INDEPENDENT SCHOOL DISTRICT #811
WABASHA, MINNESOTA

FINANCIAL STATEMENTS

JUNE 30, 2024

INDEPENDENT SCHOOL DISTRICT #811
WABASHA, MINNESOTA
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INDEPENDENT SCHOOL DISTRICT #811
WABASHA, MINNESOTA

INTRODUCTORY SECTION

JUNE 30, 2024

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INDEPENDENT SCHOOL DISTRICT #811
WABASHA, MINNESOTA
BOARD OF EDUCATION AND ADMINISTRATION
June 30, 2024

Name	Title	Term Ends
Michelle Meyer	Chair	2024
Kent Jeffery	Vice Chair	2024
Sharleen Klennert	Clerk	2026
Tim Adams	Treasurer	2026
Philip Rosendale	Member	2024
Brittney Ender	Member	2026
Rob Venz	Member	2026

Superintendent

Nels Onstad

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INDEPENDENT SCHOOL DISTRICT #811
WABASHA, MINNESOTA

FINANCIAL SECTION

JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Independent School District #811
Wabasha, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Independent School District #811, Wabasha, Minnesota as of and for the year ended June 30, 2024, and the related notes to 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 and each major fund of the District, as of June 30, 2024, and the respective changes in financial position, and the budgetary comparison for the General Fund and each major special revenue 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 (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS 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 substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgement 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the 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 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 Uniform Financial Accounting and Reporting Standards Compliance Table is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Supplementary Information (continued)

The Uniform Financial Accounting and Reporting Standards Compliance Table 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 Uniform Financial Accounting and Reporting Standards Compliance Table is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Summarized Comparative Information

The financial statements include partial year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statement for the year ended June 30, 2023, from which such partial information was derived.

We have previously audited the District's 2023 financial statements and our report, dated November 8, 2023, expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated October 22, 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.

Smith, Schafer and Associates, Ltd.

Red Wing, Minnesota
October 22, 2024

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INDEPENDENT SCHOOL DISTRICT #811
WABASHA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Independent School District #811 – Wabasha 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 financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

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

- Total Assets and Deferred Outflows of Resources: $36,334,823.
- Overall revenues of the General Fund were $14,108,585 while overall expenditures totaled $13,977,299.
- The General Fund Unassigned Fund Balance is $1,144,525. This represents an increase of $508,336 from last fiscal year. The Restricted General Fund balance includes State required reserves for operating capital, student activities, and medical assistance. These balances total $48,954 as compared to $376,381 last fiscal year.
- The General Fund total fund balance increased by $131,286 in fiscal 2024, this was primarily due to the 4% General Education State Aid increase and additional property aid revenue.
- The Food Service Fund total fund balance increased by $66,569 in 2023-2024. This year had expenditures of $407,925 and revenues of $474,494. Overall, expenditures decreased by $56,574 while revenues increased by $18,427. Last year's expenditures were at $464,499 and revenues were at $456,067. Expenditures decreased because of less equipment purchased and lower contracted service fees. Revenues increased due to additional state funding.
- The Community Service Fund total fund balance decreased by $28,903 in 2023-2024. The Community Services programs are back to operating at pre-pandemic levels which aids in operating a balanced budget. In this fiscal year, expenditures totaled $425,023 as compared to $396,120 in revenue compared to last year's totals of $469,363 of expenditures and $477,804 of revenues.
- The Debt Service Fund total fund balance increased by $42,428 in 2023 – 2024. The School District levies 105% of the annual principal and interest payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information, which includes the management's discussion and analysis (this section), the basic financial statements, and other required reports. The basic financial statements include two kinds of statements that present different views of the District:

- The first two 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.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

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 they have changed. Net position – the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements the District's activities are shown in one category: Governmental activities. Most of the District's basic services are included here, such as elementary and secondary regular instruction, special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of these activities.

Fund Financial Statements. The fund financial statements provide more detailed information about the District's funds – focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by bond covenants. The District establishes other funds to control and manage money for particular purposes.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The District has only one kind of fund:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The district's combined net position from Governmental activities was $336,534 on June 30, 2024. This was a decrease in net position of $94,947 from the prior year.

	Total	
	2024	2023
Assets		
Current and other assets	$ 24,361,885	$ 5,754,402
Capital assets	9,724,202	9,938,517
Total assets	34,086,087	15,692,919
Deferred Outflows of Resources	2,248,736	3,039,632
Liabilities		
Current liabilities	4,009,514	3,145,603
Long-Term liabilities	28,592,409	11,960,847
Total liabilities	32,601,923	15,106,450
Deferred Inflows of Resources	3,396,366	3,194,620
Net Position		
Net investment in capital assets	4,951,206	5,011,931
Restricted	204,536	603,890
Unrestricted	(4,819,208)	(5,184,340)
Total net position	$ 336,534	$ 431,481

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

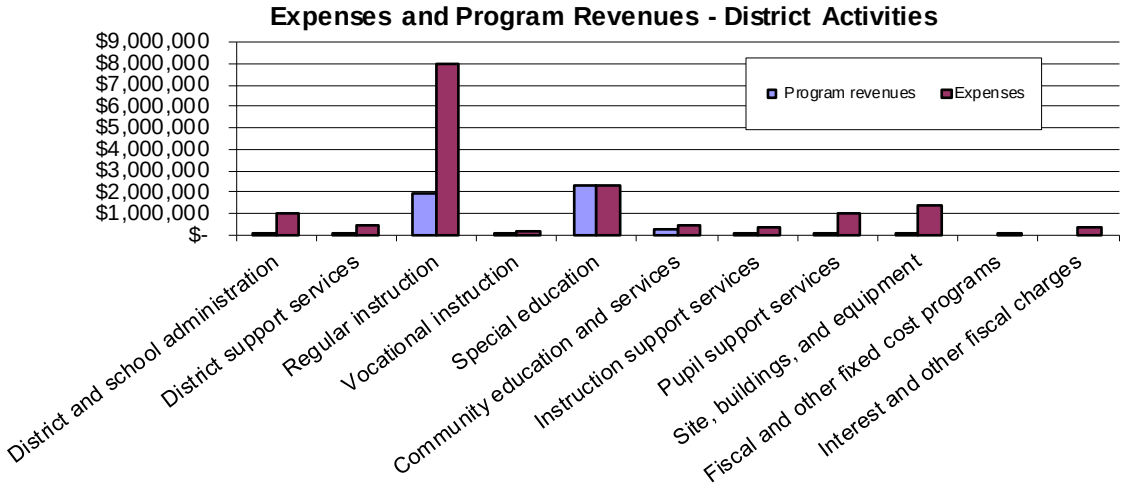
District's Revenue. The District's total revenues were $15,834,202 for the year ended June 30, 2024; compared to $13,174,570 for the year ended June 30, 2023. State sources accounted for 53% and 58% of total revenue for each of the years ended June 30, 2024 and 2023, respectively. The local property taxes (levies) accounted for 14% (compared to 17% the previous year) of total revenue, with the remaining revenue coming from other sources.

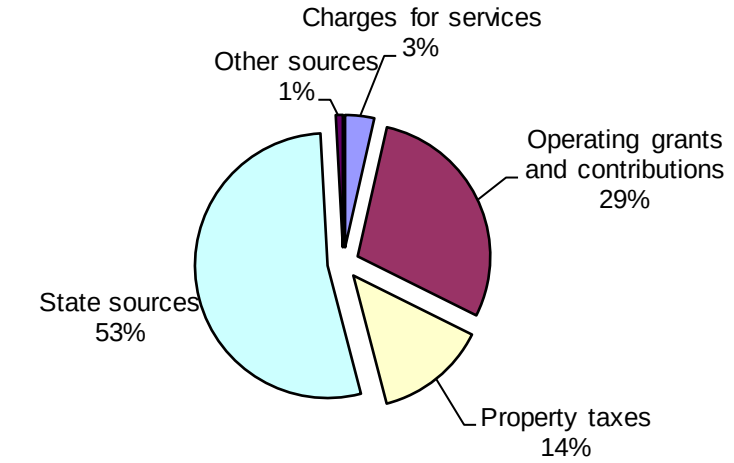
A condensed version of the Statement of Activities follows:

	Total	
	2024	2023
Revenue		
Program revenues:		
Charges for services	$ 561,443	$ 578,087
Operating grants and contributions	4,562,293	2,554,916
Capital grants and contributions		152,915
General revenues:		
Property taxes	2,151,889	2,210,042
State sources	8,422,859	7,662,961
Other sources	135,718	15,649
Total revenues	15,834,202	13,174,570
Expenses		
District and school administration	1,003,907	796,755
District support services	449,795	461,161
Regular instruction	7,978,184	5,964,095
Vocational instruction	140,990	98,316
Special education	2,353,579	1,708,639
Community education and services	427,926	430,216
Instruction support services	371,744	334,898
Pupil support services	966,994	848,342
Site, buildings, and equipment	1,408,356	1,243,063
Fiscal and other fixed cost programs	94,782	110,792
Food service	408,527	437,366
Interest and other fiscal charges	324,365	137,029
Total expenses	15,929,149	12,570,672
Change in net position	(94,947)	603,898
Net position, beginning of year	431,481	(172,417)
Net position, end of year	$ 336,534	$ 431,481

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Below are specific graphs that provide comparisons of the district activities direct program revenues with their expenses. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.





