INDEPENDENT SCHOOL DISTRICT #423
HUTCHINSON PUBLIC SCHOOLS

AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

JUNE 30, 2024

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

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INDEPENDENT SCHOOL DISTRICT #423

ELECTED OFFICIALS AND ADMINISTRATION
JUNE 30, 2024

Elected Officials	Position	Term Expires
Garett Luthens	Chairman	January 1, 2027
Erin Knudtson	Vice-Chairman	January 1, 2027
Tiffany Barnard	Clerk	January 1, 2025
Sara Pollmann	Treasurer	January 1, 2025
Michael Massmann	Director	January 1, 2025
Danny Olmstead	Director	January 1, 2027
Administration		
Dan Deitte	Superintendent	Appointed
Rebecca Boll	Director of Business and Finance	Appointed
Cindy Longhenry	Controller	Appointed

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INDEPENDENT AUDITOR'S REPORT

To The Board of Education
Independent School District #423
Hutchinson, Minnesota

Report on the Audit Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #423, Hutchinson, Minnesota, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #423, Hutchinson, Minnesota, as of June 30, 2024, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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331 Third St SW, Ste 2
PO Box 570
Willmar, MN 56201
(320) 235-3311
(888) 388-1040

Benson Office
1209 Pacific Ave, Ste 3
Benson, MN 56215
(320) 843-2302

Morris Office
401 Atlantic Ave
Morris, MN 56267
(320) 589-2602

Litchfield Office
820 Sibley Ave N
Litchfield, MN 55355
(320) 693-7975

Sartell Office
Ste 110
2351 Connecticut Ave
Sartell, MN 56377
(320) 252-7565
(800) 862-1337

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Responsibilities of Management for the Financial Statements (Cont'd)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, 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, the Schedule of Proportionate Share of Net Pension Liability, the Schedule of Proportionate Share Employer Contributions, the Schedule of Changes in the District's Total Pension Liability, the Schedule of Changes in the District's Total OPEB Liability, and Notes to 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 accompanying combining and individual fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Partial Comparative Information

We have previously audited the District's 2023 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated December 11, 2023. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 21, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

November 21, 2024

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REQUIRED SUPPLEMENTARY INFORMATION

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INDEPENDENT SCHOOL DISTRICT #423

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024

This section of Independent School District No. 423, Hutchinson Public Schools' annual financial report presents the Management's 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.

The Management's Discussion and Analysis (MD&A) is Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999.

Financial Highlights

- Net position of the District increased by $4,842,076.

- The District maintained positive fund balances in all funds.

- The District showed an increase in the General Fund of $827,922.

Overview of the Financial Statements

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

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.

- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the government-wide statements.

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

- The *proprietary funds statements* offer *short* and *long-term* financial information about the activities the District operates like businesses.

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

Government-wide Statements

The government-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.

Government-wide Statements (Cont'd)

The two government-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 – is one way to measure the District's financial health or position.

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

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

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

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (e.g. repaying its long-term debts) or to show that it is properly using certain revenues (e.g. federal grants).

The District has two kinds of funds:

- **Governmental Funds**: Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* 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 government-wide statements, we provide additional information following the governmental funds statements that explains the relationship (or differences) between them.

- **Proprietary Funds**: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District uses an internal service fund to report activities that provide supplies and services for the District's other programs and activities. The District currently has two internal service funds, one for self-insurance health plan benefits and one for self-insurance dental plan benefits.

Fund Financial Statements (Cont'd)

Fund balances must be classified as part of the Governmental Accounting Standards Board (GASB) Statement No. 54. All fund balances must be reported in one of the following categories:

- Nonspendable – cannot be spent because they are typically not in a spendable form or required to be maintained intact, such as inventory or prepaid balances.

- Restricted – constraints are placed on the use of the resources either externally by creditors or through constitutional provisions. The Minnesota Department of Education (MDE) has re-titled statutorily required reserved accounts as "Restricted/Reserved".

- Committed – amounts that are designated by formal action of the District's School Board.

- Assigned – amounts constrained to be used for a specific purpose by the School Board or an official that has been delegated authority to assign amounts. This only applies to the General Fund.

- Unassigned – amounts only in the General Fund that are available to meet current and future years' expenditures. Any negative fund balance in the Food Service Fund, Community Education Fund, Construction Fund and Debt Service Fund would also need to be accounted for here.

Net Position

The District's combined net position was $26,183,089 on June 30, 2024. This was an increase of 22.69% (See Table A-1).

Financial Analysis of the District as a Whole

Table A-1

Statement of Net Position
Governmental Activities

	2024	2023	Total Percentage Change 2023-2024
Assets			
Current and Non-Capital	$ 41,749,155	$ 37,409,011	11.60%
Capital	94,333,669	95,030,301	-0.73%
Total Assets	136,082,824	132,439,312	2.75%
Deferred Outflows of Resources	7,641,133	8,401,884	-9.05%
Total Assets and Deferred Outflows of Resources	$ 143,723,957	$ 140,841,196	2.05%
Liabilities			
Current and Short-term	$ 9,127,709	$ 8,520,288	7.13%
Long-term	95,558,494	95,597,428	-0.04%
Total Liabilities	104,686,203	104,117,716	0.55%
Deferred Inflows of Resources	12,854,665	15,382,467	-16.43%
Net Position			
Net Investment in Capital Assets	27,048,470	27,274,700	-0.83%
Restricted	6,381,987	5,399,359	18.20%
Unrestricted	(7,247,368)	(11,333,046)	-36.05%
Total Net Position	26,183,089	21,341,013	22.69%
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 143,723,957	$ 140,841,196	2.05%

Change in Net Position

The increase in net position is due primarily to the amortization of deferred outflows of resources and deferred inflows of resources for the year ended June 30, 2024. These changes stem from a decreases in deferred inflows of resources.

The following Table A-2 represents the change in net position of the District. The overall change in net position is an increase of 22.69% relative to the beginning balance.

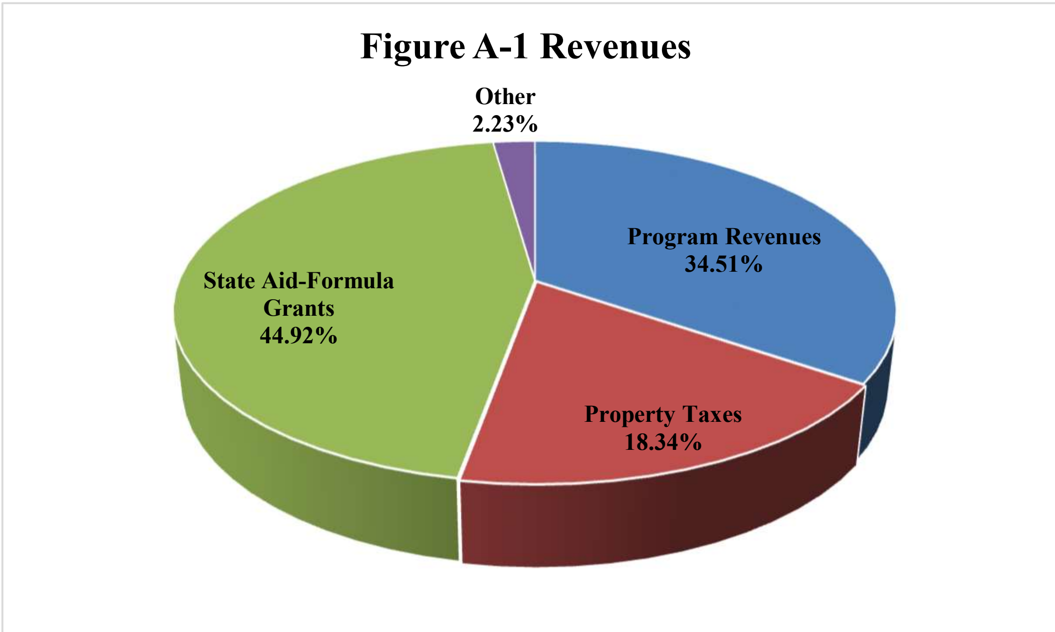
INDEPENDENT SCHOOL DISTRICT #423

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024

Table A-2
Comparative Condensed Statement of Activities

	Governmental Activities 2024	Governmental Activities 2023	Total Percentage Change 2023-2024
Revenues			
Program Revenues			
Charges for Services	$ 875,707	$ 1,325,528	-33.94%
Operating Grants and Contributions	15,082,272	12,070,448	24.95%
Capital Grants and Contributions	700,675	324,342	116.03%
General Revenues			
Property Taxes	8,853,466	8,677,935	2.02%
State Aid-Formula Grants	21,687,766	21,301,020	1.82%
Other	1,077,247	747,556	44.10%
Total Revenues	48,277,133	44,446,829	8.62%
Expenses			
Administration	1,572,027	1,444,345	8.84%
District Support Services	1,362,939	1,128,815	20.74%
Elementary and Secondary Regular Education	14,310,027	11,388,168	25.66%
Vocational Education Instruction	1,148,135	751,820	52.71%
Special Education Instruction	7,873,366	5,577,793	41.16%
Community Service	1,057,388	966,878	9.36%
Instructional Support Services	2,207,497	2,027,456	8.88%
Pupil Support Services	3,238,142	2,928,820	10.56%
Sites and Buildings	5,486,427	5,646,949	-2.84%
Fiscal and Other Fixed Cost Programs	194,383	157,010	23.80%
Foods Service	2,560,290	2,128,400	20.29%
Interest and Fiscal Changes on Long-term Liabilities	1,915,693	1,999,799	-4.21%
Depreciation and Loss on Disposal of an Asset - Unallocated	508,743	470,303	8.17%
Total Expenses	43,435,057	36,616,556	18.62%
Change in Net Positions	4,842,076	7,830,273	-38.16%
Net Position, Beginning of Year	21,341,013	13,510,740	57.96%
Net Position, End of Year	$ 26,183,089	$ 21,341,013	22.69%

The District’s total revenues were $48,277,133 for the year ended June 30, 2024. Program revenues accounted for 34.51%, property taxes for 18.34%, state aid general for 44.92% and other sources for 2.23% (see Figure A-1.) These percentages changed only slightly from the previous fiscal year.



The total cost of all programs and services for the District was $43,435,057. Instruction and Support Services and Pupil Support Services accounted for approximately 66.24% (up 4.33% year-over-year) of all costs (see Figure A-2.) Sites and Buildings made up 12.63% (down 2.79% year-over-year) of the costs while Administration costs accounted for 3.63% (down 0.33% year-over-year) of total costs.

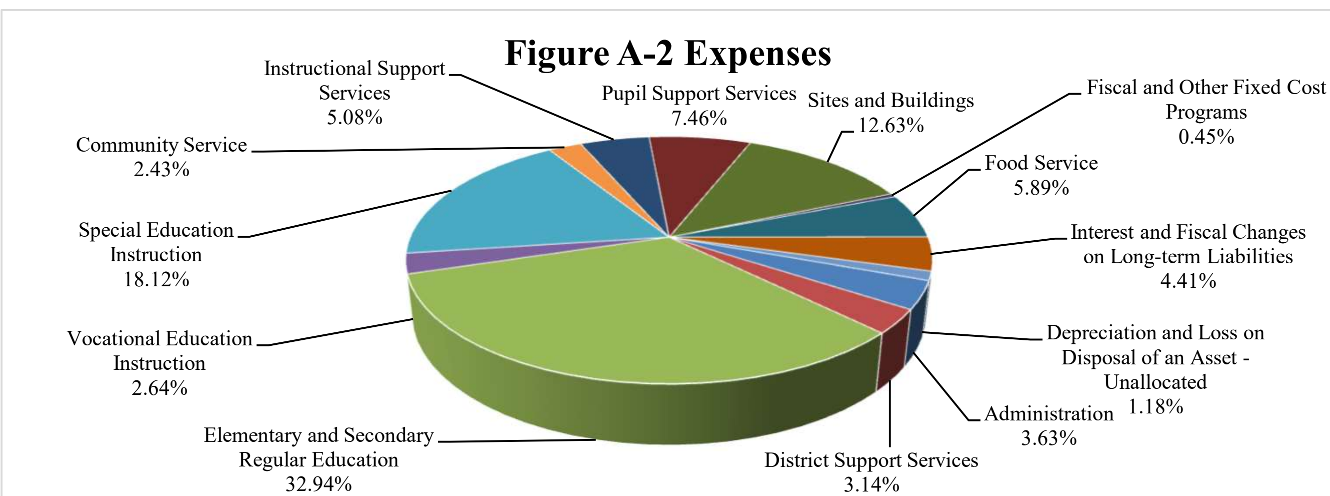


Table A-3 presents the total cost of governmental activities as well as the net cost of those activities. The net cost represents total cost less program revenues applicable to each category.

