \$132,619. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability gain or loss	\$ -	\$ 804,646
Contributions made subsequent to the measurement date	260,016	-
Changes in actuarial assumptions	73,431	254,452
Total	\$ 333,447	\$ 1,059,098

The \$260,016 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Total
2025	\$ (260,747)
2026	(222,630)
2027	(239,293)
2028	(125,204)
2029	(134,859)
Thereafter	(2,934)
Total	\$ (985,667)

**NOTE 8 - RISK MANAGEMENT**

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

**Independent School District No. 277  
Notes to Basic Financial Statements**

**NOTE 8 - RISK MANAGEMENT (CONTINUED)**

On July 1, 2013, the District began to self-insure for dental insurance. Under this program, the fund provides up to a maximum of \$2,000 of benefit per covered person per calendar year. The General, Food Service, and Community Service Funds of the District participate in the program and make payments to the dental insurance plan recorded in the General Fund. Based on the requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Payments are made based on actuarial estimates of the amounts needed to pay claims. The Self-Insured Dental Benefits Internal Service Fund includes a reserve of \$225,641 for catastrophe losses. The total claims liability reported in the Fund at June 30, 2024, is \$0 and include amounts for known claims and for estimated incurred but not reported claims. These estimates are determined based on the probability that a loss has occurred and the amount of the loss can be reasonably estimated.

On July 1, 2016, the District began to self-insure for health insurance. A stop-loss policy was purchased that limits the District's loss to \$100,000 of claims per person at which point the reinsurance coverage is available. The District also has aggregate stop-loss coverage in place which limits the District's liability to 115% of the current year's total expected annual claims at which point the reinsurance coverage is available.

The General, Food Service, Community Service, and Agency Funds of the District participate in the program and make payments to the Self-Insured Medical Benefits Internal Service Fund. Based on the requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Participants in the program make premium payments to the fund based on the insurance premium. The Self-Insured Medical Benefits Internal Service Fund does not include a reserve for catastrophe losses. The total claims liability reported in the Fund at June 30, 2024, is \$171,375 and include amounts for known claims and for estimated incurred but not reported claims. These estimates are determined based on the probability that a loss has occurred and the amount of the loss can be reasonably estimated.

Changes in the Self-Insured Benefits Fund's claims liability amounts for the past three years were as follows:

	Balance, Beginning of Year	Claims, Expense and Estimates	Claims Payments	Balance, End of Year
2021-2022	\$ 197,159	\$ 4,436,121	\$ (4,403,977)	\$ 229,303
2022-2023	229,303	4,088,665	(4,103,507)	214,461
2023-2024	214,461	4,558,681	(4,657,027)	116,115

**NOTE 9 - COMMITMENTS**

At June 30, 2024, the District had various construction contract commitments for projects outstanding totaling \$3,801,901.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Independent School District No. 277**  
**Schedule of Changes in Total OPEB Liability**  
**and Related Ratios**

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
<b>Total OPEB Liability</b>				
Service cost	\$ 235,723	\$ 232,345	\$ 341,084	\$ 316,997
Interest cost	157,646	103,317	111,677	157,345
Assumption changes	(20,556)	(318,148)	67,626	(22,369)
Plan changes	-	-	-	-
Differences between expected and actual experience	-	(605,336)	-	(776,315)
Benefit payments	(203,451)	(171,240)	(118,937)	(125,190)
Other changes	-	-	-	-
Net change in total OPEB liability	<u>169,362</u>	<u>(759,062)</u>	<u>401,450</u>	<u>(449,532)</u>
Beginning of year	<u>4,013,623</u>	<u>4,772,685</u>	<u>4,371,235</u>	<u>4,820,767</u>
End of year	<u>\$ 4,182,985</u>	<u>\$ 4,013,623</u>	<u>\$ 4,772,685</u>	<u>\$ 4,371,235</u>
Covered payroll	\$ 19,762,735	\$ 19,187,121	\$ 19,090,220	\$ 18,534,194
Total OPEB liability as a percentage of covered-employee payroll	21.17%	20.92%	25.00%	23.58%

