Independent School District No. 47
Sauk Rapids, Minnesota

Basic Financial Statements

June 30, 2024

Independent School District No. 47
Table of Contents

Board of Education and Administration 1

Independent Auditor's Report 3

Management's Discussion and Analysis 7

Basic Financial Statements
- Government-Wide Financial Statements
  - Statement of Net Position 20
  - Statement of Activities 21
- Fund Financial Statements
  - Balance Sheet – Governmental Funds 22
  - Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds 23
  - Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 24
  - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds 25
  - Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund 26
  - Statement of Fiduciary Net Position 27
  - Statement of Changes in Fiduciary Net Position 27
- Notes to Basic Financial Statements 29

Required Supplementary Information
- Schedule of Changes in Total OPEB Liability and Related Ratios 68
- Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability General Employees Retirement Fund 70
- Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability TRA Retirement Fund 70
- Schedule of District Contributions General Employees Retirement Fund 71
- Schedule of District Contributions TRA Retirement Fund 71
- Notes to the Required Supplementary Information 72

Supplementary Information
- Combining Balance Sheet – Nonmajor Governmental Funds 80
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds 81
- Uniform Financial Accounting and Reporting Standards Compliance Table 82
- Schedule of Expenditures of Federal Awards 83
- Notes to the Schedule of Expenditures of Federal Awards 84

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards* 85

Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with the Uniform Guidance 87

Independent School District No. 47
Table of Contents

Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance	90
Minnesota Legal Compliance	95

Independent School District No. 47
Board of Education and Administration
June 30, 2024

Board of Education	Position	Term Expires
Ryan Butkowski	Chairperson	December 31, 2024
Mark Hauck	Vice Chairperson	December 31, 2024
Robyn Holthaus	Treasurer	December 31, 2026
Lisa Loidolt	Clerk	December 31, 2026
Tracy Morse	Director	December 31, 2024
Samantha Dwyer	Director	December 31, 2024
Dan Johnson	Director	December 31, 2026

Administration	
Brad Bergstrom	Superintendent
Tracey Fiereck	Director of Business Services

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Independent Auditor's Report

To the School Board
Independent School District No. 47
Sauk Rapids, Minnesota

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 47, Sauk Rapids, Minnesota, as of and for the year ended June 30, 2024, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 47, as of June 30, 2024, and the respective changes in financial position, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 47, Sau Rapids, Minnesota and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements
The management of Independent School District No. 47 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bergan KDV Ltd.

St. Cloud, Minnesota
October 3, 2024

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Independent School District No. 47
Management's Discussion and Analysis

This section of Independent School District No. 47, Sauk Rapids-Rice Public Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2024. Please read it in conjunction with the District's basic financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model required by GASB Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. GASB Statement No. 34 establishes reporting requirements that include basic financial statements, expanded disclosure, and supplemental information, including the MD&A (this section).

Comparative information between the current fiscal year and the prior fiscal year is presented in the MD&A.

Financial Summary

- The General Fund unassigned fund balance decreased by $693,022.
- The total fund balance of the General Fund decreased by $1,892,196.
- Net position increased by $8,222,670.
- Overall governmental wide revenues were $77,912,198 and expenditures were $68,818,857.
- The school board approved a plan during the 2018-2019 school year to restrict and set limits on the admission of non-resident students to the school district. Since 2020-2021, the district has been conducting annual reviews of enrollment and adjusting caps on a per-grade basis to ensure optimal resource allocation in each school building, all the while keeping class sizes within the desired range.

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

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

Overview of the Basic Financial Statements (Continued)
The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data.

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

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

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

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

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

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

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

The District has two kinds of funds:

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

Overview of the Basic Financial Statements (Continued)

Fund Financial Statements (Continued)

- Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only by those to whom the assets belong. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

Net Position

The District's combined net position was $47,290,556 on June 30, 2024, (see details in Table A-1). This was an increase of $8,222,670 from June 30, 2023. The increase is related to an increase in capital assets and also a decrease in long-term liabilities.

Statement of Net Position
As of June 30, 2024
Table A-1

	Governmental Activities		Percentage
	2024	2023	Change
Assets			
Total current assets	$ 52,483,932	$ 53,652,992	-2.18%
Total capital assets	106,915,510	105,492,360	1.35%
Total assets	159,399,442	159,145,352	0.16%
Deferred Outflows of Resources	9,968,963	14,214,472	-29.87%
Total assets and deferred outflows of resources	$ 169,368,405	$ 173,359,824	-2.30%
Liabilities			
Current liabilities	$ 15,170,277	$ 15,122,429	0.32%
Long-term liabilities	89,543,989	100,148,819	-10.59%
Total liabilities	104,714,266	115,271,248	-9.16%
Deferred Inflows of Resources	17,363,583	19,020,690	-8.71%
Net Position			
Net investment in capital assets	52,974,813	46,470,806	14.00%
Restricted amounts	13,415,915	13,319,501	0.72%
Unrestricted amounts	(19,100,172)	(20,722,421)	-7.83%
Total net position	47,290,556	39,067,886	21.05%
Total liabilities, deferred inflows of resources, and net position	$ 169,368,405	$ 173,359,824	-2.30%

Overview of the Basic Financial Statements (Continued)

Change in Net Position

In Table A-2, Change in Net Position, operations are reported on a district-wide basis with no reference to funds.

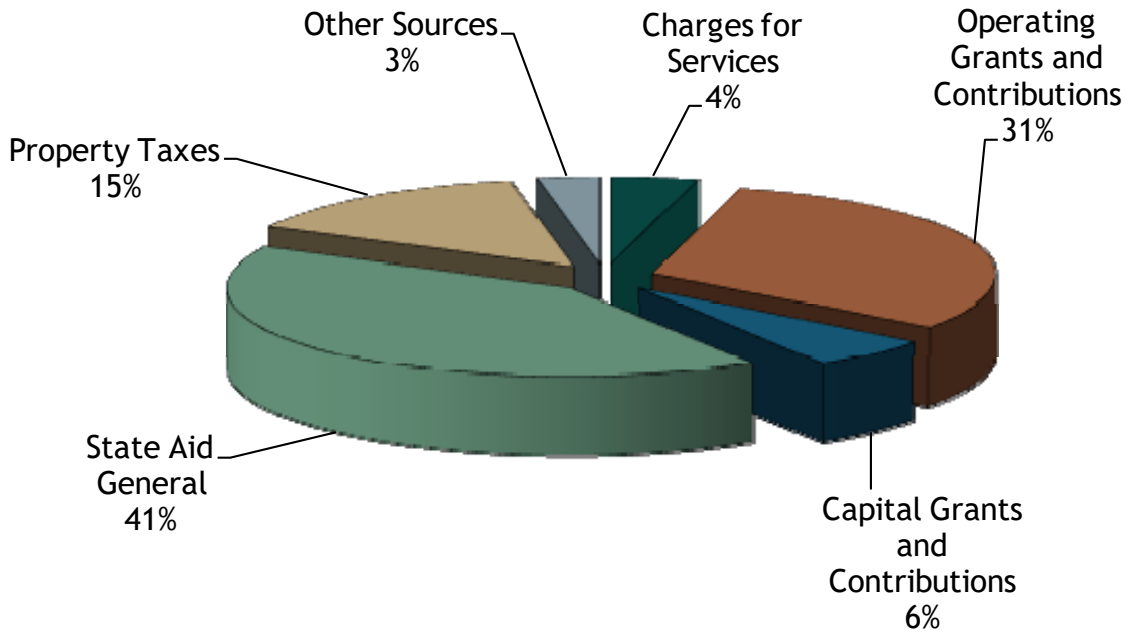
Change in Net Position
Table A-2

	Governmental Activities for the Fiscal Year Ended June 30,		Percentage
	2024	2023	Change
Revenues			
Program revenues			
Charges for services	$ 3,185,694	$ 4,424,956	-28.01%
Operating grants and contributions	24,273,393	19,584,885	23.94%
Capital grants and contributions	4,512,999	2,232,888	102.11%
General revenues			
Property taxes	11,312,108	10,903,261	3.75%
State aid-formula grants	32,333,024	31,909,173	1.33%
Other	206,525	741,206	-72.14%
Investment income	1,914,433	1,487,021	28.74%
Gain on sale of assets	174,022	178,212	-2.35%
Total revenues	77,912,198	71,461,602	9.03%
Expenditures			
Administration	$ 2,166,328	$ 1,967,134	10.13%
District support services	1,696,862	2,241,105	-24.28%
Elementary and secondary regular education	23,966,628	20,124,552	19.09%
Vocational education instruction	805,326	644,611	24.93%
Special education instruction	13,936,093	12,508,835	11.41%
Instructional support services	5,284,410	3,710,832	42.40%
Pupil support services	5,611,270	5,080,040	10.46%
Sites and buildings	8,477,362	8,486,482	-0.11%
Fiscal and other fixed cost programs	352,443	236,177	49.23%
Food service	3,254,863	2,817,373	15.53%
Community service	2,165,279	1,561,798	38.64%
Unallocated depreciation	25,294	29,970	-15.60%
Interest and fiscal charges on long-term debt	1,076,669	1,069,472	0.67%
Total expenditures	68,818,827	60,478,381	13.79%
Change in net position	9,093,371	10,983,221	-17.21%
Beginning of year net position	39,067,886	28,084,665	39.11%
Accounting changes	764,032	-	N/A
Error correction	(1,634,733)	-	N/A
Beginning of year net position, as restated	38,197,185	28,084,665	36.01%
Ending of year net position	$ 47,290,556	$ 39,067,886	21.05%

Overview of the Basic Financial Statements (Continued)

Change in Net Position (Continued)
The District's total revenues were $77,912,198 for the year ended June 30, 2024. Property taxes and state aids accounted for 15% and 41%, respectively, of total revenues. For the fiscal year ending June 30, 2024, the overall percentage of revenue funds received from state aid has remained similar to the previous year (see Figure A-1).

