

# Independent School District

## No. 116

### Pillager, Minnesota

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Audited Financial Statements

For The Year Ended June 30, 2024

**SCHLENNER  
WENNER & Co.**  
CPAs

**INDEPENDENT SCHOOL DISTRICT NO. 116  
PILLAGER, MINNESOTA  
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**INTRODUCTORY  
SECTION**

**INDEPENDENT SCHOOL DISTRICT NO. 116  
BOARD OF EDUCATION AND ADMINISTRATION  
FOR THE YEAR ENDED JUNE 30, 2024**

**BOARD OF EDUCATION**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sara Nagel	Chairperson	December 31, 2027
Becky Bennett	Vice-Chairperson	December 31, 2027
Brian Grimsley	Treasurer	December 31, 2024
Kassandra Nelson	Clerk	December 31, 2024
Bridgette Brown	Director	December 31, 2024
Sarah Smith	Director	December 31, 2027

**ADMINISTRATION**

<u>Name</u>	<u>Title</u>
Michael Malmberg	Superintendent
Melissa Berry	Business Manager

**FINANCIAL  
SECTION**

## INDEPENDENT AUDITOR'S REPORT

Members of the School Board  
Independent School District No. 116  
Pillager, Minnesota

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 116 (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 116 as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule, Schedule of Changes in District's Net OPEB Liability, Schedule of Money-Weighted Rate of Return on OPEB Plan Assets, Schedule of District's Proportionate Share of Net Pension Liability, and Schedule of District Pension Contributions listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 Independent School District No. 116's basic financial statements. The accompanying introductory section, combining nonmajor fund financial statements, Uniform Financial Accounting and Reporting Standards Compliance Table, and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, Uniform Financial Accounting and Reporting Standards Compliance Table, and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, Uniform Financial Accounting and Reporting Standards Compliance Table, and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2024, on our consideration of Independent School District No. 116's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Independent School District No. 116's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Schlenner Wenner & Co.".

**SCHLENNER WENNER & CO.**

St. Cloud, Minnesota

November 11, 2024

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**INDEPENDENT SCHOOL DISTRICT NO. 116  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2024**

As management of Independent School District No. 116 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2024.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$4,018,990 (net position). The unrestricted portion of net position is negative \$5,203,234.
- The District's total net position increased \$1,035,388 as a result of current year operations.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$4,158,467, an increase of \$688,700 in comparison with the prior year. Approximately 50 percent of this amount, \$2,090,625 is available for spending at the District's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,019,812, or 12 percent of total General Fund expenditures.
- The District's total debt decreased by \$1,046,162 (4 percent) in the current fiscal year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

The major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain are summarized in the following table. The remainder of the overview section of the Management Discussion and Analysis highlights the structure and contents of each of the statements.

**INDEPENDENT SCHOOL DISTRICT NO. 116  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2024**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

	Government-Wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
<b>Scope</b>	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as regular instruction, support services, special education, building maintenance, food service, and community service	Activities the District operates in trust or for which the District is a fiscal agent
<b>Required financial statements</b>	Statement of Net Position  Statement of Activities	Balance Sheet  Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Fiduciary Net Position  Statement of Changes in Fiduciary Net Position
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
<b>Type of asset/deferred outflows/liability/deferred inflows information</b>	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; deferred inflows of resources recorded to defer unavailable assets; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
<b>Type of outflow/inflow information</b>	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid

**Government-Wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the net difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and accrued but unpaid interest).

**INDEPENDENT SCHOOL DISTRICT NO. 116  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2024**

**OVERVIEW OF THE FINANCIAL STATEMENTS** (Continued)

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include administration, district support services, regular instruction, vocational instruction, exceptional instruction, community education and services, instructional support services, pupil support services, sites and buildings, fiscal and other fixed cost programs, interest and other fiscal charges, and unallocated depreciation. The District currently does not report any business-type activities.

The government-wide financial statements start on page 20 of this report.

**Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental Funds**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains two individual major governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and Debt Service Fund, both of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 22 of this report.

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the district-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for the government-wide financial statements.

The basic fiduciary fund financial statements start on page 26 of this report.

**Notes to the Financial Statements**

The notes provide additional information essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements start on page 28 of this report.

**INDEPENDENT SCHOOL DISTRICT NO. 116  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2024**

**OVERVIEW OF THE FINANCIAL STATEMENTS** (Continued)

**Supplementary Information**

The combining statements referred to earlier in connection with nonmajor governmental funds are presented as supplementary information. Combining fund statements start on page 72 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources, for a net balance of \$4,018,990 at the close of the most recent fiscal year.

A significant portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, site improvements, and machinery and equipment), less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although, the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Net Position  
Table 1**

	Governmental Activities		Increase (Decrease)
	2024	2023	
Assets			
Current and Other Assets	\$ 9,705,707	\$ 8,892,213	\$ 813,494
Capital Assets	31,917,265	32,712,634	(795,369)
Total Assets	41,622,972	41,604,847	18,125
Deferred Outflows of Resources	2,761,051	3,870,158	(1,109,107)
Liabilities			
Current and Other Liabilities	2,116,710	2,248,210	(131,500)
Noncurrent Liabilities	34,109,747	34,996,032	(886,285)
Total Liabilities	36,226,457	37,244,242	(1,017,785)
Deferred Inflows of Resources	4,138,576	5,247,161	(1,108,585)
Net Position			
Net Investment in Capital Assets	7,445,369	7,194,576	250,793
Restricted	1,776,855	1,764,534	12,321
Unrestricted	(5,203,234)	(5,975,508)	772,274
Total Net Position	\$ 4,018,990	\$ 2,983,602	\$ 1,035,388

An additional portion of the District's net position (\$1,776,855) represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position was negative \$5,203,234 at year end.

**INDEPENDENT SCHOOL DISTRICT NO. 116  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2024**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Changes in Net Position**

The District's net position increased \$1,035,388 during the most recent fiscal year. Key elements of this increase are as follows:

**Changes in Net Position  
Table 2**

	Governmental Activities		
	2024	2023	Increase (Decrease)
Revenues			
Program Revenues			
Charges for Services	\$ 434,519	\$ 570,415	\$ (135,896)
Operating Grants and Contributions	4,566,718	4,333,425	233,293
Capital Grants and Contributions	36,370	72,567	(36,197)
General Revenues			
Property Taxes	3,507,817	3,584,765	(76,948)
State Aid Not Restricted to Specific Programs	12,004,384	10,861,783	1,142,601
Earnings on Investments	200,050	134,980	65,070
Gifts and Donations	183,587	120,123	63,464
Gain (Loss) on Sale of Assets	-	-	-
Miscellaneous	90,548	82,536	8,012
Total Revenues	21,023,993	19,760,594	1,263,399
Expenses			
Administration	793,635	674,426	119,209
District Support Services	647,830	613,304	34,526
Regular Instruction	7,555,856	7,177,527	378,329
Vocational Instruction	252,503	(229,301)	481,804
Exceptional Instruction	3,347,278	2,686,648	660,630
Community Education and Services	395,323	374,506	20,817
Instructional Support Services	594,672	523,346	71,326
Pupil Support Services	3,201,576	2,676,286	525,290
Sites and Buildings	2,289,496	1,466,431	823,065
Fiscal and Other Fixed Cost Programs	120,659	80,085	40,574
Interest and Other Fiscal Charges	639,208	675,637	(36,429)
Unallocated Depreciation	150,569	155,958	(5,389)
Total Expenses	19,988,605	16,874,853	3,113,752
Change in Net Position	1,035,388	2,885,741	(1,850,353)
Net Position - Beginning of Year	2,983,602	97,861	2,885,741
Net Position - End of Year	\$ 4,018,990	\$ 2,983,602	\$ 1,035,388

**INDEPENDENT SCHOOL DISTRICT NO. 116  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2024**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

- The current year increase in net position was \$1,035,388, compared to an increase of \$2,885,741 in the prior year. This is the result of a 6.4 percent increase in revenues and a 18.5 percent increase in expenses during fiscal year 2024.
- Revenues from State Aid Not Restricted to Specific Programs increased \$1,142,601, primarily due to an increase in general education aid, due to increases in pupil units and changes in state aid funding formulas.
- Expenses related to Exceptional Instruction increased \$660,630, primarily due to current year pension activity.
- Expenses related to Sites and Buildings increased \$823,065, primarily due to current year depreciation expense.

**Total and Net Cost of Governmental Activities**

The net cost of governmental activities is their total costs less program revenues applicable to each category. The following table presents these total and net costs.

**Total and Net Costs of Services  
Table 3**

	Total Cost of Services			Net Cost of Services		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
Administration	\$ 793,635	\$ 674,426	\$ 119,209	\$ 793,635	\$ 673,798	\$ 119,837
District Support Services	647,830	613,304	34,526	647,830	607,054	40,776
Regular Instruction	7,555,856	7,177,527	378,329	7,117,403	6,212,052	905,351
Vocational Instruction	252,503	(229,301)	481,804	252,503	(229,301)	481,804
Exceptional Instruction	3,347,278	2,686,648	660,630	346,531	111,474	235,057
Community Education and Services	395,323	374,506	20,817	82,133	90,202	(8,069)
Instructional Support Services	594,672	523,346	71,326	503,888	374,871	129,017
Pupil Support Services	3,201,576	2,676,286	525,290	2,077,176	1,803,391	273,785
Sites and Buildings	2,289,496	1,466,431	823,065	2,219,463	1,343,225	876,238
Fiscal and Other Fixed Cost Programs	120,659	80,085	40,574	120,659	80,085	40,574
Interest and Other Fiscal Charges	639,208	675,637	(36,429)	639,208	675,637	(36,429)
Unallocated Depreciation	150,569	155,958	(5,389)	150,569	155,958	(5,389)
<b>Totals</b>	<u>\$ 19,988,605</u>	<u>\$ 16,874,853</u>	<u>\$ 3,113,752</u>	<u>\$ 14,950,998</u>	<u>\$ 11,898,446</u>	<u>\$ 3,052,552</u>

Some significant items to note include the following:

- The net costs related to Regular Instruction increased \$905,351, primarily due to current year pension activity.
- The net costs related to Sites and Buildings increased \$876,238, primarily due to the reasons outlined previously.

**INDEPENDENT SCHOOL DISTRICT NO. 116  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2024**

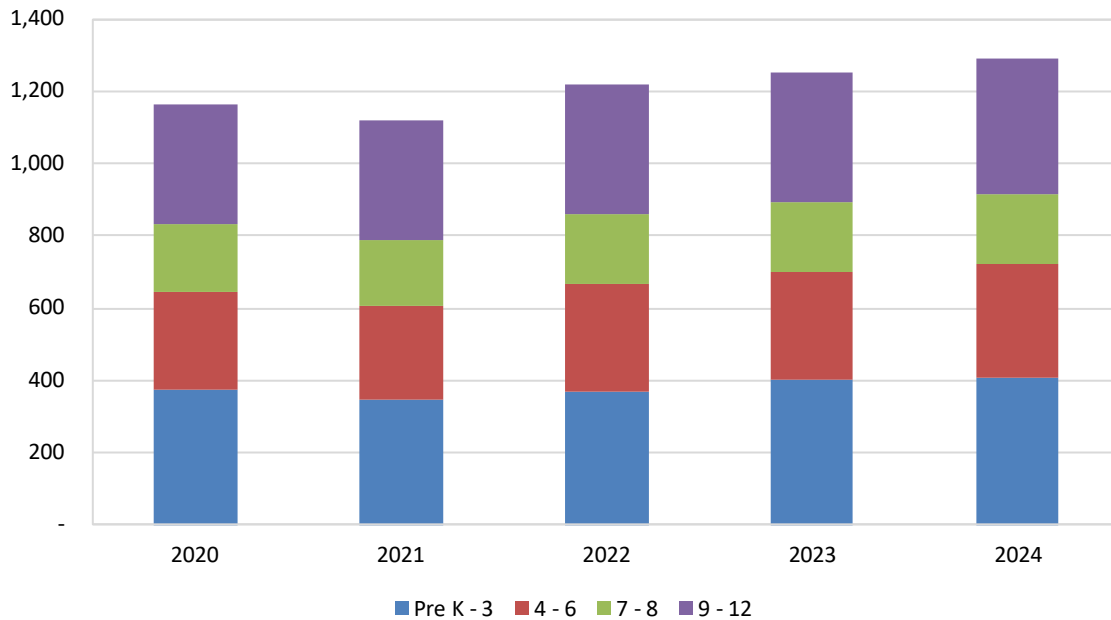
**FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS**

The majority of the financial aid received by the District is determined based on the number of students enrolled during the year. Therefore, fluctuations in enrollment have a significant impact on the financial health of the District. The following graphs show the trend in student enrollment counts over the past five years:

**Student Enrollment (Average Daily Membership)**

	2020	2021	2022	2023	2024
Pre K - 3	376	346	368	399	406
4 - 6	269	260	298	303	316
7 - 8	186	184	192	190	196
9 - 12	335	333	360	363	372
<b>Total Student for Aid</b>	<u>1,166</u>	<u>1,123</u>	<u>1,218</u>	<u>1,255</u>	<u>1,290</u>
<b>Percentage Change</b>	0.00%	-3.69%	8.46%	3.04%	2.79%

**Student Enrollment (in ADM's)**



As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the District’s *governmental funds* is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