INDEPENDENT SCHOOL DISTRICT #423

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024

Table A-3
Net Cost of Governmental Activities

	Total Cost of Services		Total Percentage Change
	2024	2023	2023-2024
Administration	$ 1,572,027	$ 1,444,345	8.84%
District Support Services	1,362,939	1,128,815	20.74%
Elementary and Secondary Regular Education	14,310,027	11,388,168	25.66%
Vocational Education Instruction	1,148,135	751,820	52.71%
Special Education Instruction	7,873,366	5,577,793	41.16%
Community Service	1,057,388	966,878	9.36%
Instructional Support Services	2,207,497	2,027,456	8.88%
Pupil Support Services	3,238,142	2,928,820	10.56%
Sites and Buildings	5,486,427	5,646,949	-2.84%
Fiscal and Other Fixed Cost Programs	194,383	157,010	23.80%
Foods Service	2,560,290	2,128,400	20.29%
Interest and Fiscal Changes on Long-term Liabilities	1,915,693	1,999,799	-4.21%
Depreciation and Loss on Disposal of an Asset - Unallocated	508,743	470,303	8.17%
Total Expenses	$ 43,435,057	$ 36,616,556	18.62%

	Net Cost of Services		Total Percentage Change
	2024	2023	2023-2024
Administration	$ 1,572,027	$ 1,444,345	8.84%
District Support Services	1,362,939	1,128,815	20.74%
Elementary and Secondary Regular Education	9,777,852	7,297,743	33.98%
Vocational Education Instruction	1,127,234	732,118	53.97%
Special Education Instruction	1,332,530	395,645	236.80%
Community Service	119,462	28,361	321.22%
Instructional Support Services	2,128,126	2,018,471	5.43%
Pupil Support Services	2,019,518	1,825,492	10.63%
Sites and Buildings	4,764,388	5,286,370	-9.87%
Fiscal and Other Fixed Cost Programs	194,383	157,010	23.80%
Foods Service	(46,492)	111,766	-141.60%
Interest and Fiscal Changes on Long-term Liabilities	1,915,693	1,999,799	-4.21%
Depreciation and Loss on Disposal of an Asset - Unallocated	508,743	470,303	8.17%
Total Expenses	$ 26,776,403	$ 22,896,238	16.95%

Net Cost of Governmental Activities

The cost for all governmental activities for year ended June 30, 2024 was $43,435,057.

- Some of the cost was paid by users of the District's programs $875,707.

- The federal and state governments subsidized certain programs with grants and contributions $15,782,947.

- Most of the District's costs, however, were paid by property taxes in the amount of $8,853,466 and general education aids in the amount of $21,687,766. Other revenues and investment earnings contributed $1,077,247 toward the costs.

Financial Analysis of the District's Funds

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $23,572,141. This is a increase of $3,465,911 from the June 30, 2023 combined fund balance total, mainly due to new construction bond issued in current year.

General Fund

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

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

Table A-4
Summary of General Fund Revenues

	2024	2023	Amount of Increase (Decrease)	Total Percentage Change 2023-2024
Local Sources				
Property Taxes	$ 4,636,478	$ 4,380,448	$ 256,030	5.84%
Other	1,671,577	1,251,143	420,434	33.60%
Revenue from State Sources	31,482,432	27,914,708	3,567,724	12.78%
Revenue from Federal Sources	1,576,216	2,562,461	(986,245)	-38.49%
Sales and Other Conversions of Assets	7,057	3,594	3,463	96.36%
Total Revenues	$ 39,373,760	$ 36,112,354	$ 3,261,406	9.03%

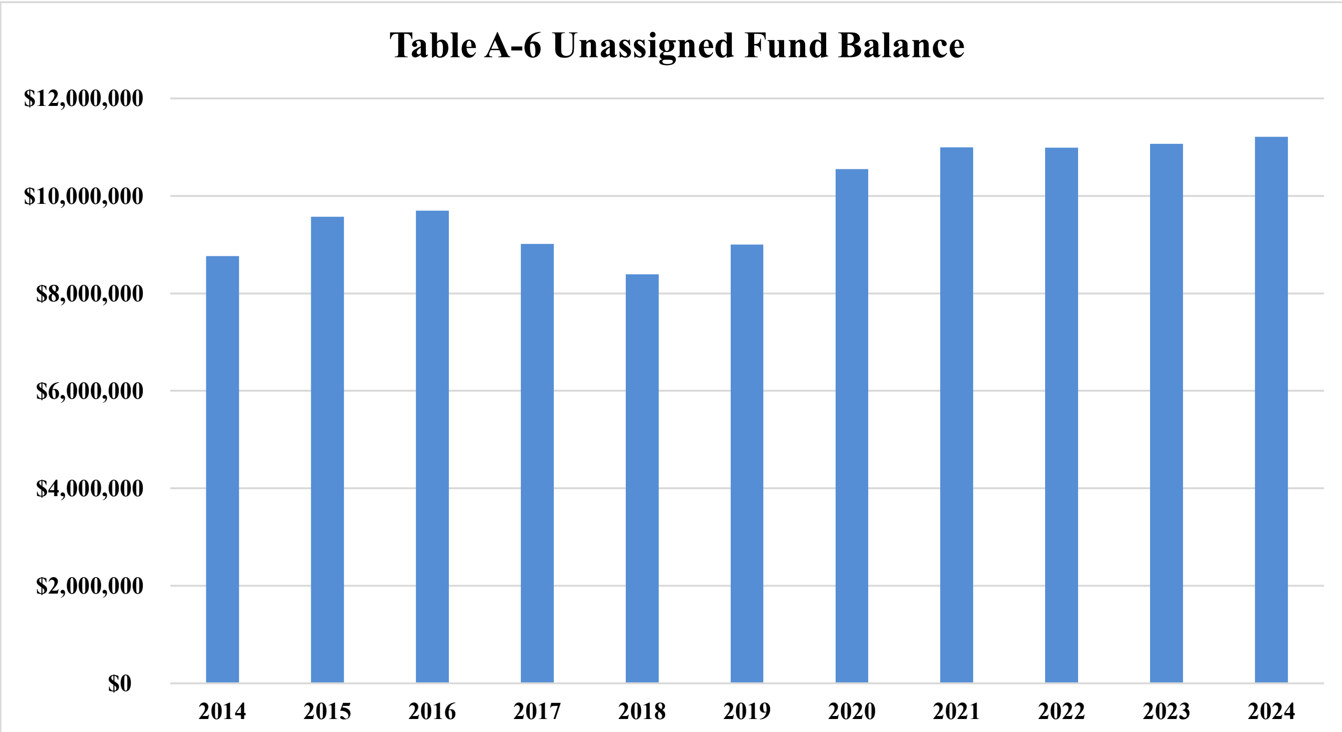
Total General Fund Revenues increased by $3,261,406 or 9.03% from the previous year. During the 2023-2024 school year the District recognized a property tax shift as required by accounting standards. This shift has not yet been repaid by the State of Minnesota, so we are seeing a transition from Other to State Sources since this shift now becomes a receivable for the District.

General Fund Expenditures are itemized in Table A-5:

Table A-5
Summary of General Fund Expenditures

	2024	2023	Amount of Increase (Decrease)	Total Percentage Change 2023-2024
Salaries	$ 23,303,946	$ 20,706,219	$ 2,597,727	12.55%
Employee Benefits	7,587,641	6,808,915	778,726	11.44%
Purchased Services	4,917,710	4,958,622	(40,912)	-0.83%
Supplies, Materials and Equipment	1,182,410	1,331,553	(149,143)	-11.20%
Other Expenditures	1,554,555	2,166,867	(612,312)	-28.26%
Total Expenditures	$ 38,546,262	$ 35,972,176	$ 2,574,086	7.16%

Total General Fund Expenditures increased by $2,574,086. The majority of this change was in the area of salaries and benefits.



The General Fund Unassigned Fund Balance, which includes Transportation, increased by $144,022 for a total of $11,210,058 at June 30, 2024.

Table A-6 above shows the overall financial health of the General Fund. Unassigned Fund Balance is approximately 29.08 percent over expenditures or approximately fifteen weeks of operation.

General Fund Budgetary Highlights

The original budget was adopted as required by state statute prior to July 1, 2024. Many budgetary assumptions and projections of enrollment data were made during the preliminary budget cycle. During the school year, the District continued to monitor enrollment data and other budgetary assumptions to recommend budget changes as more finalized information became available.

The General Fund budget originally predicted a decrease of $513,064 in fund balance while the final budget showed a decrease of $860,343. The projected budget deficit decreased during the year due to increased clarity related to the additional staff hired. The General Fund actual change in fund balance was an increase of $827,922. This better-than-expected result is driven by management’s decision to reduce its operating budget throughout the year to accommadate the additional staff hired in special education as well as the general fund reductions on labor contract settlements. The increase also reflects the timing of large capital projects and associated expenses during the summer of 2024.

Hutchinson Public Schools maintains separate fund accounting for Transportation and Capital Expenditures. However, when reporting to the state and in the financial statements, Transportation and Capital Expenditures are reported as part of the General Fund.

Building Construction Fund Budgetary Highlights

Total revenues for the Building Construction Fund for the 2023-2024 year were $4,186,140 while expenditures were $1,635,889. As of June 30, 2024, the fund balance for the Building Construction Fund was increased by -$2,550,251 and the project was still in progress at year end.

Debt Service Fund Budgetary Highlights

Total revenues for the Debt Service Fund for the 2023-2024 year were $4,862,074 while expenditures were $4,791,036. As of June 30, 2024, the fund balance for Debt Service Fund was increased by $71,038.

Food Service Fund Budgetary Highlights

The Food Service Fund revenue for 2023-2024 totaled $2,616,561 while expenditures totaled $2,693,905. As of June 30, 2024, the fund balance for the Food Service Fund decreased by $77,344. The decrease reflects an increase in Salaries and additional time worked in the universal meals program. Equipment upgrades also contributed to the decrease.

Community Service Fund Budgetary Highlights

Total revenues for the Community Service Fund for the 2023-2024 year were $1,177,882 while expenditures were $1,083,838. As of June 30, 2024, the fund balance for Community Service Fund was increased by $94,044. The increase is a result of an increase in interest rates on investments.

Capital Assets and Debt Administration

At June 30, 2024, the District had just over $121.1 million invested in capital assets. (Detailed information on the capital assets can be found in Note 6 to the financial statements.) Most of this investment is in the District's buildings and land/land improvements while the increase year-over-year related to an increase in construction in progress for the TAP/CP remodel. Depreciation expense for the year was $2,726,281.