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

<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
\$ 305,712	\$ 278,558	\$ 272,018
161,114	153,243	144,975
116,710	10,113	-
-	46,759	-
-	(276,957)	-
(119,593)	(165,557)	(194,940)
-	-	-
<u>463,943</u>	<u>46,159</u>	<u>222,053</u>
<u>4,356,824</u>	<u>4,310,665</u>	<u>4,088,612</u>
<u>\$ 4,820,767</u>	<u>\$ 4,356,824</u>	<u>\$ 4,310,665</u>
\$ 17,674,747	\$ 17,159,949	\$ 15,532,150
27.27%	25.39%	27.75%

**Independent School District No. 277**  
**Schedule of District's and Non-Employer Proportionate Share**  
**of Net Pension Liability**  
**Last Ten Years General Employees Retirement Fund**

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0769%	\$ 3,612,377	\$ -	\$ 3,612,377	\$ 4,035,806	89.5%	78.7%
2015	0.0704%	3,648,493	-	3,648,493	4,068,400	89.7%	78.2%
2016	0.0693%	5,626,816	73,483	5,700,299	4,298,253	130.9%	68.9%
2017	0.0688%	4,392,147	55,244	4,447,391	4,433,560	99.1%	75.9%
2018	0.0770%	4,271,644	140,248	4,411,892	5,178,013	82.5%	79.5%
2019	0.0809%	4,472,780	138,994	4,611,774	5,724,280	78.1%	80.2%
2020	0.0759%	4,550,552	140,250	4,690,802	5,411,947	84.1%	79.1%
2021	0.0729%	3,113,157	95,163	3,208,320	5,247,520	59.3%	87.0%
2022	0.0732%	5,797,464	169,861	5,967,325	5,479,920	105.8%	76.7%
2023	0.0755%	4,221,875	116,411	4,338,286	6,003,227	70.3%	83.1%

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

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.2494%	\$ 11,492,172	\$ 808,323	\$ 12,300,495	\$ 11,385,303	100.9%	81.5%
2015	0.2268%	14,029,823	1,720,762	15,750,585	11,509,427	121.9%	76.8%
2016	0.2313%	55,170,569	5,537,327	60,707,896	12,032,907	458.5%	44.9%
2017	0.2334%	46,590,874	4,504,458	51,095,332	12,562,613	370.9%	51.6%
2018	0.2430%	15,261,941	1,433,806	16,695,747	13,424,853	113.7%	78.1%
2019	0.2465%	15,711,962	1,390,386	17,102,348	13,991,556	112.3%	78.2%
2020	0.2514%	18,573,769	1,556,718	20,130,487	14,609,899	127.1%	75.5%
2021	0.2560%	11,203,325	944,906	12,148,231	15,305,191	73.2%	86.6%
2022	0.2528%	20,242,887	1,501,471	21,744,358	15,629,245	129.5%	76.2%
2023	0.2511%	20,731,378	1,452,262	22,183,640	15,962,199	129.9%	76.4%

**Independent School District No. 277  
Schedule of District Contributions  
General Employees Retirement Fund  
Last Ten Years**

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 305,130	\$ 305,130	\$ -	\$ 4,068,400	7.50%
2016	322,369	322,369	-	4,298,253	7.50%
2017	332,517	332,517	-	4,433,560	7.50%
2018	388,351	388,351	-	5,178,013	7.50%
2019	429,321	429,321	-	5,724,280	7.50%
2020	405,896	405,896	-	5,411,947	7.50%
2021	393,564	393,564	-	5,247,520	7.50%
2022	410,994	410,994	-	5,479,920	7.50%
2023	450,242	450,242	-	6,003,227	7.50%
2024	480,211	480,211	-	6,402,813	7.50%