**INDEPENDENT SCHOOL DISTRICT NO. 116  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2024**

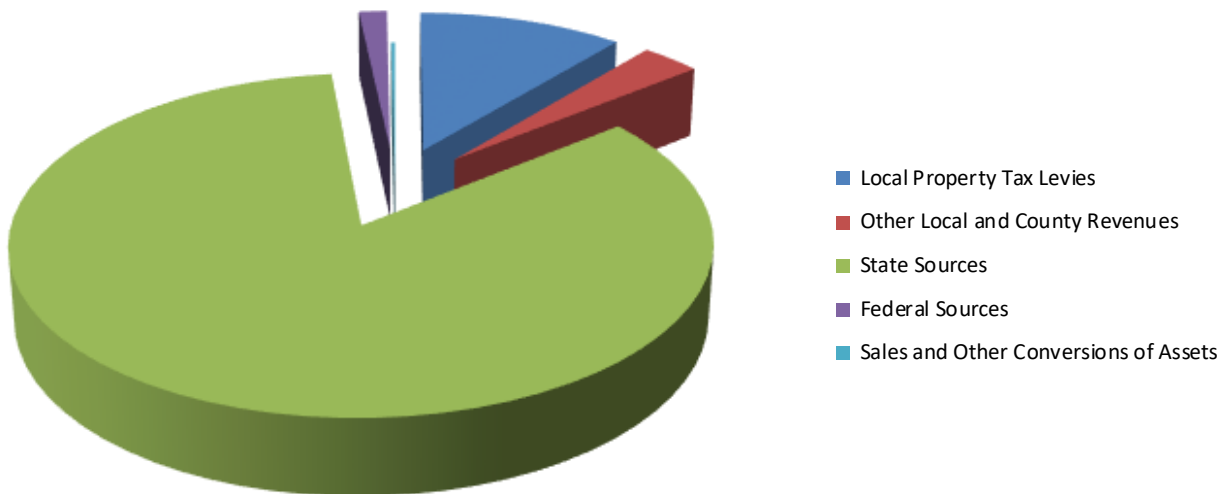
**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)**

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$4,158,467 an increase of \$688,700 in comparison with prior year. The following is a summary of the District's major funds:

Major Funds	Fund Balance June 30,		Increase (Decrease)
	2024	2023	
General	\$ 2,576,741	\$ 1,765,413	\$ 811,328

The fund balance of the General Fund increased by \$811,328. Revenues increased approximately 6.63 percent from the prior year, while expenditures decreased approximately 3.97 percent.

**General Fund Revenues**

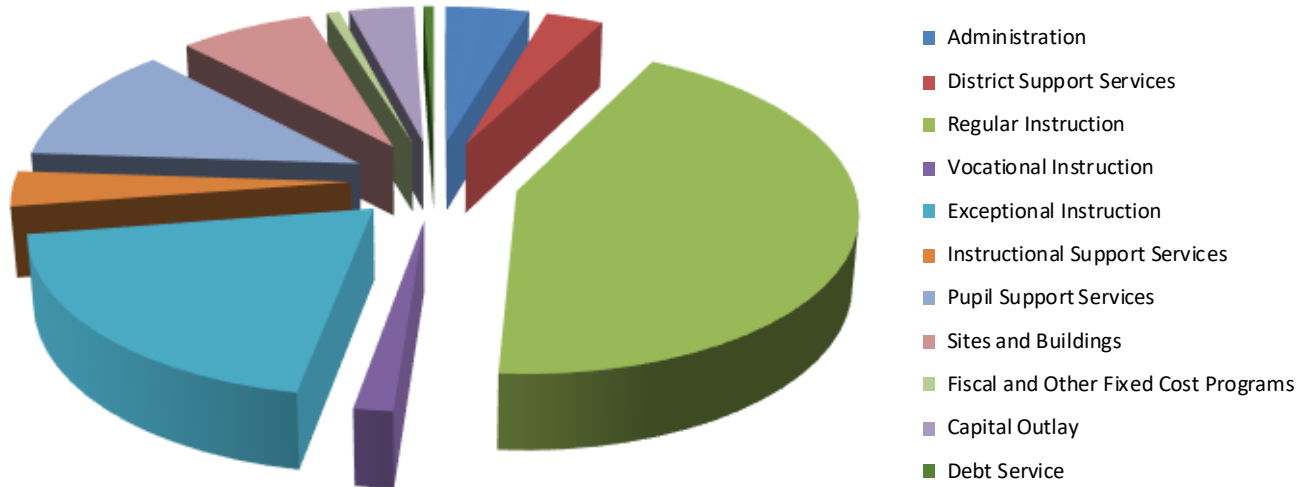


The District receives the vast majority of its funding in the General Fund from the State of Minnesota (84 percent), which is subject to fluctuation based on the number of pupils served by the District and changes in State legislation. In addition, the District receives approximately 11 percent of its General Fund revenues from local property tax levies.

**INDEPENDENT SCHOOL DISTRICT NO. 116  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2024**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)**

**General Fund Expenditures**



A significant portion of the District's General Fund expenditures are used for regular, vocational, and exceptional instruction (65 percent). Expenditures for various support services total 18 percent, and the remaining 17 percent consists of expenditures for administration, sites and buildings, and other items.

Major Funds	Fund Balance June 30,		Increase (Decrease)
	2024	2023	
Debt Service	\$ 368,909	\$ 454,536	\$ (85,627)

The Debt Service fund balance decreased \$85,627 during the year. Operations were comparable to that of the prior year.

**General Fund Budgetary Highlights**

The District's General Fund budget was amended during the year. The revenues budget was increased by \$324,744, and the expenditures budget was changed in several functions for an overall increase of \$323,439 from the original to final. The final budget called for expenditures of \$17,122,851, and a decrease in fund balance of \$108,173. Actual revenues recognized during the year exceeded budgeted amounts by \$870,238 due to receiving more revenues from state sources than expected. Expenditures were less than those budgeted by \$49,263. Therefore, the current year increase in fund balance was \$919,501 more than budgeted.

**INDEPENDENT SCHOOL DISTRICT NO. 116  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2024**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2024, amounts to \$31,917,265 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, site improvements, buildings and improvements, equipment, and vehicles. The total decrease in the District's investment in capital assets for the current fiscal year was approximately 2.43 percent.

Major capital asset events during the current fiscal year included the following:

- The District incurred final costs for the completion of construction on the 2022 Stadium and Site Project and Dugout Improvements.

**Capital Assets Net of Depreciation**

**Table 4**

	Governmental Activities		
	2024	2023	Increase (Decrease)
Land	\$ 297,173	\$ 297,173	\$ -
Construction in Progress	-	1,348,303	(1,348,303)
Site Improvements	379,397	348,357	31,040
Buildings and Improvements	28,972,837	30,062,845	(1,090,008)
Equipment and Vehicles	2,267,858	655,956	1,611,902
Total	\$ 31,917,265	\$ 32,712,634	\$ (795,369)

Additional information on the District's capital assets can be found in Note 2.B. on page 38 of this report.

**Long-Term Debt**

At the end of the current fiscal year, the District had total long-term debt outstanding of \$24,471,896, excluding the District's long-term net OPEB liability of \$898,291 and pension liability of \$8,739,560. A summary of long-term debt activity for the year ended June 30, 2024 follows:

**Long-Term Debt**

**Table 5**

	Governmental Activities		
	2024	2023	Increase (Decrease)
G.O. School Building Bonds	\$ 22,660,000	\$ 23,530,000	\$ (870,000)
Unamortized Bond Premium	1,049,671	1,159,439	(109,768)
Financing Arrangements	762,225	828,619	(66,394)
Total	\$ 24,471,896	\$ 25,518,058	\$ (1,046,162)

The District's total debt decreased by \$1,046,162 during the current fiscal year. Additional information on the District's long-term debt can be found in Note 2.C. on page 39 of this report.

**INDEPENDENT SCHOOL DISTRICT NO. 116  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2024**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The District's appointed and elected officials considered many factors when setting the fiscal year 2025 budget. These factors included the following:

- The District has experienced stable enrollment in recent years with small growth.
- The District completed the Athletic Complex project in fiscal year 2024.
- Budgets include normal inflationary increases in expenditures, and an increase in aid due to legislation.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Business Manager, Melissa Berry, Independent School District No. 116, 323 East 2<sup>nd</sup> Street South, Pillager, MN 56473.

## **BASIC FINANCIAL STATEMENTS**

**INDEPENDENT SCHOOL DISTRICT NO. 116  
STATEMENT OF NET POSITION  
JUNE 30, 2024**

	Governmental Activities
<b>ASSETS</b>	
Cash and Temporary Investments	\$ 5,664,377
Property Taxes Receivable	1,765,847
Accounts Receivable	61,020
Due from Minnesota Department of Education	1,944,539
Due from Federal Government through Minnesota Department of Education	269,020
Inventory	904
Capital Assets not Being Depreciated	297,173
Capital Assets Being Depreciated (Net)	31,620,092
<b>TOTAL ASSETS</b>	41,622,972
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
OPEB	553,967
Pensions	2,207,084
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	2,761,051
<b>LIABILITIES</b>	
Accounts Payable	175,791
Due to Other Minnesota School Districts	165,643
Salaries Payable	693,286
Payroll Deductions and Employer Contributions	767,976
Accrued Interest Payable	301,357
Unearned Revenue	12,657
Noncurrent Liabilities:	
Amount Due Within One Year	978,772
Amount Due After One Year	23,493,124
Net OPEB Liability	898,291
Net Pension Liability	8,739,560
<b>TOTAL LIABILITIES</b>	36,226,457
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Taxes Levied for Subsequent Years	3,673,531
OPEB	237,792
Pensions	227,253
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	4,138,576
<b>NET POSITION</b>	
Net Investment in Capital Assets	7,445,369
Restricted:	
General Fund State-Mandated Restrictions	485,212
Debt Service	78,826
Food Service	817,103
Community Service	395,714
Unrestricted	(5,203,234)
<b>TOTAL NET POSITION</b>	\$ 4,018,990

**INDEPENDENT SCHOOL DISTRICT NO. 116  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2024**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
Administration	\$ 793,635	\$ -	\$ -	\$ -	\$ (793,635)
District Support Services	647,830	-	-	-	(647,830)
Regular Instruction	7,555,856	97,984	340,469	-	(7,117,403)
Vocational Instruction	252,503	-	-	-	(252,503)
Exceptional Instruction	3,347,278	48,356	2,952,391	-	(346,531)
Community Education and Services	395,323	235,398	77,792	-	(82,133)
Instructional Support Services	594,672	400	90,384	-	(503,888)
Pupil Support Services	3,201,576	18,718	1,105,682	-	(2,077,176)
Sites and Buildings	2,289,496	33,663	-	36,370	(2,219,463)
Fiscal and Other Fixed Cost Programs	120,659	-	-	-	(120,659)
Interest and Other Fiscal Charges	639,208	-	-	-	(639,208)
Unallocated Depreciation	150,569	-	-	-	(150,569)
<b>Total Governmental Activities</b>	<b><u>\$ 19,988,605</u></b>	<b><u>\$ 434,519</u></b>	<b><u>\$ 4,566,718</u></b>	<b><u>\$ 36,370</u></b>	<b>(14,950,998)</b>
<b>General Revenues:</b>					
Property Taxes					3,507,817
State Aid Not Restricted to Specific Programs					12,004,384
Earnings on Investments					200,050
Gifts and Donations					183,587
Miscellaneous					<u>90,548</u>
<b>Total General Revenues</b>					<b><u>15,986,386</u></b>
<b>CHANGE IN NET POSITION</b>					<b>1,035,388</b>
<b>NET POSITION - BEGINNING OF YEAR</b>					<b><u>2,983,602</u></b>
<b>NET POSITION - END OF YEAR</b>					<b><u>\$ 4,018,990</u></b>

**INDEPENDENT SCHOOL DISTRICT NO. 116  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2024**

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Temporary Investments	\$ 3,172,089	\$ 1,196,897	\$ 1,295,391	\$ 5,664,377
Property Taxes Receivable:				
Current	904,286	753,540	49,665	1,707,491
Delinquent	30,612	25,856	1,888	58,356
Accounts Receivable	46,079	-	14,941	61,020
Due from Minnesota				
Department of Education	1,926,399	7,925	10,215	1,944,539
Due from Federal Government through Minnesota Department of Education	269,020	-	-	269,020
Inventory	904	-	-	904
<b>TOTAL ASSETS</b>	<b><u>\$ 6,349,389</u></b>	<b><u>\$ 1,984,218</u></b>	<b><u>\$ 1,372,100</u></b>	<b><u>\$ 9,705,707</u></b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 169,745	\$ -	\$ 6,046	\$ 175,791
Due to Other Minnesota				
School Districts	165,643	-	-	165,643
Salaries Payable	680,580	-	12,706	693,286
Payroll Deductions and Employer Contributions	750,362	-	17,614	767,976
Unearned Revenue	2,697	-	9,960	12,657
Total Liabilities	1,769,027	-	46,326	1,815,353
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue:				
Delinquent Property Taxes	30,612	25,856	1,888	58,356
Property Taxes Levied for Subsequent Years	1,973,009	1,589,453	111,069	3,673,531
Total Deferred Inflows of Resources	2,003,621	1,615,309	112,957	3,731,887
<b>FUND BALANCES</b>				
Nonspendable	904	-	-	904
Restricted	485,212	368,909	1,212,817	2,066,938
Assigned	70,813	-	-	70,813
Unassigned	2,019,812	-	-	2,019,812
Total Fund Balances	2,576,741	368,909	1,212,817	4,158,467
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$ 6,349,389</u></b>	<b><u>\$ 1,984,218</u></b>	<b><u>\$ 1,372,100</u></b>	<b><u>\$ 9,705,707</u></b>