FUND BASIS FINANCIAL ANALYSIS

Financial Analysis of the District's Funds

History of enrollment measured by average daily membership (ADM) is as follows:

Fiscal Year	ADM	% Change
2017	555.18	
2018	539.57	-2.8%
2019	524.51	-2.8%
2020	635.61	21.2%
2021	1,033.22	62.6%
2022	892.33	-13.6%
2023	895.46	0.4%
2024	1,008.54	12.6%

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

Total General Fund revenue increased by $2,671,860 from the previous year (being $11,436,725 in FY23), primarily due to an increase in compensatory funding and increased online enrollment.

Local property taxes are impacted by the state provided funds for school property tax relief. This relief was provided in two principle ways: 1) removal of the general education revenue property tax via a funding model of greater state aid; and 2) roll in of additional aid for referendum revenue into the basis formula for general education revenue.

FUND BASIS FINANCIAL ANALYSIS (Continued)

General fund revenues were as follows:

	2024	2023	Increase/ (Decrease)
Local property tax levies	$ 1,405,047	$ 1,397,802	$ 7,245
Other local and county sources	281,383	192,750	88,633
Investment income	20,152	12,535	7,617
State sources	12,072,301	8,991,899	3,080,402
Federal sources	329,288	841,377	(512,089)
Sales and other conversions of assets	414	362	52
Total General Fund Revenues	$ 14,108,585	$ 11,436,725	$ 2,671,860

Total General Fund expenditures increased by $2,208,188 from the previous year, due to increased current year online consultant expenses.

General fund expenditures were as follows:

	2024	2023	Increase/ (Decrease)
District and school administration	$ 996,285	$ 869,952	$ 126,333
District support services	443,743	471,709	(27,966)
Regular instruction	7,792,951	6,262,465	1,530,486
Vocational instruction	140,626	113,062	27,564
Special education	2,359,320	1,907,650	451,670
Instructional support services	346,220	309,407	36,813
Pupil support services	950,622	902,443	48,179
Site, buildings, and equipment	852,750	821,631	31,119
Fiscal and other fixed cost programs	94,782	110,792	(16,010)
Total General Fund Expenditures	$ 13,977,299	$ 11,769,111	$ 2,208,188

The total General Fund balance on June 30, 2024, is $1,238,585 compared to $1,107,299 on June 30, 2023 (increase of $131,286). Of the General Fund balance amount, $94,060 restricted or assigned for specific purposes by state requirements or assigned – leaving an amount of $1,144,525 in the Unassigned General Fund Balance.

FUND BASIS FINANCIAL ANALYSIS (Continued)

Food Service Fund. The Food Service Fund accounts for the activities related to providing child nutrition services to support K-12 academic programs. The fund operates with the goal that revenues exceed expenditures on day-to-day school breakfast and lunch operations so that the excess can be used to systematically replace and upgrade kitchen equipment. By operating in this manner, the child nutrition services program is self-supporting and does not rely upon resources from K-12 instruction programs other than for use of school facilities.

The Food Service Fund Balance increased by $66,569. On June 30, 2024 the fund balance was $152,521; compared to last year's balance of $85,952.

The Food Service revenue for 2023-2024 totaled $474,494 compared to $456,067 the previous year – an increase of $18,427 primarily due to the state government providing free meals for all students.

The Food Service expenditures for 2023-2024 totaled $407,925 compared to $464,499 the previous year – a decrease in expenditures of $56,574.

Community Service Fund. The Community Service Fund accounts for the activities related to providing education and recreation programs for Pre-Kindergarten and Post-Grade 12 students. The fund operates on the goal of breaking even on a yearly basis so that is does not rely upon resources from K-12 instruction programs other than for use of school facilities.

The Community Service fund balance decreased by $28,903.

Community Service Fund revenues for 2023-2024 totaled $396,120; compared to $477,804 in the prior year. This was a decrease in revenue of $81,684. This decrease in revenue was primarily due the end of pre-pandemic funding.

Community Service Fund expenditures for 2023-2024 totaled $425,023; compared to $469,363 in the prior year. This decrease of $44,340 was due to end of pandemic funded expenditures.

Debt Service Fund. The Debt Service Fund revenues exceeded expenditures by $42,428 in the current fiscal year as a result of a property owners paying their taxes combined with State revenue through State and homestead credits, disparity reduction aid and miscellaneous local taxes. The fund balance of $199,151 at June 30, 2024 is available for meeting future debt service obligations.

GENERAL FUND BUDGETARY HIGHLIGHTS

Following approval of the budget prior to the beginning of the fiscal year, the District revises the annual operating budget in mid-year. The budget was amended during the year to reflect increased expenditures related to maintenance and repair and unanticipated Special Education costs. The School Board receives monthly updates on expenditures and revenues during the last half of the fiscal year as a preliminary budget is developed for the next fiscal year. These updates reflect the most current information on the current budget year as well as preliminary projections for the next fiscal year.

CAPITAL ASSETS

Capital Assets. By the end of fiscal 2024, the District had invested approximately $20.7 million in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. (More detailed information about capital assets can be found in Note 5 to the financial statements.) Total depreciation expense for the year was $638,369.

The District annually updates its Ten-Year Long-Term Maintenance Revenue Plan. Future projects include athletic field maintenance and improvement, and the maintenance/repair of existing interior/exterior District buildings and grounds. Replacement of school vans is ongoing and will require periodic investment. Other primary projects include parking lot repair and maintenance and roof repair and replacement. The District will need to utilize its limited amount of capital outlay revenue, capital outlay reserve and Long-Term Facility Maintenance revenue to address these anticipated expenses.

	Total	
	2024	2023
Land	$ 28,425	$ 28,425
Construction in process	378,503	
Land improvements	3,245,186	3,245,186
Buildings	15,638,692	15,638,692
Equipment	1,426,968	1,801,481
Total Capital Assets	20,717,774	20,713,784
Less accumulated depreciation	(10,993,572)	(10,775,267)
Total	$ 9,724,202	$ 9,938,517

DEBT ADMINISTRATION

Long Term Liabilities. As of June 30, 2024, the District had $20,105,000 in General Obligation Bonds outstanding, an increase of 345% from the previous year due to new debt in the current year. A summary of outstanding long-term liabilities as of June 30, 2024, is as follows:

	Total	
	2024	2023
General Obligation Bonds	$ 20,105,000	$ 4,515,000
Net Bond Premium	1,241,451	34,899
Energy loan	331,866	376,687
Severance Benefits Payable	205,177	166,378
Compensated Absences Payable	35,563	22,156
Total	$ 21,919,057	$ 5,115,120

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of voter-approved excess operating referendum and building bond referendum, the District is dependent on the State of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation. The 2023 legislative sessions provided a 4% and 2% increase in the basic education funding formula allowance for the 2023-24 and 2024-25 years. The District will strive to maximize resources available through efficient and effective management of its operations.

Falcon View Connections Academy enrollment continues to grow, while local enrollment declined. The district's contract with Pearson ends on June 30, 2024. Effective July 1, 2024, the district will be establishing its own independent online school, Falcon View Online.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District #811, 2113 Hiawatha Dr. E, Wabasha, Minnesota 55981.

INDEPENDENT SCHOOL DISTRICT #811
WABASHA, MINNESOTA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2024

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INDEPENDENT SCHOOL DISTRICT #811
WABASHA, MINNESOTA
STATEMENTS OF NET POSITION
June 30, 2024
With Comparative Data as of June 30, 2023

	Governmental Activities	
	2024	2023
Assets		
Cash and investments	$ 19,885,819	$ 3,095,680
Taxes receivable	1,583,153	1,048,816
Other receivables	33,014	23,908
Due from other governmental units	2,850,972	1,576,425
Inventory	19,043	9,573
Capital assets:		
Nondepreciable	406,928	28,425
Depreciable, net	9,317,274	9,910,092
TOTAL ASSETS	34,086,087	15,692,919
Deferred Outflows of Resources		
Deferred outflows from pension activity	2,184,747	2,991,952
Deferred outflows from OPEB activity	63,989	47,680
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,248,736	3,039,632
Liabilities		
Accounts payable	1,630,952	1,144,889
Due to other governmental units	65,343	25,354
Unearned revenue	147,319	131,502
Accrued liabilities	1,082,665	1,058,762
Accrued interest payable	270,414	47,754
Noncurrent liabilities:		
Due within one year:		
Long-term liabilities	766,212	697,149
Post-employment benefit liabilitiy	46,609	40,193
Due in more than one year:		
Long-term liabilities	21,152,845	4,417,971
Post-employment benefit liabilitiy	387,824	396,089
Net pension liability	7,051,740	7,146,787
TOTAL LIABILITIES	32,601,923	15,106,450
Deferred Inflows of Resources		
Deferred inflows from pension activity	348,688	1,072,880
Deferred inflows from OPEB activity	130,903	131,484
Property taxes levied for subsequent year	2,916,775	1,990,256
TOTAL DEFERRED INFLOWS OF RESOURCES	3,396,366	3,194,620
Net Position		
Net investment in capital assets	4,951,206	5,011,931
Restricted:		
State-mandated reserves	48,954	376,381
Food service	152,521	85,952
Community service	3,061	21,530
Debt service		120,027
Unrestricted	(4,819,208)	(5,184,340)
TOTAL NET POSITION	$ 336,534	$ 431,481