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

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 863,207	\$ 863,207	\$ -	\$ 11,509,427	7.50%
2016	902,469	902,468	-	12,032,907	7.50%
2017	942,196	942,196	-	12,562,613	7.50%
2018	1,006,864	1,006,864	-	13,424,853	7.50%
2019	1,078,749	1,078,749	-	13,991,556	7.71%
2020	1,157,104	1,157,104	-	14,609,899	7.92%
2021	1,244,312	1,244,312	-	15,305,191	8.13%
2022	1,303,479	1,303,479	-	15,629,245	8.34%
2023	1,364,768	1,364,768	-	15,962,199	8.55%
2024	1,502,339	1,502,339	-	17,169,589	8.75%

**Independent School District No. 277**  
**Notes to the Required Supplementary Information**

**TRA Retirement Funds**

**2023 Changes**

Changes of Benefit Terms

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

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

The 2024 Omnibus Pensions and Retirement Bill:

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

**2022 Changes**

Changes in Actuarial Assumptions

- ◆ None

**2021 Changes**

Changes in Actuarial Assumptions

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

**2020 Changes**

Changes in Actuarial Assumptions

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

**2019 Changes**

Changes in Actuarial Assumptions

- ◆ None

**2018 Changes**

Changes in Actuarial Assumptions

- ◆ The discount rate was decreased to 4.66% from 8.0%.
- ◆ The cost-of-living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- ◆ Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- ◆ The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.

**Independent School District No. 277**  
**Notes to the Required Supplementary Information**

**TRA Retirement Fund (Continued)**

**2018 Changes (Continued)**

Changes in Actuarial Assumptions (Continued)

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

**2017 Changes**

Changes in Actuarial Assumptions

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

**2016 Changes**

Changes in Actuarial Assumptions

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

**Independent School District No. 277**  
**Notes to the Required Supplementary Information**

**TRA Retirement Fund (Continued)**

**2016 Changes (Continued)**

Changes in Actuarial Assumptions (Continued)

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

**2015 Changes**

Changes of Benefit Terms

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

Changes in Actuarial Assumptions

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

**Independent School District No. 277**  
**Notes to the Required Supplementary Information**

**General Employees Fund**

**2023 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2022 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2021 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2020 Changes**

Changes in Actuarial Assumptions

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

**Independent School District No. 277**  
**Notes to the Required Supplementary Information**

**General Employees Fund (Continued)**

**2020 Changes (Continued)**

Changes in Actuarial Assumptions (Continued)

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

Changes in Plan Provisions

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

**2019 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2018 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2017 Changes**

Changes in Actuarial Assumptions

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

**Independent School District No. 277**  
**Notes to the Required Supplementary Information**

**General Employees Fund (Continued)**

**2017 Changes (Continued)**

Changes in Actuarial Assumptions (Continued)

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

Changes in Plan Provisions

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

**2016 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2015 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**Independent School District No. 277**  
**Notes to the Required Supplementary Information**

**Post Employment Health Care Plan**

**2024 Changes**

Assumption Changes

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

**2023 Changes**

Assumption Changes

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

**2022 Changes**

Assumption Changes

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

**2021 Changes**

Assumption Changes

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

**2020 Changes**

Assumption Changes

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

**2019 Changes**

Changes in Plan Provisions

- ◆ A post-employment subsidized benefit was added for all food service employees.

Assumption Changes

- ◆ The health care trend rates were changed to better anticipate short term and long term medical increases.
- ◆ The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- ◆ The discount rate was changed from 3.40% to 3.50%.