**INDEPENDENT SCHOOL DISTRICT NO. 116  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2024**

Total Fund Balances - Governmental Funds		\$ 4,158,467
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:		
Capital Assets	\$ 45,992,398	
Accumulated Depreciation	<u>(14,075,133)</u>	
Capital Assets (Net)		31,917,265
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds:		
Bond Principal Payable	(22,660,000)	
Bond Premium, Net of Accumulated Amortization	(1,049,671)	
Financing Arrangements	<u>(762,225)</u>	
		(24,471,896)
The net OPEB liability represents the present value of projected unfunded future postemployment benefits other than pensions, as determined by an actuary as of the most recent measurement date. Such liability and related balances do not represent the impending use of current financial resources and, therefore, are not reported in the governmental funds:		
Net OPEB Liability	(898,291)	
Deferred Outflows - OPEB	553,967	
Deferred Inflows - OPEB	<u>(237,792)</u>	
		(582,116)
The net pension liability and related deferred outflows/inflows represent the allocation of the pension obligations of the statewide plans to the District. Such balances are not reported in the governmental funds:		
Net Pension Liability	(8,739,560)	
Deferred Outflows - Pensions	2,207,084	
Deferred Inflows - Pensions	<u>(227,253)</u>	
		(6,759,729)
Interest on long-term debt is recognized as an expenditure when due and payable in the governmental funds. Therefore, interest is not accrued in the governmental funds Balance Sheet, but is accrued in the Statement of Net Position:		
		(301,357)
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds:		
		<u>58,356</u>
<b>TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b><u>\$ 4,018,990</u></b>

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	General Fund	Debt Service Fund	Formerly Major Fund Food Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Local Property Tax Levies	\$ 1,972,689	\$ 1,427,408		\$ 112,192	\$ 3,512,289
Other Local and County Revenues	572,951	14,300		317,978	905,229
State Sources	15,035,114	78,292		533,418	15,646,824
Federal Sources	269,021	-		557,799	826,820
Sales and Other Conversions of Assets	35,141	-		18,718	53,859
<b>TOTAL REVENUES</b>	<b>17,884,916</b>	<b>1,520,000</b>		<b>1,540,105</b>	<b>20,945,021</b>
<b>EXPENDITURES</b>					
Current:					
Administration	780,065	-		-	780,065
District Support Services	539,195	-		-	539,195
Regular Instruction	7,421,197	-		-	7,421,197
Vocational Instruction	280,694	-		-	280,694
Exceptional Instruction	3,368,726	-		-	3,368,726
Community Education and Services	-	-		395,082	395,082
Instructional Support Services	599,868	-		-	599,868
Pupil Support Services	2,010,286	-		1,182,024	3,192,310
Sites and Buildings	1,254,146	-		-	1,254,146
Fiscal and Other Fixed Cost Programs	120,659	-		-	120,659
Capital Outlay	603,526	-		-	603,526
Debt Service:					
Principal	66,394	870,000		-	936,394
Interest and Other Charges	28,832	735,627		-	764,459
<b>TOTAL EXPENDITURES</b>	<b>17,073,588</b>	<b>1,605,627</b>		<b>1,577,106</b>	<b>20,256,321</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>811,328</b>	<b>(85,627)</b>		<b>(37,001)</b>	<b>688,700</b>
<b>FUND BALANCES - BEGINNING</b> (As Previously Reported)	1,765,413	454,536	930,373	319,445	3,469,767
<b>CHANGE WITHIN FINANCIAL REPORTING ENTITY</b>					
Major To Nonmajor Fund	-	-	(930,373)	930,373	-
<b>FUND BALANCES - BEGINNING</b> (As Adjusted)	1,765,413	454,536	-	1,249,818	3,469,767
<b>FUND BALANCES - ENDING</b>	<b>\$ 2,576,741</b>	<b>\$ 368,909</b>	<b>\$ -</b>	<b>\$ 1,212,817</b>	<b>\$ 4,158,467</b>

**INDEPENDENT SCHOOL DISTRICT NO. 116  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2024**

Net Change in Fund Balances - Total Governmental Funds \$ 688,700

Amounts reported for governmental activities in the Statement of Activities are different due to the following:

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 Outlay Capitalized	\$ 513,988	
Depreciation Expense	<u>(1,309,357)</u>	
		(795,369)

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The amounts below detail the effects of these differences in the treatment of long-term debt and related items:

Bond Principal Repayments	870,000	
Financing Arrangement Principal Repayments	66,394	
Amortization of Bond Premium	<u>109,768</u>	
		1,046,162

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 the 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:

15,483

Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period:

Property Taxes		(4,472)
----------------	--	---------

Certain liabilities do not represent the impending use of current resources.

Therefore, the change in such liabilities and related deferrals are not reported in the governmental funds:

Net OPEB Liability and Deferred Outflows/Inflows of Resources	(81,283)	
Net Pension Liability and Deferred Outflows/Inflows of Resources	<u>166,167</u>	
		<u>84,884</u>

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,035,388**

**INDEPENDENT SCHOOL DISTRICT NO. 116  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2024**

	OPEB Trust	
	Fund	Custodial Fund
<b>ASSETS</b>		
Cash	\$ -	\$ 231,094
Investments	1,150,811	192,972
<b>TOTAL ASSETS</b>	<b>\$ 1,150,811</b>	<b>\$ 424,066</b>
<b>FIDUCIARY NET POSITION</b>		
Restricted for Other Postemployment Benefits	\$ 1,150,811	\$ -
Restricted - Held for Others	-	424,066
<b>TOTAL FIDUCIARY NET POSITION</b>	<b>\$ 1,150,811</b>	<b>\$ 424,066</b>

**INDEPENDENT SCHOOL DISTRICT NO. 116  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2024**

	<u>OPEB Trust</u>	<u>Custodial Fund</u>
	<u>Fund</u>	<u>Fund</u>
<b>ADDITIONS</b>		
Investment Income (Loss)	\$ 77,925	\$ 10,297
Time Study Earnings	-	232,742
Donations	-	36,717
<b>TOTAL ADDITIONS</b>	<u>77,925</u>	<u>279,756</u>
<b>DEDUCTIONS</b>		
Program Costs and Reimbursements	-	262,360
Contributions Paid	31,636	-
Other Charges and Fees	9,993	-
<b>TOTAL DEDUCTIONS</b>	<u>41,629</u>	<u>262,360</u>
<b>CHANGE IN FIDUCIARY NET POSITION</b>	36,296	17,396
<b>FIDUCIARY NET POSITION - BEGINNING</b>	<u>1,114,515</u>	<u>406,670</u>
<b>FIDUCIARY NET POSITION - ENDING</b>	<u>\$ 1,150,811</u>	<u>\$ 424,066</u>

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1.A. FINANCIAL REPORTING ENTITY**

Independent School District No. 116 (the District) is an educational entity established by the State of Minnesota. The government of the District is directed by an elected six-member Board of Education (the Board). The Board exercises legislative authority and determines all matters of policy. The Board appoints personnel responsible for the proper administration of all affairs relating to the District. The accompanying financial statements present the government entities for which the District is considered to be financially accountable.

The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Based on these criteria, there are currently no entities considered to be component units of the District.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. However, the Board does have administrative control over student activity funds, as well as responsibility for establishing broad policies and ensuring that appropriate financial records are maintained for student activities. Accordingly, the student activity accounts are included in the basic financial statements as part of the General Fund.

**Joint Powers Agreement**

In conjunction with other Districts in the surrounding area, Independent School District No. 116 has established the Paul Bunyan Education Cooperative (PBEC), a joint powers entity through which the member Districts may jointly and cooperatively share special education services that no one District could efficiently provide. One member of the School Board of each member District serves on the governing board of the PBEC. The PBEC is funded primarily through federal special education funding that has been diverted from the member districts directly to the joint powers entity. In addition, member districts are invoiced for their share of non-federal costs and pay an annual membership fee. Amounts paid by the District to the PBEC for the year ended June 30, 2024 total \$163,746. The PBEC is not considered to be a part of the financial reporting entity of the District and is audited separately from the District on an annual basis.

**1.B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all nonfiduciary activities of the primary government. For the most part, interfund activities have been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operations 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*.

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

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The financial statements of Independent School District No. 116 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenses are classified by function for governmental activities.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character	Current (further classified by function)
	Capital Outlay
	Debt Service

Property taxes, intergovernmental revenue, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

The District reports the following governmental funds:

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

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Food Service Fund* is a special revenue fund that was presented as major in the prior year, but is presented as a nonmajor fund in the current year.

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**  
(Continued)

The *Nonmajor Special Revenue Funds* account for the proceeds of specific revenue sources (other than expendable trust and major capital projects) that are legally restricted to expenditures for specified purposes.

The District reports the following fiduciary funds:

The *OPEB Trust Fund* is used to account for an irrevocable trust established to fund postemployment benefits (other than pension benefits) accrued by the employees of the District to be paid as they come due.

The *Custodial Fund* reflects the District's monetary activities as a fiscal agent for the Cass County/Leech Lake Reservation Children's Initiative.

**1.D BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. The appropriated budgets are prepared by fund, function, and department. The Independent School District No. 116's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is not employed by the District because it is at present not considered necessary to assure effective budgetary control or to facilitate effective cash management.

**1.E. USE OF ESTIMATES**

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

**1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY**

**Deposits and Investments**

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable participation by each of the funds. Temporary cash investments are stated at cost which approximates fair value. Investments in external investment pools are valued at the pool's share price.

See Note 2.A. for additional information related to Deposits and Investments.

**Property Taxes Receivable**

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

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY**  
(Continued)

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the State budget, the Minnesota Legislature utilizes a tool referred to as the “tax shift,” which periodically changes the District’s recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year’s levy as current year revenue, allowing the State to reduce the amount of aid paid to the District.

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

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred in the fund financial statements because it is not known to be available to finance the operation of the District in the current year. For government-wide financial statements, no allowance for uncollectible taxes is considered necessary.

**Accounts Receivable**

Accounts receivable include amounts billed for services provided before year end. No substantial losses are anticipated from present receivable balances; therefore, no allowance for uncollectible accounts is deemed necessary.

**Due from Other Governments**

Amounts due from the Minnesota Department of Education, from the federal government through the Department of Education and from other governmental units for general education aids and reimbursements under various specific programs are reported at the estimated amounts to be received based on available information at the date of this report. In some instances, adjustments and proration by these agencies, which are dependent upon the amount of funds available for distribution and may result in differing amounts actually being received. Any such differences will be absorbed into operations as of the subsequent period.

**Inventories**

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, and surplus commodities received from the Federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method, and surplus commodities are stated at standardized cost, as determined by the Department of Agriculture.

**Capital Assets**

Capital 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 estimated acquisition value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets. The system for accumulation of fixed asset cost data does not provide the means for determining the percentage of assets valued at actual and those valued at estimated cost.

Capital assets are recorded in the district-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated using the half-year convention method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from twenty to fifty years for site improvements and buildings, and five to fifteen years for equipment and vehicles.

Capital assets not being depreciated include land and construction in progress, if any.

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY**  
(Continued)

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.

**Accrued Payroll Liabilities**

Salaries pertaining to the school year ended June 30, 2024, which are payable in July and August 2024, are accrued as of June 30, 2024, and are shown as a liability on the accompanying financial statements. Liabilities for payroll taxes, amounts withheld from payroll checks and benefits accrued are also included.

**Unearned Revenue**

Unearned revenue consists of local revenue received but not yet earned. Such amounts typically consist of grants and entitlements received before eligibility requirements are met.

**Compensated Absences Payable**

Vacation Pay – The District permits some employees to accumulate varying amounts of vacation pay as determined by their contract. All vacation pay is accrued in the governmental fund financial statements.

Sick Pay – District employees are entitled to sick leave at various rates. After ten years of employment and upon leaving the District or retirement, District employees are eligible for a payment of \$120 per day for any unused sick days to be paid into an HRA. The payment is void if terminated by just cause.

**Long-Term Obligations**

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

**Postemployment Benefits Other Than Pensions (OPEB)**

Under the provisions of the various employee and union contracts, the District provides health insurance coverage for varying lengths of time if certain age and minimum years of service requirements are met.

**Pensions**

The net pension liability represents the District's allocation of its pro-rata share of the Statewide Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) net pension liabilities.

PERA

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 additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. 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.

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY**  
(Continued)

TRA

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

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

**Interfund Transactions and Balances**

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. If short-term in nature or incurred through goods and service type transactions, such interfund balances are reported as "due to/from other funds." Long-term interfund loans are reported as "advances to/from other funds." Interfund transactions and balances between governmental funds are eliminated in the Statement of Net Position.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods and, therefore, will not be recognized as an outflow of resources (expense) until that time. The District reports deferred outflows of resources in the government-wide Statement of Net Position in relation to the activity of the pension funds and OPEB plan in which District employees participate.

In addition to liabilities, the Statement of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position or fund balance that applies to future periods, and therefore, will not be recognized as an inflow of resources (revenue) until that time. The District reports property taxes levied for subsequent years as deferred inflows of resources in both the government-wide and governmental fund financial statements. The District reports delinquent property tax receivables as deferred inflows of resources in the governmental funds, in accordance with the modified accrual basis of accounting. In addition, the District reports deferred inflows of resources in the government-wide Statement of Net Position in relation to the activity of the pension funds and OPEB plan in which District employees participate.

See Notes 3 and 4 for additional information pertaining to the deferred outflows and deferred inflows recorded to account for OPEB and pension activities, respectively.

**Fund Balance**

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or they are legally or contractually required to be maintained intact. Nonspendable fund balances at June 30, 2024 consist of inventories.

Restricted – Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed – Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the Board of Education (the Board), which is the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board modifies or rescinds the commitment by resolution. The District has no committed fund balances at June 30, 2024.