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

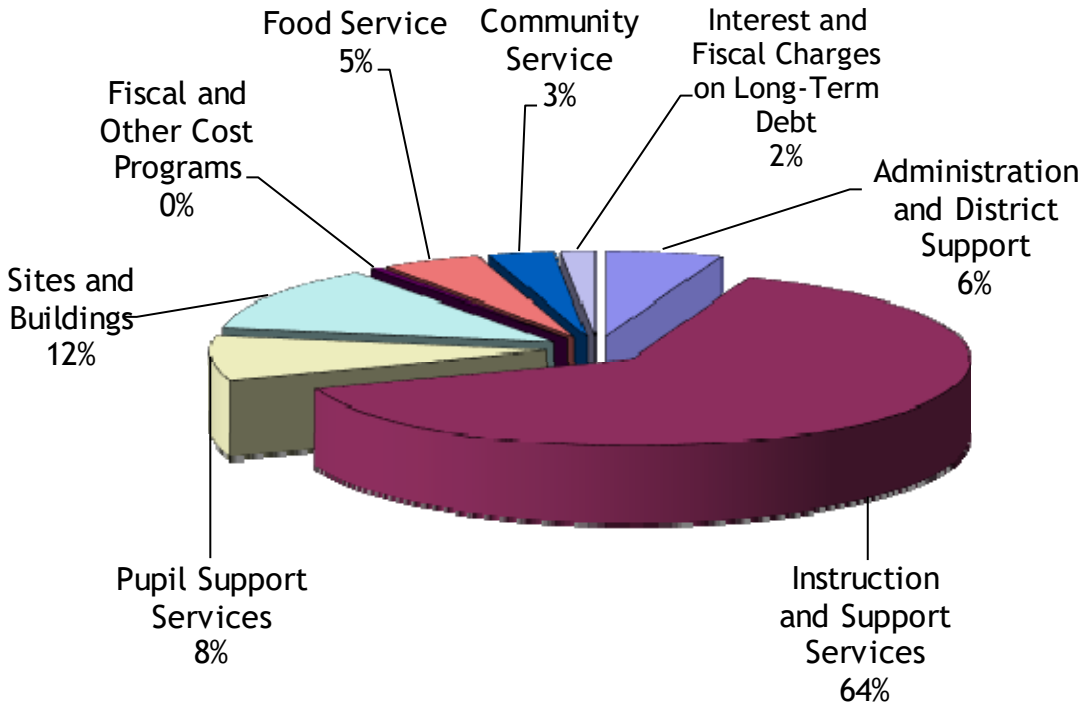


Overview of the Basic Financial Statements (Continued)

Change in Net Position (Continued)

The total costs of all programs and services were $68,818,827. Most of these costs are instruction and support services and pupil support services, 64% and 8%, respectively (see Figure A-2). The majority of District expenditures in operating areas are for human resources. Salaries and benefits make up approximately 72% of total expenditures. Many of the other operational costs are fixed costs, such as utilities and core supplies.

Figure A-2 District Expenses for Fiscal 2024



Overview of the Basic Financial Statements (Continued)

Change in Net Position (Continued)

The net cost of governmental activities is the total cost less program revenues applicable to each category. All governmental activities include not only funds received for the general operation of the District, but also include resources from the entrepreneurial-type funds of Food Service and Community Education. Funding for the general operation of the District is controlled by the State and the District does not have the latitude to allocate money received in Food Service or Community Education for the fiscal services to enhance general operation resources. Table A-3 presents these costs.

Net Cost of Governmental Activities
Table A-3

	Total Cost of Services		Total Percentage Change	Net Cost of Services		Total Percentage Change
	2024	2023	2024-2023	2024	2023	2024-2023
Administration	$ 2,166,328	$ 1,967,134	10.13%	$ 2,166,328	$ 1,967,134	10.13%
District Support Services	1,696,862	2,241,105	-24.28%	1,604,963	2,241,105	-28.39%
Elementary and Secondary Regular Education	23,966,628	20,124,552	19.09%	17,333,770	15,160,793	14.33%
Vocational Education Instruction	805,326	644,611	24.93%	751,398	572,475	31.25%
Special Education Instruction	13,936,093	12,508,835	11.41%	2,152,656	1,169,636	84.04%
Instructional Support Services	5,284,410	3,710,832	42.40%	3,550,297	2,861,901	24.05%
Pupil Support Services	5,611,270	5,080,040	10.46%	3,097,036	2,729,352	13.47%
Sites and Buildings	8,477,362	8,486,482	-0.11%	4,478,863	6,253,594	-28.38%
Fiscal and Other Fixed Cost Programs	352,443	236,177	49.23%	352,443	236,177	49.23%
Food Service	3,254,863	2,817,373	15.53%	(258,643)	(173,451)	49.12%
Community Service	2,165,279	1,561,798	38.64%	515,667	117,494	338.89%
Depreciation - Unallocated	25,294	29,970	-15.60%	25,294	29,970	-15.60%
Interest and Fiscal Charges on Long-Term Debt	1,076,669	1,069,472	0.67%	1,076,669	1,069,472	0.67%
Total	$ 68,818,827	$ 60,478,381	13.79%	$ 36,846,741	$ 34,235,652	7.63%

The increase of total cost of services and net cost of services is primarily due to increases to employment agreements.

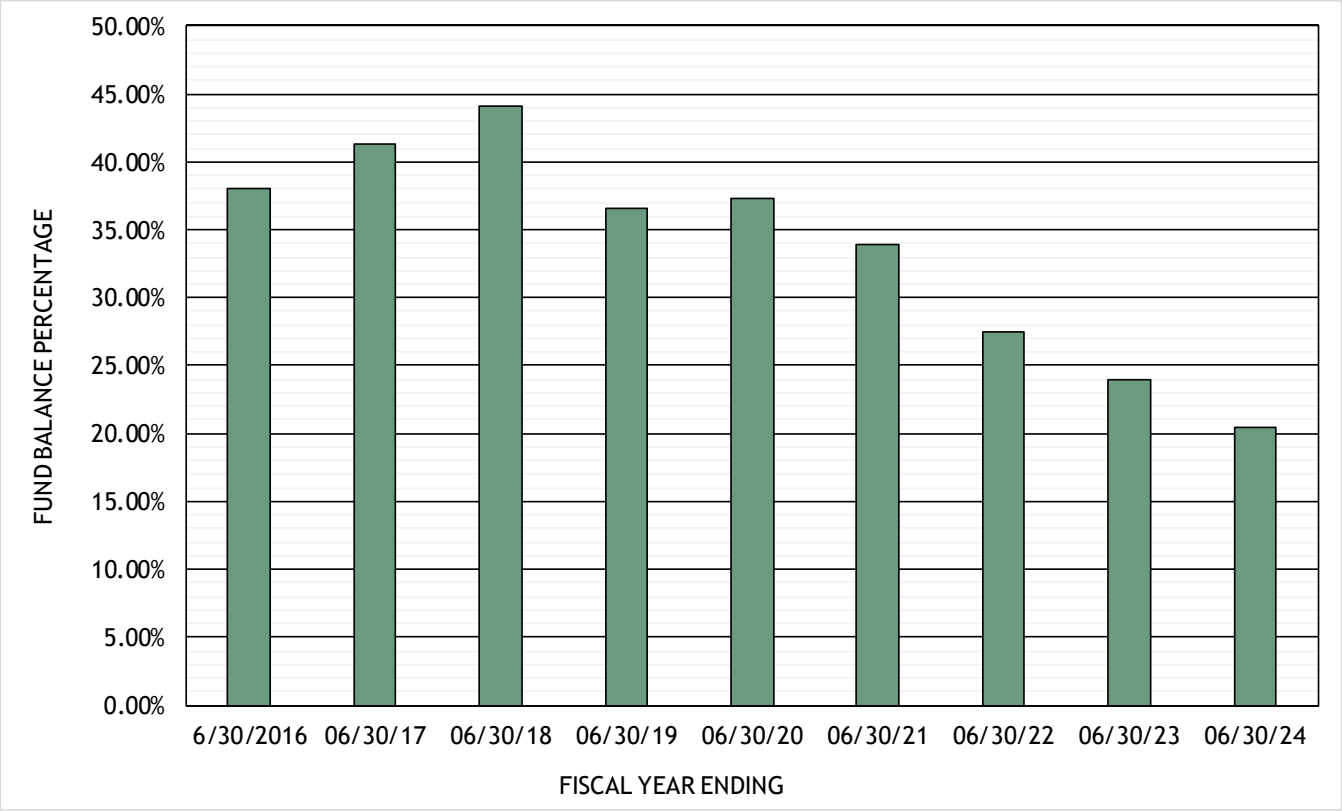
Fund Balance

The financial performance of the District as a whole is reflected in its governmental funds. As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $32,171,256 an overall decrease of $1,535,392. The General Fund decreased by $1,882,196, as a result of increasing expenditures and revenue increases that are not keeping pace with inflation. The Food Service fund balance increased by $382,961 this increase was the result of the MN Free School Meals Program, interest revenue and lack of staff to fill vacant positions. The Community Service fund had an increase to fund balance of $90,738, due to increase participation in community ed and summer rec programming. The Debt Service fund was stable, ending the year with an increase in fund balance of $39,104.

Overview of the Basic Financial Statements (Continued)

Fund Balance *(Continued)*
We continue to monitor our general unassigned fund balance. These dollars are the least restrictive funds available to the school district. In the year ending June 30, 2024, the District's unassigned fund balance decreased by $693,022. We currently have $13,840,278 in our unassigned fund balance.

Figure A-3 Unassigned Fund Balance



Overview of the Basic Financial Statements (Continued)

General Fund

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

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

Summary of General Fund Revenues
Table A-4

	June 30, 2024	June 30, 2023	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources				
Property taxes	5,383,371	4,943,338	$ 440,033	8.90%
Other	3,438,301	3,563,756	(125,455)	-3.52%
State sources	51,785,050	47,433,855	4,351,195	9.17%
Federal sources	4,804,843	2,987,368	1,817,475	60.84%
Sales and other conversion of assets	145,574	125,185	20,389	16.29%
Total General Fund revenue	$ 65,557,139	$ 59,053,502	$ 6,503,637	11.01%

Total General Fund revenue increased by $6,503,637, or 11.01%, from the previous year.

General fund revenue is received in two major categories as follows:

1. State Education Finance Appropriations
   a. General Education Aid – The largest share of the education finance appropriation, general education aid, is intended to provide the basic financial support for the education program and is enrollment driven.
   b. Categorical Aids – Categorical revenue formulas are used to meet costs of that program (i.e., special education) or promote certain types of programs (i.e., career and technical aid, staff development, operating capital, long-term facilities maintenance).
2. Property Tax Levies
   a. The largest share of the levy is from board-approved local optional revenue, which is also enrollment driven.

Overview of the Basic Financial Statements (Continued)

General Fund (Continued)

General Fund Expenditures are itemized in Table A-5:

Summary of General Fund Expenditures
Table A-5

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2024	June 30, 2023		
Salaries	$ 36,238,206	$ 34,327,115	$ 1,911,091	5.57%
Employee benefits	12,589,607	11,319,777	1,269,830	11.22%
Purchased services	8,207,816	8,150,918	56,898	0.70%
Supplies, material, and equipment	2,256,031	2,781,017	(524,986)	-18.88%
Other expenditures	8,490,417	4,170,454	4,319,963	103.58%
Total expenditures	$ 67,782,077	$ 60,749,281	$ 7,032,796	11.58%

General Fund expenditures in the current fiscal year rose by $7,032,796, representing a 11.58% increase compared to the previous year. The district experienced notable growth in expenses related to employment contract settlements. We also continue to strategically invest in maintaining our facilities which makes up the large increase in other expenditures.