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #811
WABASHA, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2024
With Partial Comparative Data for the Year Ended June 30, 2023

	2024			
		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
District and school administration	$ 1,003,907	$	$ 5,804	$
District support services	449,795		11	
Regular instruction	7,978,184	205,922	1,722,188	
Vocational instruction	140,990		1,186	
Special education	2,353,579	18,750	2,320,219	
Community education and services	427,926	268,767	37,681	
Instructional support services	371,744		392	
Pupil support services	966,994		50,088	
Site, buildings, and equipment	1,408,356	19,038	98	
Fiscal and other fixed cost programs	94,782			
Food service	408,527	48,966	424,626	
Interest and other fiscal charges	324,365			
Total governmental activities	$ 15,929,149	$ 561,443	$ 4,562,293	$
General Revenues:				
Property taxes levied for:				
General purposes				
Community Service				
Debt Service				
State aid not restricted to specific purposes				
Miscellaneous				
Investment income				
Total general revenues				
Change in net position				
Net Position - beginning				
Net Position - Ending				

See Notes to Financial Statements

2024	2023
Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Total Governmental Activities	Total Governmental Activities
$ (998,103)	$ (796,755)
(449,784)	(461,161)
(6,050,074)	(4,279,002)
(139,804)	(98,316)
(14,610)	(411,899)
(121,478)	(40,610)
(371,352)	(334,898)
(916,906)	(831,669)
(1,389,220)	(1,242,649)
(94,782)	(110,792)
65,065	(9,778)
(324,365)	(137,029)
(10,805,413)	(8,754,558)
1,403,538	1,428,989
80,044	79,202
668,307	701,851
8,422,859	7,094,291
32,437	38,474
103,281	15,649
10,710,466	9,358,456
(94,947)	603,898
431,481	(172,417)
$ 336,534	$ 431,481

INDEPENDENT SCHOOL DISTRICT #811
WABASHA, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2024
With Partial Comparative Data as of June 30, 2023

	General	Food Service	Community Service
Assets			
Cash and investments	$ 1,856,138	$ 144,666	$ 80,074
Current property taxes receivable	753,421		33,931
Delinquent property taxes receivable	19,522		1,171
Other receivables	29,675	3,339	
Due from Minnesota Department of Education	2,679,118	3,533	4,840
Due from Federal through Minnesota Department of Education	77,394		
Due from other districts	66,144		
Inventory		19,043	
TOTAL ASSETS	$ 5,481,412	$ 170,581	$ 120,016
Liabilities, Deferred Inflows of Resources, and Fund Balance			
Liabilities			
Accounts payable	$ 1,524,705	$	$ 353
Salaries and accrued liabilities payable	1,032,141	2,937	47,587
Due to other governmental units	58,254		7,089
Unearned revenue	142,312	15,123	
TOTAL LIABILITIES	2,757,412	18,060	55,029
Deferred Inflows of Resources			
Unavailable revenue:			
Property taxes levied for subsequent year	1,465,893		71,189
Delinquent property taxes	19,522		1,171
TOTAL DEFERRED INFLOWS OF RESOURCES	1,485,415		72,360
Fund Balances			
Nonspendable		19,043	
Restricted	48,954	133,478	3,061
Assigned	45,106		
Unassigned	1,144,525		(10,434)
TOTAL FUND BALANCES	1,238,585	152,521	(7,373)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	$ 5,481,412	$ 170,581	$ 120,016

See Notes to Financial Statements

		Total Governmental Funds	
Building Construction	Debt Service	2024	2023
$ 17,011,215	$ 793,726	$ 19,885,819	$ 3,095,680
	765,175	1,552,527	1,016,681
	9,933	30,626	32,135
		33,014	23,908
	19,943	2,707,434	714,355
		77,394	797,213
		66,144	64,857
		19,043	9,573
$ 17,011,215	$ 1,588,777	$ 24,372,001	$ 5,754,402
$ 105,894	$	$ 1,630,952	$ 1,144,889
		1,082,665	1,058,762
		65,343	25,354
		157,435	131,502
105,894		2,936,395	2,360,507
	1,379,693	2,916,775	1,990,256
	9,933	30,626	32,135
	1,389,626	2,947,401	2,022,391
		19,043	9,573
16,905,321	199,151	17,289,965	631,013
		45,106	94,729
		1,134,091	636,189
16,905,321	199,151	18,488,205	1,371,504
$ 17,011,215	$ 1,588,777	$ 24,372,001	$ 5,754,402

INDEPENDENT SCHOOL DISTRICT #811
WABASHA, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2024
With Partial Comparative Data for the Year Ended June 30, 2023

	General	Food Service	Community Service
Revenues			
Local sources:			
Property tax levies	$ 1,405,047	$	$ 80,044
Other local and county sources	281,383		269,022
Investment income	20,152	902	304
State sources	12,072,301	198,201	46,750
Federal sources	329,288	226,425	
Sales and other conversions of assets	414	48,966	
TOTAL REVENUES	14,108,585	474,494	396,120
Expenditures			
District and school administration	996,285		
District support services	443,743		
Regular instruction	7,792,951		
Vocational instruction	140,626		
Special education	2,359,320		
Community education and services			425,023
Instructional support services	346,220		
Pupil support services	950,622		
Site, buildings, and equipment	852,750		
Fiscal and other fixed cost programs	94,782		
Food service		407,925	
Debt Service:			
Interest			
Principal			
TOTAL EXPENDITURES	13,977,299	407,925	425,023
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	131,286	66,569	(28,903)
Other Financing Sources			
Issuance of long-term debt			
Premium on issuance of debt			
TOTAL OTHER FINANCING SOURCES			
NET CHANGE IN FUND BALANCES	131,286	66,569	(28,903)
FUND BALANCE - BEGINNING	1,107,299	85,952	21,530
FUND BALANCE - ENDING	$ 1,238,585	$ 152,521	$ (7,373)

See Notes to Financial Statements

		Total Governmental Funds	
Building Construction	Debt Service	2024	2023
$	$ 588,461	$ 2,073,552	$ 2,143,796
		550,405	460,675
78,108	3,815	103,281	15,649
	186,128	12,503,380	9,187,602
		555,713	1,183,413
		49,380	180,168
78,108	778,404	15,835,711	13,171,303
		996,285	869,952
		443,743	471,709
		7,792,951	6,262,465
		140,626	113,062
		2,359,320	1,907,650
		425,023	469,363
		346,220	309,407
		950,622	902,443
603,610		1,456,360	1,024,718
		94,782	110,792
		407,925	464,499
	125,976	125,976	142,992
	610,000	610,000	590,000
603,610	735,976	16,149,833	13,639,052
(525,502)	42,428	(314,122)	(467,749)
16,200,000		16,200,000	
1,230,823		1,230,823	
17,430,823		17,430,823	
16,905,321	42,428	17,116,701	(467,749)
	156,723	1,371,504	1,839,253
$ 16,905,321	$ 199,151	$ 18,488,205	$ 1,371,504

INDEPENDENT SCHOOL DISTRICT #811
WABASHA, MINNESOTA
RECONCILIATION OF NET ASSETS IN THE
DISTRICT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS
June 30, 2024

Amounts reported for governmental activities in the statement of net position are different because:

Total governmental fund balances (pages 17 and 18)		$ 18,488,205
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	$ 20,717,774	
Less: Accumulated depreciation	10,993,572	
		9,724,202
Some receivables are not available soon enough to pay for current-period expenditures and, therefore, are unavailable in the funds:		
Delinquent property taxes		30,626
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and long-term debt payable	$ (21,678,317)	
Net pension liability	(5,215,681)	
Accrued interest	(270,414)	
Severance payable	(205,177)	
Other postemployment benefits payable	(501,347)	
Compensated absences payable	(35,563)	
		(27,906,499)
Net position of governmental activities (page 14)		$ 336,534

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #811
WABASHA, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2024

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

Net change in fund balances - total governmental funds (pages 19 and 20)		$ 17,116,701
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	$ 424,054	
Depreciation expense	(638,369)	
		(214,315)
Certain revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent property taxes		(1,509)
The governmental funds report long-term debt proceeds as financing sources, while repayment of long-term debt principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligations bonds and related items is as follows.		
Change in accrued interest	$ (222,660)	
Issuance of long term debt	(16,200,000)	
Repayment of other long-term debt	44,821	
Principal retirement on long-term debt	610,000	
Premium on issuance of long-term debt	(1,230,823)	
Amortization of bond premium	24,271	
		(16,974,391)
In the statement of activities, certain operating expenses - severance benefits, compensated absences, net pension liability, and other postemployment benefits - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		
Severance payable	$ (38,799)	
Compensated absences payable	(13,407)	
Net pension liability	12,034	
Other post-employment benefits payable	18,739	
		(21,433)
Change in net position of governmental activities (pages 15 and 16)		$ (94,947)

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #811
WABASHA, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2024
With Comparative Data for the Year Ended June 30, 2023