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY**  
(Continued)

Assigned – Amounts that are neither restricted nor committed but are constrained by the District’s intent to be used for specific purposes. The Board currently has delegated the authority to assign fund balances to the District’s Superintendent and Business Manager.

Unassigned – The residual classification for the General Fund and also negative residual amounts in other funds, if any. The District has formally adopted a policy under which it strives to maintain a minimum unassigned General Fund balance of 5-7 percent of the annual budget.

When both restricted and unrestricted resources are available for use, it is the District’s practice to first use restricted resources, and then use unrestricted resources as they are needed. If resources from more than one fund balance classification could be spent, the District will spend the resources from fund balance classifications in the following order: committed, assigned, and unassigned, in accordance with the District’s policy.

See Note. 2.D. for additional disclosures.

**Net Position**

Net position represents the difference between the sum of assets and deferred outflows of resources and the sum of liabilities and deferred inflows of resources. Net position is displayed in three components:

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquiring the capital assets.

Restricted Net Position – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Unrestricted Net Position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

It is the District’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**2.A. DEPOSITS AND INVESTMENTS**

**Deposits**

In accordance with applicable Minnesota Statutes, the District maintains deposits in financial institutions designated by the School Board. Minnesota Statutes require that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (100 percent if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). The District complies with such laws.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated “A” or better;

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.A. DEPOSITS AND INVESTMENTS (Continued)**

- A revenue obligation of a state or local government, with taxing powers, rated “AA” or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank’s public debt is rated “AA” or better by Moody’s or Standard and Poor’s; or
- Time deposits insured by any federal agency.

Minnesota Statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the District.

At June 30, 2024, the District's deposits were not exposed to custodial credit risk. The District's deposits were sufficiently covered by federal depository insurance or by collateral held by the District’s agent in the District's name.

**Investments**

The District may also invest idle funds as authorized by Minnesota Statutes as follows: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A: or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The District does not have any investment policies that would further limit investment choices. Under Minnesota Statutes, the District has expanded investment options for its fiduciary trust fund.

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.A. DEPOSITS AND INVESTMENTS (Continued)**

Investment balances at June 30, 2024 are as follows:

Type of Investments	S & P's Credit Rating	Fair Value Level	Fair Value	Investment Maturities (in Years)			
				Less Than 1	1 - 5	6 - 10	Greater Than 10
<b>District Assets:</b>							
Pooled Investments							
Minnesota District Liquid Asset Fund	N/A	N/A	\$ 4,931,678	\$ 4,931,678	\$ -	\$ -	\$ -
<b>OPEB Irrevocable Trust Assets:</b>							
Non-Pooled Investments							
Money Market	N/A	Level 1	61,397	61,397	-	-	-
Equities	N/A	Level 1	173,540	173,540	-	-	-
Federal Agency Securities	AA+	Level 2	532,470	174,474	161,288	166,611	30,097
Municipal Bonds	AA+ to AAA	Level 2	83,954	-	49,251	34,703	-
Corporate Bonds	BBB to AAA	Level 2	<u>299,450</u>	<u>5,889</u>	<u>276,265</u>	<u>17,296</u>	<u>-</u>
Totals			<u>\$ 6,082,489</u>	<u>\$ 5,346,978</u>	<u>\$ 486,804</u>	<u>\$ 218,610</u>	<u>\$ 30,097</u>

The investments of the District are subject to the following risks:

- **Credit risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota Statutes limit the District's investments.
- **Custodial credit risk** is the risk that in the event of a failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District does not have a formal investment policy to address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.
- **Concentration of Credit Risk** is the risk associated with the magnitude of the District's investments (considered five percent or more) in the investments of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District has no formal policy limiting the amounts that may be invested in any one issuer. At June 30, 2024, the District has a credit risk concentration within its OPEB Irrevocable Trust Assets. Of the \$1,150,811 investment in OPEB Irrevocable Trust Assets, \$95,123 is held in a single federal agency security with a maturity of 1-5 years rated AA+, \$97,067 is held in a single federal agency security with a maturity of less than one year and a rating of AA+, and \$74,411 is held in a single federal agency security with a maturity of less than one year and a rating of AA+.
- **Interest rate risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. The District has no formal policy to address interest rate risk.

**INDEPENDENT SCHOOL DISTRICT NO. 116  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.A. DEPOSITS AND INVESTMENTS (Continued)**

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District’s fair value measurements at June 30, 2024 are presented in the table on the previous page.

The Minnesota School District Liquid Asset Fund is an external investment pool not registered with the Securities Exchange Commission (SEC) that follow the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pools is the same as the value of the pool shares. The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in GASB Statement No. 72 and, therefore, is not subject to the fair value measurements noted in the previous paragraph.

**Deposits and Temporary Investments Summary**

The following is a summary of total deposits and temporary investments:

Carrying Amount of Deposits	\$ 1,156,765
Investments (see Investments section)	<u>6,082,489</u>
Total Cash and Temporary Investments	<u><u>\$ 7,239,254</u></u>

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

District-Wide	
Cash and Temporary Investments	\$ 5,664,377
Fiduciary	
OPEB Trust Fund	1,150,811
Custodial Fund	<u>424,066</u>
Total Cash and Temporary Investments	<u><u>\$ 7,239,254</u></u>

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.B. CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfer</u>	<u>Ending Balance</u>
Capital Assets, not Being Depreciated					
Land	\$ 297,173	\$ -	\$ -	\$ -	\$ 297,173
Construction in Progress	<u>1,348,303</u>	<u>205,140</u>	<u>-</u>	<u>(1,553,443)</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	1,645,476	205,140	-	(1,553,443)	297,173
Capital Assets, Being Depreciated					
Site Improvements	1,503,938	75,501	-	-	1,579,439
Buildings and Improvements	40,419,231	-	-	-	40,419,231
Equipment and Vehicles	<u>1,909,765</u>	<u>233,347</u>	<u>-</u>	<u>1,553,443</u>	<u>3,696,555</u>
Total Capital Assets Being Depreciated	43,832,934	308,848	-	1,553,443	45,695,225
Less Accumulated Depreciation for					
Site Improvements	(1,155,581)	(44,461)	-	-	(1,200,042)
Buildings and Improvements	(10,356,386)	(1,090,008)	-	-	(11,446,394)
Equipment and Vehicles	<u>(1,253,809)</u>	<u>(174,888)</u>	<u>-</u>	<u>-</u>	<u>(1,428,697)</u>
Total Accumulated Depreciation	<u>(12,765,776)</u>	<u>(1,309,357)</u>	<u>-</u>	<u>-</u>	<u>(14,075,133)</u>
Total Capital Assets Being Depreciated, Net	<u>31,067,158</u>	<u>(1,000,509)</u>	<u>-</u>	<u>1,553,443</u>	<u>31,620,092</u>
Governmental Activities Capital Assets, Net	<u>\$ 32,712,634</u>	<u>\$ (795,369)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,917,265</u>

Depreciation expense was charged to functions of the District as follows:

Governmental Activities:	
Administration	\$ 13,503
District Support Services	1,055
Regular Instruction	3,989
Vocational Instruction	367
Exceptional Instruction	1,340
Community Education and Services	583
Pupil Support Services	12,893
Sites and Buildings	1,125,058
Unallocated Depreciation	<u>150,569</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,309,357</u>

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.C. NONCURRENT LIABILITIES**

**General Obligation (G.O.) Bonds**

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Assets of the Debt Service Fund, together with scheduled future tax levies, are dedicated for the retirement of these obligations. The annual future debt service levies authorized are equal to 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

There are a number of limitations and restrictions contained in the general obligation bond indentures.

The interest rates are fixed rates that may increase a predetermined amount each year. District-wide interest and other fiscal charges for the year ended June 30, 2024 total \$639,208. Fund financial statement interest and other charges for the year ended June 30, 2024 total \$764,459. Interest expenses included in direct program expenses total \$0; all bond interest and fees are included in interest and other charges.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds currently outstanding are as follows:

Description	Original Issue Amount	Interest Rates	Final Maturity Date	Balance Outstanding
<i>Governmental Activities</i>				
G.O. Bonds				
G.O. School Building Bonds, Series 2019A	\$ 14,390,000	3.00%	2/1/2041	\$ 14,390,000
G.O. School Building Refunding Bonds, Series 2020A	<u>10,710,000</u>	2.00 - 4.00%	2/1/2032	<u>8,270,000</u>
	<u>\$ 25,100,000</u>			<u>\$ 22,660,000</u>

**Financing Arrangements**

In June 2007, the District signed a purchase agreement to construct and purchase an early childhood education center. This financing arrangement was subsequently refunded in August 2018, via the issuance of a new agreement under which 30 semi-annual payments of \$47,613 will be made through August 2033. Collateral pledged under the terms of this agreement consists of the building. Additional information, including the outstanding balance on this agreement at June 30, 2024, is as follows:

Description	Original Issue Amount	Interest Rate	Final Maturity Date	Balance Outstanding
<i>Governmental Activities</i>				
Financing Arrangements				
Building Financing Arrangement, 2007 - 2018 Refunding	<u>\$ 1,100,105</u>	3.55%	8/1/2033	<u>\$ 762,225</u>

At June 30, 2024, the assets acquired with the financing arrangement above have a cumulative original cost of \$1,632,328 and accumulated depreciation of \$538,668, for a net carrying value of \$1,093,660.

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.C. NONCURRENT LIABILITIES (Continued)**

**Debt Service Requirements**

At June 30, 2024, estimated annual debt service requirements to maturity for the general obligation bonds are as follows:

Years Ending June 30,	Governmental Activities		
	G.O. Bonds		
	Principal	Interest	Total
2025	\$ 910,000	\$ 696,200	\$ 1,606,200
2026	945,000	659,800	1,604,800
2027	990,000	622,000	1,612,000
2028	1,030,000	582,400	1,612,400
2029	1,080,000	541,200	1,621,200
2030-2034	6,290,000	2,238,700	8,528,700
2035-2039	7,910,000	1,251,600	9,161,600
2040-2041	<u>3,505,000</u>	<u>158,550</u>	<u>3,663,550</u>
Total	<u>\$ 22,660,000</u>	<u>\$ 6,750,450</u>	<u>\$ 29,410,450</u>

At June 30, 2024, estimated annual debt service requirements to maturity for the financing arrangements are as follows:

Years Ending June 30,	Governmental Activities		
	Financing Arrangements		
	Principal	Interest	Total
2025	\$ 68,772	\$ 26,454	\$ 95,226
2026	71,235	23,991	95,226
2027	73,786	21,440	95,226
2028	76,429	18,797	95,226
2029	79,166	16,060	95,226
2030-2034	<u>392,837</u>	<u>35,681</u>	<u>428,518</u>
Total	<u>\$ 762,225</u>	<u>\$ 142,423</u>	<u>\$ 904,648</u>

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.C. NONCURRENT LIABILITIES (Continued)**

**Changes in Noncurrent Liabilities**

Noncurrent liability activity (excluding the net OPEB liability and net pension liability) for the year ended June 30, 2024 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities</i>					
General Obligation Bonds	\$ 23,530,000	\$ -	\$ (870,000)	\$ 22,660,000	\$ 910,000
Unamortized Premium	1,159,439	-	(109,768)	1,049,671	-
Financing Arrangements	828,619	-	(66,394)	762,225	68,772
<b>Total Noncurrent Liabilities</b>	<b>\$ 25,518,058</b>	<b>\$ -</b>	<b>\$ (1,046,162)</b>	<b>\$ 24,471,896</b>	<b>\$ 978,772</b>

Bonds payable are typically funded through the Debt Service Fund. Financing arrangements are typically funded through the General Fund.

**2.D. FUND BALANCE CLASSIFICATIONS**

At June 30, 2024, governmental fund equity includes the following:

	Nonspendable	Restricted	Assigned	Unassigned
<b>General Fund</b>				
Nonspendable - Inventory	\$ 904	\$ -	\$ -	\$ -
Restricted for Student Activities	-	177,390	-	-
Restricted for Scholarships	-	25,825	-	-
Restricted for Staff Development	-	67,010	-	-
Restricted for Literacy Incentive Aid	-	61,291	-	-
Restricted for American Indian Ed Aid	-	40,000	-	-
Restricted for Gifted and Talented	-	16,230	-	-
Restricted for School Library Aid	-	40,000	-	-
Restricted for Safe School Levy	-	8,541	-	-
Restricted for PILT	-	48,925	-	-
Assigned for District Programs	-	-	70,813	-
Unassigned	-	-	-	3,045,669
<b>Deficit UFARS Restrictions:</b>				
Operating Capital	-	-	-	(383,313)
Long-Term Facility Maintenance	-	-	-	(642,544)
<b>Total General Fund Balance</b>	<b>\$ 904</b>	<b>\$ 485,212</b>	<b>\$ 70,813</b>	<b>\$ 2,019,812</b>
<b>Debt Service Fund</b>				
Restricted for Debt Service	\$ -	\$ 368,909	\$ -	\$ -

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.D. FUND BALANCE CLASSIFICATIONS (Continued)**

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>
Nonmajor Governmental Funds				
Restricted for Food Service	\$ -	\$ 817,103	\$ -	\$ -
Restricted for Community Education	-	13,966	-	-
Restricted for Early Childhood and Family Education	-	113,679	-	-
Restricted for School Readiness	-	146,483	-	-
Restricted for Community Service	-	121,586	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Nonmajor Governmental Funds Balance	\$ -	\$ 1,212,817	\$ -	\$ -

Restricted for Student Activities - This amount represents resources available for extracurricular student activities, from funds raised by students.

Restricted for Scholarships - This amount represents resources available for scholarship funds.