Purchased services and expenses related to supplies, materials, and equipment cover a broad range of expenditures. This includes fees for services, postage, utility bills, diesel and gasoline costs, property insurance, maintenance and repairs, leasing expenses, travel expenses, telephone bills, tuition fees, contracted transportation, instructional supplies, textbooks, as well as capital investments in equipment, and technology.

Budgetary Highlights

During the year ended June 30, 2024, the District revised its operating budget one time. The original budget was adopted in March of 2023 (a budget must be in place prior to the beginning of the fiscal year on July 1). The final budget was adopted in January of 2024. The final budget encompasses known changes due to student enrollment, staffing levels, and other significant information items that are estimates. A similar revision is made each year for the same reasons.

Capital Assets and Debt Administration

Capital Assets

The District investment in capital assets for its governmental activities equates to $106,915,510 (net of accumulated depreciation/ amortization). This investment in capital assets includes land, buildings and systems, improvements, machinery, equipment and leased equipment (see Table A-6). Additional information on capital assets can be found in Note 4 of this report.

Capital Assets - Governmental Activities
Table A-6

	2024	2023	Percent Change 2024-2023
Land and land improvements	$ 12,284,043	$ 12,075,348	1.73%
Construction in progress	1,582,817	$ 1,501,498	5.42%
Buildings	135,260,996	$ 131,964,212	2.50%
Equipment	11,772,631	$ 9,810,320	20.00%
Less accumulated depreciation/ amortization	(53,984,977)	(49,859,018)	8.28%
Total	$ 106,915,510	$ 105,492,360	1.35%

Long-Term Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of $52,686,050. Additional information on long-term debt can be found in Note 5 of this report.

Outstanding Long-Term Liabilities
Table A-7

	Total School District		Percent Change
	2024	2023	2024-2023
G. O. Bonds payable	$ 49,785,000	$ 54,425,000	-8.53%
Financed purchases from direct borrowing	879,549	1,583,159	-44.44%
Lease liability	122,309	178,015	0.00%
Premium/issuance costs	1,638,689	3,248,087	-49.55%
Compensated absences and severance payable	260,503	258,551	0.75%
Total	$ 52,686,050	$ 59,692,812	-11.74%

State Economic Factors and Next Year's Budget

- The budget for the 2024-2025 fiscal year was completed using the latest funding information available and based on estimates related to student counts that were available in March of 2024.
- Inflation continues to outpace funding increases.
- We continue to graduate classes larger that the new classes coming in, this will lead to several years of declining enrollment unless circumstances change.
- Interest revenue has provided significant revenue for the District in the last couple of years. We are starting to see a decreases in interest rates. This will have an impact on the budget going forward.
- Anticipated increases in the cost of operation of all facilities were taken into consideration in the budget development process.
- A budget revision will be done mid-year to reflect all known and anticipated changes to the budget as of that date.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Independent School District No. 47 Sauk Rapids-Rice Public Schools, Attention: Director of Business Services, 1833 Osauka Road, Sauk Rapids, Minnesota, 56379.

BASIC FINANCIAL STATEMENTS

Independent School District No. 47
Statement of Net Position
June 30, 2024

	Governmental Activities
Assets	
Cash and investments	$ 38,903,446
Current property taxes receivable	5,566,684
Delinquent property taxes receivable	164,471
Accounts receivable	21,675
Due from Department of Education	5,302,826
Due from Federal Government through Department of Education	1,478,317
Due from other Minnesota school districts	794,909
Due from other governmental units	98,813
Inventory	55,021
Prepaid items	97,770
Capital assets not being depreciated	
Land	2,473,698
Construction in progress	1,582,817
Capital assets less: accumulated depreciation	
Buildings	135,260,996
Land improvements	9,810,345
Equipment	11,492,992
Leased equipment	279,639
Less accumulated depreciation/ ammortization	(53,984,977)
Total assets	159,399,442
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	9,632,139
Deferred outflows of resources related to OPEB	336,824
Total deferred outflows of resources	9,968,963
Total assets and deferred outflows of resources	$ 169,368,405
Liabilities	
Accounts payable	$ 1,813,719
Contracts payable	78,241
Salaries and benefits payable	6,298,411
Interest payable	582,263
Due to other Minnesota school districts	450,000
Due to other governmental units	51
Unearned revenue	120,449
Bond principal payable, net of premium	
Payable within one year	4,820,000
Payable after one year	46,603,689
Lease liability	
Payable within one year	57,629
Payable after one year	64,680
Financed purchase from direct borrowing	
Payable within one year	550,523
Payable after one year	329,026
Compensated absences payable	
Payable within one year	203,506
Payable after one year	56,997
Total other post employment benefits (OPEB) liability	
Payable within one year	195,485
Payable after one year	2,069,496
Net pension liability	40,420,101
Total liabilities	104,714,266
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	11,441,197
Deferred inflows of resources related to deferred charge on refunding	1,515,150
Deferred inflows of resources related to pensions	3,879,798
Deferred inflows of resources related to OPEB	527,438
Total deferred inflows of resources	17,363,583
Net Position	
Net investment in capital assets	52,974,813
Restricted for	
Debt service	987,620
Capital projects	472,293
Other purposes	11,956,002
Unrestricted	(19,100,172)
Total net position	47,290,556
Total liabilities, deferred inflows of resources, and net position	$ 169,368,405

See notes to basic financial statements.

Independent School District No. 47
Statement of Activities
Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities					
Administration	$ 2,166,328	$ -	$ -	$ -	$ (2,166,328)
District support services	1,696,862	-	91,899	-	(1,604,963)
Elementary and secondary regular instruction	23,966,628	1,440,601	5,192,257	-	(17,333,770)
Vocational education instruction	805,326	18	53,910	-	(751,398)
Special education instruction	13,936,093	239,927	11,543,510	-	(2,152,656)
Instructional support services	5,284,410	-	1,219,613	514,500	(3,550,297)
Pupil support services	5,611,270	-	2,514,234	-	(3,097,036)
Sites and buildings	8,477,362	-	-	3,998,499	(4,478,863)
Fiscal and other fixed cost programs	352,443	-	-	-	(352,443)
Food service	3,254,863	285,061	3,228,445	-	258,643
Community education and services	2,165,279	1,220,087	429,525	-	(515,667)
Unallocated depreciation	25,294	-	-	-	(25,294)
Interest and fiscal charges on long-term debt	1,076,669	-	-	-	(1,076,669)
Total governmental activities	$ 68,818,827	$ 3,185,694	$ 24,273,393	$ 4,512,999	(36,846,741)
General revenues					
Taxes					
Property taxes, levied for general purposes					5,400,341
Property taxes, levied for community service					301,030
Property taxes, levied for debt service					5,610,737
State aid-formula grants					32,333,024
Other general revenues					206,525
Investment income					1,914,433
Gain of sale of assets					174,022
Total general revenues					45,940,112
Change in net position					9,093,371
Net position - beginning					39,067,886
Accounting changes (Note 11)					764,032
Error correction (Note 12)					(1,634,733)
Net position - beginning, as restated					38,197,185
Net position - ending					$ 47,290,556

See notes to basic financial statements.

Independent School District No. 47
Balance Sheet - Governmental Funds
June 30, 2024

	General	Debt Service	Other Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments	$ 30,250,362	$ 4,628,711	$ 4,024,373	$ 38,903,446
Current property taxes receivable	2,452,042	2,995,245	119,397	5,566,684
Delinquent property taxes receivable	75,211	84,270	4,990	164,471
Accounts receivable	3,800	-	17,875	21,675
Due from Department of Education	5,205,489	51,606	45,731	5,302,826
Due from Federal Government through Department of Education	1,478,317	-	-	1,478,317
Due from other Minnesota school districts	671,143	-	123,766	794,909
Due from other governmental units	98,813	-	-	98,813
Inventory	-	-	55,021	55,021
Prepaid items	97,770	-	-	97,770
Total assets	$ 40,332,947	$ 7,759,832	$ 4,391,153	$ 52,483,932
Liabilities				
Accounts payable	$ 1,536,805	$ -	$ 276,914	$ 1,813,719
Contracts payable	78,241	-	-	78,241
Salaries and benefits payable	5,949,851	-	348,560	6,298,411
Due to other Minnesota school districts	450,000	-	-	450,000
Due to other governmental units	51	-	-	51
Unearned revenue	61,676	-	58,773	120,449
Total liabilities	8,076,624	-	684,247	8,760,871
Deferred Inflows of Resources				
Unavailable revenue - delinquent property taxes	50,434	56,800	3,374	110,608
Property taxes levied for subsequent year's expenditures	4,993,949	6,189,949	257,299	11,441,197
Total deferred inflows of resources	5,044,383	6,246,749	260,673	11,551,805
Fund Balances				
Nonspendable	97,770	-	55,021	152,791
Restricted	8,978,688	1,513,083	3,391,212	13,882,983
Committed	2,087,662	-	-	2,087,662
Assigned	2,207,542	-	-	2,207,542
Unassigned	13,840,278	-	-	13,840,278
Total fund balances	27,211,940	1,513,083	3,446,233	32,171,256
Total liabilities, deferred inflows of resources, and fund balances	$ 40,332,947	$ 7,759,832	$ 4,391,153	$ 52,483,932

See notes to basic financial statements.

Independent School District No. 47
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2024

Total fund balances - governmental funds	$ 32,171,256
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	160,900,487
Less accumulated depreciation	(53,984,977)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bond principal payable	(49,785,000)
Lease payable	(122,309)
Financed purchase from direct borrowing payable	(879,549)
Unamortized premium	(1,638,689)
Compensated absences payable	(260,503)
Total OPEB liability	(2,264,981)
Net pension liability	(40,420,101)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds:	
Deferred outflows of resources related to pensions	9,632,139
Deferred inflows of resources related to pensions	(3,879,798)
Deferred outflows of resources related to OPEB	336,824
Deferred inflows of resources related to OPEB	(527,438)
Deferred charges are not recognized in the governmental funds but amortized over the life of the debt in the Statement of Activities.	(1,515,150)
Delinquent property taxes receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	110,608
Governmental funds do not report a liability for accrued interest on bonds and capital leases until due and payable.	(582,263)
Total net position - governmental activities	$ 47,290,556

See notes to basic financial statements.