Table A-7
Capital Assets

	2024	2023	Total Percentage Change 2023-2024
Land & Land Improvements	$ 8,604,642	$ 8,393,382	2.52%
Construction in Progress	1,107,038		
Buildings	107,175,100	106,943,408	0.22%
Equipment	4,243,689	3,819,474	11.11%
Less Accumulated Depreciation	(26,796,800)	(24,125,963)	11.07%
Total	$ 94,333,669	$ 95,030,301	-0.73%

Long-Term Debt

At year-end the District has $70,403,205 of bonded indebtedness, $232,736 of compensated absences, $25,243,323 of net pension liability required for unfunded PERA, TRA, and the District’s supplemental pension plan and $3,085,329 of other postemployment benefits liabilities. The bonded debt is scheduled to be repaid in the next twenty years. The District has committed $56,812 of the General Fund Balance for the vested severance payments.

Table A-8
Outstanding Long-Term Liabilities

	2024	2023	Total Percentage Change 2023-2024
General Obligation Bonds Payable	$ 70,403,205	$ 69,148,239	1.81%
Compensated Absences	232,736	189,936	22.53%
Total OPEB Liabilities	3,085,329	3,438,039	-10.26%
Net Pension Liabilities	25,243,323	25,677,671	-1.69%
Total	$ 98,964,593	$ 98,453,885	0.52%

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing condition that could significantly affect its financial health in the future:

With the exception of the voter-approved excess operating referendum, the District is dependent on the State of Minnesota for the majority of its revenue stream. Any changes in funding by the State of Minnesota will significantly affect the future of the School District.

As in recent past years, the State is shifting part of the funding obligated to the Hutchinson School District from one year to the next. These withheld funds are being used to help the State meet its cash flow needs. The State has not yet repaid the tax shift from the prior fiscal year but has reduced the amount that it withholds. The withholding of these funds affects the cash flow and investments of the school district. The school district has been able to maintain sufficient cash flow to meet its obligations without borrowing operating funds. School district funds that would otherwise be invested are now being used for cash flow due to the shift of State funding that has not yet been repaid. Any funds that are invested are receiving minimal return due to the economic conditions of the nation.

Contacting the District's Financial Management

This financial report is designed to provide the District’s citizens, taxpayers, customers, investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office, Independent School District No. 423, 30 Glen Street NW, Hutchinson, MN 55350.

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BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT #423

STATEMENT OF NET POSITION
JUNE 30, 2024
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2023

	Governmental Activities 2024	Governmental Activities 2023
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Cash and Investments	$ 30,637,770	$ 28,246,182
Receivables	5,783,593	5,042,262
Due from Other Governments	5,195,341	3,992,543
Inventory	65,168	86,901
Prepaid Items	67,283	41,123
Capital Assets		
Assets Not Being Depreciated	2,047,511	940,473
Other Capital Assets, Net of Depreciation	92,286,158	94,089,828
Total Assets	136,082,824	132,439,312
Deferred Outflows of Resources	7,641,133	8,401,884
Total Assets and Deferred Outflows of Resources	$ 143,723,957	$ 140,841,196
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities		
Payables		
Accounts and Contracts	$ 1,339,677	$ 1,323,895
Salaries and Wages	1,463,304	1,334,352
Payroll Deductions	1,235,740	1,406,945
Due to Other Minnesota School Districts	122,994	60,103
Due to Other Governmental Units	99,451	87,089
Interest Payable	876,786	895,672
Unearned Revenue	583,658	555,775
Long-term Liabilities		
Net Pension Liability	25,243,323	25,677,671
Total OPEB Liability	3,085,329	3,438,039
Other Long-term Liabilities Due Within One Year	3,406,099	2,856,457
Other Long-term Liabilities Due in More Than One Year	67,229,842	66,481,718
Total Liabilities	104,686,203	104,117,716
Deferred Inflows of Resources	12,854,665	15,382,467
Net Position		
Net Investment in Capital Assets	27,048,470	27,274,700
Restricted for		
Operating Capital Purposes	4,705,795	4,337,041
State-Mandated Reserves	933,772	697,364
Student Activities	60,334	53,405
Community Service	389,507	125,163
Debt Service	292,579	186,386
Unrestricted	(7,247,368)	(11,333,046)
Total Net Position	26,183,089	21,341,013
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 143,723,957	$ 140,841,196

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #423

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2023

	2024					2023
		Program Revenues			Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Governmental Activities
GOVERNMENTAL ACTIVITIES						
Administration	$ 1,572,027	$	$	$	$ (1,572,027)	$ (1,444,345)
District Support Services	1,362,939				(1,362,939)	(1,128,815)
Elementary and Secondary Regular Instruction	14,310,027	339,159	4,193,016		(9,777,852)	(7,297,743)
Vocational Education Instruction	1,148,135		20,901		(1,127,234)	(732,118)
Special Education Instruction	7,873,366	49,059	6,491,777		(1,332,530)	(395,645)
Community Education and Services	1,057,388	212,666	694,804	30,456	(119,462)	(28,361)
Instructional Support Services	2,207,497		79,371		(2,128,126)	(2,018,471)
Pupil Support Services	3,238,142		1,218,624		(2,019,518)	(1,825,492)
Sites and Buildings	5,486,427	82,817		639,222	(4,764,388)	(5,286,370)
Fiscal and Other Fixed Costs Programs	194,383				(194,383)	(157,010)
Food Service	2,560,290	192,006	2,383,779	30,997	46,492	(111,766)
Interest and Fiscal Charges on Long-Term Liabilities	1,915,693				(1,915,693)	(1,999,799)
Depreciation and Loss on Disposal of an Asset - Unallocated	508,743				(508,743)	(470,303)
Total Governmental Activities	$ 43,435,057	$ 875,707	$ 15,082,272	$ 700,675	(26,776,403)	(22,896,238)
	GENERAL REVENUES					
	Taxes Levied for					
	General Purposes				4,650,775	4,384,341
	Community Education and Services				198,290	195,370
	Debt Service				4,004,401	4,098,224
	State Aid not Restricted to Specific Purposes				21,687,766	21,301,020
	Gain on Sale of Assets					18,285
	Other General Revenues				14,441	35,291
	Investment Earnings				1,062,806	693,980
	Total General Revenues				31,618,479	30,726,511
	Change in Net Position				4,842,076	7,830,273
	NET POSITION, BEGINNING OF YEAR				21,341,013	13,510,740
	NET POSITION, END OF YEAR				$ 26,183,089	$ 21,341,013

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #423

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2024
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2023

	General	Building Construction	Debt Service	Other Governmental Funds	Total Governmental Funds 2024	Total Governmental Funds 2023
ASSETS						
Cash and Investments	$ 18,131,705	$ 4,085,499	$ 3,286,711	$ 1,446,292	$ 26,950,207	$ 24,708,872
Receivables						
Accounts	81,696			19,200	100,896	21,557
Interest	417,866				417,866	285,128
Current Property Taxes	2,265,584		2,805,093	76,943	5,147,620	4,644,988
Delinquent Property Taxes	32,583		61,639	3,944	98,166	66,708
Due from Other Governments						
Other Minnesota School Districts	42,505			159,468	201,973	119,620
State Department of Education	3,750,369		78,667	79,452	3,908,488	3,170,509
Federal Department of Education	884,580			101,862	986,442	628,481
Other Governmental Units	55,562			42,876	98,438	73,933
Inventory				65,168	65,168	86,901
Prepaid Items	63,210			4,073	67,283	41,123
Total Assets	$ 25,725,660	$ 4,085,499	$ 6,232,110	$ 1,999,278	$ 38,042,547	$ 33,847,820
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
Liabilities						
Payables						
Accounts and Contracts	$ 315,986	$ 967,493	$	$ 56,198	$ 1,339,677	$ 1,323,895
Salaries and Wages	1,435,751			27,553	1,463,304	1,334,352
Payroll Deductions	1,235,740				1,235,740	1,406,945
Due to Other Minnesota School Districts	122,994				122,994	60,103
Due to Other Governmental Units	99,451				99,451	87,089
Unearned Revenue				583,658	583,658	555,775
Total Liabilities	3,209,922	967,493	0	667,409	4,844,824	4,768,159
Deferred Inflows of Resources						
Property Taxes Levied for Subsequent Year	4,306,469		5,062,745	158,202	9,527,416	8,906,723
Unavailable Revenue - Delinquent Property Taxes	32,583		61,639	3,944	98,166	66,708
Total Deferred Inflows of Resources	4,339,052	0	5,124,384	162,146	9,625,582	8,973,431
Fund Balance						
Nonspendable	63,210			4,073	67,283	41,123
Restricted	5,699,901	3,118,006	1,107,726	1,165,650	11,091,283	7,840,856
Committed	56,812				56,812	55,837
Assigned	1,146,705				1,146,705	1,102,378
Unassigned	11,210,058				11,210,058	11,066,036
Total Fund Balance	18,176,686	3,118,006	1,107,726	1,169,723	23,572,141	20,106,230
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 25,725,660	$ 4,085,499	$ 6,232,110	$ 1,999,278	$ 38,042,547	$ 33,847,820

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #423

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2024
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2023

	2024	2023
Total Fund Balances - Governmental Funds	$ 23,572,141	$ 20,106,230
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.	98,166	66,708
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
Governmental Capital Assets	121,130,469	119,156,264
Less: Accumulated Depreciation	(26,796,800)	(24,125,963)
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to Pensions	6,702,588	7,688,591
Deferred Inflows of Resources Related to Pensions	(2,803,156)	(5,876,335)
Deferred Outflows of Resources Related to Other Postemployment Benefits	938,545	713,293
Deferred Inflows of Resources Related to Other Postemployment Benefits	(524,093)	(599,409)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.		
Bond Principal Payable	(66,350,000)	(65,175,000)
Bond Premium	(4,053,205)	(3,973,239)
Compensated Absences	(232,736)	(189,936)
Net Pension Liability	(25,243,323)	(25,677,671)
Other Postemployment Benefits	(3,085,329)	(3,438,039)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(876,786)	(895,672)
Internal service funds are used by management to charge the costs associated with health, flex and dental. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Position.	3,706,608	3,561,191
Total Net Position - Governmental Activities	$ 26,183,089	$ 21,341,013

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #423

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2024
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2023

	General	Building Construction	Debt Service	Other Governmental Funds	Total Governmental Funds 2024	Total Governmental Funds 2023
REVENUES						
Local Property Tax Levies	$ 4,636,478	$	$ 3,988,132	$ 197,398	$ 8,822,008	$ 8,659,184
Other Local and County Revenues	1,671,577	74,717	87,289	820,456	2,654,039	2,237,885
Revenue from State Sources	31,482,432		786,653	1,330,430	33,599,515	29,061,606
Revenue from Federal Sources	1,576,216			1,262,599	2,838,815	3,666,862
Sales and Other Conversions of Assets	7,057			183,560	190,617	699,728
Total Revenues	39,373,760	74,717	4,862,074	3,794,443	48,104,994	44,325,265
EXPENDITURES						
Current						
Administration	1,697,537				1,697,537	1,841,381
District Support Services	1,306,024				1,306,024	1,062,579
Elementary and Secondary Regular Instruction	16,035,417				16,035,417	15,084,211
Vocational Education Instruction	1,243,785				1,243,785	942,962
Special Education Instruction	8,568,646				8,568,646	6,700,621
Community Education and Services				1,037,160	1,037,160	1,018,507
Instructional Support Services	2,026,950				2,026,950	1,940,040
Pupil Support Services	3,399,174			2,509,622	5,908,796	5,146,450
Sites and Buildings	2,862,173				2,862,173	3,109,284
Fiscal and Other Fixed Costs Programs	194,383				194,383	157,010
Capital Outlay	1,212,173	1,635,889		230,961	3,079,023	10,955,715
Debt Service			4,791,036		4,791,036	4,727,839
Total Expenditures	38,546,262	1,635,889	4,791,036	3,777,743	48,750,930	52,686,599
Excess (Deficiency) of Revenues Over (Under) Expenditures	827,498	(1,561,172)	71,038	16,700	(645,936)	(8,361,334)
OTHER FINANCING SOURCES (USES)						
Bonds Issued		3,815,000			3,815,000	
Bond Premium		296,423			296,423	
Sales and Insurance Recovery	424				424	
Sale of Equipment						18,285
Total Other Financing Sources (Uses)	424	4,111,423	0	0	4,111,847	18,285
Net Change in Fund Balances	827,922	2,550,251	71,038	16,700	3,465,911	(8,343,049)
FUND BALANCE, BEGINNING OF YEAR	17,348,764	567,755	1,036,688	1,153,023	20,106,230	28,449,279
FUND BALANCE, END OF YEAR	$ 18,176,686	$ 3,118,006	$ 1,107,726	$ 1,169,723	$ 23,572,141	$ 20,106,230