Restricted for Staff Development - This amount represents available resources restricted for professional growth of instructional staff members during their service to the school district.

Restricted for Literacy Incentive Aid - This amount represents available resources restricted for the implementation of evidence-based reading instruction.

Restricted for American Indian Education Aid - This amount represents resources available for American Indian Education funds.

Restricted for Gifted and Talented - This amount represents the unspent portion of general education aid revenue at year end restricted for programs for the gifted and talented.

Restricted for School Library Aid - This amount represents available resources restricted for school library aid uses.

Restricted for Safe Schools Levy - This amount represents the unspent portion of funds levied for the purpose of financing school safety expenditures.

Restricted for Payment in Lieu of Taxes - This amount represents the unspent resources available from the Payment in Lieu of Taxes funds.

Assigned for District Programs - This amount represents resources that have been assigned by the District for various District departments or student programs.

Restricted for Operating Capital - This amount represents funds to be used for the purchase, lease and maintenance of school facilities and equipment.

Restricted for Long-Term Facility Maintenance - This amount represents restricted resources for long-term facility maintenance stipulated by the District's long-term facility maintenance plan. Any deficits can be eliminated by future revenues.

Restricted for Debt Service - This amount represents restricted resources for debt service stipulated by constitution, external resource providers, or through enabling legislation.

Restricted for Food Service - This amount represents restricted resources for food service stipulated by constitution, external resource providers, or through enabling legislation.

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.D. FUND BALANCE CLASSIFICATIONS (Continued)**

Restricted for Community Education - This amount represents available resources for community education classes. Revenues are derived from tax levies and state aids and expenditures are for salaries, benefits and supplies. Any deficits can be eliminated by future tax levies and state aids.

Restricted for Early Childhood and Family Education (ECFE) - This amount represents available resources for ECFE classes. Revenues are derived from local tax levies and state aids and expenditures are for salaries, benefits and supplies. Any deficits can be eliminated by future tax levies, state aids and program revenues.

Restricted for School Readiness - This amount represents the resources available to provide for services for school readiness programs, which includes aids, fees, grants and all other revenues received by the District for the program. Deficits can be eliminated through future state aids and program revenues.

Restricted for Community Service - This amount represents restricted resources for community service stipulated by constitution, external resource providers, or through enabling legislation.

**NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**Plan Description**

The District administers a single-employer retiree benefit plan (the Plan) that provides postretirement benefits to eligible retirees and their families. An irrevocable trust, established and operated under the provisions of *Minnesota Statute* 471.6175, is used to finance benefit obligations incurred by the plan. The School Board of the District has been designated as the Plan's trustee and manages the assets of the trust in accordance with *Minnesota Statute* 118A. The Plan does not issue a publicly available financial report.

**Benefits Provided**

The District offers continuing group health and life insurance coverage after retirement for qualifying District employees. Teachers and certain other District personnel who retire from active employment may continue their single or family coverage, at their expense, through the District plan if they retire after reaching the age of 55 or greater with 15 years of uninterrupted service in the District. This option is allowed as long as the District continues to sponsor a group health plan. Benefit and eligibility provisions are established through negotiations between the District and the union representing the District's teachers and are renegotiated each two-year bargaining period. As of the most recent valuation date, there are 89 active employee participants, 17 active employees waiving coverage, and 7 retirees electing coverage.

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

**Contributions**

The District did not have any contractually required or actuarially determined contributions to the Plan as of June 30, 2024. The District has established an irrevocable trust to fund all future benefits paid under the Plan, and it is assumed that the District will be required to make no further contributions to the trust. However, the District occasionally elects to fund benefit payments through its General Fund, which mirrors a direct contribution to the Plan. Direct contributions of this nature total \$174,319 for the measurement period. Benefit payments and reimbursements to the General Fund made from the trust total \$174,319, which is comprised of \$136,058 of direct subsidies and 38,261 of implicit subsidies. Employees are not required to contribute to the OPEB plan.

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 3      POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

**Net OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources**

At June 30, 2024, the District reported a net OPEB liability of \$898,291 for the District’s plan. The net OPEB liability was measured as of June 30, 2024, with an actuarial valuation date of June 30, 2022.

For the year ended June 30, 2024, the District recognized OPEB expense of \$81,283. 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
Differences between expected and actual economic experience	\$ 325,659	\$ 83,900
Changes in actuarial assumptions	179,793	153,892
Differences between projected and actual investment earnings	48,515	-
Total Deferred Outflows/Inflows	\$ 553,967	\$ 237,792

Deferred outflows and inflows of resources related to the Plan will be recognized in the District’s OPEB expense as follows:

Year Ended June 30:	OPEB Expense
2025	\$ 82,693
2026	\$ 87,346
2027	\$ 43,942
2028	\$ 16,242
2029	\$ 14,424
Thereafter	\$ 71,528

**INDEPENDENT SCHOOL DISTRICT NO. 116  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 3      POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

**Changes in the Net OPEB Liability**

The following table summarizes changes in the net OPEB liability for the year ended June 30, 2024:

<b>Changes in Total OPEB Liability (TOL)</b>	
Balance at July 1st	\$ 2,029,042
Service Cost	104,106
Interest Cost	90,842
Differences Between Expected and Actual Experience	(2,535)
Changes in Assumptions	1,967
Benefit Payments	<u>(174,319)</u>
 Balance at June 30th	 <u>\$ 2,049,103</u>
<b>Plan Fiduciary Net Position (FNP)</b>	
Balance at July 1st	\$ 1,114,515
Employer Contributions	142,684
Net Investment Income	<u>67,932</u>
Total Additions	210,616
 Benefit Payments	 <u>(174,319)</u>
 Balance at June 30th	 <u>\$ 1,150,812</u>
 Net OPEB Liability (Asset) - June 30th	 <u>\$ 898,291</u>

**Actuarial Assumptions**

The following is a summary of pertinent actuarial assumptions and methods utilized, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total Pension Liability

<u>Actuarial Information:</u>	
Valuation Date	June 30, 2022
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Normal
 <u>Actuarial Assumptions:</u>	
Discount Rate	4.42%
Payroll Growth	3.00%
Inflation	2.50%
Expected Return on OPEB	
Trust Assets	4.50%
Bond Yield	3.97% (Fidelity 20-Year Municipal GO AA Index)
Medical Trend Rate	6.80% (grading to 3.90% over several decades)

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2015 for teachers and the Pub-2010 General mortality tables based on scale MP-2021 for non-teachers.

The long-term expected rate of return on the Plan’s investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	10%	4.91%
Fixed Income	85%	2.30%
Cash and Equivalents	5%	0.77%
	<u>100%</u>	

Significant changes in assumptions, benefit terms, and other inputs since the prior measurement date include:

- The discount rate was changed from 4.44 percent to 4.42 percent based on updated investment return assumptions, 20-year municipal bond rates, and updated asset sufficiency projections.

**Net OPEB Liability Sensitivity**

The following presents the net OPEB liability, calculated using the discount rate disclosed in the preceding section, as well as what the District’s net OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity of Net OPEB Liability at Current Single Discount Rate		
	Rates	Amounts
1% Increase in Discount Rate	5.42%	\$801,151
Current Discount Rate	4.42%	\$898,291
1% Decrease in Discount Rate	3.42%	\$997,599

The following presents the net OPEB liability, calculated using the healthcare cost trend rates disclosed in the preceding section, as well as what the District’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

Sensitivity of Net OPEB Liability at Current Healthcare Trend Rates	
	Amounts
1% Increase in Healthcare Trend Rates	\$1,079,170
Current Healthcare Trend Rates	\$898,291
1% Decrease in Healthcare Trend Rates	\$743,863

**Concentrations**

At June 30, 2024, the District’s OPEB plan held three investments that represented more than 5 percent of the Plan’s Fiduciary Net Position, other than those issued by the U.S. Government.

**Rate of Return**

For the year ended June 30, 2024, the annual money-weighted rate of return on plan investments, net of investment expense, approximated 6.14 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 4    DEFINED BENEFIT PENSION PLANS - STATEWIDE**

**4.A.    PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

**Plan Description**

The District participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (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.

**Benefits Provided**

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

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.20 percent for each of the first 10 years of service and 1.70 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.70 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. 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.

**Contributions**

*Minnesota Statutes* Chapter 353 sets 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 6.50 percent of their annual covered salary in fiscal year 2024 and the District was required to contribute 7.50 percent for the Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2024, were \$35,877. The District's contributions were equal to the required contributions as set by state statute.

**Pension Costs**

General Employees Fund Pension Costs

At June 30, 2024, the District reported a liability of \$285,186 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 \$7,801.

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (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 0.0051 percent at the end of the measurement period and 0.0052 percent for the beginning of the period.

District's proportionate share of the net pension liability	\$285,186
State of Minnesota's proportionate share of the net pension liability associated with the District	<u>7,801</u>
Total	<u>\$292,987</u>

For the year ended June 30, 2024, the District recognized pension expense of \$5,531 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized \$35 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 9,410	\$ 2,080
Changes in actuarial assumptions	48,811	78,167
Differences between projected and actual investment earnings	-	13,845
Changes in proportion	-	13,208
Contributions made to PERA subsequent to the measurement date	<u>35,877</u>	<u>-</u>
Total	<u>\$ 94,098</u>	<u>\$ 107,300</u>

The \$35,877 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 deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>Pension Expense Amount</u>
2025	\$ 840
2026	\$ (49,127)
2027	\$ 5,395
2028	\$ (6,187)

**Total Pension Expense**

The total pension expense for all plans recognized by the District for the year ended June 30, 2024 was \$17,776.

**INDEPENDENT SCHOOL DISTRICT NO. 116  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 4    DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**4.A.    PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)**

**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	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	<u>25.0%</u>	5.90%
Total	<u>100%</u>	

**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 7.00 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.00 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are 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:

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

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.

**INDEPENDENT SCHOOL DISTRICT NO. 116  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 4    DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**4.A.    PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)**

- 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.

**Discount Rate**

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

**Pension Liability Sensitivity**

The following 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 one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity Analysis		
Net Pension Liability (Asset) at Different Discount Rates		
	Rates	Amounts
1% Lower	6.00%	\$504,517
Current Discount Rate	7.00%	\$285,186
1% Higher	8.00%	\$104,778

**Pension Plan Fiduciary Net Position**

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

**4.B.    TEACHERS RETIREMENT ASSOCIATION**

**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 employed by St. Paul schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through the Defined Contribution Retirement Plan (DCR) administered by Minnesota State.

**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.

**INDEPENDENT SCHOOL DISTRICT NO. 116  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)**

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

*Tier I Benefits*

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

With these provisions:

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

Or

*Tier II Benefits*

For years of service prior to July 1, 2006, a level formula of 1.70 percent per year for coordinated members and 2.70 percent per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.90 percent per year for coordinated members and 2.70 percent per year 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.

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

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

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

**INDEPENDENT SCHOOL DISTRICT NO. 116  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)**

**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:

	<u>June 30, 2022</u>		<u>June 30, 2023</u>		<u>June 30, 2024</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
Basic	11.00%	12.34%	11.00%	12.55%	11.25%	12.75%
Coordinated	7.50%	8.34%	7.50%	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.

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

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

**Actuarial Assumptions**

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

**INDEPENDENT SCHOOL DISTRICT NO. 116  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)**

Key Methods and Assumptions Used in Valuation of Total Pension Liability

<u>Actuarial Information:</u>	
Valuation date	July 1, 2023
Measurement date	June 30, 2023
Experience studies	June 28, 2019 (demographic and economic assumptions)*
Actuarial cost method	Entry Age Normal
<u>Actuarial Assumptions:</u>	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected salary increase	2.85 to 8.85% before July 1, 2028 and 3.25 to 9.25% after June 30, 2028
Cost of living adjustment	1.00% for January 2019 through January 2023, then increasing by 0.10% each year up to 1.50% annually
<u>Mortality Assumptions:</u>	
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 projection uses the MP-2015 scale.
Post-disability:	RP-2014 disabled retiree mortality table, without adjustment.
	<i>*The assumptions prescribed are based on the experience study dated June 28, 2019. For GASB 67 purposes, the long-term rate of return assumptions is selected by TRA management in consultation with actuary</i>

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 (Geometric Mean)</u>
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	<u>25.00%</u>	5.90%
Total	<u>100%</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.

**INDEPENDENT SCHOOL DISTRICT NO. 116  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 4    DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**4.B.    TEACHERS RETIREMENT ASSOCIATION (Continued)**

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% 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.

**Discount Rate**

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

**Net Pension Liability**

On June 30, 2024, the District reported a liability of \$8,454,373 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 0.1024 percent at the end of the measurement period and 0.1018 percent for the beginning of the period.

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	\$8,454,373
State’s proportionate share of the net pension liability associated with the district	\$592,363

For the year ended June 30, 2024, the district recognized pension expense of \$1,273,102. It also recognized \$83,409 as an increase to pension expense for the support provided by direct aid.

**INDEPENDENT SCHOOL DISTRICT NO. 116  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**4.B. TEACHERS RETIREMENT ASSOCIATION (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	\$ 77,335	\$ 119,953
Changes in assumptions	938,590	-
Net difference between projected and actual investment earnings on pension plan investments	36,042	-
Changes in proportion	467,201	-
Contributions made to TRA subsequent to the measurement date	593,818	-
Total	\$ 2,112,986	\$ 119,953

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

Year Ended June 30:	Pension Expense
2025	\$ 285,621
2026	\$ 131,748
2027	\$ 1,054,294
2028	\$ (64,981)
2029	\$ (7,467)

**Pension Liability Sensitivity**

The following presents the net pension liability of TRA calculated using the discount rate of 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate (multiply the allocation percentage by TRA’s sensitivity footnote info).