Independent School District No. 47
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2024

	General	Debt Service	Other Nonmajor Funds	Total Governmental Funds
Revenues				
Local property taxes	$ 5,383,371	$ 5,604,180	$ 300,753	$ 11,288,304
Other local and county revenues	3,438,301	228,247	1,437,540	5,104,088
Revenue from state sources	51,785,050	516,066	1,931,066	54,232,182
Revenue from federal sources	4,804,843	-	1,690,110	6,494,953
Sales and other conversion of assets	145,574	-	291,501	437,075
Total revenues	65,557,139	6,348,493	5,650,970	77,556,602
Expenditures				
Current				
Administration	2,209,118	-	-	2,209,118
District support services	1,661,346	-	-	1,661,346
Elementary and secondary regular instruction	24,821,863	-	-	24,821,863
Vocational education instruction	849,631	-	-	849,631
Special education instruction	14,397,570	-	-	14,397,570
Instructional support services	4,565,055	-	-	4,565,055
Pupil support services	5,663,084	-	-	5,663,084
Sites and buildings	5,162,750	-	-	5,162,750
Fiscal and other fixed cost programs	352,443	-	-	352,443
Food service	-	-	3,175,357	3,175,357
Community education and services	-	-	2,210,068	2,210,068
Capital outlay				
Elementary and secondary regular instruction	425,001	-	-	425,001
Vocational education instruction	10,920	-	-	10,920
Special education instruction	2,746	-	-	2,746
Instructional support services	507,115	-	-	507,115
Pupil support services	39,298	-	-	39,298
Sites and buildings	5,909,444	-	205,119	6,114,563
Food service	-	-	48,728	48,728
Community education and services	-	-	4,797	4,797
Debt service				
Principal	1,198,016	4,510,000	-	5,708,016
Interest and fiscal charges	6,677	1,930,168	-	1,936,845
Total expenditures	67,782,077	6,440,168	5,644,069	79,866,314
Excess of revenues over (under) expenditures	(2,224,938)	(91,675)	6,901	(2,309,712)
Other Financing Sources (Uses)				
Proceeds from sale of assets	202,504	-	-	202,504
Bond issuance	-	9,220,000	-	9,220,000
Bond premium	-	260,779	-	260,779
Issuance of financed purchase	438,700	-	-	438,700
Insurance Recoveries	2,337	-	-	2,337
Payments on refunded debt	-	(9,350,000)	-	(9,350,000)
Transfers in	-	-	310,799	310,799
Transfers out	(310,799)	-	-	(310,799)
Total other financing sources (uses)	332,742	130,779	310,799	774,320
Net change in fund balances	(1,892,196)	39,104	317,700	(1,535,392)
Fund Balances				
Beginning of year	29,104,136	1,473,979	3,128,533	33,706,648
End of year	$ 27,211,940	$ 1,513,083	$ 3,446,233	$ 32,171,256

See notes to basic financial statements.

Independent School District No. 47
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances to the
Statement of Activities - Governmental Funds
Year Ended June 30, 2024

Net change in fund balances - total governmental funds		$ (1,535,392)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation or amortization expense.		
Capital outlays	7,080,450	
Depreciation and amortization expense	(4,758,117)	
Disposal of capital assets	(28,482)	
Compensated absences are recognized as paid in the governmental funds but recognized as the loss is incurred in the Statement of Activities.	(1,952)	
OPEB are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	194,191	
Principal payments on long-term debt are recognized as expenditures in the governmental funds but an increase in the net position in the Statement of Activities.	5,708,016	
Principal refunding payments on long-term debt are recognized as an other financinguse in the governmental funds but have no effect on the net position in the Statement of Activities.	9,350,000	
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	139,274	
Bond premiums and deferred charges on refunding's are amortized on the Statement of Activities, whereas governmental funds record the entire amount at the time of issuance.	460,123	
Proceeds from the issuance of long-term debt are recognized as an other financing source in the governmental funds but as a liability on the Statement of Net Position.	(9,658,700)	
Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	2,120,156	
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures, and, therefore, are deferred in the funds.	23,804	
Change in net position - governmental activities		$ 9,093,371

See notes to basic financial statements.

Independent School District No. 47
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 5,345,932	$ 5,471,027	$ 5,383,371	$ (87,656)
Other local and county revenues	2,207,689	2,408,524	3,438,301	1,029,777
Revenue from state sources	50,107,066	52,961,202	51,785,050	(1,176,152)
Revenue from federal sources	3,236,519	3,998,803	4,804,843	806,040
Sales and other conversion of assets	86,225	86,225	145,574	59,349
Total revenues	60,983,431	64,925,781	65,557,139	631,358
Expenditures				
Current				
Administration	2,195,431	2,216,881	2,209,118	(7,763)
District support services	2,217,508	1,654,246	1,661,346	7,100
Elementary and secondary regular instruction	23,248,614	24,489,021	24,821,863	332,842
Vocational education instruction	675,726	871,360	849,631	(21,729)
Special education instruction	13,970,186	14,373,242	14,397,570	24,328
Instructional support services	3,691,987	4,716,411	4,565,055	(151,356)
Pupil support services	5,490,344	5,765,000	5,663,084	(101,916)
Sites and buildings	6,251,520	5,791,316	5,162,750	(628,566)
Fiscal and other fixed cost programs	435,250	305,250	352,443	47,193
Capital outlay				
Elementary and secondary regular instruction	53,848	53,848	425,001	371,153
Vocational education instruction	-	-	10,920	10,920
Special education instruction	64,658	64,658	2,746	(61,912)
Instructional support services	100,000	100,000	507,115	407,115
Pupil support services	22,000	22,000	39,298	17,298
Sites and buildings	2,560,997	4,956,321	5,909,444	953,123
Debt service				
Principal	799,337	784,637	1,198,016	413,379
Interest and fiscal charges	6,678	6,678	6,677	(1)
Total expenditures	61,784,084	66,170,869	67,782,077	1,611,208
Excess of revenues under expenditures	(800,653)	(1,245,088)	(2,224,938)	(979,850)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	202,504	202,504
Issuances of leases and financed purchases	-	-	438,700	438,700
Insurance Recoveries	-	-	2,337	2,337
Transfers out	(400,000)	(400,000)	(310,799)	89,201
Total other financing sources (uses)	(400,000)	(400,000)	332,742	732,742
Net change in fund balances	$ (1,200,653)	$ (1,645,088)	(1,892,196)	$ (247,108)
Fund Balances				
Beginning of year			29,104,136	
End of year			$ 27,211,940	

See notes to basic financial statements.

Independent School District No. 47
Statement of Fiduciary Net Position
June 30, 2024

	Custodial Fund	Private Purpose Trust Fund
Assets		
Current		
Cash and cash equivalents	$ 64,034	$ 32,843
Net Position		
Restricted for student activities	11,299	-
Restricted for grants	30,835	-
Restricted scholarships	21,900	32,843
Total net position	$ 64,034	$ 32,843

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

	Custodial Fund	Private Purpose Trust Fund
Additions		
Program revenues	$ 9,539	$ -
Contributions	23,660	-
Total additions	33,199	-
Deductions		
Program expense	10,241	-
Total deductions	10,241	-
Change in net position	22,958	-
Net Position		
Beginning of year	41,076	32,843
End of year	$ 64,034	$ 32,843

See notes to basic financial statements.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. The governing body consists of a 7-member board elected by the voters of the District to serve four-year terms.

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

A. Reporting Entity

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

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

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

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

B. Basic Financial Statement Information

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

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

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

C. Measurement Focus and Basis of Accounting

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

1. Revenue Recognition

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

2. Recording of Expenditures

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

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

The District applies resources first when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available. Further, the District applies unrestricted funds in this order if various levels of unrestricted fund balances exist: committed, assigned, and unassigned.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds:

Major Funds:

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

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

Nonmajor Funds:

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

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

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

Fiduciary Funds:

Custodial Fund – This fund is used to account for resources received and held by the District for student activities, scholarships, and grants.

Trust Fund – This fund is used to account for resources received and held by the District in a trustee capacity to be used in making scholarship awards.

D. Deposits and Investments

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

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

Cash and investments at June 30, 2024, were comprised of deposits, shares in the Minnesota School District Liquid Asset Fund (MSDLAF), shares in MNTrust, brokered cash, certificates of deposit, U.S. Government Bonds, municipal bonds, money markets, and U.S. Treasury securities. MSDLAF and MNTrust securities and mutual funds are valued at amortized cost, which approximates fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

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

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

In accordance with GASB Statement No. 79, the various MSDLAF and MNTrust securities, and mutual funds are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF Liquid Shares, MNTrust shares, or the mutual funds. Investments in the MSDLAF MAX must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions.

E. Property Tax Receivable

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

F. Property Taxes Levied for Subsequent Year's Expenditures

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

G. Inventories

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

H. Prepaid Items

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property Taxes

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

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

J. Capital Assets

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

Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 or aggregate cost of more than $25,000 for grouped assets and an estimated useful life in excess of one year. Such assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation.

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

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

L. Deferred Outflows/Inflows of Resources

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Long-Term Obligations

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

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

N. Compensated Absences

The District compensates various full-time classified employees upon termination of employment for unused vacation time. The accumulated liability for unpaid vacation benefits was $189,257 as of June 30, 2024. Vacation benefits expected to be paid within one year are recorded as a current obligation.

District classified employees are entitled to sick leave at various rates for each month of full-time service. Employees are not compensated for unused sick leave upon termination of employment, unless taken in conjunction with severance pay as described in Note 1.O.

Certain classified employees who have 15 years of continuous service of at least 1,000 work hours a year with the District and have attained the age of 55 years receive severance pay based on 50% of unused sick leave of the maximum of 120 days.

Certain clerical employees who have at least 15 years of continuous service of at least 1,000 work hours a year with the District receive severance pay equal to 50% of the maximum of 120 days of an employee's unused accumulated sick leave days.

Certain custodians who have at least 20 years of continuous service of at least 1,000 work hours a year with the District receive severance pay equal to 50% of the maximum of 120 days of an employee's unused accumulated sick leave days.

The accumulated liability for compensated absences based on sick leave was $71,246 as of June 30, 2024.

O. Severance Benefits

Certain certified and classified employees, including school administration, are eligible for severance pay upon retirement.

Certain administrators who have nine years of continuous service in the District are entitled to severance pay equal to a percentage of one half of one year's pay.

During the year ended June 30, 2024, the District paid out a total of $67,365 in severance benefits to the participants eligible to receive benefits.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the additions to/deductions have been determined on the same basis as they are reported by the District. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms.

Q. Pensions

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

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

R. Risk Management

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

S. Fund Equity

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

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include but are not limited to, prepaids and inventory.

- Restricted Fund Balances – These amounts are subject to externally enforceable legal restrictions.

- Committed Fund Balances – These amounts are constrained by formal action of the School Board. The government's highest level of decision-making authority is the School Board. The formal action to establish, modify, or rescind a commitment must be made by majority vote of the School Board.