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #423

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2023

	2024	2023
Total Net Change in Fund Balances - Governmental Funds	$ 3,465,911	$ (8,343,049)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	31,458	18,751
Capital outlay is reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital Outlay	2,077,730	9,682,628
Depreciation Expense	(2,726,281)	(2,299,870)
Cost of Capital Assets Disposed	(103,525)	(230,645)
Accumulated Depreciation Related to Disposed Capital Assets	55,444	139,777
Bonds issued provide current financial resources to governmental funds, but issuing debt increase long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Bonds Issued	(3,815,000)	
Premium on Bonds Issued	(296,423)	
Payment of Bond Principal	2,640,000	2,465,000
Amortization of Bond Premium	216,457	216,457
Change in Interest Payable	18,886	46,583
Compensated Absences	(42,800)	73,881
Some expenses reported in the Statement of Activities do not require the use of current resources and therefore are not reported as expenditures in governmental funds.		
Pension Expense	2,521,524	5,788,510
Other Postemployment Benefits Expense	653,278	178,045
An internal service fund is used by the District's management to charge the costs of the self insurance health, flex and dental program to the individual funds. The net change in net position of the fund is reported with governmental activities.	145,417	94,205
Change in Net Position - Governmental Activities	$ 4,842,076	$ 7,830,273

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #423

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2024

	Budgeted Amounts			Over (Under) Final
	Original	Final	Actual	Budget
REVENUES				
Local Property Tax Levies	$ 4,541,651	$ 4,645,839	$ 4,636,478	$ (9,361)
Other Local and County Revenues	894,278	1,456,145	1,671,577	215,432
Revenue from State Sources	30,361,465	30,919,560	31,482,432	562,872
Revenue from Federal Sources	1,506,188	1,436,638	1,576,216	139,578
Sales and Other Conversions of Assets	14,000	4,000	7,057	3,057
Total Revenues	37,317,582	38,462,182	39,373,760	911,578
EXPENDITURES				
Current				
Administration	1,761,721	1,716,784	1,697,537	(19,247)
District Support Services	1,520,456	1,563,233	1,306,024	(257,209)
Elementary and Secondary Regular Instruction	16,271,356	16,185,603	16,035,417	(150,186)
Vocational Education Instruction	944,834	1,158,115	1,243,785	85,670
Special Education Instruction	7,326,566	8,359,905	8,568,646	208,741
Instructional Support Services	1,686,081	1,789,394	2,026,950	237,556
Pupil Support Services	3,307,833	3,511,245	3,399,174	(112,071)
Sites and Buildings	2,968,023	3,047,699	2,862,173	(185,526)
Fiscal and Other Fixed Costs Programs	340,000	355,000	194,383	(160,617)
Capital Outlay				
Administration	500	500		(500)
District Support Services	80,800	60,800	48,122	(12,678)
Elementary and Secondary Regular Instruction	101,228	147,823	151,209	3,386
Vocational Education Instruction	6,025	14,525	17,750	3,225
Special Education Instruction	61,527	59,527	42,029	(17,498)
Instructional Support Services	377,501	227,477	282,026	54,549
Sites and Buildings	1,096,195	1,145,895	671,037	(474,858)
Total Expenditures	37,850,646	39,343,525	38,546,262	(797,263)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(533,064)	(881,343)	827,498	1,708,841
OTHER FINANCING SOURCES (USES)				
Sales and Insurance Recovery		1,000	424	(576)
Sale of Equipment	20,000	20,000		(20,000)
Total Other Financing Sources (Uses)	20,000	21,000	424	(20,576)
Net Change in Fund Balances	$ (513,064)	$ (860,343)	827,922	$ 1,688,265
FUND BALANCE, BEGINNING OF YEAR			17,348,764	
FUND BALANCE, END OF YEAR			$ 18,176,686	

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #423

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2024
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2023

	Governmental Activities- Internal Service Funds 2024	Governmental Activities- Internal Service Funds 2023
ASSETS		
Cash and Investments	$ 3,687,563	$ 3,537,310
Receivables		
Interest	19,045	23,881
Total Assets	$ 3,706,608	$ 3,561,191
NET POSITION		
Unrestricted	$ 3,706,608	$ 3,561,191

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #423

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2024
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2023

	Governmental Activities- Internal Service Funds	
	2024	2023
NONOPERATING REVENUES		
Investment Earnings	$ 145,417	$ 94,205
NET POSITION, BEGINNING OF YEAR	3,561,191	3,466,986
NET POSITION, END OF YEAR	$ 3,706,608	$ 3,561,191

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #423

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2024
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2023

	Governmental Activities- Internal Service Funds	
	2024	2023
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	$ 150,253	$ 73,562
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,537,310	3,463,748
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,687,563	$ 3,537,310

See Accompanying Notes to the Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Independent School District #423 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. The more significant of the government's accounting policies are described below.

A. REPORTING ENTITY

The Independent School District #423 Board of Education ("District") is the basic level of government which has the financial accountability and control over all activities related to the public school education for the Hutchinson Public School District. The District receives funding from local, state, and federal sources and must comply with the expenditure requirements of these funding source entities.

The financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate entities for which the District is financially accountable, or for which the exclusion of the component unit would render the financial statements of the District misleading.

The criteria used to determine if the District is financially accountable for a component unit includes whether or not 1) the District appoints the voting majority of the potential component unit's governing body and is able to impose its will on the potential component unit or is in a relationship of financial benefit or burden with the potential component unit, or 2) the potential component unit is fiscally dependent on and there is a potential for the potential component unit to provide specific financial benefits to, or impose specific financial burdens on, the District.

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

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. The School Board has a fiduciary responsibility in establishing general policies and ensuring that appropriate financial records are maintained for student activities. In addition, these accounts of the District are under the School Board's control. The activity of the student activity accounts is accounted for in the General Fund.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Cont'd)

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of all charges would distort the direct costs and program revenue reported for the various functions concerned.

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

The Internal Service Fund is presented in the proprietary fund financial statements. Because the principal user of the internal services is the District's governmental activities, the financial statement of the internal service fund is consolidated into the governmental activities column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

The governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting, in which revenues are recognized when they become measurable and available. Revenues are considered to be measurable when the amount of the transaction can be determined and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Cont'd)

Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except interest earnings) are recorded as revenues when received because they are generally not measurable until then. Interest earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The District does not use encumbrances for either budgeting or financial reporting purposes.

It is generally the District's policy to use restricted resources first, then unrestricted resources as they are needed when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Description of Funds

The existence of the various District funds has been established by the State of Minnesota, Department of Education. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. A description of the funds included in this report is as follows:

Major Governmental Funds:

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities, equipment purchases, health and safety projects, and disabled accessibility projects.

The Building Construction Capital Projects Fund accounts for financial resources used for the acquisition or construction of major capital facilities funded by the sale of bonds.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Nonmajor Governmental Funds:

The Food Service Special Revenue 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 Special Revenue Fund accounts for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs or other similar services.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Cont'd)

Proprietary Fund:

The Internal Service Fund accounts for financing of goods and services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The Dental Plan Fund and the Health and Flex Service Fund are accounted for as Internal Service Funds. The Dental Plan Fund accounts for the District's dental self-insurance program. The District began commercial health insurance on September 1, 2008. The Health and Flex Service Fund remains open as the District may resume a self-insured health insurance plan.

D. 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, Capital Project Funds and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year. 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 Director of Business and Finance 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 is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

Unencumbered expenditure appropriations lapse at year-end. Encumbrances are not recorded.

Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE

Cash and Investments:

The District's cash and cash equivalents are considered to be cash on hand, deposits and highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition.

The District may invest in the following types of investments as authorized by Minn. Stat. §§118A.04 and 118A.05:

(1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. §118A.04, subd. 6;

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

Cash and Investments: (Cont'd)

(2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

(3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

(4) time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers acceptances of United States bank;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less; and

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Cash and investments consist of demand deposit accounts, negotiable certificates of deposit and investments in external investment pools.

Cash balances from all funds of the District are pooled and invested, to the extent available, in allowable cash management accounts. Earnings from such investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

The District invests in external investment pools, the Minnesota School District Liquid Asset Fund and MN Trust, which are created under a joint powers agreement pursuant to Minn. Stat. §471.59. The Minnesota School District Liquid Asset Fund and MN Trust are not registered with the Securities Exchange Commission (SEC), but satisfy the requirements of Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 CFR §270.2a-7), as amended. The investment in the pools are measured at the net asset value per share provided by the pool.

For purposes of the Statement of Cash Flows, the District considers cash in bank and all highly liquid instruments (including restricted assets) to be cash and cash equivalents in its proprietary funds.

The District has an investment policy in place that addresses interest rate risk, credit risk, concentration of credit risk and custodial credit risk as follows:

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. Minnesota Statutes require all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

Cash and Investments: (Cont'd)

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations of a state or local government rated "A" or better and revenue obligations of a state or local government rated "AA" or better; unrated general obligation securities of the District; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The District does not have a policy that further limits its collateral choices.

Custodial Credit Risk - Investments. For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy on custodial credit risk states securities shall be held in third party safekeeping by an institution designated as custodial agent. The institution or dealer shall issue a safekeeping receipt to the District listing the specific instrument, the name of the issuer, the name in which the security is held, the rate, the maturity, serial numbers and other distinguishing marks, and other pertinent information related to the securities held.

Interest Rate Risk. This is the risk that the market value of securities will fall due to the changes in market interest rates. The District's policy states investment maturities shall be scheduled to coincide with projected District cash flow needs, taking into account large routine or scheduled expenditures, as well as anticipated receipt dates of anticipated revenues. Maturities for short-term and long-term investments shall be timed according to anticipated need. Within these parameters, portfolio maturities shall be staggered to avoid undue concentration of assets and a specific maturity sector. The maturities selected shall provide for stability of income and reasonable liquidity.

Credit Risk. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law limits certain investments to the top two ratings issued by the rating organizations. The District's investment policy states it will comply with Minnesota Statutes Chapter 118A.

Concentration Risk. This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy states the District shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

Accounts Receivable:
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.

Current Property Taxes Receivable:
Current property taxes receivable represent current real and personal property tax levies, certified the previous December and collectible in the current calendar year, which have not been received by the District.

Delinquent Property Taxes Receivable:
Delinquent property taxes receivable represent taxes collectible in the years 2017 to 2023 that remain uncollected at June 30, 2024. They are equally offset by a deferred inflow of resources amount in the governmental fund financial statements.

Prepaid Items:
Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and are recorded as an expense or expenditure at the time of consumption.

Inventory:
Inventories are recorded using the consumption method of accounting and consist of paper, purchased food and supplies. Food, paper and supply purchases are recorded at invoice cost, computed on a first-in, first-out method.

Capital Assets:
Tangible and intangible capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District maintains a threshold level of $5,000 for capitalizing tangible and intangible capital assets. 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.

Tangible and intangible capital assets are recorded in the government-wide financial statements, but are not reported in the governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are 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. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

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

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

The District does not possess any material amounts of intangible capital assets.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

Deferred Outflows of Resources:
In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future reporting period. During that future period, it will be recognized as an outflow of resources (expense/expenditure). The District has items that qualify for reporting in this category on the government-wide Statement of Net Position which are related to pensions and other post-employment benefits.