Sensitivity of Net Pension Liability (NPL) to changes in the discount rate

<u>1 percent decrease (6.00%)</u>	<u>Current (7.00%)</u>	<u>1 percent increase (8.00%)</u>
\$13,484,104	\$8,454,373	\$4,336,927

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.

**Pension Plan Fiduciary Net Position**

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

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 5 OTHER INFORMATION**

**5.A. COMMITMENTS AND CONTINGENCIES**

**Federal and State Programs**

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

**5.B. RISK MANAGEMENT**

**Claims and Judgements**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To manage these risks, the District purchases commercial insurance. The District retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years. The District is also self-insured for state reemployment compensation insurance.

**5.C. OTHER EMPLOYEE BENEFITS**

**Defined Contribution Plan**

The District provides eligible employees future retirement benefits through the District's 403(b) Plan ("the Plan"). The District has contracted with a private brokerage firm to establish the Plan, and plan assets are not held in a formal trust meeting the criteria defined by GASB No. 73, par 4. The District's Board of Education acts as the plan administrator, but the District is not involved with the investment decisions for plan assets. Contributions are invested in tax deferred annuities selected and owned by Plan participants. Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements, but there are no vesting requirements related to such contributions. The District's contributions to the plan total \$68,756 for the year ended June 30, 2024.

**Flexible Payment Plan**

The District has a flexible payment plan that is classified as a "cafeteria plan" under Section 125 of the Internal Revenue Code. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the plan for health care and dependent care benefits.

**5.C. NEW ACCOUNTING STANDARDS**

In June 2022, the Government Accounting Standards Board (GASB) issued Statement No. 101, *Compensated Absences*. GASB Statement No. 101 (GASB 101) increases the usefulness of governmental financial statements by updating the recognition and measurement guidance for compensated absences. GASB 101 will be effective for the District's fiscal year ended June 30, 2025. The effect on net position may be significant.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**INDEPENDENT SCHOOL DISTRICT NO. 116  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2024**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	Budgetary Basis	
<b>REVENUES</b>				
Local Property Tax Levies	\$ 1,935,043	\$ 2,093,091	\$ 1,972,689	\$ (120,402)
Other Local and County Revenues	318,700	318,700	572,951	254,251
State Sources	14,030,249	14,151,854	15,035,114	883,260
Federal Sources	405,942	451,033	269,021	(182,012)
Sales and Other Conversions of Assets	<u>-</u>	<u>-</u>	<u>35,141</u>	<u>35,141</u>
<b>TOTAL REVENUES</b>	16,689,934	17,014,678	17,884,916	870,238
<b>EXPENDITURES</b>				
Current:				
Administration	822,734	828,875	780,065	(48,810)
District Support Services	599,329	613,052	539,195	(73,857)
Regular Instruction	7,107,272	7,236,364	7,421,197	184,833
Vocational Instruction	351,242	355,254	280,694	(74,560)
Exceptional Instruction	3,102,017	3,153,592	3,368,726	215,134
Instructional Support Services	674,098	677,454	599,868	(77,586)
Pupil Support Services	2,044,269	2,052,026	2,010,286	(41,740)
Sites and Buildings	1,329,623	1,403,549	1,254,146	(149,403)
Fiscal and Other Fixed Cost Programs	89,589	89,822	120,659	30,837
Capital Outlay	584,013	617,637	603,526	(14,111)
Debt Service:				
Principal	64,098	64,098	66,394	2,296
Interest and Other Charges	<u>31,128</u>	<u>31,128</u>	<u>28,832</u>	<u>(2,296)</u>
<b>TOTAL EXPENDITURES</b>	<u>16,799,412</u>	<u>17,122,851</u>	<u>17,073,588</u>	<u>(49,263)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (109,478)</u>	<u>\$ (108,173)</u>	811,328	<u>\$ 919,501</u>
<b>FUND BALANCE - BEGINNING</b>			<u>1,765,413</u>	
<b>FUND BALANCE - ENDING</b>			<u>\$ 2,576,741</u>	

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**SCHEDULE OF CHANGES IN DISTRICT'S NET OPEB LIABILITY**  
**LAST TEN YEARS (Presented Prospectively)**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Changes in Total OPEB Liability (TOL)</b>								
Balance at July 1st	\$ 2,029,042	\$ 1,919,896	\$ 1,877,411	\$ 1,625,718	\$ 1,610,592	\$ 1,578,057	\$ 1,158,135	\$ 1,153,296
Service Cost	104,106	116,954	117,850	132,751	132,763	122,413	87,772	88,084
Interest Cost	90,842	69,499	63,411	50,537	51,913	58,179	42,316	36,457
Differences between Expected and Actual Experience	(2,535)	200,927	45,942	203,292	-	(183,401)	-	-
Changes in Actuarial Assumptions	1,967	(108,968)	(25,652)	(9,705)	(75,834)	170,382	377,351	(27,567)
Changes in Benefit Terms	-	-	-	-	-	(30,368)	-	-
Benefit Payments	(174,319)	(169,266)	(159,066)	(125,182)	(93,716)	(104,670)	(87,517)	(92,135)
Balance at June 30th	<u>\$ 2,049,103</u>	<u>\$ 2,029,042</u>	<u>\$ 1,919,896</u>	<u>\$ 1,877,411</u>	<u>\$ 1,625,718</u>	<u>\$ 1,610,592</u>	<u>\$ 1,578,057</u>	<u>\$ 1,158,135</u>
<b>Plan Fiduciary Net Position (FNP)</b>								
Balance at July 1st	\$ 1,114,515	\$ 1,123,682	\$ 1,270,186	\$ 1,207,672	\$ 1,171,449	\$ 1,204,008	\$ 1,216,130	\$ 1,239,410
Employer Contributions	142,684	142,099	107,209	125,182	75,494	77,750	87,517	65,959
Net Investment Income	<u>67,932</u>	<u>17,999</u>	<u>(94,647)</u>	<u>62,514</u>	<u>54,445</u>	<u>66,661</u>	<u>(12,122)</u>	<u>8,971</u>
Total Additions	210,616	160,098	12,562	187,696	129,939	144,411	75,395	74,930
Benefit Payments	(174,319)	(169,265)	(159,066)	(125,182)	(93,716)	(104,670)	(87,517)	(92,135)
Other Deductions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(72,300)</u>	<u>-</u>	<u>(6,075)</u>
Total Reductions	(174,319)	(169,265)	(159,066)	(125,182)	(93,716)	(176,970)	(87,517)	(98,210)
Balance at June 30th	<u>1,150,812</u>	<u>1,114,515</u>	<u>1,123,682</u>	<u>1,270,186</u>	<u>1,207,672</u>	<u>1,171,449</u>	<u>1,204,008</u>	<u>1,216,130</u>
Net OPEB Liability - June 30th	<u>\$ 898,291</u>	<u>\$ 914,527</u>	<u>\$ 796,214</u>	<u>\$ 607,225</u>	<u>\$ 418,046</u>	<u>\$ 439,143</u>	<u>\$ 374,049</u>	<u>\$ (57,995)</u>
Plan Fiduciary Net Position / Total OPEB Liability	56.16%	54.93%	58.53%	67.66%	74.29%	72.73%	76.30%	105.01%
Covered Payroll for Active Members	<u>\$ 6,642,823</u>	<u>\$ 7,048,874</u>	<u>\$ 6,453,717</u>	<u>\$ 6,239,437</u>	<u>\$ 5,909,055</u>	<u>\$ 4,757,070</u>	<u>\$ 5,249,788</u>	<u>\$ 4,018,863</u>
Net OPEB Liability / Covered Payroll	13.52%	12.97%	12.34%	9.73%	7.07%	9.23%	7.13%	-1.44%

Note: The schedule above is provided prospectively beginning with the District's fiscal year ended June 30, 2017 and is intended to show a ten year trend. Additional years will be reported as they become available.

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN ON OPEB PLAN ASSETS**  
**LAST TEN YEARS (Presented Prospectively)**

For the Year Ended June 30	Annual Money-Weighted Rate of Return, Net of Investment Expense
2024	6.14%
2023	1.63%
2022	-7.57%
2021	5.18%
2020	4.69%
2019	5.69%
2018	-1.00%
2017	0.73%

Note: The schedule above is provided prospectively beginning with the District's fiscal year ended June 30, 2017 and is intended to show a ten year trend. Additional years will be reported as they become available.

**INDEPENDENT SCHOOL DISTRICT NO. 116  
SCHEDULE OF DISTRICT'S PROPORTIONATE  
SHARE OF NET PENSION LIABILITY  
LAST TEN YEARS**

For the Measurement Year Ended June 30	District's Proportion of Net Pension Liability (Asset)	District's Share of the Net Pension Liability (Asset) (a)	State's Share of the Net Pension Liability Associated with the District (b)	District's Proportionate Share of the Net Pension Liability Associated with the District (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<b><i>Public Employees Retirement Association</i></b>							
2023	0.0051%	\$ 285,186	\$ 7,801	\$ 292,987	\$ 414,587	70.67%	83.10%
2022	0.0052%	\$ 411,842	\$ 12,181	\$ 424,023	\$ 394,920	107.37%	76.70%
2021	0.0054%	\$ 230,604	\$ 7,087	\$ 237,691	\$ 390,067	60.94%	87.00%
2020	0.0056%	\$ 335,746	\$ 10,402	\$ 346,148	\$ 402,053	86.10%	79.06%
2019	0.0044%	\$ 243,266	\$ 7,561	\$ 250,827	\$ 313,427	80.03%	80.23%
2018	0.0048%	\$ 266,284	\$ 8,734	\$ 275,018	\$ 322,880	85.18%	79.50%
2017	0.0063%	\$ 402,188	\$ 5,097	\$ 407,285	\$ 411,453	98.99%	75.90%
2016	0.0076%	\$ 617,082	\$ 8,060	\$ 625,142	\$ 372,358	167.89%	68.90%
2015	0.0056%	\$ 290,221	\$ -	\$ 290,221	\$ 363,309	79.88%	78.20%
2014	0.0053%	\$ 248,967	\$ -	\$ 248,967	\$ 277,230	89.81%	78.70%
<b><i>Teachers Retirement Association</i></b>							
2023	0.1024%	\$ 8,454,373	\$ 592,363	\$ 9,046,736	\$ 6,671,778	135.60%	76.42%
2022	0.1018%	\$ 8,151,605	\$ 604,241	\$ 8,755,846	\$ 6,476,787	135.19%	76.17%
2021	0.0976%	\$ 4,271,268	\$ 360,126	\$ 4,631,394	\$ 5,839,496	79.31%	86.63%
2020	0.0917%	\$ 6,774,919	\$ 567,845	\$ 7,342,764	\$ 5,327,323	137.83%	75.48%
2019	0.0890%	\$ 5,672,879	\$ 502,156	\$ 6,175,035	\$ 5,054,332	122.17%	78.21%
2018	0.0862%	\$ 5,414,552	\$ 508,684	\$ 5,923,236	\$ 4,633,074	127.85%	78.10%
2017	0.0805%	\$ 16,069,260	\$ 1,553,686	\$ 17,622,946	\$ 4,346,667	405.44%	51.60%
2016	0.0840%	\$ 20,036,004	\$ 2,010,409	\$ 22,046,413	\$ 4,465,757	493.68%	44.90%
2015	0.0813%	\$ 5,041,581	\$ 618,420	\$ 5,660,001	\$ 4,228,507	133.85%	76.80%
2014	0.0855%	\$ 3,939,778	\$ 277,113	\$ 4,216,891	\$ 3,930,426	107.29%	81.50%

**INDEPENDENT SCHOOL DISTRICT NO. 116  
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
LAST TEN YEARS**

For the Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
<b><i>Public Employees Retirement Association</i></b>					
2024	\$ 35,877	\$ 35,877	\$ -	\$ 478,360	7.50%
2023	\$ 31,094	\$ 31,094	\$ -	\$ 414,587	7.50%
2022	\$ 29,619	\$ 29,619	\$ -	\$ 394,920	7.50%
2021	\$ 29,516	\$ 29,516	\$ -	\$ 393,547	7.50%
2020	\$ 30,478	\$ 30,478	\$ -	\$ 406,373	7.50%
2019	\$ 23,259	\$ 23,259	\$ -	\$ 310,120	7.50%
2018	\$ 23,990	\$ 23,990	\$ -	\$ 319,867	7.50%
2017	\$ 30,859	\$ 30,859	\$ -	\$ 411,453	7.50%
2016	\$ 27,782	\$ 27,782	\$ -	\$ 372,358	7.46%
2015	\$ 27,199	\$ 27,199	\$ -	\$ 363,309	7.49%
<b><i>Teachers Retirement Association</i></b>					
2024	\$ 593,818	\$ 593,818	\$ -	\$ 6,786,491	8.75%
2023	\$ 570,437	\$ 570,437	\$ -	\$ 6,671,778	8.55%
2022	\$ 540,164	\$ 540,164	\$ -	\$ 6,476,787	8.34%
2021	\$ 483,303	\$ 483,303	\$ -	\$ 5,944,686	8.13%
2020	\$ 425,534	\$ 425,534	\$ -	\$ 5,372,904	7.92%
2019	\$ 396,627	\$ 396,627	\$ -	\$ 5,144,319	7.71%
2018	\$ 367,426	\$ 367,426	\$ -	\$ 4,899,013	7.50%
2017	\$ 326,000	\$ 326,000	\$ -	\$ 4,346,667	7.50%
2016	\$ 335,020	\$ 335,020	\$ -	\$ 4,465,757	7.50%
2015	\$ 316,636	\$ 316,636	\$ -	\$ 4,228,507	7.49%

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2024**

**NOTE 1 OTHER POSTEMPLOYMENT BENEFIT PLAN**

**2024 Changes**

Changes in Actuarial Assumptions

- The discount rate was changed from 4.44 percent to 4.42 percent based on updated investment return assumptions, 20-year municipal bond rates, and updated asset sufficiency projections.