**SUPPLEMENTARY INFORMATION**

**Independent School District No. 277  
Combining Balance Sheet -  
Nonmajor Governmental Funds  
June 30, 2024**

	Special Revenue Funds			Total Nonmajor Funds
	Food Service	Community Service	Total Special Revenue	
<b>Assets</b>				
Cash and investments	\$ 1,166,235	\$ 939,564	\$ 2,105,799	\$ 2,105,799
Current property taxes receivable	-	538,346	538,346	538,346
Delinquent property taxes receivable	-	13,899	13,899	13,899
Accounts receivable	-	5,538	5,538	5,538
Due from Department of Education	41,670	21,697	63,367	63,367
Due from other Minnesota school districts	-	17,871	17,871	17,871
Due from Federal Government through Department of Education	27,965	-	27,965	27,965
Inventory	21,388	-	21,388	21,388
	<b>\$ 1,257,258</b>	<b>\$ 1,536,915</b>	<b>\$ 2,794,173</b>	<b>\$ 2,794,173</b>
<b>Liabilities</b>				
Accounts payable	\$ 2,478	39,644	42,122	\$ 42,122
Salaries and benefits payable	5,804	108,522	114,326	114,326
Due to other minnesota districts	-	6,928	6,928	6,928
Unearned revenue	86,993	-	86,993	86,993
Total liabilities	95,275	155,094	250,369	250,369
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - delinquent property taxes	-	11,494	11,494	11,494
Property taxes levied for subsequent year's expenditures	-	1,082,558	1,082,558	1,082,558
Total deferred inflows of resources	-	1,094,052	1,094,052	1,094,052
<b>Fund Balances</b>				
Nonspendable	21,388	-	21,388	21,388
Restricted	1,140,595	287,769	1,428,364	1,428,364
Total fund balances	1,161,983	287,769	1,449,752	1,449,752
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,257,258	\$ 1,536,915	\$ 2,794,173	\$ 2,794,173

**Independent School District No. 277**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances -**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2024**

	Special Revenue Funds			Total Nonmajor Funds
	Food Service	Community Service	Total Special Revenue	
<b>Revenues</b>				
Local property taxes	\$ -	\$ 857,246	\$ 857,246	\$ 857,246
Other local and county revenues	34,221	3,388,325	3,422,546	3,422,546
Revenue from state sources	1,118,208	311,480	1,429,688	1,429,688
Revenue from federal sources	767,766	-	767,766	767,766
Sales and other conversion of assets	255,362	-	255,362	255,362
Total revenues	2,175,557	4,557,051	6,732,608	6,732,608
<b>Expenditures</b>				
<b>Current</b>				
Food service	1,984,928	-	1,984,928	1,984,928
Community education and services	-	4,381,099	4,381,099	4,381,099
<b>Capital outlay</b>				
Food service	189,491	-	189,491	189,491
Community education and services	-	45,250	45,250	45,250
<b>Debt service</b>				
Principal	-	17,132	17,132	17,132
Interest and fiscal charges	-	3,507	3,507	3,507
Total expenditures	2,174,419	4,446,988	6,621,407	6,621,407
Excess of revenues over expenditures	1,138	110,063	111,201	111,201
<b>Other Financing Sources</b>				
Proceeds from sale of capital assets	20,266	-	20,266	20,266
Net change in fund balances	21,404	110,063	131,467	131,467
<b>Fund Balances</b>				
Beginning of year	1,140,579	177,706	1,318,285	1,318,285
End of year	\$ 1,161,983	\$ 287,769	\$ 1,449,752	\$ 1,449,752

Independent School District No. 277  
Combining Statement of  
Net Position - Internal Service Funds  
June 30, 2024

	Internal Service Funds		
	Post Employment Benefits Revocable Trust Fund	Self-Insured Benefits	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 426,652	\$ 4,296,972	\$ 4,723,624
Investments	3,051,825	-	3,051,825
Interest receivable	22,959	-	22,959
Prepaid items	-	63,063	63,063
Total assets	\$ 3,501,436	\$ 4,360,035	\$ 7,861,471
<b>Liabilities and Net Position</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 116,115	\$ 116,115
<b>Net Position</b>			
Unrestricted	3,501,436	4,243,920	7,745,356
Total liabilities and net position	\$ 3,501,436	\$ 4,360,035	\$ 7,861,471