Unearned Revenue
Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and certain other payments received before eligibility requirements are met are also recorded as unearned revenue.

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

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

Compensated Absences:
The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide financial statements. The government-wide Statement of Net Position reports both current and long-term portions of compensated absences using full accrual accounting. The current portion consists of an amount based on expected or known retirements coming in the next fiscal year. The long-term portion consists of the remaining amount of vacation and total vested sick leave.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

Compensated Absences: (Cont'd)

Vacation Pay:

Certain employees earn annual vacation pay at rates dependent upon each employee group labor contract. The District compensates employees for unused vacation upon termination of employment. Unpaid vacation pay totaling $187,255 is recorded in the financial statements as a component of compensated absences.

Sick Pay:

Certain employees are entitled to paid sick leave at various rates for each month of full-time service. Employees are not compensated for unused sick leave upon termination of employment, except as used in severance pay calculations. Sick pay is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements. Unpaid sick pay totaling $45,481 is recorded in the financial statements as a component of compensated absences.

Pensions:

The District participates in various pension plans; total pension expense for the fiscal year ended was ($339,779). The components of pension expense are noted in the plan summaries.

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

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, District of Minneapolis and Minneapolis School District. This 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 in 2015.

Other Postemployment Benefits:

Under the terms of current and previous employment contracts, when certain qualified employees retire with certain age and service requirements, the District provides life and health insurance benefits which would cease when such employees attain the age of 65 or is eligible for Medicare. All premiums are funded on a pay-as-you-go basis.

Deferred Inflows of Resources:

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period. During that future period, it will be recognized as an inflow of resources (revenue). The District has items that qualify for reporting in this category on both the government-wide Statement of Net Position and the governmental fund financial statements related to property taxes, pensions and other post employment benefits.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

Property Taxes Levied for Subsequent Years:
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 this account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

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

Nonspendable - consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact, such as prepaid items.

Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - consists of amounts that are constrained for specific purposes that are internally imposed by formal action of the Board of Education. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. These constraints are established by Resolution of the Board of Education.

Assigned - consists of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board Policy, the Superintendent and Director of Business and Finance are authorized to establish assignments of fund balance.

Unassigned - is the residual classification for the General Fund and also reflects negative residual amounts in the remaining governmental funds.

The District requires restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Board of Education has formally adopted a fund balance policy for the General Fund. The District's policy is to strive to maintain a minimum unassigned fund balance of 14% of the annual budget.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

Net Position:
Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the government-wide and proprietary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide and proprietary fund financial statements when there are limitations on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position consists of all other net position that does not meet the definition of restricted or net investment in capital assets.

F. REVENUES AND EXPENDITURES

Revenues:
Property tax levies are established by the Board of Education in December each year and are certified to the County for collection in 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 governmental fund 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 inflow of resources (property taxes levied for subsequent year's expenditures). The majority of District revenue in the General Fund (and to a lesser extent in the District's Community Service Special Revenue Fund) 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. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift".

In accordance with State law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum which is frozen at $159,249 for the District. State law is not requiring recognition of the current operating referendum and all other levies other than Career Technical and Reemployment Insurance. Career Technical and Reemployment Insurance tax levies are recognized early based on statutory requirements in the amounts of $159,973 and $72,293, respectively.

Tax levies from prior years 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 reported as a deferred inflow of resources at the fund level 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 Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

Expenditures:
Expenditure recognition for governmental fund types is limited to amounts represented by current liabilities. Long-term liabilities are not recognized as governmental fund expenditures or fund liabilities.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

G. USE OF ESTIMATES

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

H. PRIOR YEAR INFORMATION

The basic financial statements include certain prior-year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for year ended June 30, 2023, from which partial information was derived.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. DEFICIT FUND BALANCES

The District had no deficit fund balances at year end.

B. EXCESS OF EXPENDITURES OVER BUDGET

The following funds had excess of expenditures over budget.

	Expenditures	Appropriations
Building Construction Fund	$ 1,635,889	$ 706,800

NOTE 3. CASH AND INVESTMENTS

A. DEPOSITS

In accordance with applicable Minnesota Statues, the District maintains deposits at a depository bank authorized by the District School Board.

Custodial Credit Risk - Deposits: The District's bank balances were not exposed to custodial credit risk because they were fully insured through the FDIC as well as collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

Governmental Activities	
Pooled Cash in Bank Accounts	$ 3,667,832
Individual Fund Checking Accounts	36,445
Individual Fund Savings Accounts	2,452,818
Petty Cash	1,305
	$ 6,158,400

NOTE 3. CASH AND INVESTMENTS (Cont'd)

B. INVESTMENTS

The District had the following investments:

	Fair Value	Fair Value Measurements Using Level 1	Level 2	Level 3
Investments at Fair Value:				
Brokered Certificates of Deposit				
MSDLAF	$ 1,421,000	$	$ 1,421,000	$
MNTrust	1,662,250		1,662,250	
Total Investments at Fair Value	3,083,250	$ 0	$ 3,083,250	$ 0
Investments at Amortized Cost:				
External Investment Pool				
PFM-MSDLAF				
Term	16,040,000			
Liquid Class	514,762			
MAX Class	120,884			
Money Market	4,720,474			
Total Investments at Amortized Cost	21,396,120			
Total Investments	$ 24,479,370			

The following is a summary of deposits and investments:

Deposit (Note 3.A.)	$ 6,158,400
Investments	24,479,370
Total Deposits and Investments	$ 30,637,770

NOTE 4. RECEIVABLES

Receivables are as follows:

	Total Receivables	Amounts not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Accounts	$ 100,896	$
Interest	436,911	
Current Property Taxes	5,147,620	
Delinquent Property Taxes	98,166	
Total Governmental Activities	$ 5,783,593	$ 0

NOTE 5. DUE FROM OTHER GOVERNMENTS

Due from other governments are as follows:

	Total Due from Other Governments	Amounts not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Other Minnesota School Districts	$ 201,973	$
State Department of Education	3,908,488	
Federal Department of Education	986,442	
Other Governmental Units	98,438	
Total Governmental Activities	$ 5,195,341	$ 0

NOTE 6. CAPITAL ASSETS

Capital asset activity was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	$ 940,473	$	$	$ 940,473
Construction in Progress		1,107,038		1,107,038
Total Capital Assets, Not Being Depreciated	940,473	1,107,038	0	2,047,511
Capital Assets, Being Depreciated				
Land Improvements	7,452,909	237,094	(25,834)	7,664,169
Buildings	106,943,408	292,643	(60,951)	107,175,100
Equipment	3,819,474	440,955	(16,740)	4,243,689
Total Capital Assets, Being Depreciated	118,215,791	970,692	(103,525)	119,082,958
Less Accumulated Depreciation for				
Land Improvements	1,145,816	374,281	(19,114)	1,500,983
Buildings	20,628,034	2,140,164	(20,723)	22,747,475
Equipment	2,352,113	211,836	(15,607)	2,548,342
Total Accumulated Depreciation	24,125,963	2,726,281	(55,444)	26,796,800
Total Capital Assets Being Depreciated, Net	94,089,828	(1,755,589)	(48,081)	92,286,158
Governmental Activities Net Capital Assets	$ 95,030,301	$ (648,551)	$ (48,081)	$ 94,333,669

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
Administration	$ 295
District Support Services	21,523
Elementary and Secondary Regular Instruction	16,730
Vocational Education Instruction	1,387
Special Education Instruction	1,720
Community Education and Services	45,277
Instructional Support Services	13,060
Food Service	38,045
Pupil Support Services	158
Sites and Buildings	2,127,424
Unallocated	460,662
Total Depreciation Expense - Governmental Activities	$ 2,726,281

NOTE 7. LONG-TERM LIABILITIES

A. COMPONENTS OF LONG-TERM LIABILITIES

The District has issued general obligation school building bonds to finance the construction of capital facilities or refinance previous bond issues. Assets of the Debt Service Fund, together with scheduled future tax levies, are dedicated for the retirement of these bonds. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

	Original Amount Issued	Final Maturity Date	Interest Rate	Balance Outstanding
Governmental Activities				
G.O. School Building Bonds, Series 2016A	$ 41,650,000	2/1/2041	3.25%-5.00%	$ 34,325,000
G.O. Facilities Maintenance and School Building Bonds, Series 2019A	9,995,000	2/1/2042	2.50%-4.00%	8,185,000
G.O. School Building Bonds, Series 2020A	22,890,000	2/1/2042	2.50%-4.00%	20,025,000
G.O. School Building Bonds, Series 2024A	3,815,000	2/1/2034	4.00%-5.00%	3,815,000
Bond Premium				4,053,205
Compensated Absences				232,736
Total Governmental Activities				$ 70,635,941

B. MINIMUM DEBT PAYMENTS

Minimum annual principal and interest payments required to retire long-term debt, not including compensated absences, pension benefits, or other postemployment benefits payable are as follows:

Year Ending June 30	G.O. School Building Bonds, Series 2016A		G.O. Facilities Maintenance and School Building Bonds, Series 2019A	
	Principal	Interest	Principal	Interest
2025	$ 1,455,000	$ 1,238,712	$ 525,000	$ 235,413
2026	1,530,000	1,165,962	540,000	214,412
2027	1,605,000	1,089,462	570,000	192,812
2028	1,685,000	1,009,212	585,000	170,013
2029	1,770,000	924,962	610,000	146,612
2030-2034	9,705,000	3,762,002	615,000	598,260
2035-2039	11,440,000	2,032,202		579,810
2040-2042	5,135,000	251,714	4,740,000	275,568
	$ 34,325,000	$ 11,474,228	$ 8,185,000	$ 2,412,900

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

B. MINIMUM DEBT PAYMENTS (Cont'd)

Year Ending June 30	G.O. School Building Bonds, Series 2020A		G.O. School Building Bonds, Series 2024A	
	Principal	Interest	Principal	Interest
2025	$ 780,000	$ 556,038	$ 400,000	$ 221,983
2026	805,000	524,838	430,000	155,250
2027	845,000	492,638	360,000	135,500
2028	880,000	458,838	390,000	116,750
2029	915,000	423,638	405,000	96,875
2030-2034	6,120,000	1,593,738	1,830,000	179,975
2035-2039	7,130,000	839,005		
2040-2042	2,550,000	151,500		
	$ 20,025,000	$ 5,040,233	$ 3,815,000	$ 906,333

C. DESCRIPTION OF LONG-TERM LIABILITIES

General Obligation Bonds:

On February 10, 2016, the District issued $41,650,000 of General Obligation School Building Bonds, Series 2016A to finance the safety and security, education and technology, and physical maintenance needs of the District. The bonds are due in varying annual installments each February from February 1, 2016 through February 1, 2041, with interest ranging from 3.25% - 5.00% due semi-annually on February 1 and August 1. Future ad valorem tax levies are dedicated to the retirement of these bonds.

On December 30, 2019, the District issued $9,995,000 of General Obligation Facilities Maintenance and School Building Bonds, Series 2019A to finance the safety and security, education and technology, and physical maintenance needs of the District. The bonds are due in varying annual installments each February from February 1, 2021 through February 1, 2042, with interest ranging from 2.50% - 4.00% due semi-annually on February 1 and August 1. Future ad valorem tax levies are dedicated to the retirement of these bonds.

On January 30, 2020, the District issued $22,890,000 of General Obligation School Building Bonds, Series 2020A to finance the safety and security, education and technology, and physical maintenance needs of the District. The bonds are due in varying annual installments each February from February 1, 2021 through February 1, 2042, with interest ranging from 2.50% - 4.00% due semi-annually on February 1 and August 1. Future ad valorem tax levies are dedicated to the retirement of these bonds.