Changes in Plan Provisions

- There have been no changes since the prior measurement date.

**2023 Changes**

Changes in Actuarial Assumptions

- The discount rate was changed from 3.56 percent to 4.44 percent based on updated investment return assumptions, 20-year municipal bond rates, and updated asset sufficiency projections.
- The long-term investment return assumption was changed from 3.50 percent to 4.50 percent based on updated capital market assumptions.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings.
- Mortality rates were updated from the rates used in the 7/1/2020 PERA General Employees Plan valuation to the rates used in the 7/1/2022 valuation.
- The percent of future retired teachers and superintendents assumed to elect life insurance coverage at retirement changed from 15 percent to 40 percent to reflect recent plan experience.
- The inflation assumption was changed from 2.25 percent to 2.50 percent based on an updated historical analysis of inflation rates and forward-looking market expectations.

Changes in Plan Provisions

- There have been no changes since the prior measurement date.

**2022 Changes**

Changes in Actuarial Assumptions

- The discount rate was changed from 3.31 percent to 3.56 percent based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates.
- The bond yield used in the discount rate determination was changed from 1.92 percent to 3.69 percent.

Changes in Plan Provisions

- There have been no changes since the prior measurement date.

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2024**

**NOTE 1 OTHER POSTEMPLOYMENT BENEFIT PLAN (Continued)**

**2021 Changes**

Changes in Actuarial Assumptions

- The discount rate was changed from 2.98 percent to 3.31 percent based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates.
- The expected long-term rate of return on OPEB plan assets was changed from 3.25 percent to 3.50 percent based on updated capital market assumptions.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience and, including an adjustment to reflect age/gender-based risk scores published by the Society of Actuaries.
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the 7/1/2018 PERA General Employees Plan and 7/1/2018 TRA valuations to the rates used in the 7/1/2020 valuations.
- The percent of future retirees eligible for life insurance explicit subsidy assumed to elect life insurance coverage at retirement changed from 25 percent to 15 percent to reflect recent plan experience.
- The percent of future retirees eligible for an explicit subsidy and assumed to elect spouse coverage at retirement changed from 50 percent to 60 percent to reflect recent plan experience.
- The inflation assumption was changed from 2.50 percent to 2.25 percent based on an updated historical analysis of inflation rates and forward-looking market expectations.

Changes in Plan Provisions

- There have been no changes since the prior measurement date.

**2020 Changes**

Changes in Actuarial Assumptions

- The discount rate was changed from 3.06 percent to 2.98 percent based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates.
- The expected long-term rate of return on assets was changed from 3.00 percent to 3.25 percent based on updated capital market assumptions.
- The index rate for 20-year, tax-exempt municipal bonds used for discount rate determination was changed from 3.13 percent to 2.45 percent.
- The medical trend rates were updated to exclude the Affordable Care Act's Excise Tax on high-cost health insurance plans, due to its repeal.

Changes in Plan Provisions

- There have been no changes since the prior measurement date.

**2019 Changes**

Changes in Actuarial Assumptions

- The discount rate was changed from 3.53 percent to 3.06 percent based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates.
- The expected long-term rate of return on assets was changed from 3.50 percent to 3.00 percent based on updated capital market assumptions.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claims costs were updated to reflect recent experience.

**INDEPENDENT SCHOOL DISTRICT NO. 116  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2024**

**NOTE 1 OTHER POSTEMPLOYMENT BENEFIT PLAN (Continued)**

- Mortality and salary increase rates were updated to the rates used in the 7/1/2018 PERA General Employees Retirement Plan and 7/1/2018 Teachers Retirement Association valuations.
- The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings. The following table provides the changes for the assumed percent electing each plan:

Medical Plan	6/30/2016 Valuation	6/30/2018 Valuation
\$1,000 Deductible (Plan B)	100%	70%
\$3,375 Deductible (Plan C)	0%	30%

- The inflation assumption was changed from 2.75 percent to 2.50 percent based on an updated historical analysis of inflation rates and forward-looking market expectations.

Changes in Plan Provisions

- There have been no changes since the prior measurement date.

**2018 Changes**

Changes in Actuarial Assumptions

- Medical trend rates were increased to reflect the projected effect of the Affordable Care Acts Excise Tax on high-cost health insurance plans. The additional trend rate adjustments vary by year, but average 0.37 percent beginning calendar year 2028 for plans other than Medicare plans.

Changes in Plan Provisions

- There have been no changes since the prior measurement date.

**NOTE 2 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION – GENERAL EMPLOYEES FUND**

**2023 Changes**

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

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.

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2024**

**NOTE 2 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION – GENERAL EMPLOYEES FUND (Continued)**

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 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

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

**2020 Changes**

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 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.
- The assumed number of married male new retirees electing the 100 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15 percent to 30 percent. 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 2.00 percent for the period July 1, 2020 through December 31, 2023 and 0.00 percent after. 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 \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2024**

**NOTE 2 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION – GENERAL EMPLOYEES FUND (Continued)**

**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 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent 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 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Annual increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**2017 Changes**

Changes in Actuarial Assumptions

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA loads are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed annual increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

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

Changes in Plan Provisions

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

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2024**

**NOTE 2 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION – GENERAL EMPLOYEES FUND (Continued)**

**2015 Changes**

Changes in Actuarial Assumptions

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

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 million, which meets the special funding situation definition, was due September 2015.

**NOTE 3 TEACHERS RETIREMENT ASSOCIATION**

**2023 Changes**

Changes in Actuarial Assumptions

- 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% 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 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2022 Changes**

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2021 Changes**

Changes in Actuarial Assumptions

- For GASB Valuation:
  - The investment return assumption was changed from 7.50 percent to 7.00 percent.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2020 Changes**

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2024**

**NOTE 3 TEACHERS RETIREMENT ASSOCIATION (Continued)**

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2019 Changes**

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2018 Changes**

Changes in Actuarial Assumptions

- The COLA was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.50 percent if the funded ratio was at least 90 percent for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt. Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The State provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2017 Changes**

Changes in Actuarial Assumptions

- The Cost of Living Adjustment (COLA) was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.40 percent to 0.00 percent, the vested inactive load increased from 4.00 percent to 7.00 percent and the non-vested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2024**

**NOTE 3 TEACHERS RETIREMENT ASSOCIATION (Continued)**

- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for ten years followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2016 Changes**

Changes in Actuarial Assumptions

- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2.00 percent for all future years.
- The price inflation assumption was lowered from 3.00 percent to 2.75 percent.
- The general wage growth and payroll growth assumptions were lowered from 3.75 percent to 3.50 percent.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 6 years and female rates set back 5 years. Generational projection uses the MP-2015 scale.
- The post-retirement mortality assumption was changed to the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2015 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**SUPPLEMENTARY INFORMATION**

**INDEPENDENT SCHOOL DISTRICT NO. 116  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2024**

	Special Revenue		Total Nonmajor Governmental Funds
	Food Service Fund	Community Service Fund	
<b>ASSETS</b>			
Cash and Temporary Investments	\$ 822,226	\$ 473,165	\$ 1,295,391
Property Taxes Receivable:			
Current	-	49,665	49,665
Delinquent	-	1,888	1,888
Accounts Receivable	13,788	1,153	14,941
Due from Minnesota			
Department of Education	-	10,215	10,215
<b>TOTAL ASSETS</b>	<b>\$ 836,014</b>	<b>\$ 536,086</b>	<b>\$ 1,372,100</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 5,962	\$ 84	\$ 6,046
Salaries Payable	602	12,104	12,706
Payroll Deductions and Employer Contributions	2,387	15,227	17,614
Unearned Revenue	9,960	-	9,960
Total Liabilities	18,911	27,415	46,326
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue:			
Delinquent Property Taxes	-	1,888	1,888
Property Taxes Levied for Subsequent Years	-	111,069	111,069
Total Deferred Inflows of Resources	-	112,957	112,957
<b>FUND BALANCES</b>			
Restricted for:			
Food Service	817,103	-	817,103
Community Education	-	13,966	13,966
Early Childhood and Family Education	-	113,679	113,679
School Readiness	-	146,483	146,483
Community Service	-	121,586	121,586
Total Fund Balances	817,103	395,714	1,212,817
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 836,014</b>	<b>\$ 536,086</b>	<b>\$ 1,372,100</b>

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	Special Revenue		Total Nonmajor Governmental Funds
	Food Service Fund	Community Service Fund	
<b>REVENUES</b>			
Local Property Tax Levies	\$ -	\$ 112,192	\$ 112,192
Other Local and County Revenues	37,090	280,888	317,978
State Sources	455,147	78,271	533,418
Federal Sources	557,799	-	557,799
Sales and Other Conversions of Assets	18,718	-	18,718
<b>TOTAL REVENUES</b>	1,068,754	471,351	1,540,105
<b>EXPENDITURES</b>			
Current:			
Community Education and Services	-	395,082	395,082
Pupil Support Services	1,182,024	-	1,182,024
<b>TOTAL EXPENDITURES</b>	1,182,024	395,082	1,577,106
<b>NET CHANGE IN FUND BALANCES</b>	(113,270)	76,269	(37,001)
<b>FUND BALANCES - BEGINNING</b>	930,373	319,445	1,249,818
<b>FUND BALANCES - ENDING</b>	\$ 817,103	\$ 395,714	\$ 1,212,817

**INDEPENDENT SCHOOL DISTRICT NO. 116**  
**UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS**  
**COMPLIANCE TABLE**  
**FOR THE YEAR ENDED JUNE 30, 2024**

<u>01 GENERAL FUND</u>	Audited	UFARS	Difference	<u>06 BUILDING CONSTRUCTION</u>	Audited	UFARS	Difference
Total Revenue	17,884,916	17,884,913	3	Total Revenue	-	-	-
Total Expenditures	17,073,588	17,073,584	4	Total Expenditures	-	-	-
Non Spendable:				Non Spendable:			
460 Non Spendable Fund Balance	904	904	-	460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:				Restricted/Reserve:			
401 Student Activities	177,390	177,390	-	407 Capital Projects Levy	-	-	-
402 Scholarships	25,825	25,825	-	413 Projects Funded by COP/FP	-	-	-
403 Staff Development	67,010	67,010	-	467 LTFM	-	-	-
407 Capital Projects Levy	-	-	-	Restricted:			
408 Cooperative Revenue	-	-	-	464 Restricted Fund Balance	-	-	-
412 Literacy Incentive Aid	61,291	61,291	-	Unassigned:			
414 Operating Debt	-	-	-	463 Unassigned Fund Balance	-	-	-
416 Levy Reduction	-	-	-				
417 Taconite Building Maint	-	-	-	<u>07 DEBT SERVICE</u>			
420 American Indian Ed Aid	40,000	40,000	-	Total Revenue	1,520,000	1,519,999	1
424 Operating Capital	(383,313)	(383,313)	-	Total Expenditures	1,605,516	1,605,514	2
426 \$25 Taconite	-	-	-	Non Spendable:			
427 Disabled Accessibility	-	-	-	460 Non Spendable Fund Balance	-	-	-
428 Learning & Development	-	-	-	Restricted/Reserve:			
434 Area Learning Center	-	-	-	425 Bond Refundings	-	-	-
435 Contracted Alt. Programs	-	-	-	433 Max Effort Loan	-	-	-
436 St. Approved Alt. Program	-	-	-	451 QZAB Payments	-	-	-
438 Gifted & Talented	16,230	16,230	-	467 LTFM	-	-	-
439 English Learner	-	-	-	Restricted:			
440 Teacher Development & Eval	-	-	-	464 Restricted Fund Balance	368,909	368,909	-
441 Basic Skills Programs	-	-	-	Unassigned:			
443 School Library Aid	40,000	40,000	-	463 Unassigned Fund Balance	-	-	-
448 Achievement & Integration	-	-	-				
449 Safe Schools Levy	8,541	8,541	-	<u>08 TRUST</u>			
451 QZAB Payments	-	-	-	Total Revenue	-	-	-
452 OPEB Liab Not in Trust	-	-	-	Total Expenditures	-	-	-
453 Unfunded Sev. & Retirement	-	-	-	401 Student Activities	-	-	-
459 Basic Skills Ext Time	-	-	-	402 Scholarships	-	-	-
467 LTFM	(642,544)	(642,544)	-	422 Net Assets	-	-	-
471 Student Support Personnel	-	-	-				
472 Medical Assistance	-	-	-	<u>18 CUSTODIAL FUND</u>			
Restricted:				Total Revenue	279,756	279,756	-
464 Restricted Fund Balance	-	-	-	Total Expenditures	262,360	262,360	-
475 Title VII - Impact Aid	-	-	-	401 Student Activities	-	-	-
476 PILT	48,925	48,925	-	402 Scholarships	-	-	-
Committed:				448 Achievement & Integration	-	-	-
418 Committed for Separation	-	-	-	464 Restricted Fund Balance	424,066	424,066	-
461 Committed Fund Balance	-	-	-				
Assigned:				<u>20 INTERNAL SERVICE</u>			
462 Assigned Fund Balance	70,813	70,813	-	Total Revenue	-	-	-
Unassigned:				Total Expenditures	-	-	-
422 Unassigned Fund Balance	3,045,669	3,045,670	(1)	422 Net Assets	-	-	-
<u>02 FOOD SERVICE</u>				<u>25 OPEB REVOCABLE TRUST FUND</u>			
Total Revenue	1,068,754	1,068,753	1	Total Revenue	-	-	-
Total Expenditures	1,182,024	1,182,023	1	Total Expenditures	-	-	-
Non Spendable:				422 Net Assets	-	-	-
460 Non Spendable Fund Balance	-	-	-				
Restricted/Reserve:				<u>45 OPEB IRREVOCABLE TRUST FUND</u>			
452 OPEB Liab. Not in Trust	-	-	-	Total Revenue	77,925	77,925	-
Restricted:				Total Expenditures	41,629	41,628	1
464 Restricted Fund Balance	817,103	817,103	-	422 Net Assets	1,150,811	1,150,811	-
Unassigned:							
463 Unassigned Fund Balance	-	-	-	<u>47 OPEB DEBT SERVICE FUND</u>			
				Total Revenue	-	-	-
<u>04 COMMUNITY SERVICE</u>				Total Expenditures	111	111	-
Total Revenue	471,351	471,351	-	Non Spendable:			
Total Expenditures	395,082	395,082	-	460 Non Spendable Fund Balance	-	-	-
Non Spendable:				Restricted:			
460 Non Spendable Fund Balance	-	-	-	425 Bond Refundings	-	-	-
Restricted/Reserve:				464 Restricted Fund Balance	-	-	-
426 \$25 Taconite	-	-	-	Unassigned:			
431 Community Education	13,966	13,966	-	463 Unassigned Fund Balance	-	-	-
432 E.C.F.E.	113,679	113,679	-				
440 Teacher Development & Eval	-	-	-				
444 School Readiness	146,483	146,483	-				
447 Adult Basic Education	-	-	-				
452 OPEB Liab. Not in Trust	-	-	-				
Restricted:							
464 Restricted Fund Balance	121,586	121,588	(2)				
Unassigned:							
463 Unassigned Fund Balance	-	-	-				