	Budgeted Amounts		2024	Over (Under)	2023
	Original	Final	Actual	Final Budget	Actual
Revenues					
Local sources:					
Property tax levies	$ 1,359,438	$ 1,360,469	$ 1,405,047	$ 44,578	$ 1,397,802
Other local and county sources	112,064	113,729	281,383	167,654	192,750
Investment income	4,000	20,000	20,152	152	12,535
State sources	10,279,264	10,984,175	12,072,301	1,088,126	8,991,899
Federal sources	471,402	326,414	329,288	2,874	841,377
Sales and other conversions of assets	1,640	1,433	414	(1,019)	362
TOTAL REVENUES	12,227,808	12,806,220	14,108,585	1,302,365	11,436,725
Expenditures					
District and school administration	965,530	988,156	996,285	8,129	869,952
District support services	335,943	407,021	443,743	36,722	471,709
Regular instruction	5,831,361	7,271,555	7,792,951	521,396	6,262,465
Vocational instruction	144,613	130,050	140,626	10,576	113,062
Special education	2,018,727	2,311,136	2,359,320	48,184	1,907,650
Instructional support services	305,267	304,473	346,220	41,747	309,407
Pupil support services	930,309	947,627	950,622	2,995	902,443
Site, buildings, and equipment	972,061	956,292	852,750	(103,542)	821,631
Fiscal and other fixed cost programs	112,000	112,000	94,782	(17,218)	110,792
TOTAL EXPENDITURES	11,615,811	13,428,310	13,977,299	548,989	11,769,111
NET CHANGE IN FUND BALANCES	611,997	(622,090)	131,286	753,376	(332,386)
FUND BALANCE - BEGINNING	1,107,299	1,107,299	1,107,299		1,439,685
FUND BALANCE - ENDING	$ 1,719,296	$ 485,209	$ 1,238,585	$ 753,376	$ 1,107,299

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #811
WABASHA, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOOD SERVICE FUND
For the Year Ended June 30, 2024
With Comparative Data for the Year Ended June 30, 2023

	Budgeted Amounts		2024	Over (Under)	2023
	Original	Final	Actual	Final Budget	Actual
Revenues					
Local sources:					
Investment income	$	$ 559	$ 902	$ 343	$ 559
State sources	5,743	192,498	198,201	5,703	20,066
Federal sources	382,257	195,339	226,425	31,086	255,636
Sales and other conversions of assets	62,000	47,795	48,966	1,171	179,806
TOTAL REVENUES	450,000	436,191	474,494	38,303	456,067
Expenditures					
Pupil support services	420,000	428,624	407,925	(20,699)	464,499
NET CHANGE IN FUND BALANCES	30,000	7,567	66,569	59,002	(8,432)
FUND BALANCES - BEGINNING	85,952	85,952	85,952		94,384
FUND BALANCES - ENDING	$ 115,952	$ 93,519	$ 152,521	$ 59,002	$ 85,952

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #811
WABASHA, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
COMMUNITY SERVICE FUND
For the Year Ended June 30, 2024
With Comparative Data for the Year Ended June 30, 2023

	Budgeted Amounts		2024	Over (Under)	2023
	Original	Final	Actual	Final Budget	Actual
Revenues					
Local sources:					
Property tax levies	$ 81,385	$ 80,000	$ 80,044	$ 44	$ 79,202
Other local and county sources	279,677	334,185	269,022	(65,163)	267,925
Investment income		10	304	294	9
State sources	43,938	46,912	46,750	(162)	44,268
Federal sources					86,400
TOTAL REVENUES	405,000	461,107	396,120	(64,987)	477,804
Expenditures					
Community education and services	484,000	515,941	425,023	(90,918)	469,363
NET CHANGE IN FUND BALANCES	(79,000)	(54,834)	(28,903)	25,931	8,441
FUND BALANCES - BEGINNING	21,530	21,530	21,530		13,089
FUND BALANCES - ENDING	$ (57,470)	$ (33,304)	$ (7,373)	$ 25,931	$ 21,530

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #811
WABASHA, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The financial statements of Independent School District #500 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments.

Financial Reporting Entity

Independent School District #811 (the District) is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

Accounting principles generally accepted in the United States of America (GAAP) require that the District's financial statements include all funds, account groups, departments, agencies, boards, commissions, and other organizations which are not legally separated from the District. In addition, the District's financial statements are to include all component units - entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. These financial statements include all funds and account groups of the District. There are no other entities for which the District is financially accountable.

Basic Financial Statement Presentation

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

The Statement of Activities demonstrates the degree to which the direct expenses of given functions or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the 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 each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material inter-fund activity has been removed from the District-wide financial statements.

Separate Fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The District-wide financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions." Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State aids are recorded as revenue in the fiscal year for which the aids are designated by statute.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

Governmental fund types are accounted for using the modified accrual basis of accounting. Under this method revenues are recognized when susceptible to accrual, i.e. both measurable and available to finance expenditures of the fiscal period. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual are property taxes, state aids, fees, and interest. For this purpose, the District considers all revenue to be available if it is collected within 60 days after the end of the current period.

Expenditures are generally recognized using the modified accrual basis of accounting when a related fund liability is incurred. Exceptions to this rule include (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued, and (2) principal and interest on general long-term debt which is recognized when due.

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

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

Unearned revenue is recorded when assets are recognized before revenue recognition criteria have been satisfied. Grants received before eligibility requirements other than time requirements are met are recorded as unearned revenue. Grants received before time requirements are met are recorded as a deferred inflow of resources.

1. Summary of Significant Accounting Policies (Continued)

Description of Funds

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues, and expenditures. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures of the individual funds in the governmental fund category) for the determination of major funds. The District electively added as major funds, those which had specific community focus. The major funds of the District are presented as follows:

The *general fund* is the District's primary operating fund. It accounts for all financial resources and transactions except those required to be accounted for in other funds.

The *food service fund* accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches, or snacks in connection with school activities.

The *community service fund* accounts for the resources designated for programs other than those for elementary and secondary students.

The *building construction fund* accounts for the resources related to upgrades to building facilities.

The *debt service fund* accounts for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Budgets and Budgetary Accounting

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, and Debt Service Funds. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to budgeted amounts must be approved by the School Board.

Total fund expenditures in excess of the budget require approval of the School Board. Spending control for most funds is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

1. Summary of Significant Accounting Policies (Continued)

Cash and Investments

Except where otherwise required, the District maintains all deposits in bank accounts in the name of the District. These deposits are invested on a short-term basis with interest income allocated to each fund based upon their relative account balance. The balances shown in each fund represents an equity interest in the commingled pool of cash and temporary cash investments, which is under the management of the District.

Accounts Receivable

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivable not expected to be collected within one year is current property taxes receivable.

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Inventories

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

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; natural disasters and workers compensation. The District purchases commercial insurance coverage for such risks. There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

1. Summary of Significant Accounting Policies (Continued)

Property Taxes

Property tax levies are established by the School Board in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1. Taxes are due on May 15 and October 15. The county generally remits taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid through various state tax credits which are included in revenue from state sources in the financial statements.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as deferred revenue (property taxes levied for subsequent year). The majority of District revenue in the General and Special Revenue Funds is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift", which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes $124,957 of the property tax levy collectible in 2024 as revenue to the District in fiscal year 2023-2024. The remaining portion of the tax's collectible in 2024 is recorded as deferred inflows of resources.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred inflows of resources because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2024, are included in the Property Taxes Levied for Subsequent Year account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District maintains a capitalization threshold level of $5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the District-wide financial statement but are not reported in the Fund financial statements. 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 purposes. Deprecation is provided using the straight-line method applied over the following estimated useful lives of the assets.

	Useful Life in Years
Buildings	20 - 50
Equipment	3 - 15

Capital assets not being depreciated include land.

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

1. Summary of Significant Accounting Policies (Continued)

Compensated Absences and Termination Benefits

The District has employee and union contracts with several different employee groups. Employee benefits under the contracts are different, but generally include provisions for sick leave, vacation leave, and termination benefits. The District accounts for the employee benefits as follows:

Vacation pay has not been accrued in any funds, as these benefits do not vest to employees.

Other Postemployment Benefits Payable

Under the terms of certain collectively bargained employment contracts, including the teachers' and administrators' contracts, the District makes no contributions toward the health insurance premiums of retired employees. However, the District has an implicit rate or subsidy for OPEB. This amount was actuarially determined in accordance with GASB Statement No. 75.

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, if material, are expensed in the year the debt is issued.

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

Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned. Nonspendable portions of fund balance relate to inventory and prepaid items. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The District currently doesn't report any committed fund balances. The Board of Education passed a resolution authorizing the Board Chair, Superintendent and the Business Manager the ability to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts, usually in the General Fund only.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses or revenues/income initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses or revenues/income in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

1. Summary of Significant Accounting Policies (Continued)

Comparative Data

Comparative data for the prior year has been presented only for certain sections of the accompanying financial statements in order to provide an understanding of the changes in the District's financial position and operations. However, complete comparative data has not been presented since their inclusion would not provide meaningful comparisons. Certain amounts in the June 30, 2023 totals column have been reclassified to conform with the current year presentation.

Deferred Outflow of Resources

In addition to assets, the financial statements will sometimes report a separate section of 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) until that time. The District has two types of items that qualify for reporting in this category. The deferred outflows from pension activity and OPEB activity.

Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate financial statement element, deferred inflows of resources. This separate financial statement element, deferred inflows of resources, 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 three items which occur related to revenue recognition. The first occurs because property tax receivables are recorded in the current year, but the revenue will be recorded in the subsequent year. The second type of deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's year-end) under the modified accrual basis of accounting. The third type is pension related.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the District-wide financial statements. Net investment in capital assets, net of related debt 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 district-wide financial statements when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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. Additional information can be found in Note 8.

2. Stewardship and Accountability

Excess of expenditures over appropriations at the individual fund level during 2024 is as follows:

	Budget	Expenditures	Excess
General Fund	$13,428,310	$ 13,977,299	$ 548,989

Excess expenditures were the result of planned processes.

Deficit Fund Balance

Community Service Fund had a deficit fund balance of $7,373 at June 30, 2024.

3. Cash and Investments

Summary of Cash and Investments

As of June 30, 2024, the District's cash and investments consisted of the following items, all of which are held in an internal investment pool:

Deposits	$ 2,874,605
US Treasuries	14,611,308
Municipal Bonds	2,395,033
Money Market	4,873
Total Cash and Investments Per Statement of Net Position	$ 19,885,819

Investments Authorized by Minnesota Statutes

The District is authorized by Minnesota Statutes to invest idle funds as follows:

a) Direct obligations or obligations guaranteed by the United States or its agencies.
b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency and all of the investments have a final maturity of thirteen months or less.
c) General obligations rated "A" or better; revenue obligations rated "AA" or better.
d) General obligations of the Minnesota Housing Finance Agency rated "A" or better.
e) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
f) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies and maturing in 270 days or less.
g) Repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
h) Guaranteed Investments Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories.

3. Cash and Investments (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's deposit policy for custodial credit risk follows Minnesota Statutes for deposits. The District's deposits are entirely covered by federal depository insurance or by collateral held by the District's custodial banks in the District's name

Minnesota Statutes require that all District deposits be insured, secured by surety bonds, or be collateralized. Except for notes secured by first mortgages of future maturity, the market value of collateral pledged by the custodial bank must equal 110% of the deposits not covered by insurance or surety bonds.

Authorized collateral includes certain state of local government obligations and legal investments. Minnesota Statutes also require that securities pledged as collateral be held in safekeeping by the Treasurer, or in a financial institution other than the institution furnishing the collateral.

Concentration of Credit Risk

The investment policy of the District contains no limitation on the amount that can be invested in any one issuer. Investments in any one issuer that represent 5% or more of total investments are as follows:

U.S. Treasury Notes	84%
Muncipal Bonds	14%

Fair Value Measurement

Fair value measurements are determined utilizing the framework established by the Governmental Accounting Standards Board. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

3. Cash and Investments (Continued)

Fair Value Measurement (Continued)

The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access
- Level 2: Inputs to the valuation methodology include:
    - Quoted prices for similar assets or liabilities in active markets
    - Quoted prices for identical assets or liabilities in inactive markets
    - Inputs other than quoted prices that are observable for the asset or liability
    - Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specific (contractual) term, Level 2 input must be observable for substantially the full term of the asset or liability

- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District's investments within the fair value hierarchy at June 30, 2024 were as follows:

	Credit Risk		Fair Value Measurements	Interest Risk - Maturity Duration in Years				
Investment Type	Rating	Agency	Using	No Maturity Date	Less Than 1	1 to 5	6 to 10	Total
U.S. Treasury Notes	Aaa	Moody	Level 1	$	$ 6,166,881	$ 8,039,534	$	$ 14,206,415
U.S. Treasury Bills	N/A	N/A	Level 1		404,893			404,893
Muncipal Bonds	AA- to AAA	S&P	Level 2		655,363	1,739,670		2,395,033
				$	$ 7,227,137	$ 9,779,204	$	$ 17,006,341

4. Due From Other Governmental Units

Amounts due from other governmental units at June 30, 2024 are as follows:

Fund	Minnesota Department of Education	Federal Government Through MDE	Due From Other Districts	Total
General	$ 2,679,118	$ 77,394	$ 66,144	$ 2,822,656
Food Service	3,533			3,533
Community Service	4,840			4,840
Debt Service	19,943			19,943
	$ 2,707,434	$ 77,394	$ 66,144	$ 2,850,972

5. Capital Assets

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 28,425	$	$	$ 28,425
Construction in process		378,503		378,503
Total capital assets, not being depreciated	28,425	378,503		406,928
Capital assets, being depreciated:				
Buildings	15,638,692			15,638,692
Land improvements	3,245,186			3,245,186
Equipment	1,801,481	45,551	420,064	1,426,968
Total capital assets, being depreciated	20,685,359	45,551	420,064	20,310,846
Less accumulated depreciation for:				
Buildings	7,915,349	429,308		8,344,657
Land improvements	1,543,885	122,960		1,666,845
Equipment	1,316,033	86,101	420,064	982,070
Total accumulated depreciation	10,775,267	638,369	420,064	10,993,572
Total capital assets, being depreciated, net	9,910,092	(592,818)		9,317,274
Governmental activities capital assets, net	$ 9,938,517	$ (214,315)	$	$ 9,724,202

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
Administration	$ 7,231
District support services	2,107
Regular instruction	224,912
Vocational education instruction	1,255
Special education	72
Instructional support services	29,837
Pupil support services	12,114
Site, buildings and equipment	360,841
Total depreciation expense - governmental activities	$ 638,369

6. Long-Term Liabilities

The long-term debt obligations outstanding and related maturities and interest rates are summarized in the following schedules. General Obligation Bond is serviced by the Debt Service Fund. They are backed by the full faith and credit of the District. The compensated absences and severance payable are serviced by the General Fund.

	Original Amount of Debt	Range of Interest	Final Maturity	Balance June 30, 2024
General Obligation Bonds:				
G.O. Alternative Facilities of 2016A	$ 3,980,000	2.00% - 2.50%	2/1/2031	$ 2,005,000
G.O. Tax Abatement Bond, Series 2018A	1,900,000	3.00% - 4.00%	2/1/2034	1,900,000
G.O. School Building Bond, Series 2024A	16,200,000	4.00% - 5.00%	2/1/2044	16,200,000
Other Liabilities				
Energy loan				331,866
Bond Premium				1,241,451
Compensated Absences Payable				35,563
Severance Payable				205,177
				$ 21,919,057

Description of long-term debt

General Obligation Bonds. On February 18, 2016, the District issued a General Obligation bond for $3,980,000 for school building improvements. Annual principal and interest will be paid by the Debt Service Fund.

On September 11, 2018, the District issued a General Obligation bond for $1,900,000 for facilities maintenance and improvements. Annual principal and interest will be paid by the Debt Service Fund.

On March 24, 2024, the District issued a General Obligation bond for $16,200,000 for facilities maintenance and improvements. Annual principal and interest will be paid by the Debt Service Fund.

On January 20, 2016, the District entered into a Lease Purchase Agreement for $623,825 for energy conservation measures related to solar-gardens on the property.

Compensated Absences Payable. Compensated absences payable consists of convertible sick leave benefits payable to non-certified employees upon retirement. These benefits are paid by the General Fund.

Severance Payable. Severance payable provides for early retirement severance pay that qualifies as a termination benefit. These benefits are paid by the General Fund.

6. Long-Term Liabilities (Continued)

The following is a summary of the changes in long-term debt obligations for the year ended June 30, 2024:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable					
General Obligation 2004A refunded into 2011A	$ 345,000	$	$ 345,000	$	$
G.O. Alternative Facilities Bond - 2016A	2,270,000		265,000	2,005,000	270,000
G.O. Tax Abatement Bonds - Series 2018A	1,900,000			1,900,000	160,000
G.O. School Building Bonds - Series 2024A		16,200,000		16,200,000	290,000
Bond Premium	34,899	1,230,823	24,271	1,241,451	
Energy Loan	376,687		44,821	331,866	46,212
Severance Benefits	166,378	51,103	12,304	205,177	
Compensated Absences Payable	22,156	16,325	2,918	35,563	
Governmental Activities Long-term Liabilities	$ 5,115,120	$ 17,498,251	$ 694,314	$ 21,919,057	$ 766,212

The annual requirements to amortize all long-term debt outstanding as of June 30, 2024, excluding compensated absences and severance payable over the life of the debt, are summarized below:

	General Obligation Bonds		Capital and Energy Improvement Loans	
Years	Principal	Interest	Principal	Interest
Governmental Activities				
2025	$ 720,000	$ 743,292	$ 46,212	$ 9,509
2026	720,000	1,078,088	47,646	8,075
2027	705,000	777,038	49,124	6,599
2028	770,000	751,938	50,649	5,165
2029	800,000	1,049,163	52,220	3,503
2030 - 2034	4,395,000	3,821,675	86,015	2,210
2035 - 2039	5,380,000	4,156,300		
2040 - 2044	6,615,000	2,084,800		
Totals	$ 20,105,000	$ 14,462,292	$ 331,866	$ 35,061

7. Fund Balance

The School District classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained to due constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Superintendent or Business Manager.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District has not adopted a fund balance policy.