**Independent School District No. 277**  
**Combining Statement of Revenues, Expenses, and Changes**  
**in Fund Net Position - Internal Service Funds**  
**Year Ended June 30, 2024**

	Internal Service Funds		
	Post Employment Benefits Revocable Trust Fund	Self-Insured Benefits	Total
<b>Operating Revenues</b>			
Charges for services	\$ -	\$ 4,964,863	\$ 4,964,863
<b>Operating Expenses</b>			
Employee benefits	260,016	4,558,680	4,818,696
Professional services	229	-	229
Total operating expenses	<u>260,245</u>	<u>4,558,680</u>	<u>4,818,925</u>
Operating gain (loss)	(260,245)	406,183	145,938
<b>Nonoperating Revenues</b>			
Investment income	<u>84,901</u>	-	<u>84,901</u>
Change in net position	(175,344)	406,183	230,839
<b>Net Position</b>			
Beginning of year	<u>3,676,780</u>	<u>3,837,737</u>	<u>7,514,517</u>
End of year	<u>\$ 3,501,436</u>	<u>\$ 4,243,920</u>	<u>\$ 7,745,356</u>

Independent School District No. 277  
Combining Statement of Cash Flows -  
Internal Service Funds  
Year Ended June 30, 2024

	Internal Service Funds		
	Post Employment Benefits Revocable Trust Fund	Self-Insured Benefits	Total
<b>Cash Flows - Operating Activities</b>			
Receipts from employee contributions	\$ -	\$ 4,973,450	\$ 4,973,450
Payments to employees	(260,016)	(4,657,026)	(4,917,042)
Payments to vendors	(229)	-	(229)
Net cash flows - operating activities	<u>(260,245)</u>	<u>316,424</u>	<u>56,179</u>
<b>Cash Flows - Investment Activities</b>			
Sale (purchase) of investments	253,268	-	253,268
Interest received	77,477	-	77,477
Net cash flows - investment activities	<u>330,745</u>	<u>-</u>	<u>330,745</u>
Net change in cash and cash equivalents	70,500	316,424	386,924
<b>Cash and Cash Equivalents</b>			
Beginning of year	<u>356,152</u>	<u>3,980,548</u>	<u>4,336,700</u>
End of year	<u>\$ 426,652</u>	<u>\$ 4,296,972</u>	<u>\$ 4,723,624</u>
<b>Reconciliation of Operating Income to Net Cash Flows - Operating Activities</b>			
Operating loss	\$ (260,245)	\$ 406,183	\$ 145,938
Adjustments to reconcile operating loss to net cash flows - operating activities			
Accounts payable	-	(98,346)	(98,346)
Prepays	-	8,587	8,587
Net adjustments	<u>-</u>	<u>(89,759)</u>	<u>(89,759)</u>
Net cash flows - operating activities	<u>\$ (260,245)</u>	<u>\$ 316,424</u>	<u>\$ 56,179</u>
<b>Non-Cash Activity</b>			
Changes in fair value of investments	<u>\$ 71,691</u>	<u>\$ -</u>	<u>\$ 71,691</u>

Independent School District No. 277  
Uniform Financial Accounting and Reporting Standards  
Compliance Table  
Year Ended June 30, 2024