- Assigned Fund Balances – These are amounts that are constrained by the District's intent to be used for specific purposes that are neither restricted nor committed. Assignments may be made by a majority vote of the School Board. The board also delegates the power to assign fund balances to the District's Business Manager.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Fund Equity (Continued)

- Minimum Fund Balance Policy – The District will strive to maintain a minimum unassigned General Fund balance of 15% of the annual budget.

- Stabilization Arrangement – Fiscal stabilization funds in the amount of at least 3% of the prior year total General Fund expenditures shall be established by the Business Manager to protect the system from sudden shortfalls in revenue and to cover unanticipated expenditures. These stabilization funds may also be used to cover adverse financial or economic circumstances as they occur. These funds are reported as unassigned.

T. Net Position

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

U. Use of Estimates

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

V. Budgetary Information

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

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

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a policy in place to address custodial credit risk for deposits, stating deposit type securities shall be collateralized as required by *Minnesota Statutes* § 118A. As of June 30, 2024, the District's bank balance was not exposed to custodial credit risk. It was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name. The District's deposits had a book balance as listed below.

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

Pooled deposits	
Certificates of deposit	$ 280,000

B. Investments

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

Pooled Investments	Credit Rating	Fair Value	Investment Maturities: Less than 1 year
MN Trust Investment Shares		$ 895	$ 895
MDSLAF + Liquid Class	AAAm	11,749,446	11,749,446
MSDLAF + MAX Class	AAAm	15,146,275	15,146,275
Perishing - Cash	N/A	16,589	16,589
Brokered Certificate of Deposit	N/A	9,142,811	9,142,811
U.S. Treasury Securities	A-1+	1,176,317	1,176,317
U.S. Government Bonds	AA+	498,425	498,425
Municipal Bond	AA-	440,438	440,438
Total pooled investments		$ 38,171,196	$ 38,171,196

Non-Pooled Investments	Credit Rating	Fair Value	Investment Maturities: Less than 1 year
Pershing - Cash	N/A	$ 48,112	$ 48,112
Money Market	AAAm	500,000	500,000
Total non-pooled investments		$ 548,112	$ 548,112

NOTE 2 – DEPOSITS AND INVESTMENTS

B. Investments (Continued)

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* §§ 118A.04 and 118A.05 limit investments to the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy indicates the District may invest in those instruments specified in those Statutes. As of June 30, 2024, the District's investments were rated as noted in the table on the previous page.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments should be diversified to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. The District has an investment policy in place that addresses concentration of credit risk, stating the District shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, and maturities. However, it places no specific limit on the amount the District may invest in any one issuer.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The District's investment policy addresses interest rate risk, stating investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles. Furthermore, investment maturities shall be scheduled to coincide with projected District cash flow needs and shall provide for stability of income and reasonable liquidity.

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

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

- $564,701 of investments are valued using a quoted market price (Level 1 inputs)
- $11.257,991 of investments are valued using a matrix pricing model (Level 2 inputs)

C. Deposits and Investments

The following is a summary of total deposits and investments:

Deposits (Note 2.A.)	$	280,000
Pooled investments (Note 2.B.)		38,171,196
Non-pooled investments (Note 2.B)		548,112
Petty cash		1,015
Total deposits and investments	$	39,000,323

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments (Continued)

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

Statement of Net Position	
Cash and investments	$ 38,903,446
Statement of Fiduciary Net Position	
Cash and cash equivalents	
Custodial Fund	64,034
Private Purpose Trust Fund	32,843
Total deposits and investments	$ 39,000,323

NOTE 3 – INTERFUND ACTIVITY

A. Interfund Transfers

The General Fund transferred $310,799 to the Community Service Fund to cover deficit program activity in Community Education and School Readiness.

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Adjustments	Increases	Decreases	Ending Balance
Governmental activities					
Capital assets not being depreciated					
Land	$ 2,473,698	$ -	$ -	$ -	$ 2,473,698
Construction in progress	1,501,498	-	4,719,208	4,637,889	1,582,817
Total capital assets not being depreciated	3,975,196	-	4,719,208	4,637,889	4,056,515
Other capital assets					
Buildings	131,964,212	(1,975,826)	5,272,610	-	135,260,996
Land improvements	9,601,650	(42,630)	251,325	-	9,810,345
Equipment	9,530,681	963,185	1,475,196	476,070	11,492,992
Leased equipment	279,639	-	-	-	279,639
Total other capital assets at historical cost	151,376,182	(1,055,271)	6,999,131	476,070	156,843,972
Less accumulated depreciation for					
Buildings	38,867,446	(441,763)	3,033,244	-	41,458,927
Land improvements	5,914,026	(8,392)	309,482	-	6,215,116
Equipment	4,993,654	265,585	1,359,464	447,588	6,171,115
Less accumulated amortization for Leased equipment	83,892	-	55,927	-	139,819
Total accumulated Depreciation and amortization	49,859,018	(184,570)	4,758,117	447,588	53,984,977
Total other capital assets, net	101,517,164	(870,701)	2,241,014	28,482	102,858,995
Governmental activities capital assets, net	$ 105,492,360	$ (870,701)	$ 6,960,222	$ 4,666,371	$ 106,915,510

See Notes 11 and 12 for explanation of the adjustment column.

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation and amortization expense of $4,758,117 for the year ended June 30, 2024, was charged to the following governmental functions:

Administration	$ 7,053
District support services	87,267
Elementary and secondary regular instruction	750,094
Special education	5,360
Instructional support services	305,591
Pupil support services	43,914
Food service	50,373
Sites and buildings	3,483,171
Unallocated	25,294
Total depreciation/amortization	$ 4,758,117

NOTE 5 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities						
G.O. Bonds						
2020A School Building Bonds	02/06/20	2.00%-4.00%	$35,810,000	02/01/40	$ 35,810,000	$ -
2020B School Building Bonds	07/16/20	2.00%-4.00%	5,375,000	02/01/36	4,755,000	240,000
2024A School Building Refunding Bonds	03/21/24	5.00%	9,220,000	02/01/26	9,220,000	4,580,000
Financed purchase from direct borrowing					879,549	550,523
Lease liability					122,309	57,629
Unamortized Premium					1,638,689	-
Compensated absences Payable					260,503	203,506
Total all long-term liabilities					$ 52,686,050	$ 5,631,658

The long-term bond, financed purchases, and lease liabilities listed above were issued to finance acquisition and construction of capital facilities or to refinance (refund) previous bond issues. Other long-term liabilities, such as compensated absences payable, lease liabilities and financed purchase from direct borrowing are typically liquidated through the General Fund.

The District issued the 2024A G.O. School Building Refunding Bonds to refund the 2015A School Building Bonds on March 1, 2024. The refunding was undertaken to reduce future debt service payments. The refunding resulted in net cash flow savings of $106,842 and a net present value benefit of $110,086.

NOTE 5 – LONG-TERM DEBT (CONTINUED)

B. Minimum Debt Payments for Bonds and Loans

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

Year Ending June 30,	G.O. Bonds Principal	G.O. Bonds Interest	G.O. Bonds Total
2025	$ 4,820,000	$ 1,503,153	$ 6,323,153
2026	4,945,000	1,328,581	6,273,581
2027	2,380,000	1,084,381	3,464,381
2028	2,560,000	989,181	3,549,181
2029	2,660,000	886,782	3,546,782
2030-2034	14,560,000	3,186,957	17,746,957
2035-2039	14,860,000	1,473,706	16,333,706
2040	3,000,000	78,750	3,078,750
Total	$ 49,785,000	$ 10,531,491	$ 60,316,491

Year Ending June 30,	Financed Purchases from Direct Borrowing Principal	Financed Purchases from Direct Borrowing Interest	Lease Liability Principal	Lease Liability Interest
2025	$ 550,523	$ -	$ 57,629	$ 3,266
2026	109,675	-	59,619	1,279
2027	109,675	-	5,061	14
2028	109,676	-	-	-
Total	$ 879,549	$ -	$ 122,309	$ 4,559

C. Financed Purchases from Direct Borrowing

On March 1, 2022, the District entered into a financed purchase agreement for the acquisition of technology equipment. The agreement obligation and corresponding equipment totaled $1,481,696. The agreement includes first year principal payment of $600,000 and then annual principal payments of $440,848.

On May 15, 2023, the District entered into a financed purchase agreement for the acquisition of technology equipment. The agreement obligation and corresponding equipment totaled $551,172. The agreement includes annual principal and interest payments of $137,793.

On June 15, 2024, the District entered into a financed purchase agreement for the acquisition of technology equipment. The agreement obligation and corresponding equipment totaled $438,700. The agreement includes annual principal and interest payments of $109,675.

NOTE 5 – LONG-TERM DEBT (CONTINUED)

D. Lease Liability

On July 21, 2021, the District entered into an agreement with MARCO for technology equipment. The lease agreement includes monthly principal and interest payments of $5,075 for the term of the agreement. The lease agreement expires on July 22, 2026.

E. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. Bonds	$ 54,425,000	$ 9,220,000	$ 13,860,000	$ 49,785,000
Financed purchases from direct borrowing	1,583,159	438,700	1,142,310	879,549
Lease liability	178,015	-	55,705	122,309
Premium	3,248,087	260,779	1,891,908	1,638,689
Compensated absences Payable	258,551	239,508	237,556	260,503
Total long-term liabilities	$ 59,692,812	$ 10,158,987	$ 17,187,479	$ 52,686,050

NOTE 6 – FUND BALANCES/NET POSITION

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

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

Fund Balance

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

	General Fund	Debt Service	Other Nonmajor Funds	Total
Nonspendable for				
Inventory	$ -	$ -	$ 55,021	$ 55,021
Prepaid items	97,770	-	-	97,770
Total nonspendable	97,770	-	55,021	152,791
Restricted/reserved for				
Student Activity	392,826	-		392,826
Scholarship	32,973	-	-	32,973
Staff Development	2,254	-	-	2,254
Teacher Development and Evaluation	20,320	-	-	20,320
Student Support Personnel Aid	56,073	-	-	56,073
English Learner	63,619	-	-	63,619
Literacy Incentive Aid	217,114	-	-	217,114
Operating Capital	6,055,239	-	-	6,055,239
Gifted and Talented	41,735	-	-	41,735
Achievement and Integration	22,813	-	-	22,813
Safe Schools - Crime Levy	115,822	-	-	115,822
Long-Term Facilities Maintenance	1,480,275	-	-	1,480,275
Medical Assistance	459,000	-	-	459,000
School Library Aid	18,625	-	-	18,625
Community Education	-	-	368,758	368,758
Early Childhood and Family Education	-	-	190,175	190,175
School Readiness	-	-	121,125	121,125
Adult Basic Education	-	-	100,965	100,965
Restricted for				
Food Service	-	-	2,029,890	2,029,890
Community Service	-	-	108,006	108,006
Debt Service	-	1,513,083	-	1,513,083
Capital Projects	-	-	472,293	472,293
Total restricted/reserved	8,978,688	1,513,083	3,391,212	13,882,983
Committed for				
Separation benefits	2,087,662	-	-	2,087,662
Assigned for				
Budget carryover	1,545,035	-	-	1,545,035
Capital	348,905	-	-	348,905
Student activities	313,602	-	-	313,602
Total assigned	2,207,542	-	-	2,207,542
Unassigned	13,840,278	-	-	13,840,278
Total fund balance	$ 27,211,940	$ 1,513,083	$ 3,446,233	$ 32,171,256

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

Fund Balance (Continued)
Nonspendable for Inventory – A portion of the fund balance has been spent on inventory and is not available for other uses.