On May 2, 2024, the District issued $3,815,000 of General Obligation School Building, Facilities Maintenance, & Capital Facilities Bonds, Series 2024A to finance the acquisition and betterment of school sites and facilities, facility maintenance projects and certain capital improvement needs of the District. The bonds are due in varying annual installments each February from February 1, 2025 through February 1, 2034, with interest ranging from 4.00% - 5.00% due semi-annually on February 1 and August 1. Future ad valorem tax levies are dedicated to the retirement of these bonds.

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

D. CHANGES IN LONG-TERM LIABILITIES

The following table summarizes changes in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
G.O. School Building Bonds, Series 2016A	$ 35,710,000	$	$ (1,385,000)	$ 34,325,000	$ 1,455,000
G.O. Facilities Maintenance and School Building Bonds, Series 2019A	8,685,000		(500,000)	8,185,000	525,000
G.O. School Building Bonds, Series 2020A	20,780,000		(755,000)	20,025,000	780,000
G.O. School Building Bonds, Series 2024A		3,815,000		3,815,000	400,000
Bond Premium	3,973,239	296,423	(216,457)	4,053,205	246,099
*Compensated Absences	189,936	42,800		232,736	
Total Governmental Activities	$ 69,338,175	$ 4,154,223	$ (2,856,457)	$ 70,635,941	$ 3,406,099

*The change in the compensated absences liability is presented as a net change.

NOTE 8. FUND BALANCES

The following is a summary of fund balance components.

	General	Building Construction	Debt Service	Subtotal
Nonspendable				
Prepaid Items	$ 63,210	$	$	$ 63,210
Restricted				
LTFM	112,384			112,384
Operating Capital	4,705,795			4,705,795
Area Learning Center	121,714			121,714
Medical Assistance	699,674			699,674
Student Activities	60,334			60,334
Other Fund Activities		3,118,006	1,107,726	4,225,732
Total Restricted	5,699,901	3,118,006	1,107,726	9,925,633
Committed				
Severance	56,812			56,812
Assigned				
Transportation Terminal	600,000			600,000
Q Comp	196,705			196,705
New Vehicles	100,000			100,000
Technology	250,000			250,000
Total Assigned	1,146,705	0	0	1,146,705
Unassigned	11,210,058			11,210,058
	$ 18,176,686	$ 3,118,006	$ 1,107,726	$ 22,402,418

NOTE 8. FUND BALANCES (Cont'd)

	Nonmajor Funds			
	Food Service	Community Service	Subtotal	Total
Nonspendable				
Prepaid Items	$ 4,073	$	$ 4,073	$ 67,283
Restricted				
LTFM				112,384
Operating Capital				4,705,795
Area Learning Center				121,714
Community Education		107,504	107,504	107,504
E.C.F.E.		388,016	388,016	388,016
School Readiness		203,663	203,663	203,663
Adult Basic Education		9,181	9,181	9,181
Medical Assistance				699,674
Student Activities				60,334
Other Fund Activities	437,395	19,891	457,286	4,683,018
Total Restricted	437,395	728,255	1,165,650	11,091,283
Committed				
Severance				56,812
Assigned				
Transportation				
Terminal				600,000
Q Comp				196,705
New Vehicles				100,000
Technology				250,000
Total Assigned	0	0	0	1,146,705
Unassigned				11,210,058
	$ 441,468	$ 728,255	$ 1,169,723	$ 23,572,141

Fund Equity:
Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. The following is a summary of the potential restricted fund balances for the governmental funds:

A. RESTRICTED FOR LONG-TERM FACILITIES MAINTENANCE

The fund balance restriction represents unspent resources available for long-term facilities maintenance projects necessary to prevent further erosion of facilities.

NOTE 8. FUND BALANCES (Cont'd)

Fund Equity: (Cont'd)

B. RESTRICTED FOR OPERATING CAPITAL

The District levies taxes and receives state aid to be used for the purchase of equipment, books and vehicles and to purchase, rent, improve, and repair school facilities as allowed by state statute. The cumulative excess of such revenues over equipment and facilities expenditures is reported as a restriction of fund balance in the General Fund.

C. RESTRICTED FOR AREA LEARNING CENTER

The fund balance restriction represents accumulated resources available to provide services for area learning center programming in accordance with funding made available for that purpose.

D. RESTRICTED FOR COMMUNITY EDUCATION

The fund balance restriction represents accumulated resources available to provide general community education programming.

E. RESTRICTED FOR E.C.F.E. (EARLY CHILDHOOD AND FAMILY EDUCATION)

This fund balance restriction represents accumulated resources available to provide services for early childhood family education programming.

F. RESTRICTED FOR SCHOOL READINESS

The fund balance restriction represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose.

G. RESTRICTED FOR ADULT BASIC EDUCATION

The fund balance restriction represents accumulated resources available to provide adult basic education programming in accordance with funding made available for that purpose.

H. RESTRICTED FOR MEDICAL ASSISTANCE

The fund balance restriction represents unspent resources available for medical assistance expenditures.

I. RESTRICTED FOR STUDENT ACTIVITIES

The fund balance restriction represents unspent resources available for student activity expenditures.

NOTE 9. DEFINED BENEFIT PENSION PLAN - STATEWIDE

A. PLAN DESCRIPTION

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

General Employees Retirement Plan (GERP; General Employees Plan; accounted for in the General Employees Fund):
The General Employees Retirement Plan covers certain full time and part-time employees of the District. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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

Educators employed in Minnesota's public elementary and secondary 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 (DCP) administered by the State of Minnesota.

B. BENEFITS PROVIDED

GERP 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 for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary 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.

NOTE 9. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

B. BENEFITS PROVIDED (Cont'd)

GERP Benefits: (Cont'd)
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.

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 Benefits:

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

With these provisions:

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% per year early retirement reduction factors for all years under normal retirement age.

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

NOTE 9. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

B. BENEFITS PROVIDED (Cont'd)

TRA Benefits: (Cont'd)

-or-

Tier II Benefits:

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 per year for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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

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

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

C. CONTRIBUTIONS

GERP 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 $521,759. The District's contributions were equal to the required contributions as set by state statute.

NOTE 9. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

C. CONTRIBUTIONS (Cont'd)

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

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

The District's contributions to TRA for the plan's fiscal year ended June 30, 2024 were $1,520,964. The District's contributions were equal to the required contributions for each year as set by state statute.

The following is a reconciliation of employer contributions in TRA's fiscal year 2023, CAFR "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 CAFR, 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.

NOTE 9. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

D. PENSION COSTS

GERP Pension Costs:
At June 30, 2024 the District reported a liability of $4,154,773 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 $114,610. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The District's proportion share was 0.0743% at the end of the measurement period and 0.0787% for the beginning of the period.

Districts Proportionate Share of the Net Pension Liability	$ 4,154,773
State of Minnesota's Proportionate Share of the Net Pension Liability Associated With the District	114,610
Total	$ 4,269,383

There were no provision changes during the measurement period.

For the year ended June 30, 2024, the District recognized pension expense of $109,428 for its proportionate share of GERP's pension expense. In addition, the District recognized $515 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense for the annual $16 million contribution to the General Employees Fund.

At June 30, 2024 the District reported its proportionate share of GERP'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	$ 138,385	$ 28,891
Changes in Actuarial Assumptions	680,272	1,138,788
Net Difference Between Projected and Actual Investment Earnings		71,620
Changes in Proportion	79,003	285,344
Contributions Paid to PERA Subsequent to Measurement Date	521,759	
Totals	$ 1,419,419	$ 1,524,643

NOTE 9. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

The $521,759 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Pension Expense Amount
2025	$ 65,847
2026	(644,098)
2027	41,399
2028	(90,131)

TRA Pension Costs:
On June 30, 2024, the District reported a liability of $21,012,090 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.2545% at the end of the measurement period and .02413% for the beginning of the year.

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

Districts Proportionate Share of the Net Pension Liability	$ 21,012,090
State of Minnesota's Proportionate Share of the Net Pension Liability Associated With the District	1,471,719
Total	$ 22,483,809

For the year ended June 30, 2024, the District recognized pension expense of 3,144,205. It also recognized $207,230 as an increase to pension expense for the support provided by direct aid.

At June 30, 2023, the District reported its proportionate share of TRA’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 9. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 198,270	$ 304,809
Changes in Actuarial Assumptions	2,400,507	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		286,976
Changes in Proportion	1,139,407	670,959
Contributions Paid to TRA Subsequent to Measurement Date	1,520,964	
Totals	$ 5,259,148	$ 1,262,744

$1,520,964 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Pension Expense Amount
2025	$ 114,472
2026	(115,027)
2027	2,480,864
2028	(142,576)
2029	137,707

E. LONG-TERM EXPECTED RETURN ON INVESTMENT

GERP:
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	100.00%	

NOTE 9. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

E. LONG-TERM EXPECTED RETURN ON INVESTMENT (Cont'd)

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

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%
Private Markets	25.00%	5.90%
Fixed Income	25.00%	0.75%
Total	100.00%	

F. ACTUARIAL ASSUMPTIONS

GERP:
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 occurred in 2023:

NOTE 9. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

F. ACTUARIAL ASSUMPTIONS (Cont'd)

GERP: (Cont'd)

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

An additional one-time direct state aid contribution of $170.1 million will be contributed to the Plan on October 1, 2023.

The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.

The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.

A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

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

Actuarial Information	
Valuation Date	July 1, 2023
Measurement Date	June 30, 2023
Experience Study	June 28, 2019 (Demographic and Economic Assumptions)
Actuarial Cost Method	Entry Age Normal

Actuarial Assumptions	
Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected Salary Increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of Living Adjustment	1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

NOTE 9. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

F. ACTUARIAL ASSUMPTIONS (Cont'd)

TRA: (Cont'd)

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 mortality table, without adjustment.

The following changes in actuarial assumptions occurred 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.

G. DISCOUNT RATE

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

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

NOTE 9. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

H. 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 paragraphs, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	GERP		TRA	
1% Lower	6.00%	$ 7,350,127	6.00%	$ 33,512,738
Current Discount Rate	7.00%	4,154,773	7.00%	21,012,080
1% Higher	8.00%	1,526,473	8.00%	10,778,788

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

I. PENSION PLAN FIDUCIARY NET POSITION

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

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

NOTE 10. SUPPLEMENTAL PENSION PLAN

The District engaged an actuary to determine the District's liability for its supplemental pension plan in accordance with Governmental Accounting Standards Board (GASB) Statement No. 73 as of June 30, 2024.

A. GENERAL INFORMATION ABOUT THE PENSION PLAN

Plan Description:
The District provides pension benefits to certain eligible employees through a single employer defined benefit plan administered by the District. The plan does not issue a publicly available financial report. All pension benefits are based on contractual agreements with employees and employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements.

Benefits Provided:
The new Superintendent is not eligible for any severance benefit. This is not a plan change.

Teachers hired prior to July 1, 1988 are eligible for the pension benefit when age plus years of service equal 73. Teachers hired on or after July 1, 1988 are not eligible for the pension supplement. Teachers receive $26,000 less any accumulated employer contributions to the tax deferred matching contribution plan accumulated at 4% interest.

NOTE 10. SUPPLEMENTAL PENSION PLAN (Cont'd)

A. GENERAL INFORMATION ABOUT THE PENSION PLAN (Cont'd)

Benefits Provided: (Cont'd)
Support professionals and Technology System Specialists are eligible for the pension benefit after the attainment of age 55 and the completion of 20 years of service. Support professionals receive 25 days paid at the daily rate of pay at the time of retirement.

The Confidential Employee Group and certain other employees hired prior to July 1, 2001 are eligible for the pension benefit after the attainment of age 50 and the completion of 20 years of service. For those employees hired on or after July 1, 2001, the pension benefit is not available. The Confidential Employee Group and certain other employees receive 50 days paid at the daily rate of pay at the time of retirement less any accumulated employer contributions to the tax deferred matching contribution plan accumulated at 4% interest.