	Audit	UFARS	Audit- UFARS		Audit	UFARS	Audit- UFARS
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION FUND</b>			
Total revenue	\$ 39,024,336	\$ 39,024,338	\$ (2)	Total revenue	\$ 902,493	\$ 902,493	\$ -
Total expenditures	39,125,749	39,125,748	1	Total expenditures	2,621,637	2,621,637	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	38,468	38,468	-	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted/reserved:</i>			
4.01 Student Activities	422,058	422,058	-	4.07 Capital Projects Levy	-	-	-
4.02 Scholarships	-	-	-	4.09 Alternative Facility Program	-	-	-
4.03 Staff Development	-	-	-	4.13 Building Projects Funded by COP/LP	-	-	-
4.07 Capital Projects Levy	-	-	-	<i>Restricted:</i>			
4.09 Alternative Facility Program	-	-	-	4.64 Restricted fund balance	45,622,533	45,622,533	-
4.12 Literacy Incentive Aid	-	-	-	<i>Unassigned:</i>			
4.13 Building Projects Funded by COP/LP	-	-	-	4.63 Unassigned fund balance	-	-	-
4.14 Operating Debt	-	-	-				
4.16 Levy Reduction	-	-	-	<b>07 DEBT SERVICE FUND</b>			
4.17 Taconite Building Maintenance	-	-	-	Total revenue	\$ 4,110,795	\$ 4,110,795	\$ -
4.20 American Indian Education Aid	7,200	7,200	-	Total expenditures	3,937,500	3,937,500	-
4.24 Operating Capital	-	-	-	<i>Nonspendable:</i>			
4.26 \$25 Taconite	-	-	-	4.60 Nonspendable fund balance	-	-	-
4.27 Disabled Accessibility	-	-	-	<i>Restricted/reserved:</i>			
4.28 Learning and Development	-	-	-	4.25 Bond refunding	-	-	-
4.34 Area Learning Center	-	-	-	4.33 Maximum effort loan aid	-	-	-
4.35 Contracted Alternative Programs	-	-	-	4.51 QZAB payments	-	-	-
4.36 State Approved Alternative Program	-	-	-	4.67 LTFM	-	-	-
4.38 Gifted and Talented	-	-	-	<i>Restricted:</i>			
4.39 English Learner	-	-	-	4.64 Restricted fund balance	984,076	984,076	-
4.40 Teacher Development and Evaluation	-	-	-	<i>Unassigned:</i>			
4.41 Basic Skills Programs	-	-	-	4.63 Unassigned fund balance	-	-	-
4.43 School Library Aid	-	-	-				
4.45 Career Technical Programs	-	-	-	<b>08 TRUST FUND</b>			
4.48 Achievement and Integration	-	-	-	Total revenue	\$ -	\$ -	\$ -
4.49 Safe School Revenue	-	-	-	Total expenditures	-	-	-
4.51 QZAB Payments	-	-	-	<i>Unassigned:</i>			
4.52 OPEB Liabilities not Held in Trust	-	-	-	4.01 Student Activities	-	-	-
4.53 Unfunded Severance and Retirement Levy	-	-	-	4.02 Scholarships	-	-	-
4.59 Basic Skills Extended Time	-	-	-	4.22 Net position	-	-	-
4.67 Long-term Facilities Maintenance	-	-	-				
4.71 Student Support Personnel Aid	-	-	-	<b>18 CUSTODIAL FUND</b>			
<i>Restricted:</i>				Total revenue	\$ 77,741	\$ 77,741	\$ -
4.72 Medical Assistance	-	-	-	Total expenditures	84,300	84,300	-
4.64 Restricted fund balance	-	-	-	<i>Unassigned:</i>			
4.75 Title VII - Impact Aid	-	-	-	4.01 Student Activities	-	-	-
4.76 Payments in Lieu of Taxes	-	-	-	4.02 Scholarships	132,569	132,569	-
<i>Committed:</i>				4.48 Achievement and Integration	-	-	-
4.18 Committed for separation/retirement benefits	75,174	75,174	-	4.64 Restricted	-	-	-
4.61 Committed	-	-	-				
<i>Assigned:</i>				<b>20 INTERNAL SERVICE FUND</b>			
4.62 Assigned fund balance	2,354,870	2,354,870	-	Total revenue	\$ 4,964,863	\$ 4,964,864	\$ (1)
<i>Unassigned:</i>				Total expenditures	4,558,680	4,558,680	-
4.22 Unassigned fund balance	3,373,598	3,373,600	(2)	<i>Unassigned:</i>			
				4.22 Net position	4,243,920	4,243,920	-
<b>02 FOOD SERVICE FUND</b>							
Total revenue	\$ 2,175,557	\$ 2,175,558	\$ (1)	<b>25 OPEB REVOCABLE TRUST</b>			
Total expenditures	2,174,419	2,174,420	(1)	Total revenue	\$ 84,901	\$ 84,901	\$ -
<i>Nonspendable:</i>				Total expenditures	260,245	260,245	-
4.60 Nonspendable fund balance	21,388	21,388	-	<i>Unassigned:</i>			
<i>Restricted/reserved:</i>				4.22 Net position	3,501,436	3,501,436	-
4.52 OPEB liabilities not held in trust	-	-	-				
<i>Restricted:</i>				<b>45 OPEB IRREVOCABLE TRUST</b>			
4.64 Restricted fund balance	1,140,595	1,140,594	1	Total revenue	\$ -	\$ -	\$ -
<i>Unassigned:</i>				Total expenditures	-	-	-
4.63 Unassigned fund balance	-	-	-	<i>Unassigned:</i>			
				4.22 Net position	-	-	-
<b>04 COMMUNITY SERVICE FUND</b>							
Total revenue	\$ 4,557,051	\$ 4,557,049	\$ 2	<b>47 OPEB DEBT SERVICE</b>			
Total expenditures	4,446,988	4,446,985	3	Total revenue	\$ -	\$ -	\$ -
<i>Nonspendable:</i>				Total expenditures	-	-	-
4.60 Nonspendable fund balance	-	-	-	<i>Nonspendable:</i>			
<i>Restricted/reserved:</i>				4.60 Nonspendable fund balance	-	-	-
4.26 \$25 Taconite	-	-	-	<i>Restricted:</i>			
4.31 Community Education	271,795	271,795	-	4.64 Restricted fund balance	-	-	-
4.32 ECFE	1,955	1,955	-	<i>Unassigned:</i>			
4.40 Teacher Development and Evaluation	-	-	-	4.63 Unassigned fund balance	-	-	-
4.44 School Readiness	175	175	-				
4.47 Adult Basic Education	-	-	-				
4.52 OPEB Liabilities not Held in Trust	-	-	-				