Restriction of fund balance indicates that a portion of the fund balance is legally segregated for a specific future use. The following is a summary of the reserved fund balances for the governmental funds:

Restricted for Operating Capital - Represents available resources in the General Fund to be used to purchase equipment and facilities.

Restricted for Student Activities – Represents the resources available for the extracurricular activity funds raised by students.

Restricted for Early Child and Family Education Programs – The fund balance restriction represents accumulated resources available to provide services for early childhood and family education planning.

Restricted for Gifted and Talented - Represents available resources within the General Fund to provide for gifted and talented programs.

Restricted for Basic Skills - Represents available resources within the General Fund to provide for basic skills programs.

Restricted for Staff Development - Represents available resources in the General Fund reserved for staff development.

Restricted for Community Education - Represents available resources within the Community Service Fund for enrichment programs for any age level that are not part of the K-12 education program which are not taken for credit or required for graduation.

Restricted for School Readiness - Represents the resources available to provide for services for school readiness programs.

7. Fund Balance (Continued)

Restricted for Safe Schools - Represents available resources to provide Safe School programs.

Restricted for Literacy Incentive Aid - Represents the resources available to support implementation of evidence based reading instruction.

The following is a summary of fund balances as of June 30, 2024 with comparative totals as of June 30, 2023:

	General	Food Service	Community Service	Building Construction	Debt Service	2024 Totals	2023 Totals
Nonspendable							
Inventory	$	$ 19,043	$	$	$	$ 19,043	$ 9,573
Restricted							
Student activities	5,109					5,109	4,228
Operating capital	43,845					43,845	295,859
Medical assistance							76,294
School readiness							180
Food service		133,478				133,478	76,379
ECFE			484			484	20,745
Community service			2,577			2,577	605
Building construction				16,905,321		16,905,321	
Debt service					199,151	199,151	156,723
Total restricted	48,954	133,478	3,061	16,905,321	199,151	17,289,965	631,013
Assigned							
Student activities	45,106					45,106	44,729
Severance							50,000
Total assigned	45,106					45,106	94,729
Unassigned	1,144,525		(10,434)			1,134,091	636,189
Total Fund Balance	$ 1,238,585	$152,521	$ (7,373)	$16,905,321	$ 199,151	$ 18,488,205	$ 1,371,504

7. Fund Balance (Continued)

The Uniform Financial Accounting and Reporting Standards (UFARS) fund balance reporting standards are slightly different than the reporting standards under GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions.* Below is a reconciliation between the fund balances following GASB standards and UFARS reporting standards:

	GASB Balance	Reconciling Balance	2024 UFARS Balance	2023 UFARS Balance
Nonspendable				
Inventory	$ 19,043	$	$ 19,043	$ 9,573
Total nonspendable	19,043		19,043	9,573
Restricted				
Student activities	5,109		5,109	4,228
Operating capital	43,845		43,845	295,859
Safe school		(32,296)	(32,296)	(66,700)
Long term facilities maintenance				(10,495)
Medical assistance				76,294
School readiness				180
Food service	133,478		133,478	76,379
School readiness		(2,605)	(2,605)	
ECFE	484		484	20,745
Community education		(7,831)	(7,831)	
Community service	2,577		2,577	605
Building construction	16,905,321		16,905,321	
Debt service	199,151		199,151	156,723
Total restricted	17,289,965	(42,732)	17,247,233	553,818
Assigned				
Student activites	45,106		45,106	44,729
Severance				50,000
Total assigned	45,106		45,106	94,729
Unassigned	1,134,091	42,732	1,176,823	713,384
Total Fund Balance	$ 18,488,205	$	$ 18,488,205	$ 1,371,504

8. Defined Benefit Pension Plans - Statewide

Plan Description

1. General Employees Retirement Fund

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

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

2. Teachers Retirement Association (TRA)

The 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 school, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through the Define Contribution Plan (DCR) administered by the State of Minnesota.

Benefits Provided

1. General Employees Plan Benefits

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

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

8. Defined Benefit Pension Plans – Statewide (Continued)

Benefits Provided (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

2. TRA Benefits

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

With these provisions:

a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

b) 3 percent per year early retirement reduction factor for all years under normal retirement age.

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

Or

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for coordinated members and 2.7 percent 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.

8. Defined Benefit Pension Plans – Statewide (Continued)

Benefits Provided (Continued)

Tier II Benefits

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

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

Contributions

1. General Employees Fund Contributions

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2024 were $81,044. The District's contributions were equal to the required contributions as set by the state statute.

2. TRA Contributions

Per *Minnesota Statute,* Chapter 354 sets the rates for the employee and employer contributions. Rates for each fiscal year ended June 30, 2023 and June 30, 2024 were:

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

The District's contributions to the TRA Fund for the year ended June 30, 2024 were $414,146. The District's contributions were equal to the required contributions as set by the state statute.

8. Defined Benefit Pension Plans – Statewide (Continued)

Contributions (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.

Employer contributions reported in TRA's ACFR, Statement of Changes in Fiduciary Net Position	$ 508,764,000
Employer contributions not related to future contribution efforts	(87,000)
TRA's contributions not included in allocation	(643,000)
Total employer contributions	508,034,000
Total non-employer contributions	35,587,000
Total Contributions reported in Schedule of Employer and Non-Employer Allocations	$ 543,621,000

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.

Pension Costs

1. General Employees Fund Pension Costs

At June 30, 2024, the District reported a liability of $760,497 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 $21,002.

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 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 0.0136 percent at the end of the measurement period and 0.0140 percent for the beginning of the period.

District's proportionate share of net pension liability	$ 760,497
State's proportionate share of the net pension liability associated with the District	21,002
Total	$ 781,499

8. Defined Benefit Pension Plans – Statewide (Continued)

Pension Costs (continued)

For the year ended June 30, 2024, the District recognized pension expense of $34,571 for its proportionate share of General Employee Plan's pension expense. In addition, the District recognized an additional $94 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense for the annual $16 million contribution.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 24,975	$ 5,239
Difference between projected and actual investment earnings		29,744
Changes in actuarial assumptions	123,114	208,446
Changes in proportion	13,489	
Contributions paid to PERA subsequent to the measurement date	86,304	
Total	$ 247,882	$ 243,429

The $86,304 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30	Pension Expense
2025	$ 30,873
2026	(113,981)
2027	17,754
2028	(16,497)

2. TRA Pension Costs

On June 30, 2024, the District reported a liability of $6,291,243 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. The District's proportionate share was 0.0762% percent at the end of the measurement period and 0.0758% percent for the beginning of the year.

8. Defined Benefit Pension Plans – Statewide (Continued)

Pension Costs (continued)

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	$	6,291,243
State's proportionate share of the net pension liability associated with the District		440,489
Total	$	6,731,732

For the year ended June 30, 2024, the District recognized pension expense of ($46,605.) It also recognized $62,024 as an increase to pension expense for the support provided by direct aid.

At June 30, 2023, the District deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 53,033	$ 86,417
Net difference between projected and actual investment earnings on pension plan investments	93,423	
Changes of assumptions	661,538	
Changes in proportion	699,559	18,842
Contributions paid to TRA subsequent to the measurement date	429,312	
Total	$ 1,936,865	$ 105,259

The $429,312 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 and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30	Pension Expense
2025	$ 322,878
2026	258,696
2027	847,610
2028	(20,716)
2029	(6,174)

8. Defined Benefit Pension Plans – Statewide (Continued)

Aggregate Pension Costs

Pension expense recognized by the District for the year ended June 30, 2024 is as follows:

General Employee Retirement Funds	$	34,665
TRA		15,419
Total	$	50,084

Long-Term Expected Return on Investment

1. General Employee Retirement Fund Actuarial Assumptions

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	25.00%	5.90%
Total	100%	

2. TRA Long-Term Expected Return on Investment

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	33.50%	5.10%
International Equity	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	25.00%	5.90%
Total	100%	

8. Defined Benefit Pension Plans – Statewide (Continued)

Actuarial Methods and Assumptions

1. General Employees Fund 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 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

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

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

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

Changes in Actuarial Assumptions:

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

Change 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.

8. Defined Benefit Pension Plans – Statewide (Continued)

Actuarial Methods and Assumptions (Continued)

2. TRA 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 Studies	June 28, 2019 (demographic and economic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected Salary Increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of Living Adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality Assumptions:	
Pre-Retirement:	RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale.
Post-Retirement:	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale
Post-Disability:	RP-2014 disabled retiree morality table, without adjustment.

The TRA actuary has determined the average of the expected remaining service lives of all members for the fiscal year 2023 is six years. The *Difference between Expected and Actual Experience, Changes of Assumptions, and Changes in Proportion* uses 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.

8. Defined Benefit Pension Plans – Statewide (Continued)

Changes in actuarial assumptions since the 2022 valuation:

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

- The employer contribution rate will increase from 8.75% to 9.5% on July 1, 2025.
- The employee contribution rate will increase from 7.75% to 8% on July 1, 2025.
- The pension adjustment rate for school districts and the base budgets for Minnesota State, Perpich Center for Arts Education, and Minnesota Academies will increase to reflect the 0.75% employer contribution rate increase.