The Employer match amount for Confidential employees increased from $360 to $500 per year.

B. NET PENSION LIABILITY AND OTHER RELATED AMOUNTS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2023	$ 122,577	$	$ 122,577
Changes for the Year:			
Service Cost	6,798		6,798
Interest	3,716		3,716
Differences Between Expected and Actual Experience	7,487		7,487
Changes of Assumptions	(372)		(372)
Benefit Payments	(63,746)		(63,746)
Net Changes	(46,117)	0	(46,117)
Balances at 6/30/2024	$ 76,460	$ 0	$ 76,460

For the year ended June 30, 2023, the District recognized pension expense of $7,110 for its supplemental pension plan.

At June 30, 2024, the District reported its proportionate share of its supplemental pension plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ 6,827	$ 4,526
Change of Assumptions	5,505	11,243
Contributions Paid Subsequent to Measurement Date	11,689	
Totals	$ 24,021	$ 15,769

NOTE 10. SUPPLEMENTAL PENSION PLAN (Cont'd)

B. NET PENSION LIABILITY AND OTHER RELATED AMOUNTS (Cont'd)

$11,689 as deferred outflows of resources related to pensions resulting from the District's contribution 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 inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Pension Expense Amount	
2025	$	(3,404)
2026		(3,405)
2027		622
2028		86
2029		(81)
Thereafter		2,745

Actuarial Assumptions:
The total pension liability in the June 30, 2024 actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Inflation Rate:	2.50 percent
Expected Long-Term Investment Return:	N/A
Amortization Method:	Straight-line amortization over a closed period
Discount Rate:	3.90 percent

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

The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.

The discount rate was changed from 3.80% to 3.90% based on updated 20-year municipal bond rates.

The salary scales used to value GASB 73 liabilities are similar to the tables used to value pension liabilities for Minnesota school district employees. The rates for teachers, principals, and the superintendent are based on the Teacher Retirement Association of Minnesota actuarial experience study for the period July 1, 2014 through June 30, 2018 and a study of economic assumptions dated November 2017. The rates for other employees are based on the Public Employees Retirement Association of Minnesota most recent four-year experience study for the General Employees Plan completed in 2019 and a review of the inflation assumption.

The retirement and withdrawal assumptions used to value GASB 73 liabilities are similar to those used to value pension liabilities for Minnesota school district employees. The rates are based on the Teacher Retirement Association of Minnesota actuarial experience study for the period July 1, 2014 through June 30, 2018.

The retirement decrements were modified to start at age 55 even if the participant has not met the service requirement to be eligible for a GASB 73 benefit.

NOTE 10. SUPPLEMENTAL PENSION PLAN (Cont'd)

C. PENSION LIABILITY SENSITIVITY

Sensitivity of the Net Pension Liability to Changes in the Discount Rate:
The following presents the net pension liability calculated using the discount rate of 3.90 percent, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (2.90%)	Discount Rate (3.90%)	1% Increase in Discount Rate (4.90%)
District's Net Pension Liability	$ 80,389	$ 76,460	$ 72,696

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB)

A. PLAN DESCRIPTION

The District operates a single-employer retiree benefit plan (the Plan) that provides health, dental, and life insurance to eligible employees and their spouses through the District's commercial insurance plans. There are 278 active participants and 45 retired participants. Benefit and eligibility provisions are established through negotiations between the District and employee groups including a union. The union contract is renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report. No assets are accumulated in a trust that meets all of the criteria in GASB Statement No. 75, paragraph 4.

B. TOTAL OPEB LIABILITY

The District's total OPEB liability of $3,085,329 was measured as of July 1, 2023, and was determined by an actuarial valuation as of that date. Update procedures were used to roll forward the total OPEB liability to June 30, 2024.

C. CHANGES IN TOTAL OPEB LIABILITY

Changes in the total OPEB liability were as follows:

	Total OPEB Liability
Balance at June 30, 2023	$ 3,438,039
Changes for the year:	
Service Cost	103,569
Interest	127,503
Plan Changes	(548,996)
Differences Between Expected and Actual Experience	322,294
Changes of Assumptions	18,974
Benefit Payments	(376,054)
Net changes	(352,710)
Balance at June 30, 2024	$ 3,085,329

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) (Cont'd)

C. CHANGES IN TOTAL OPEB LIABILITY (Cont'd)

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

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.90%) or 1-percentage-point higher (4.90%) than the current discount rate:

	1.00% Decrease in Discount Rate (2.90%)	Discount Rate (3.90%)	1.00% Increase in Discount Rate (4.90%)
Total OPEB Liability	$ 3,211,672	$ 3,085,329	$ 2,960,441

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.50% decreasing to 3.00%) or 1-percentage-point higher (7.50% decreasing to 5.00%) than the current healthcare cost trend rates:

	1.0% Decrease (5.50% decreasing to 3.00%)	Healthcare Cost Trend Rates (6.50% decreasing to 4.00%)	1.0% Increase (7.50% decreasing to 5.00%)
Total OPEB Liability	$ 2,899,925	$ 3,085,329	$ 3,292,455

D. OPEB EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended June 30, 2024, the District recognized OPEB expense of ($286,165). At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 392,106	$ 174,750
Changes in Actuarial Assumptions or Other Inputs	179,326	349,343
Contributions Paid Subsequent to Measurement Date	367,113	
Totals	$ 938,545	$ 524,093

$367,113 reported as deferred outflows of resources related to OPEB resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) (Cont'd)

D. OPEB EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB (Cont'd)

Year ended June 30,	OPEB Expense Amount
2025	$ 31,755
2026	31,755
2027	31,755
2028	31,755
2029	31,749
Thereafter	(111,430)

E. ACTUARIAL METHODS AND ASSUMPTIONS

The total OPEB liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	Based on the most recently disclosed assumptions for the pension plan in which the employee participates.
Healthcare Cost Trend Rates	6.50% for 2024, decreasing over several decades to an ultimate rate of 4.00% for 2077 and later years.
Retiree's Share of Benefit-Related Costs	Assumed to increase with healthcare trend rates.

A discount rate of 3.90% was applied in the measurement of the total OPEB liability. The discount rate is based on the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates were based on the Pub-2010 Mortality Tables with projected mortality improvements based on scale MP-2021 and other adjustments.

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

NOTE 12. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The following is a summary of the major components of deferred outflows and inflows as presented in the Statement of Net Position:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Related to Pensions	$ 6,702,588	$ 2,803,156
Related to OPEB	938,545	524,093
Property Taxes Levied for Subsequent Year		9,527,416
Total	$ 7,641,133	$ 12,854,665

NOTE 13. SELF-INSURED DENTAL PLAN

The District has elected to self-insure their employee dental insurance program. The District has entered into an agreement with a third party administrator to provide claims processing and other administrative duties. The District established an internal service fund to account for contributions from other funds for premiums for dental insurance. The annual maximum benefit per participant is $1,000. The amounts charged to expenses include administrative fees, claims paid and accruals for claims incurred but not paid at year end. The District recorded expenses of $0, during the current year.

NOTE 14. COMMITMENTS AND CONTINGENCIES

A. FEDERAL AND STATE PROGRAMS

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

B. CONSTRUCTION COMMITMENT

The District has active construction projects as of June 30, 2024. The projects include the following:

	Original Contract	Remaining Commitment
TAP/CP Remodel	$ 2,383,573	$ 335,738
Hutchinson Park Elementary Renovations	7,185,329	2,317,932

NOTE 15. 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 (workers' compensation); and natural disasters. To mitigate these risks, the District has obtained commercial property and casualty insurance and workers' compensation coverage. The District pays an annual premium with no additional assessments.

Some of the District's risk management activities are recorded in the Internal Service Fund. The purpose of the fund is to administer the dental program of the District on a cost reimbursement basis. This fund accounts for the risk financing activities of the District but does not constitute a transfer of risk from the District.

Significant losses are covered by commercial insurance for all major programs except for the dental benefits, for which the District retains risk of loss. For insured programs, there have been no significant reductions in insurance coverage from the previous year. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

NOTE 16. JOINT POWERS AGREEMENT

The District and the City of Hutchinson (Sponsors) have entered into a joint powers agreement to offer programs of academic improvement, enrichment, vocational improvement, leisure and recreation services, program coordination, and social action utilizing School District physical plants, City Parks and recreation facilities, private resources, if and when available, for all ages, for all social and economic groups residing within the geographic boundaries of the Sponsors.

The Joint Powers Entity is governed by a Joint Powers Board that consists of nine members as follows: a) one member to be selected from the School Board annually, b) one member to be selected from the City Council annually, and c) seven members at large to be appointed jointly by the School Board and the City Council with terms to be three years in length.

The City employs an individual who acts as Director for the Community Education Program as well as the Parks and Recreation Program. Costs for this Director position are shared equally between the District and the City. This agreement renews automatically every three years but may be terminated by giving a 12 month notification.

NOTE 17. RECLASSIFICATION

Certain immaterial prior year financial statement amounts have been reclassified to conform to current year's presentation. There was no affect on total net position or fund balance.

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REQUIRED SUPPLEMENTARY INFORMATION

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INDEPENDENT SCHOOL DISTRICT #423

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR PENSION PLANS
ADMINISTERED THROUGH A TRUST
JUNE 30, 2024

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) and the State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (a+b)	Employer's Covered-Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Pensions							
GERP							
6/30/2023	0.0743%	$ 4,154,773	$ 114,610	$ 4,269,383	$ 5,908,507	72.26%	76.67%
6/30/2022	0.0787%	6,233,066	182,718	6,415,784	5,896,187	108.81%	83.10%
6/30/2021	0.0750%	3,202,836	97,820	3,300,656	5,429,147	60.80%	87.00%
6/30/2020	0.0766%	4,592,520	141,506	4,734,026	5,438,011	87.05%	79.06%
6/30/2019	0.0737%	4,074,708	126,661	4,201,369	5,225,699	80.40%	80.23%
6/30/2018	0.0781%	4,332,668	142,187	4,474,855	5,235,320	85.47%	79.53%
6/30/2017	0.0831%	5,305,049	66,685	5,371,734	5,357,931	100.26%	75.90%
6/30/2016	0.0813%	6,601,157	86,254	6,687,411	5,055,242	132.29%	68.91%
6/30/2015	0.0814%	4,218,570		4,218,570	4,707,760	89.61%	78.19%
6/30/2014	0.0904%	4,246,539		4,246,539	4,766,498	89.09%	78.75%

See Accompanying Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT #423

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR PENSION PLANS ADMINISTERED THROUGH A TRUST
JUNE 30, 2024

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) and the State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (a+b)	Employer's Covered-Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Pensions							
TRA							
6/30/2023	0.2545%	$ 21,012,090	$ 1,471,719	$ 22,483,809	$ 15,625,942	143.89%	76.42%
6/30/2022	0.2413%	19,322,028	1,432,930	20,754,958	15,749,400	131.78%	76.17%
6/30/2021	0.2496%	10,923,242	921,420	11,844,662	14,646,064	80.87%	86.63%
6/30/2020	0.2426%	17,923,613	1,501,876	19,425,489	14,504,470	133.93%	75.48%
6/30/2019	0.2582%	16,457,722	1,456,200	17,913,922	14,682,637	120.61%	78.21%
6/30/2018	0.2675%	16,801,543	1,578,378	18,379,921	14,852,200	123.75%	78.07%
6/30/2017	0.2679%	53,477,700	5,169,570	58,647,270	14,583,933	402.14%	51.57%
6/30/2016	0.2507%	62,612,513	6,283,615	68,896,128	13,731,461	501.74%	44.88%
6/30/2015	0.2507%	15,508,274	1,902,571	17,410,845	12,844,440	135.55%	76.77%
6/30/2014	0.2666%	12,284,736	864,351	13,149,087	12,314,869	106.77%	81.50%