**Independent School District No. 277**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2024**

<u>Federal Agency/Pass Through Agency/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Expenditures</u>
<b>U.S. Department of Agriculture</b>		
Through Minnesota Department of Education		
Child Nutrition Cluster		
Commodities Programs (noncash assistance)	10.555	\$ 144,328
School Breakfast	10.553	89,456
Summer Food Service	10.559	96,564
Type A Lunch	10.555	437,418
Total Child Nutrition Cluster and U.S. Department of Agriculture		767,766
<b>U.S. Department of Education</b>		
Through Minnesota Department of Education		
COVID - Coronavirus Relief Fund	21.019	653
American Rescue Plan - summer academic	21.027	3,800
Title I, Part A	84.010	208,369
Title II, Part A	84.367	67,790
Special Education Cluster		
Special Education	84.027	587,618
American Rescue Plan IDEA Part B Section 611	84.027X	21,220
Handicapped Early Education	84.173	17,288
Handicapped-Preschool Grants	84.173A	19,579
American Rescue Plan IDEA Part B - Preschool Grants for Children with Disabilities	84.173X	2,905
Total Special Education Cluster		648,610
Education Stabilization Fund		
COVID - ESSER III Fund - learning loss	84.425U	894
Through Independent School District No. 284		
Infants and Toddlers	84.181	18,309
Through Intermediate District No. 287		
Carl Perkins	84.048A	12,095
Total U.S. Department of Education		960,520
Total Federal Expenditures		\$ 1,728,286

**Independent School District No. 277**  
**Notes to the Schedule of Expenditures of Federal Awards**

**NOTE 1 - BASIS OF PRESENTATION**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 3 - PASS-THROUGH GRANT NUMBERS**

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

**NOTE 4 - INVENTORY**

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

**NOTE 5 - INDIRECT COST RATE**

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

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

**Independent Auditor's Report**

To the School Board  
Independent School District No. 277  
Minnetrista, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 277, Minnetrista, Minnesota, as of and for the year ending June 30, 2024, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 25, 2024.