The 2024 Omnibus Pensions and Retirement Bill:

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

Discount Rate

1. General Employees Fund Discount Rate

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

2. TRA Discount Rate

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

8. Defined Benefit Pension Plans – Statewide (Continued)

Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
General Employee Retirement Fund Discount Rate	6.00%	7.00%	8.00%
District's proportionate share of the General Employee Retirement Fund net pension liability	$ 1,345,380	$ 760,497	$ 279,408
TRA Discount Rate	6.00%	7.00%	8.00%
District's proportionate share of the TRA net pension liability	$ 10,034,069	$ 6,291,243	$ 3,227,283

Pension Plan Fiduciary Net Position

Detailed information about General Employees Retirement Fund's fiduciary net position is available in a separately issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

Detailed information about TRA's fiduciary net position is available in a separately issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org; by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-652-9026.

9. Severance Pay and Early Retirement Incentive Pay

The District has severance benefit policies for teachers and non-teachers.

All teachers who have at least 20 years of continuous service with the District will receive a severance payment upon retirement, depending on number of PTO/BPTO days remaining at retirement. The retired teacher will receive an amount equal to the number of unused PTO/BPTO days multiplied by 50% for 20 years, 60% or 30 years, 70% for 40 years of the employee's daily rate of pay not to exceed $28,000. The payment is reduced by any 403(b) contributions the District made for the employee and payments to an employee's health care savings account.

All non-teachers shall be eligible for severance pay based on their continuous years of service and unused number of sick leave days (not to exceed 80 days for paraprofessionals and 90 days for all others) times his/her daily rate of pay. The payment is reduced by any payments to an employee's health care savings account prior to retirement.

For administrators employed for at least eight years, the maximum benefits could be up to 32, ,40, 53.33 days (1/5, 1/4, 1/3 OF 160 days maximum) of pay upon retirement. The payment shall be in a lump sum payment in the calendar year of ending employment with the District to the employee's HCSP account.

An estimate of the potential obligation to be paid in future years is. This amount is included in the District-wide financial statements as part of long-term liabilities.

10. Other Post-Employment Benefits

The District engaged an actuary to determine the District's liability for postemployment healthcare benefits other than pensions for the year ended June 30, 2024.

Plan Description

The District provides health insurance benefits for certain retired employees under a single-employer plan. The District provides benefits for retirees as required by state statute to active employees when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and if they do not participate in any other health benefits program providing similar coverage.

The District has no assets accumulated in a trust that meet the criteria of GASB Statement No. 75.

Benefits Provided

These retirees will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the District's health benefits program. Retirees are required to pay 100% of the total premium cost. Since the premium is a blended rate determined on the entire active retiree population, the retirees are receiving an implicit rate subsidy. As of July 1, 2023 there were 105 active participants and 4 retired participants in the District's group health plan.

Funding Policy

The required contribution is based on projected pay-as-you-go method under which contributions to the plan are generally made at the same time and in the same amount as retiree benefits and expenses become due.

Total OPEB Liability

The District's total OPEB liability was measured as of July 1, 2023, and the total OPEB liability used to calculate the total OPEB liability was determined by actuarial valuation as of July 1, 2023. The components of the total OPEB liability of the District at year-end were as follows:

Total OPEB liability	$ 434,433
Liability discount rate	3.90%

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

10. Other Post-Employment Benefits (Continued)

Actuarial Methods and Assumptions (Continued)

The total OPEB liability was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Plan Type		Single Employer
	Discount rate	3.90%
	20-Year Muncipal Bond Yield	3.90%
	Inflation rate	2.50%
	Salary Increases	Service graded table, see sample rates Note: 3.00% used to roll pay forward to the valuation date for particpants marked as 2022-2023 rates pending negotiations.
	Medical Trend Rate	6.50% as if July 1, 2023 grading to 5.00% over 6 years and then to 4.00% over the next 48 years
	Dental Trend Rate	NA

The following changes in economic assumptions since the last valuation have been made:

- The health care trend rates and mortality tables were updated.
- The inflation rate was changed from 2.00% to 2.50%.
- The discount rate was changed from 2.10% to 3.90%.

There were no changes in plan provisions or demographic and other assumptions since the previous valuation.

Changes in Net OPEB Liability

	Total OPEB
Beginning Balance 6/30/2023	$ 436,282
Changes for the Year	
Service Cost	41,746
Interest	9,755
Assumption Changes	(34,803)
Difference between expected and actual experience	8,580
Benefit Payouts	(27,127)
Net Changes	(1,849)
Balance End of Year 6/30/2024	$ 434,433

10. Other Post-Employment Benefits (Continued)

Net OPEB Liability Sensitivity to Discount and Health-Care Cost Trend Rate Changes

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

	Total OPEB
1% decrease in Discount Rate (2.90%)	$ 458,575
Current Discount Rate (3.90%)	434,433
1% increase in Discount Rate (4.90%)	411,222

The following represents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it would have calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates:

	Total OPEB
1% decrease in Trend Rates	$ 396,856
Current Trend Rates	434,433
1% increase in Trend Rates	478,677

OPEB Related Deferred Outflows/Inflows of Resources

As of the year ended June 30, 2024, the District, reported deferred outflows and deferred inflows of resources related to OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	$ 16,442	$ 32,656
Difference between expected and actual liability	7,354	98,247
Contributions paid to OPEB subsequent to the measurement date	40,193	
	$ 63,989	$ 130,903

The $63,989 reported as deferred outflows of resources and $130,903 reported as deferred inflows of resources related to OPEB resulting from District contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2025.

11. 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; injuries to employees; and natural disasters. The District carries insurance for employee health, liability, property, and automotive insurance. Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years. There was no reduction in insurance coverage during 2024.

12. Jointly Governed Organization

The Hiawatha Valley Education District No. 61-6013 was established by an act of the 1987 Legislature of the State of Minnesota. The primary objective of the education district is to provide, by a cooperative effort, comprehensive education programs and other related services as can be effectively operated by its fifteen-member districts and five-member charter schools. Each member district shares in the cost of the programming, which is paid to the education district in the form of membership fees, reimbursements, and other charges for services. The education district is able to recover the cost of its programming through the previously mention revenue sources. The joint governed organization's financial statements are audited and available for inspections.

13. Defined Contribution Plan

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the "Plan"). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a specific amount per pay period contributed to the Plan. Administrative employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. Contributions are invested in tax deferred annuities selected and owned by Plan participants. District contributions during the years ended June 30, 2024 and 2023, range from $2,000 - $5,000 depending on years of continuous service in the district.

14. Commitments and Contingencies

Federal and State Receivables

The District participates in a number of federal and state agency assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District does not anticipate any audit adjustments or disallowed program expenditures that would be material in relation to the general purpose financial statements taken as a whole.

INDEPENDENT SCHOOL DISTRICT #811
WABASHA, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2024

INDEPENDENT SCHOOL DISTRICT #811
WABASHA, MINNESOTA

Schedule of Changes in the District's Total OPEB
Liability and Related Ratios

Total OPEB Liability	2024	2023	2022	2021	2020	2019	2018
Service cost	$ 41,746	$ 54,584	$ 52,994	$ 48,232	$ 46,827	$ 42,679	$ 41,436
Interest	9,755	9,211	16,579	15,522	17,019	15,692	14,796
Assumption Changes	(34,803)		28,775				
Difference between expected and actual experience	8,580		(164,878)		(24,196)		
Changes in assumptions					(16,950)		
Benefit payments	(27,127)	(22,972)	(39,351)	(29,582)	(18,373)	(28,499)	(33,748)
Net change in total OPEB liability	(1,849)	40,823	(105,881)	34,172	4,327	29,872	22,484
Total OPEB Liability - beginning of year	436,282	395,459	501,340	467,168	462,841	432,969	410,485
Total OPEB Liability - end of year	$ 434,433	$ 436,282	$ 395,459	$ 501,340	$ 467,168	$ 462,841	$ 432,969
Total OPEB Liability - End of Year	$ 434,433	$ 436,282	$ 395,459	$ 501,340	$ 467,168	$ 462,841	$ 432,969
Covered-employee payroll	$ 5,509,083	$ 5,175,161	$ 5,024,428	$ 4,373,026	$ 4,245,656	$ 3,764,300	$ 3,654,660
Total OPEB Liability as a Percentage of covered-employee payroll	7.9%	8.4%	7.9%	11.5%	11.0%	12.3%	11.8%

Note: There are no assets in a trust to pay related benefits

INDEPENDENT SCHOOL DISTRICT #811
WABASHA, MINNESOTA

Schedule of District's Contributions
General Employee Retirement Funds
Last Ten Years (presented prospectively)

Fiscal Year Ended June 30	Pension Plan	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Payroll (b-c)
2015	PERA	$ 62,298	$ 62,298	$	$ 830,640	7.50%
2016	PERA	65,281	65,281		870,413	7.50%
2017	PERA	63,723	63,723		849,640	7.50%
2018	PERA	67,317	67,317		897,560	7.50%
2019	PERA	68,550	68,550		914,000	7.50%
2020	PERA	69,836	69,836		931,147	7.50%
2021	PERA	68,157	68,157		908,760	7.50%
2022	PERA	73,609	73,609		981,453	7.50%
2023	PERA	76,608	76,608		1,021,440	7.50%
2024	PERA	81,044	81,044		1,080,587	7.50%