Nonspendable for Prepaid Items – A portion of the fund balance has been spent on prepaid items and is not available for other uses.

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

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

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

Restricted/Reserved for Teacher Development and Evaluation – This balance represents resources available for teacher development and evaluation uses listed in *Minnesota Statutes* § 122A.40, subd. 8 or 122A.41, subd. 5.

Restricted/Reserved for Student Support Personnel Aid – This balance represents available resources to be used for student support personnel that are in addition to current staff levels.

Restricted/Reserved for English Learner – This balance represents resources available for English Learner students per Minnesota Statutes § 2023, 124D.59, subd. 2.

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

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

Restricted/Reserved for Gifted and Talented – The part of general education aid revenue for the gifted and talented program that is unspent at years end must be reserved in this Balance Sheet account.

Restricted/Reserved for Achievement and Integration Revenue – This balance represents unspent resources available from the achievement and integration program.

Restricted/Reserved for Safe Schools Revenue – The unspent resources available from the Safe Schools revenue must be restricted in this account for future use.

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

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

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

Fund Balance (Continued)
Restricted/Reserved for School Library Aid – This balance represents resources available for the school library aid uses listed in Minnesota Statute § 134.356, subd. 1.

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

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

Restricted/Reserved for School Readiness – This balance represents the resources available to provide for services for school readiness programs. Related to Finance Code 344, School Readiness *Minnesota Statutes* § 124D.16.

Restricted/Reserved for Adult Basic Education – This account will represent the balance of carryover monies for all activity involving adult basic education.

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

Restricted for Community Service – This balance represents the remaining aggregate resources for community service programs after other restrictions are removed.

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

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

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

Assigned for Budget Carryover – This balance represents amounts segregated from unrestricted funds for unspent budget amounts.

Assigned for Capital – This balance represents amounts segregated from unrestricted funds for capital improvements.

Assigned for Student Activities – This balance represents the aggregate activity for student accounts under School Board control.

B. Net Position
Net position restricted for other purposes is comprised of the General Fund positive restricted balances and Special Revenue Funds balances adjusted to net position.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

The District participates in various pension plans. Total pension expense for the year ended June 30, 2024, was $1,388,130. The components of pension expense are noted in the following plan summaries.

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

Teachers' Retirement Association

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

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

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

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

Tier 1 Benefits

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

With these provisions:

- Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- 3% per year early retirement reduction factor for all years under normal retirement age.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier 1 Benefits (Continued)

- Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

Or

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

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

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

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

C. Contribution Rate

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

C. Contribution Rate (Continued)

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

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

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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Valuation date	July 1, 2023
Measurement date	June 30, 2023
Experience study	June 28, 2019 (demographic and economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% after June 30, 2028.
Projected salary increase	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% after June 30, 2028.
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortaility Assumptions	
Pre-retirement	RP 2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP 2015 scale.
Post-retirement	RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5 %	5.10 %
International equity	16.5	5.30
Private markets	25.0	5.9
Fixed income	25.0	0.75
Total	100.0 %	

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

Changes in actuarial assumptions since the 2022 valuation:

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

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

The 2024 Omnibus Pensions and Retirement Bill:

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

E. Discount Rate

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

F. Net Pension Liability

On June 30, 2024, the District reported a liability of $33,379,914 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 0.4043% at the end of the measurement period and 0.4187% for the beginning of the year.

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

District's proportionate share of net pension liability	$ 33,379,914
State's proportionate share of the net pension liability associated with the District	2,338,104

For the year ended June 30, 2024, the District recognized pension expense of $282,137. Included in this amount, the District recognized $329,223 as pension expense for the support provided by direct aid.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 338,137	$ 490,260
Net difference between projected and actual earnings on plan investments	-	64,658
Changes of assumptions	4,016,353	-
Changes in proportion	607,149	960,897
Contributions to TRA subsequent to the measurement date	2,396,602	-
Total	$ 7,358,241	$ 1,515,815

The $2,396,602 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

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

Year Ended June 30,	Pension Expense Amount
2025	$ 581,329
2026	(133,530)
2027	3,843,632
2028	(592,341)
2029	(253,266)
Total	$ 3,445,824

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

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

District proportionate share of NPL		
1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
$ 53,238,507	$ 33,379,914	$ 17,123,237

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

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

Public Employees' Retirement Association

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

General Employees Retirement Plan

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

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

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

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2024 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2024, were $781,589. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2024, the District reported a liability of $7,040,187 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 $193,968.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.1259% at the end of the measurement period and 0.1286% for the beginning of the period.

School's proportionate share of net pension liability	$ 7,040,187
State of Minnesota's proportionate share of the net pension liability associated with the School	193,968
Total	$ 7,234,155

For the year ended June 30, 2024, the District recognized pension expense of $1,105,993 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized $872 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 232,392	$ 48,766
Changes in actuarial assumptions	1,146,766	1,929,655
Net difference between projected and actual investments earnings	-	225,182
Change in proportion	113,151	160,380
Contributions paid to PERA subsequent to the measurement date	781,589	-
Total	$ 2,273,898	$ 2,363,983

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)
The $781,589 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2025	$ 224,698
2026	(1,073,898)
2027	130,250
2028	(152,724)
Total	$ (871,674)

E. Long-Term Expected Return on Investment

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0% was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

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

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

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

G. Discount Rate

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
District's proportionate share of the PERA net pension liability	$ 12,454,656	$ 7,040,187	$ 2,586,580

I. Pension Plan Fiduciary Net Position

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

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

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

B. Benefits Paid

Teachers who apply for early retirement shall remain eligible to receive certain health insurance benefits until the end of the school year in which the teacher becomes Medicare eligible. The first access eligible age is 55 years of age. The General Fund, Food Service Fund and Community Service Fund typically liquidate the Liability related to OPEB.

C. Members

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

Inactive employees or beneficiaries currently receiving benefits	15
Active employees	625
Total	640

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

D. Contributions

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with Blue Cross Blue Shield. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2024, the District contributed $251,783 to the plan.

E. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Discount Rate	3.90%
Salary increases	Service graded table
Inflation	2.50%
Healthcare cost trend increases	6.25% as of July 1, 2023, grading to 5.00% over 5 years and then to 4.00% over the next 48 years.
Mortality assumption	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables With MP-2021 Generational Improvement Scale.

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

The discount rate is based on the 20-year Municipal Bond Yield of 3.90%.

Changes in Assumptions

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

F. Total OPEB Liability

The District's total OPEB liability of $2,264,981was measured as of July 1, 2023, and was determined by an actuarial valuation as of July 1, 2023.

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability (Continued)

Changes in the total OPEB liability are as follows:

	Total OPEB Liability
Balances at July 1, 2023	$ 2,230,132
Changes for the year	
Service cost	193,138
Interest	87,646
Assumption changes	(10,158)
Benefit payments	(235,777)
Net changes	34,849
Balances at July 1, 2024	$ 2,264,981

G. OPEB Liability Sensitivity

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

Total OPEB Liability/(Asset)		
1% Decrease in Discount Rate (2.9%)	Current Discount Rate (3.9%)	1% Increase in Discount Rate (4.9%)
$ 2,397,312	$ 2,264,981	$ 2,137,275

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity (Continued)

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

Total OPEB Liability/(Asset)		
1% Decrease in Trend Rate (5.25% Decreasing to 4.0%)	Current Trend Rate (6.25% Decreasing to 5.0%)	1% Increase in Trend Rate (7.25% Decreasing to 6.0%)
$ 2,032,968	$ 2,264,981	$ 2,539,487

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

For the year ended June 30, 2024, the District recognized OPEB expense of $125,896. 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
Changes of assumptions	$ 40,182	$ 122,931
Liability losses	44,859	-
Liability gains	-	404,507
Contributions made subsequent to the measurement date	251,783	-
Total	$ 336,824	$ 527,438

The $251,783 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

Year Ending June 30,	Total
2025	$ (78,479)
2026	(78,479)
2027	(78,490)
2028	(100,307)
2029	(105,196)
Thereafter	(1,446)
Total	$ (442,397)

NOTE 9 – COMMITMENTS

Project	Contractor	Contract Amount	Expensed to Date	Commitment
Rice Playground	Various	$ 433,559	$ 388,873	$ 44,686
Rice Brick and Windows	Various	495,642	202,888	292,754
MS Wall Phase #4	Various	122,340	13,734	108,606
HS Theatrical Lighting	Various	663,091	264,937	398,154
HS Parking Lot Lighting	Various	377,285	94,491	282,794
HS Parking Lot	Various	924,975	614,900	310,075
Total commitments		$ 3,016,892	$ 1,579,823	$ 1,437,069

NOTE 10 – CONTINGENCY

The District is a defendant in a lawsuit. The likelihood of loss is unknown. The resolution of this matter should not have a material adverse effect on the financial condition of the District.

NOTE 11 – ACCOUNTING CHANGES

The Governmental Accounting Standards Board (GASB) has issued Implementation Guide No. 2021-1, Implementation Guidance Update - 2021. The implementation guide contains new questions and answers that address the application of GASB standards. The guide also amends certain questions and answers issued in previous implementation guides. The answer to Question 5.1 in Implementation Guide 2021-1 has been amended to state that a government should capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant.

NOTE 11 – ACCOUNTING CHANGES (CONTINUED)

Due to that change, the District had an adjustment to capital assets of $764,032 to account for the capitalization of grouped assets from prior periods.

NOTE 12 – ERROR CORRECTIONS

During fiscal year 2024, the District determined that building improvement capital assets related to a previously disposed building were not disposed. Therefore, capital assets, net of depreciation, were overstated by $1,634,733 for the fiscal year ended June 30, 2023. The effect of correcting that error is shown in the adjustment column of the capital asset footnote.