**Report on Internal Control over Financial Reporting**

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

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

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

### **Report on Compliance and Other Matters**

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

### **District's Response to the Finding**

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

### **Purpose of this Report**

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

**BerganKDV, Ltd.**

Minneapolis, Minnesota  
September 25, 2024



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

**Independent Auditor's Report**

To the School Board  
Independent School District No. 277  
Minnetrista, Minnesota

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited Independent School District No. 277's, Minnetrista, Minnesota compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect the District's major federal program for the year ended June 30, 2024. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs in accordance with the Uniform Guidance.

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

**Basis for Opinion on Each Major Federal Program**

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

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

**Responsibilities of Management for Compliance**

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

### **Auditor's Responsibilities for the Audit of Compliance**

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

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

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

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

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

### **Report on Internal Control over Compliance**

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

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

**Report on Internal Control over Compliance (Continued)**

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

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

*BerganKDV, Ltd.*

Minneapolis, Minnesota  
September 25, 2024

**Independent School District No. 277  
Schedule of Findings and Questioned Costs  
in Accordance with the Uniform Guidance**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

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

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

Noncompliance material to financial statements noted? No

**Federal Awards**

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

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

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

**Identification of Major Programs**

Assistance Listing No.: 84.027, 84.173  
Name of Federal Program or Cluster: Special Education Cluster

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

Auditee qualified as low-risk auditee? Yes

**Independent School District No. 277  
Schedule of Findings and Questioned Costs  
in Accordance with the Uniform Guidance**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Audit Finding 2024-001**

*Criteria:*

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

*Condition:*

During the year ended June 30, 2024, the District had a lack of segregation of accounting duties due to a limited number of office employees. This condition increases the risk that errors could occur which would not be prevented or detected and corrected, on a timely basis. This lack of segregation can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- ◆ The Director of Finance has access to all areas of the accounting system.
- ◆ The District Accountant inputs employees' hours, generates direct deposit checks, and sends the transfer amount to the bank.
- ◆ The Director of Finance records and maintains all capital asset records.
- ◆ The District Accountant records the deposits and prepares the bank reconciliation.
- ◆ The Director of Finance records and maintains state, federal, and tax revenues and receivables.

Management is aware of this condition and has taken certain steps to compensate for the lack of segregation. However, due to the number of staff needed to properly segregate all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Because of this reason, management has determined a complete segregation of accounting duties is impractical to correct.

*Context:*

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

*Cause:*

There are a limited number of office employees.

*Effect or Potential Effect:*

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

*Recommendation:*

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

**Independent School District No. 277  
Schedule of Findings and Questioned Costs  
in Accordance with the Uniform Guidance**

**SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**Audit Finding 2024-001 (Continued)**

Views of the *Responsible Officials and Planned Corrective Actions*:

**CORRECTIVE ACTION PLAN (CAP):**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
The District will take the necessary corrective action to address the lack of segregation of duties identified as an audit finding. The District will also evaluate other key accounting processes and procedures to ensure adequate segregation of duties is achieved.
3. Official Responsible for Ensuring CAP  
Kathy Miller, Director of Finance, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP  
The planned completion date for the CAP is June 30, 2025.
5. Plan to Monitor Completion of CAP  
The School Board will be monitoring this CAP.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no federal award findings or questioned costs.

**SECTION IV - PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

**2023-001 Significant Deficiency - Segregation of Duties**

This finding was repeated in the current year as Audit Finding 2024-001.



## Minnesota Legal Compliance

### Independent Auditor's Report

To the School Board  
Independent School District No. 277  
Minnetrista, 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. 277, Minnetrista, Minnesota, as of and for the year ended June 30, 2024, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 25, 2024.

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

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

*BerganKDV, Ltd.*

Minneapolis, Minnesota  
September 25, 2024