**INDEPENDENT SCHOOL DISTRICT NO. 116  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2024**

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal ALN	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
Child Nutrition Cluster:		
Pass-through Programs from Minnesota Department of Education		
National School Breakfast Program	10.553	
Cash Assistance		\$ 106,671
National School Lunch Program	10.555	
Cash Assistance		317,009
Non-Cash Assistance (Commodities)		122,594
National Summer Food Service Program for Children	10.559	
Cash Assistance		<u>11,525</u>
<i>Child Nutrition Cluster Subtotal - 10.553, 10.555, 10.559</i>		<u>557,799</u>
 Total U.S. DEPARTMENT OF AGRICULTURE		 <u><u>\$ 557,799</u></u>
 <b>U.S. DEPARTMENT OF EDUCATION</b>		
Pass-through Programs from Minnesota Department of Education		
Title I, Part A - Grants to Local Educational Agencies	84.010	\$ 116,543
Title IV, Part A - Student Support and Academic Enrichment	84.424	9,299
 Education Stabilization Fund:		
Pass-through Programs from Minnesota Department of Education		
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425UC	94,342
 Special Education Cluster:		
Pass-through Programs from Paul Bunyan Co-Op		
Special Education - Grants to States (IDEA, Part B)	84.027	<u>48,837</u>
 Total U.S. DEPARTMENT OF EDUCATION		 <u>\$ 269,021</u>
 TOTAL FEDERAL EXPENDITURES		 <u><u>\$ 826,820</u></u>

**INDEPENDENT SCHOOL DISTRICT NO. 116  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2024**

**NOTE 1: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Independent School District No. 116 (the District) under programs of the federal government for the year ended June 30, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a select portion of the operations of Independent School District No. 116, it is not intended to and does not present the financial position or changes in financial position of Independent School District No. 116.

**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: INDIRECT COST RATE**

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 4: SUBRECIPIENTS**

The District did not pass through any federal funds to subrecipients during the year ended June 30, 2024.

**NOTE 5: PASS-THROUGH IDENTIFIER**

The District's pass-through identifier is unknown.

**NOTE 6: INVENTORY**

Nonmonetary assistance is reported in the Schedule at the fair market value of commodities received and disbursed for the USDA National School Lunch Program Commodities (ALN # 10.555). Revenues and expenditures are recorded when commodities are received.

**OTHER REQUIRED  
REPORTS AND SCHEDULES**

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

Members of the Board of Education  
Independent School District No. 116  
Pillager, 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 the Independent School District No. 116 (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Independent School District No. 116's basic financial statements, and have issued our report thereon dated November 11, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Independent School District No. 116'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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying *Schedule of Findings and Questioned Costs*, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

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. We consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as items 2024-001 and 2024-003 to be material weaknesses.

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. We consider the deficiency described in the accompanying *Schedule of Findings and Questioned Costs* as item 2024-002 to be a significant deficiency.

## **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*.

### **Minnesota Legal Compliance**

In connection with our audit, nothing came to our attention that caused us to believe that the Independent School District No. 116 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 Minnesota school districts (UFARS) sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

### **District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Independent School District No. 116's response to the findings identified in our audit and described in the accompanying *Schedule of Findings and Questioned Costs* and *Corrective Action Plans*. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on 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.



**SCHLENNER WENNER & CO.**

St. Cloud, Minnesota

November 11, 2024

**INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

Members of the Board of Education  
Independent School District No. 116  
Pillager, Minnesota

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

***Opinion on Each Major Federal Program***

We have audited the Independent School District No. 116's 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 on each of the District's major federal programs for the year ended June 30, 2024. The District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

In our opinion, the Independent School District No. 116 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

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

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

We are required to be independent of the Independent School District No. 116 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 Independent School District No. 116'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 Independent School District No. 116's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2024-004. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

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

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. We consider the deficiency in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* as item 2024-004 to be a significant deficiency.

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

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

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.



**SCHLENNER WENNER & CO.**

St. Cloud, Minnesota

November 11, 2024



**INDEPENDENT SCHOOL DISTRICT NO. 116  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2024**

**SECTION II: FINANCIAL STATEMENT FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Finding 2024-001      Limited Segregation of Duties**

*Condition:*                      During our audit we reviewed procedures over cash receipts, cash disbursements, payroll and financial reporting and found the District to have limited segregation of duties over those transaction cycles.

*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. In other words, no one person had control over two or more of these responsibilities.

*Cause:*                             Limited number of staff members.

*Effect:*                            The existence of limited segregation of 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:*            Although the number of staff members may not be large enough to eliminate this deficiency, we recommend that the District evaluate current procedures and segregate where possible and implement compensating controls. It is important that the Board is aware of this condition and monitor all financial information.

*Views of Responsible  
Officials and Planned  
Corrective Actions:*

Management agrees with our recommendation. See corresponding Corrective Action Plan.

**Finding 2024-002      Financial Statement Preparation**

*Condition:*                         Schlenner Wenner & Co. drafted the audited financial statements and related footnote disclosures for the District. It is management’s responsibility to provide for the preparation of financial statements and the auditor’s responsibility to determine the fairness of the presentation. This deficiency could result in a misstatement that could have been prevented or detected by management.

*Criteria:*                         Internal controls over financial reporting should be in place to provide for the preparation of financial statements on an annual basis.

*Cause:*                            The District’s staff does not possess the expertise to prepare financial statements internally. This is not unusual for an organization of your size.

*Effect:*                            The inability to internally prepare the District’s financial statements can result in undetected errors in financial reporting.

*Recommendation:*            We recommend that management review a draft of the financial statements in detail for accuracy. During review we recommend a disclosure checklist be utilized to ensure all required disclosures are presented and the District should agree the financial statement numbers to their accounting software. The District may not have the ability to eliminate this finding.

**INDEPENDENT SCHOOL DISTRICT NO. 116  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2024**

**SECTION II: FINANCIAL STATEMENT FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** (Continued)

**Finding 2024-002      Financial Statement Preparation** (Continued)

*Views of Responsible  
Officials and Planned  
Corrective Actions:*

The District will continue to have the auditor assist in preparation of the financial statements. The District will continue to document an annual review of the audited financial statements by having the auditor meet with the District personnel to review the financial statements and related footnote disclosures.

**Finding 2024-003      Material Audit Adjustments**

*Condition:*

Audit adjustments were required to correct material misstatements identified in the trial balance presented for the audit.

*Criteria:*

The District is required to report financial information under the basis of accounting prescribed by Generally Accepted Accounting Principles.

*Cause:*

The District failed to adjust various accounts to their proper year-end balances.

*Effect:*

The misstatement in the trial balance presented for the audit resulted in the need to record audit adjustments to achieve fair financial statement presentation under accounting principles generally accepted in the United States of America.

*Recommendation:*

We recommend management perform a thorough review of the trial balance prior to the audit and ensure all transactions have been properly recorded.

*Views of Responsible  
Officials and Planned  
Corrective Action:*

Management agrees with the recommendation. See corresponding Corrective Action Plan.

**SECTION III: FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

**Finding 2024-004      School Nutrition Program Meal Claims**

*Federal Program:*

CFDA 10.553/10.555 Child Nutrition Cluster

*Condition:*

The District failed to properly report the number of student meals that were served and reported to the State via CLiCS, for which Federal funding was received.

*Criteria:*

The District is required to accurately monitor, record, and report the numbers of meals that were served to students, including how many of these meals were served to students with a free or reduced status. This reporting determines State and Federal reimbursement rates the District receives for meals served.

*Cause:*

The District incorrectly reported free and reduced meals under the paid meal category in their CLiCS submission to the State.

*Effect:*

The failure to properly categorize free and reduced meals resulted in the District incorrectly receiving State reimbursements for free and reduced meals rather than those meals being reimbursed by Federal aid.

**INDEPENDENT SCHOOL DISTRICT NO. 116  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2024**

**SECTION III: FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Continued)**

**Finding 2024-004 School Nutrition Program Meal Claims (Continued)**

*Questioned Costs:* None. The maximum potential impact was below the reportable threshold under Uniform Guidance.

*Recommendation:* We recommend that the District evaluate current procedures for accurately monitoring, recording, and reporting the number of meals served and ensure proper meal counts are reported to the State.

*Views of Responsible  
Officials and Planned*

*Corrective Actions:* Management agrees with our recommendation. See corresponding Corrective Action Plan.



# Pillager Public Schools

## CORRECTIVE ACTION PLANS FOR THE YEAR ENDED JUNE 30, 2024

### FINANCIAL STATEMENT FINDINGS

#### **Finding 2024-001 Limited Segregation of Duties**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
The District currently has the following procedures in place:
  - The Board of Education reviews the monthly invoices and approves the expenditures.
  - A Region accountant assists the business manager with journal entries and the coding of receipts and disbursements.
  - The District utilizes purchase orders which are approved by the Superintendent.The District will review current procedures and implement additional controls where possible.
3. Official Responsible  
Mr. Michael Malmberg, Superintendent, is the official responsible for ensuring corrective action.
4. Planned Completion Date  
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion  
The Board of Education will be monitoring this Corrective Action Plan.

#### **Finding 2024-002 Financial Statement Preparation**

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 continue to have the auditor prepare the financial statements; however, the District will implement an internal control policy to document the annual review of the financial statements and related footnote disclosures.
3. Official Responsible  
Mr. Michael Malmberg, Superintendent, is the official responsible for ensuring corrective action.
4. Planned Completion Date  
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion  
The Board of Education will be monitoring this Corrective Action Plan.



## Pillager Public Schools

### CORRECTIVE ACTION PLANS FOR THE YEAR ENDED JUNE 30, 2024

#### FINANCIAL STATEMENT FINDINGS (Continued)

##### Finding 2024-003      Material Audit Adjustments

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 perform a thorough review of the trial balance and year-end adjustments to ensure their accuracy and completeness prior to the audit.
3. Official Responsible  
Mr. Michael Malmberg, Superintendent, is the official responsible for ensuring corrective action.
4. Planned Completion Date  
June 30, 2025
5. Plan to Monitor Completion  
The Board of Education will be monitoring this Corrective Action Plan.

#### FEDERAL AWARDS FINDINGS

##### Finding 2024-004      School Nutrition Program Meal Claims

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 evaluate current procedures for accurately monitoring, recording, and reporting the number and type of meals served.
3. Official Responsible  
Mr. Michael Malmberg, Superintendent, is the official responsible for ensuring corrective action.
4. Planned Completion Date  
June 30, 2025
5. Plan to Monitor Completion  
The Board of Directors will be monitoring this Corrective Action Plan.



## Pillager Public Schools

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2024

**Finding 2023-004 Support for Free and Reduced Meal Applications**

*Federal Program:* ALN 10.553/10.555 Child Nutrition Cluster

*Condition:* The District failed to retain or locate support for various applications for certain students receiving free meals.

*Recommendation:* We recommend management adopt policies and procedures under which all applications for free and reduced meals are retained in the District's records.

*Current Status:* During FY24, the Business Manager worked with the food service bookkeeper to ensure that all Free/Reduced Meal Applications are kept and retained for at least 3 years (food service retention schedule requirement). These applications are now all kept and organized in a 3-ring binder.

**Finding 2023-005 Food Service Commodities**

*Federal Program:* ALN 10.555 Child Nutrition Cluster

*Condition:* The revenues recognized by the District for commodities received under the USDA Food Distribution Program were substantially less than the amount that the Minnesota Department of Education (MDE) reported as being remitted to the District (or to the District's food service provider).

*Recommendation:* We recommend management discuss this matter in further depth with the contracted food service provider and establish controls to ensure that all food service commodity entitlements are being properly realized and reported by the District.

*Current Status:* During FY24, the District and the Business Manager worked with the District's food service provider to assure that the District is receiving the commodities it is entitled to or receiving a cash payment.