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REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 47
Schedule of Changes in Total OPEB Liability
and Related Ratios

	June 30, 2019	June 30, 2019	June 30, 2020	June 30, 2021
Total OPEB Liability				
Service cost	$ 169,713	$ 164,965	$ 169,914	$ 237,465
Interest	79,222	82,468	72,765	79,128
Differenced between expected and actual experience	-	(464,939)	-	104,679
Changes of assumptions	-	6,505	-	48,099
Plan changes	-	-	-	362,967
Benefit payments	(143,798)	(153,718)	(127,090)	(229,766)
Net change in total OPEB liability	105,137	(364,719)	115,589	602,572
Beginning of year	2,231,655	2,336,792	1,972,073	2,087,662
End of year	$ 2,336,792	$ 1,972,073	$ 2,087,662	$ 2,690,234
Covered payroll	$ 24,683,536	$ 27,747,444	$ 28,579,867	$ 32,053,466
Total OPEB liability as a percentage of covered-employee payroll	9.5%	7.1%	7.3%	8.4%

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

June 30, 2022	June 30, 2023	June 30, 2024
$ 255,075	$ 190,212	$ 193,138
67,763	60,155	87,646
-	(566,311)	-
34,250	(159,915)	(10,158)
-	160,877	-
(245,120)	(257,088)	(235,777)
111,968	(572,070)	34,849
2,690,234	2,802,202	2,230,132
$ 2,802,202	$ 2,230,132	$ 2,264,981
$ 33,015,070	$ 32,718,546	$ 33,700,102
8.5%	6.8%	6.7%

Independent School District No. 47
Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.1105%	$ 5,190,736	$ -	$ 5,190,736	$ 5,802,469	89.46%	78.75%
2015	0.1073%	5,560,843	-	5,560,843	6,200,133	89.69%	78.19%
2016	0.1065%	8,647,272	112,946	8,760,218	6,610,693	130.81%	68.91%
2017	0.1188%	7,584,114	95,394	7,679,508	7,655,773	99.06%	75.90%
2018	0.1150%	6,379,729	209,139	6,588,868	7,727,947	82.55%	79.53%
2019	0.1221%	6,750,635	209,824	6,960,459	8,644,427	78.09%	80.23%
2020	0.1219%	7,308,462	225,261	7,533,723	8,690,467	84.10%	79.06%
2021	0.1266%	5,406,387	165,143	5,571,530	9,113,200	59.32%	87.00%
2022	0.1286%	10,185,162	298,666	10,483,828	9,634,600	105.71%	76.67%
2023	0.1259%	7,040,187	193,968	7,234,155	10,009,693	70.33%	83.10%

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

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.3506%	$ 16,155,396	$ 1,136,619	$ 17,292,015	$ 16,002,214	100.96%	81.50%
2015	0.3383%	20,927,201	2,566,950	23,494,151	17,170,227	121.88%	76.77%
2016	0.3499%	83,459,499	8,376,703	91,836,202	18,202,280	458.51%	44.88%
2017	0.3734%	74,537,413	7,205,374	81,742,787	20,099,040	370.85%	51.57%
2018	0.3878%	24,357,470	2,288,270	26,645,740	21,424,627	113.69%	78.07%
2019	0.4028%	25,674,557	2,271,879	27,946,436	22,870,558	112.26%	78.21%
2020	0.4110%	30,365,231	2,544,449	32,909,680	23,882,689	127.14%	75.48%
2021	0.4176%	18,275,425	1,541,259	19,816,684	24,987,737	73.14%	86.63%
2022	0.4187%	33,527,281	2,486,311	36,013,592	25,880,731	129.55%	76.17%
2023	0.4043%	33,379,914	2,338,104	35,718,018	25,708,819	129.84%	76.42%

See notes to required supplementary information.

Independent School District No. 47
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	$ 465,010	$ 465,010	$ -	$ 6,200,133	7.50%
2016	495,802	495,802	-	6,610,693	7.50%
2017	574,183	574,183	-	7,655,773	7.50%
2018	579,596	579,596	-	7,727,947	7.50%
2019	648,332	648,332	-	8,644,427	7.50%
2020	651,785	651,785	-	8,690,467	7.50%
2021	683,490	683,490	-	9,113,200	7.50%
2022	722,595	722,595	-	9,634,600	7.50%
2023	750,727	750,727	-	10,009,693	7.50%
2024	781,589	781,589	-	10,421,187	7.50%

Schedule of District Contributions
TRA Retirement Funds
Last Ten Years

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	$ 1,287,767	$ 1,287,767	$ -	$ 17,170,227	7.50%
2016	1,365,171	1,365,171	-	18,202,280	7.50%
2017	1,507,428	1,507,428	-	20,099,040	7.50%
2018	1,606,847	1,606,847	-	21,424,627	7.50%
2019	1,763,320	1,763,320	-	22,870,558	7.71%
2020	1,891,509	1,891,509	-	23,882,689	7.92%
2021	2,031,503	2,031,503	-	24,987,737	8.13%
2022	2,158,453	2,158,453	-	25,880,731	8.34%
2023	2,198,104	2,198,104	-	25,708,819	8.55%
2024	2,396,602	2,396,602	-	27,389,737	8.75%

See notes to required supplementary information.

TRA Retirement Fund

2023 Changes
Changes of Benefit Terms
The 2023 Tax Finance and Policy Bill, effective July 1, 2025:

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

The 2024 Omnibus Pensions and Retirement Bill:

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

2022 Changes
Changes in Actuarial Assumptions

- None

2021 Changes
Changes in Actuarial Assumptions

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

2020 Changes
Changes in Actuarial Assumptions

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

2019 Changes
Changes in Actuarial Assumptions

- None

2018 Changes
Changes in Actuarial Assumptions

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

TRA Retirement Fund (Continued)

2018 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

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

2017 Changes

Changes in Actuarial Assumptions

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

2016 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.

TRA Retirement Fund (Continued)

2016 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

2015 Changes

Changes of Benefit Terms

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

Changes in Actuarial Assumptions

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

General Employees Fund

2023 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changes 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.

General Employees Fund (Continued)

2020 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

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

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

General Employees Fund (Continued)

2017 Changes (Continued)

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Other Post Employment Benefit

2023 Changes
Changes in Assumptions
- The discount rate was changed from 3.80% to 3.90%.

2022 Changes
Changes in Assumptions
- The health care trend rates, mortality tables, salary increase rates for non-teachers, and withdrawal rates were updated.
- The discount rate was changed from 2.10% to 3.80%.

Changes in Benefits
- An Early Retirement Incentive was added for teachers who retire after January 1, 2023 and prior to July 1, 2024 who have attained age 55 with at least 25 years of service. Eligible retirees receive a lump sum of $17,900 less the annual Article XXV Section 25.3 HCSP catch-up contribution made to their health care savings plan.

2021 Changes
Changes in Assumptions
- The discount rate was changed from 2.40% to 2.10%.

2020 Changes
Changes in Assumptions
- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.50% to 2.40%.

Changes in Benefits
- An Early Retirement Incentive was offered to teachers who retire after January 1, 2020, and prior to July 1, 2022, who have attained age 55 with at least 25 years of service. Eligible retirees receive a lump sum of $20,000 paid to a Health Care Savings Plan.

2019 Changes
Changes in Assumptions
- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.40% to 3.50%.

SUPPLEMENTARY INFORMATION

Independent School District No. 47
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2024

	Special Revenue Funds			
	Food Service	Community Service	Capital Projects	Total Nonmajor Funds
Assets				
Cash and investments	$ 2,302,832	$ 1,129,609	$ 591,932	$ 4,024,373
Current property taxes receivable	-	119,397	-	119,397
Delinquent property taxes receivable	-	4,990	-	4,990
Accounts receivable	17,875	-	-	17,875
Due from Department of Education	-	45,731	-	45,731
Due from other Minnesota school districts	-	123,766	-	123,766
Inventory	55,021	-	-	55,021
Total assets	$ 2,375,728	$ 1,423,493	$ 591,932	$ 4,391,153
Liabilities				
Accounts payable	$ 146,689	$ 10,586	$ 119,639	$ 276,914
Salaries and benefits payable	85,355	263,205	-	348,560
Unearned revenue	58,773	-	-	58,773
Total liabilities	290,817	273,791	119,639	684,247
Deferred Inflows of Resources				
Unavailable revenue - delinquent property taxes	-	3,374	-	3,374
Property taxes levied for subsequent year's expenditures	-	257,299	-	257,299
Total deferred inflows of resources	-	260,673	-	260,673
Fund Balances				
Nonspendable	55,021	-	-	55,021
Restricted	2,029,890	889,029	472,293	3,391,212
Total fund balances	2,084,911	889,029	472,293	3,446,233
Total liabilities, deferred inflows of resources, and fund balances	$ 2,375,728	$ 1,423,493	$ 591,932	$ 4,391,153

Independent School District No. 47
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2024

	Special Revenue Funds			
	Food Service	Community Service	Capital Projects	Total Nonmajor Funds
Revenues				
Local property taxes	$ -	$ 300,753	$ -	$ 300,753
Other local and county revenues	93,540	1,294,880	49,120	1,437,540
Revenue from state sources	1,538,335	392,731	-	1,931,066
Revenue from federal sources	1,690,110	-	-	1,690,110
Sales and other conversion of assets	285,061	6,440	-	291,501
Total revenues	3,607,046	1,994,804	49,120	5,650,970
Expenditures				
Current				
Food service	3,175,357	-	-	3,175,357
Community education and services	-	2,210,068	-	2,210,068
Capital outlay				
Sites and buildings	-	-	205,119	205,119
Food service	48,728	-	-	48,728
Community education and services	-	4,797	-	4,797
Total expenditures	3,224,085	2,214,865	205,119	5,644,069
Excess of revenues over (under) expenditures	382,961	(220,061)	(155,999)	6,901
Other Financing Sources				
Transfers in	-	310,799	-	310,799
Net change in fund balances	382,961	90,738	(155,999)	317,700
Fund Balances				
Beginning of year	1,701,950	798,291	628,292	3,128,533
End of year	$ 2,084,911	$ 889,029	$ 472,293	$ 3,446,233

Independent School District No. 47
Uniform Financial Accounting And Reporting Standards
Compliance Table
Year Ended June 30, 2024