Schedule of District's Contributions
TRA Retirement Funds
Last Ten Years (presented prospectively)

Fiscal Year Ended June 30	Pension Plan	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Payroll (b-c)
2015	TRA	$ 194,941	$ 194,941	$	$ 2,599,213	7.50%
2016	TRA	211,233	211,233		2,816,440	7.50%
2017	TRA	216,844	216,844		2,891,253	7.50%
2018	TRA	225,756	225,756		3,010,080	7.50%
2019	TRA	226,263	226,263		3,016,840	7.50%
2020	TRA	231,330	231,330		3,000,389	7.71%
2021	TRA	278,909	278,909		3,718,787	7.50%
2022	TRA	334,941	334,941		4,119,815	8.13%
2023	TRA	390,915	390,915		4,687,230	8.34%
2024	TRA	414,146	414,146		4,843,813	8.55%

INDEPENDENT SCHOOL DISTRICT #811
WABASHA, MINNESOTA

Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability
PERA General Employees Retirement Fund
Last Ten Years (presented prospectively)

Fiscal Year Ended June 30	District's Proportionate (Percentage) of the Net Pension Liability (Asset)	District's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability (Asset) (b)	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated With the District (a+b)	District's Payroll (c)	District's Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0164%	$ 770,390	$	$ 770,390	$ 830,640	93%	78.70%
2015	0.0151%	782,560		782,560	870,413	90%	78.20%
2016	0.0137%	1,112,372	19,365	1,131,737	849,640	131%	68.90%
2017	0.0139%	887,367	11,184	898,551	897,560	99%	75.90%
2018	0.0136%	754,472	24,667	779,139	914,000	83%	79.53%
2019	0.0132%	729,798	22,666	752,464	931,147	78%	80.23%
2020	0.0127%	761,423	23,495	784,918	908,760	84%	79.06%
2021	0.0136%	580,781	17,716	598,497	981,453	59%	87.00%
2022	0.0140%	1,077,124	31,581	1,108,705	1,021,440	105%	76.70%
2023	0.0136%	760,497	21,002	781,499	1,080,587	70%	83.10%

Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability
TRA
Last Ten Years (presented prospectively)

Fiscal Year Ended June 30	District's Proportionate (Percentage) of the Net Pension Liability (Asset)	District's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability (Asset) (b)	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated With the District (a+b)	District's Payroll (c)	District's Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0610%	$ 2,810,836	$ 197,765	$ 3,008,601	$ 2,599,213	108%	81.50%
2015	0.0555%	3,012,158	421,066	3,433,224	2,816,440	107%	76.80%
2016	0.0556%	13,261,927	1,331,569	14,593,496	2,891,253	459%	44.90%
2017	0.0559%	11,158,654	1,078,607	12,237,261	3,010,080	371%	51.57%
2018	0.0546%	3,429,671	322,040	3,751,711	3,016,840	114%	78.07%
2019	0.0528%	3,365,483	297,977	3,663,460	3,000,389	112%	78.07%
2020	0.0606%	4,477,209	375,326	4,852,535	3,718,787	120%	75.48%
2021	0.0688%	3,010,894	253,927	3,264,821	4,119,815	73%	86.63%
2022	0.0758%	6,069,663	450,002	6,519,665	4,687,230	129%	76.17%
2023	0.0762%	6,291,243	440,489	6,731,732	4,843,813	130%	76.42%

INDEPENDENT SCHOOL DISTRICT #811
WABASHA, MINNESOTA

OTHER REQUIRED REPORTS

JUNE 30, 2024

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

To the Board of Education
Independent School District #811
Wabasha, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards),* and the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts* promulgated by the Legal Compliance Task Force pursuant to Minnesota Statutes Section 6.65, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the District, as of and for the year ended June 30, 2024, and the related notes to financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated October 22, 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 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 the attention of those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as Finding 2009-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses as Finding 2009-1.

Minnesota Legal Compliance

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 sections of the Minnesota Legal Compliance Audit Guide for School Districts, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. 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.

Smith, Schafer and Associates, Ltd.

Red Wing, Minnesota
October 22, 2024

INDEPENDENT SCHOOL DISTRICT #811
WABASHA, MINNESOTA

SCHEDULE OF FINDINGS

JUNE 30, 2024

INDEPENDENT SCHOOL DISTRICT #811
WABASHA, MINNESOTA
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED June 30, 2024

FINDINGS – 2009-1 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPALS (GAAP)

Condition:	The District does have a control in place for the review of the drafted financial statements. However, the District does not have the expertise to ensure all disclosures required by generally accepted accounting principles are included in the annual financial statements. The potential exists that a material disclosure could be omitted from the financial statements and not be prevented or detected by the District's internal controls.
Criteria:	The District should have controls in place to prevent or detect the omission of a material disclosure in the annual financial statements.
Questioned Costs:	None.
Context:	The District has informed us they will continue to rely upon the audit firm to prepare the financial statements and related footnote disclosures and will review and approve these prior to the issuance of the financial statements.
Effect:	No effect on the financial statements.
Cause:	The District does not have the expertise to draft the notes to the financial statements; however, they have reviewed and approved the annual financial statements as prepared by the audit firm.
Recommendation:	We recommend the District continue to evaluate their internal staff and expertise to determine if further controls over the annual financial reporting are beneficial.
Views of Responsible Officials and Planned Corrective Plan:	Management agrees with the recommendation. See corresponding Corrective Action Plan.
Current Status:	The findings reoccurred in 2024.

Home of the Falcons
Wabasha - Kellogg
Excellence in Education

Independent School District #811
2113 East Hiawatha Drive
Wabasha, MN 55981
www.wabasha-kellogg.k12.mn.us

CORRECTIVE ACTION PLAN (CAP):

The Independent School District #811 respectfully submits the following corrective action plan for the year ended June 30, 2024. Audit period: July 01, 2023 – June 30, 2024.

The finding from the schedule of prior year findings and responses is discussed below. The finding is numbered consistently with the number assigned in the schedule.

RESPONSE: FINDING 2009-1

Explanation of Disagreement with Audit Findings:
There is no disagreement with the audit findings.

Actions Planned in Response to Findings:
The Superintendent and Business Manager review the drafted financial statements and notes. The District does not have the expertise to ensure all disclosures required by GAAP are included in the financial statements. Accordingly, the District will rely upon the auditors for completeness of the disclosures. However, the business manager will review the notes for accuracy and compare the balances to UFARS and other District reports prior to issuance of the statements.

Official Responsible for Ensuring CAP:
Jean Feils, Bookkeeper, is the official responsible for ensuring the planned responses.

Planned Completion Date for CAP:
Not applicable as the District is willing to accept this risk at this time and will continue to evaluate the recommendation.

Plan to Monitor Completion of CAP:
Nels Onstad, Superintendent, will ensure the review by the Bookkeeper has been completed. He will do this through discussion with the Bookkeeper and reviewing the draft of the financial statements.

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INDEPENDENT SCHOOL DISTRICT #811
WABASHA, MINNESOTA

COMPLIANCE TABLE

JUNE 30, 2024

Fiscal Compliance Report - 6/30/2024
District: WABASHA-KELLOGG (811-1)

01 GENERAL FUND

	Audit	UFARS	Audit - UFARS
Total Revenue	$14,108,585	$14,108,586	($1)
Total Expenditures	$13,977,299	$13,977,297	$2
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$5,109	$5,109	$0
4.02 Scholarships	$0	$0	$0
4.03 Staff Development	$0	$0	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.12 Literacy Incentive Aid	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.20 American Indian Education Aid	$0	$0	$0
4.24 Operating Capital	$43,845	$43,845	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$0	$0	$0
4.39 English Learner	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.43 School Library Aid	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe Schools Levy	($32,296)	($32,296)	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$0	$0	$0
4.67 LTFM	$0	$0	$0
4.71 Student Support Personnel Aid	$0	$0	$0
4.72 Medical Assistance	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$0	$0	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$45,106	$45,106	$0
Unassigned:			
4.22 Unassigned Fund Balance	$1,176,823	$1,176,823	$0

02 FOOD SERVICES

	Audit	UFARS	Audit - UFARS
Total Revenue	$474,494	$474,490	$4
Total Expenditures	$407,925	$407,921	$4
Non Spendable:			
4.60 Non Spendable Fund Balance	$19,043	$19,043	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$133,478	$133,478	$0
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$396,120	$396,121	($1)
Total Expenditures	$425,023	$425,026	($3)
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	($7,831)	($7,831)	$0
4.32 E.C.F.E	$484	$484	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	($2,605)	($2,605)	$0
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$2,577	$2,577	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

06 BUILDING CONSTRUCTION

	Audit	UFARS	Audit - UFARS
Total Revenue	$78,108	$78,109	($1)
Total Expenditures	$603,610	$603,610	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Funded by COP/FP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$16,905,321	$16,905,322	($1)
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

07 DEBT SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$778,404	$778,404	$0
Total Expenditures	$735,976	$735,978	($2)
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$199,151	$199,150	$1
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

08 TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

18 CUSTODIAL

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0

20 INTERNAL SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

25 OPEB REVOCABLE TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

45 OPEB IRREVOCABLE TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

47 OPEB DEBT SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0