	Audit	UFARS	Audit-UFARS
01 GENERAL FUND			
Total revenue	$ 65,557,139	$ 65,557,140	$ (1)
Total expenditures	67,782,077	67,782,078	(1)
Nonspendable:			
4.60 Nonspendable fund balance	97,770	97,770	-
Restricted/reserved:			
4.01 Student Activities	392,826	392,826	-
4.02 Scholarships	32,973	32,973	-
4.03 Staff Development	2,254	2,255	(1)
4.07 Capital Projects Levy	-	-	-
4.08 Cooperative Programs	-	-	-
4.12 Literacy Incentive Aid	217,114	217,114	-
4.14 Operating Debt	-	-	-
4.16 Levy Reduction	-	-	-
4.17 Taconite Building Maintenance	-	-	-
4.20 American Indian Ed Aid	-	-	-
4.24 Operating Capital	6,055,239	6,055,240	(1)
4.26 $25 Taconite	-	-	-
4.27 Disabled Accessibility	-	-	-
4.28 Learning and Development	-	-	-
4.34 Area Learning Center	-	-	-
4.35 Contracted Alternative Programs	-	-	-
4.36 State Approved Alternative Program	-	-	-
4.38 Gifted and Talented	41,735	41,735	-
4.39 English Learner	63,619	63,619	-
4.40 Teacher Development and Evaluation	20,320	20,320	-
4.41 Basic Skills Programs	-	-	-
4.43 School Library Aid	18,625	18,625	-
4.45 Career Technical Programs	-	-	-
4.48 Achievement and Integration Revenue	22,813	22,813	-
4.49 Safe School Crime	115,822	115,822	-
4.51 QZAB payments	-	-	-
4.52 OPEB liabilities not held in trust	-	-	-
4.53 Unfunded Severance and Retirement Levy	-	-	-
4.59 Basic Skills Extended Time	-	-	-
4.67 Long-term Facilities Maintenance	1,480,275	1,480,275	-
4.71 Student Support Personnel	56,073	56,073	-
4.72 Medical Assistance	459,000	459,000	-
Restricted:			
4.64 Restricted fund balance	-	-	-
4.75 Title VII - Impact Aid	-	-	-
4.76 Payments in Lieu of Taxes	-	-	-
Committed:			
4.18 Separation benefits	2,087,662	2,087,662	-
4.61 Committed	-	-	-
Assigned:			
4.62 Assigned fund balance	2,207,542	2,207,542	-
Unassigned			
4.22 Unassigned fund balance (net position)	13,840,278	13,840,277	1
02 FOOD SERVICES FUND			
Total revenue	$ 3,607,046	$ 3,607,047	$ (1)
Total expenditures	3,224,085	3,224,086	(1)
Nonspendable:			
4.60 Nonspendable fund balance	55,021	55,021	-
Restricted/reserved:			
4.52 OPEB Liabilities not Held in Trust	-	-	-
Restricted:			
4.64 Restricted fund balance	2,029,890	2,029,889	1
Unassigned:			
4.63 Unassigned fund balance	-	-	-
04 COMMUNITY SERVICE FUND			
Total revenue	$ 1,994,804	$ 1,994,803	$ 1
Total expenditures	2,214,865	2,214,865	-
Nonspendable:			
4.60 Nonspendable fund balance	-	-	-
Restricted/reserved:			
4.26 $25 Taconite	-	-	-
4.31 Community Education	368,758	368,758	-
4.32 ECFE	190,175	190,175	-
4.40 Teacher Development and Evaluation	-	-	-
4.44 School Readiness	121,125	121,125	-
4.47 Adult Basic Education	100,965	100,965	-
4.52 OPEB Liabilities not Held in Trust	-	-	-
Restricted:			
4.64 Restricted fund balance	108,006	108,003	3
Unassigned:			
4.63 Unassigned fund balance	-	-	-

	Audit	UFARS	Audit-UFARS
06 BUILDING CONSTRUCTION FUND			
Total revenue	$ 49,120	$ 49,118	$ 2
Total expenditures	205,119	205,119	-
Nonspendable:			
4.60 Nonspendable fund balance	-	-	-
Restricted/reserved:			
4.07 Capital Projects Levy	-	-	-
4.13 Building Projects Funded by COP/LP	-	-	-
4.67 LTFM	-	-	-
Restricted:			
4.64 Restricted fund balance	472,293	472,293	-
Unassigned:			
4.63 Unassigned fund balance	-	-	-
07 DEBT SERVICE FUND			
Total revenue	$ 6,348,493	$ 6,348,494	$ (1)
Total expenditures	6,440,168	6,440,168	-
Nonspendable:			
4.60 Nonspendable fund balance	-	-	-
Restricted/reserved:			
4.25 Bond refunding	-	-	-
4.33 Maximum effort loan aid	-	-	-
4.51 QZAB payments	-	-	-
4.67 LTFM	-	-	-
Restricted:			
4.64 Restricted fund balance	1,513,083	1,513,084	(1)
Unassigned:			
4.63 Unassigned fund balance	-	-	-
08 TRUST FUND			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
4.01 Student Activities	-	-	-
4.02 Scholarships	32,843	32,843	-
4.22 Net Position	-	-	-
18 CUSTODIAL FUND			
Total revenue	$ 33,199	$ 33,198	$ 1
Total expenditures	10,241	10,241	-
4.01 Student Activities	11,299	11,299	-
4.02 Scholarships	21,900	21,900	-
4.48 Achievement & Integration	-	-	-
4.64 Restricted Fund Balance	30,835	30,834	1
20 INTERNAL SERVICE FUND			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
4.22 Net Position	-	-	-
25 OPEB REVOCABLE TRUST			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
4.22 Net Position	-	-	-
45 OPEB IRREVOCABLE TRUST			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
4.22 Net Position	-	-	-
47 OPEB DEBT SERVICE			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Nonspendable:			
4.60 Nonspendable fund balance	-	-	-
Restricted:			
4.25 Bond refundings	-	-	-
4.64 Restricted fund balance	-	-	-
Unassigned:			
4.63 Unassigned fund balance	-	-	-

Independent School District No. 47
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Grant Name	Federal Assistance Listing Number	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education		
Child Nutrition Cluster		
Commodities Programs	10.555	$ 311,591
School Breakfast	10.553	210,940
Special Milk	10.556	4,597
COVID 19 - Supply Chain Assistance	10.555C	112,702
National School Lunch	10.555	1,050,280
Total Child Nutrition Cluster and U.S. Department of Agriculture		1,690,110
U.S. Federal Communications Commission		
Through Universal Service Administrative Co.		
COVID-19 -Emergency Connectivity Fund Program	32.009	514,500
U.S. Department of Education		
Through Minnesota Department of Education		
Title I, Part A	84.010	411,713
Title II, Part A - Improving Teacher Quality	84.367	78,648
Title IV, Part A	84.186	24,576
Education Stabilization Fund		
COVID 19 - Elementary and Secondary School Education Relief (ESSER II) Fund	84.425D	425,471
COVID 19 - Elementary and Secondary School Education Relief (ESSER III) Fund	84.425U	2,379,368
COVID 19 - Elementary and Secondary School Education Relief (ESSER III) Learning Loss	84.425U	292,397
COVID 19 - Learning Recovery - Lost Instructional Time	84.425U	32,358
COVID 19 - American Rescue Plan (ARP) - Homeless II	84.425W	10,636
Total Education Stabilization Fund		3,140,230
Through Benton-Stearns Education District		
Special Education Cluster		
Special Education	84.027	507,787
Early Childhood Special Education	84.173	9,952
IDEA Part B Section 611 Mandatory Coordinated Early Intervening Services (cluster)	84.027	77,343
Total Special Education Cluster		595,082
Through Wright Technical Center		
Carl Perkins	84.048A	40,874
Total U.S. Department of Education		4,291,123
Total Federal Expenditures		$ 6,495,733

See notes to schedule of expenditures of federal awards.

Independent School District No. 47
Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – PASS-THROUGH GRANT NUMBERS

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

NOTE 4 – INVENTORY

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

NOTE 5 – INDIRECT COST RATE

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

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

Independent Auditor's Report

To the School Board
Independent School District No. 47
Sauk Rapids, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 47, Sauk Rapids, Minnesota, as of and for the year ending June 30, 2024, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 3, 2024.

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

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

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

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

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

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

Bergan KDV Ltd.

St. Cloud, Minnesota
October 3, 2024

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

Independent Auditor's Report

To the School Board
Independent School District No. 47
Sauk Rapids, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Independent School District No. 47's, Sauk Rapids, Minnesota, compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2024. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the District complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect on 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

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

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

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

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

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

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

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

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

Bergan KDV Ltd.

St. Cloud, Minnesota
October 3, 2024

Independent School District No. 47
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).
Internal control over financial reporting:	
◆ Material weakness(es) identified?	Yes, Audit Finding 2024-001
◆ Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
◆ Material weakness(es) identified?	No
◆ Significant deficiency(ies) identified?	None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No

Identification of Major Programs

Federal Assistance Listing No.:	32.009
Name of Federal Program or Cluster:	Emergency Connectivity Funds
Federal Assistance Listing No.:	84.425D, 84.425U, 84.425W
Name of Federal Program or Cluster:	Education Stabilization Funds
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low risk auditee?	Yes

Independent School District No. 47
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS:

Audit Finding 2024-001

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

Condition:
The District does not have adequate segregation of accounting duties.

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

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

Cause:
There are a limited number of office employees.

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

Views of the Responsible Officials and Planned Corrective Actions:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
   Administration will examine current segregation of accounting duties and identify areas of concern. As these areas are identified, Administration will develop practices that will address and mitigate such potential problems while working within current financial constraints. Specific areas of greatest concern will be identified first and then addressed, followed up by policies with a plan to reduce the risk of problems. Specifics will be noted in the policies as they are brought before the School Board. An individual who is responsible for the implementation of the specific control will be named as well as information on how the control added will potentially reduce risk of possible misstatement in the basic financial statements. As areas are addressed, other areas will be examined and corrected whenever possible.

Independent School District No. 47
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS: (CONTINUED)

Audit Finding 2024-001 (Continued)

Views of the Responsible Officials and Planned Corrective Actions: (Continued)

CORRECTIVE ACTION PLAN (CAP): (CONTINUED)

3. Official Responsible for Ensuring CAP
   Brad Bergstrom, Superintendent, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP
   The planned completion date for the CAP is ongoing.

5. Plan to Monitor Completion of CAP
   The School Board will be responsible to monitor the ongoing progress towards the completion of the CAP by approving the policies brought forth by Administration and review of the annual audit.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS:

Audit Finding 2023-002

Criteria or Specific Requirement:
Internal controls that assure all construction contracts entered into with federal awards have prevailing wage requirements.

Condition:
We selected a construction contract to test for prevailing wage requirements noting that this project had not met these requirements as prevailing wage verbiage was not included in the contract.

Context:
Construction contracts not following prevailing wage requirements could have been accepted.

Effect or Potential Effect:
Prevailing wage requirements could have not been met and would impact the amount of federal funding the District receives or the use of it on projects.

Cause:
The District did not oversee that prevailing wage requirements were included in contracts.

Recommendation:
Ensure the prevailing wage requirement are included in all construction contracts paid for with federal funds.

Independent School District No. 47
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS:

Audit Finding 2023-002

CORRECTIVE ACTION TAKEN (CAT):

This audit finding has been resolved.

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Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 47
Sauk Rapids, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 47, Sauk Rapids, Minnesota, as of and for the year ended June 30, 2024, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 3, 2024.

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

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

BerganKDV Ltd.

St. Cloud, Minnesota
October 3, 2024