See Accompanying Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT #423

SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR PENSION PLANS
ADMINISTERED THROUGH A TRUST
JUNE 30, 2024

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
Pensions					
GERP					
6/30/2024	$ 521,759	$ 521,759	$	$ 6,956,787	7.50%
6/30/2023	443,138	443,138		5,908,507	7.50%
6/30/2022	442,214	442,214		5,896,187	7.50%
6/30/2021	407,186	407,186		5,429,147	7.50%
6/30/2020	407,978	407,978		5,438,011	7.50%
6/30/2019	391,927	391,927		5,225,699	7.50%
6/30/2018	392,649	392,649		5,235,320	7.50%
6/30/2017	401,845	401,845		5,357,931	7.50%
6/30/2016	379,077	379,077		5,055,242	7.50%
6/30/2015	353,082	353,082		4,707,760	7.50%
TRA					
6/30/2024	1,520,964	1,520,964		17,382,446	8.75%
6/30/2023	1,336,018	1,336,018		15,625,942	8.55%
6/30/2022	1,313,500	1,313,500		15,749,400	8.34%
6/30/2021	1,190,725	1,190,725		14,646,064	8.13%
6/30/2020	1,148,754	1,148,754		14,504,470	7.92%
6/30/2019	1,132,031	1,132,031		14,682,637	7.71%
6/30/2018	1,113,915	1,113,915		14,852,200	7.50%
6/30/2017	1,093,795	1,093,795		14,583,933	7.50%
6/30/2016	1,030,058	1,030,058		13,731,461	7.50%
6/30/2015	963,333	963,333		12,844,440	7.50%

See Accompanying Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT #423

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL PENSION LIABILITY FOR PENSION PLANS
NOT ADMINISTERED THROUGH A TRUST
JUNE 30, 2024

	Measurement Date							
	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Service Cost	$ 6,798	$ 10,746	$ 13,052	$ 12,087	$ 10,724	$ 10,014	$ 9,723	$ 11,257
Interest	3,716	2,846	3,192	3,753	4,350	4,247	4,054	4,639
Differences Between Expected and Actual Experience	7,487		(223)		(15,399)		1,249	
Changes of Assumptions	(372)	(9,082)	1,432	3,774	1,730		(19,965)	5,176
Benefit Payments	(63,746)	(13,308)	(11,948)	(5,401)	(13,834)	(10,061)	(10,426)	(14,103)
Net Change in Total Pension Liability	(46,117)	(8,798)	5,505	14,213	(12,429)	4,200	(15,365)	6,969
Total Pension Liability - Beginning of Year	122,577	131,375	125,870	111,657	124,086	119,886	135,251	128,282
Total Pension Liability - End of Year	$ 76,460	$ 122,577	$ 131,375	$ 125,870	$ 111,657	$ 124,086	$ 119,886	$ 135,251
District's Net Pension Liability - Ending	$ 76,460	$ 122,577	$ 131,375	$ 125,870	$ 111,657	$ 124,086	$ 119,886	$ 135,251
Covered-Employee Payroll	$ 3,312,258	$ 4,036,349	$ 3,918,785	$ 3,877,137	$ 3,764,211	$ 3,963,052	$ 3,847,623	$ 3,819,270
Total OPEB Liability as a % of Covered-Employee Payroll	2.00%	3.00%	3.00%	3.25%	2.97%	3.13%	3.12%	3.54%

The District implemented GASB Statement No. 73 for fiscal year ended June 30, 2017. Information for prior years is not available.

See Accompanying Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT #423

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY
JUNE 30, 2024

	Measurement Date						
	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Service Cost	$ 103,569	$ 142,043	$ 183,758	$ 193,553	$ 167,177	$ 171,760	$ 166,757
Interest	127,503	81,094	99,056	124,814	134,716	135,994	137,211
Changes in Benefit Terms	(548,996)				1,476		
Differences Between Expected and Actual Experience	322,294		(249,645)		247,063		
Changes in Assumptions	18,974	(325,319)	106,059	148,790	(178,183)		
Benefit Payments	(376,054)	(356,861)	(369,256)	(342,866)	(326,253)	(355,034)	(334,641)
Net Change in Total OPEB Liability	(352,710)	(459,043)	(230,028)	124,291	45,996	(47,280)	(30,673)
Total OPEB Liability - Beginning of Year	3,438,039	3,897,082	4,127,110	4,002,819	3,956,823	4,004,103	4,034,776
Total OPEB Liability - End of Year	$ 3,085,329	$ 3,438,039	$ 3,897,082	$ 4,127,110	$ 4,002,819	$ 3,956,823	$ 4,004,103
Covered-Employee Payroll	$ 18,645,116	$ 16,997,796	$ 16,502,715	$ 16,519,497	$ 16,038,347	$ 16,273,046	$ 15,799,074
Total OPEB Liability as a % of Covered-Employee Payroll	16.55%	20.23%	23.61%	24.98%	24.96%	24.32%	25.34%

The District implemented GASB Statement No. 75 for fiscal year ended June 30, 2018. Information for prior years is not available.

See Acccompanying Notes to the Required Supplementary Information

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NOTE 1. CHANGES IN PLAN PROVISIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

2023 Changes:
An additional one-time direct state aid contribution of $170.1 million will be contributed to the Plan on October 1, 2023.

The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.

The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.

A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes:
There have been no changes since the prior valuation.

2021 Changes:
There have been no changes since the prior valuation.

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

2019 Changes:
The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The State's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018 Changes:
The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.

Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

Contribution stabilizer provisions were repealed.

Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.

For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.

NOTE 1. CHANGES IN PLAN PROVISIONS (Cont'd)

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP) (Cont'd)

2018 Changes: (Cont'd)
Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes:
The State's contribution for the Minneapolis Employees Retirement Fund equals $16,000,000 in 2017 and 2018, and $6,000,000 thereafter.

The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21,000,000 to $31,000,000 in calendar years 2019 to 2031. The state's contribution changed from $16,000,000 to $6,000,000 in calendar years 2019 to 2031.

2016 Changes:
There have been no changes since the prior valuation.

2015 Changes:
On January 1, 2015 the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised.

2014 Changes:
There have been no changes since the prior valuation.

B. TEACHERS RETIREMENT ASSOCIATION (TRA)

2023 Changes:
Effective July 1, 2025, the normal retirement age for Tier 2 members will decrease from 66 to 65.

The employer contribution rate will increase from 8.75% to 9.50% on July 1, 2025.

The employee contribution rate will increase from 7.75% to 8.00% on July 1, 2025

2022 Changes:
There have been no changes since the prior valuation.

2021 Changes:
There have been no changes since the prior valuation.

2020 Changes:
There have been no changes since the prior valuation.

2019 Changes:
There have been no changes since the prior valuation.

2018 Changes:
The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.

NOTE 1. CHANGES IN PLAN PROVISIONS (Cont'd)

B. TEACHERS RETIREMENT ASSOCIATION (TRA) (Cont'd)

2018 Changes: (Cont'd)
Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.

The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.

Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.

Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.

The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes:
There have been no changes since the prior valuation.

2016 Changes:
There have been no changes since the prior valuation.

2015 Changes:
The Duluth Teachers Retirement Fund Association was merged into TRA on June 30, 2015. This also resulted in an additional state-provided contribution stream of $14.377 million until the System becomes fully funded.

2014 Changes:
The increase in the post-retirement benefit adjustment (COLA) is to be made once the System is 90% funded (on a market value basis) in two consecutive years, rather than just one year.

C. SUPPLEMENTAL PENSION PLANS

2023 Changes:
The employer match for Confidential employees increased from $360 to $500 per year.

2022 Changes:
There have been no changes since the prior valuation.

NOTE 1. CHANGES IN PLAN PROVISIONS (Cont'd)

C. SUPPLEMENTAL PENSION PLANS (Cont'd)

2021 Changes:
There have been no changes since the prior valuation.

2020 Changes:
There have been no changes since the prior valuation.

2019 Changes:
There have been no changes since the prior valuation.

2018 Changes:
There have been no changes since the prior valuation.

2017 Changes:
There have been no changes since the prior valuation.

2016 Changes:
There have been no changes since the prior valuation.

D. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) NOT ADMINISTERED IN A TRUST

2023 Changes:
Retirees, at the age of 65, will no longer quality to enroll in the District's dental insurance program. As of July 1,2023, retirees 65 years or older and currently enrolled in the District's dental insurance program may continue to participate until coverage is waived by the retiree.

2022 Changes:
There have been no changes since the prior valuation.

2021 Changes:
There have been no changes since the prior valuation.

2020 Changes:
There have been no changes since the prior valuation.

2019 Changes:
The Administrators’ post-employment life insurance subsidy changed from full District paid premiums based on 50% of the active Administrators’ life insurance amount to 75% of this amount. This change increased the liability $1,476.

2018 Changes:
There have been no changes since the prior valuation.

2017 Changes:
There have been no changes since the prior valuation.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

2023 Changes:
The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

2022 Changes:
The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 Changes:
The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.

The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 Changes:
The price inflation assumption was decreased from 2.50% to 2.25%.

The payroll growth assumption was decreased from 3.25% to 3.00%.

Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.

Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.

Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.

Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.

The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.

The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.

The assumed spouse age difference was changed from two years older for females to one year older.

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

2019 Changes:
The morality projection scale was changed from MP-2017 to MP-2018.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP) (Cont'd)

2018 Changes:
The mortality projection was changed from MP-2015 to MP-2017.

The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

2017 Changes:
The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.

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

2016 Changes:
The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all years.

The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.

Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes:
The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

B. TEACHERS RETIREMENT ASSOCIATION (TRA)

2023 Changes:
The investment return assumption was changed from 7.50% to 7.00%. This does not affect the GASB valuation which was already using the 7.00% assumption.

2022 Changes:
There have been no changes since the prior valuation.

2021 Changes:
The investment return assumption was changed from 7.50% to 7.00%.

2020 Changes:
Assumed termination rates were changed to more closely reflect actual experience.

The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 5 years and female rates set back 7 years. Generational projection uses the MP-2015 scale.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

B. TEACHERS RETIREMENT ASSOCIATION (TRA) (Cont'd)

2020 Changes: (Cont'd)
Assumed form of annuity election proportions were changed to a more closely reflect actual experience for female retirees.

2019 Changes:
There have been no changes since the prior valuation.

2018 Changes:
The investment return assumption was changed from 8.50% to 7.50%.

The price inflation assumption was lowered from 3.00% to 2.50%.

The payroll growth assumption was lowered from 3.50% to 3.00%.

The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for 10 years followed by 0.75%, thereafter.

The total salary increase assumption was adjusted by the wage inflation change.

The amortization date for the funding of the Unfunded Actuarial Accrued Liability (UAAL) was reset to June 30, 2048 (30 years).

A mechanism in the law that provided the TRA Board with some authority to set contribution rates was eliminated.

2017 Changes:
Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.

The investment return assumption was changed from 8.00% to 7.50%.

The price inflation assumption was lowered from 2.75% to 2.50%.

The payroll growth assumption was lowered from 3.50% to 3.00%.

The general wage growth assumption was lowered from 3.50% to 2.85% for 10 years followed by 3.25%, thereafter.

The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes:
The price inflation assumption was lowered from 3.00% to 2.75%.

The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.50%.

Minor changes at some durations for the merit scale of the salary increase assumption.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

B. TEACHERS RETIREMENT ASSOCIATION (TRA) (Cont'd)

2016 Changes: (Cont'd)
The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 6 years and female rates set back 5 years. Generational projection uses the MP-2015 scale.

The post-retirement mortality assumption was changed to the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.

The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustment.

Separate retirement assumptions for members hired before or after July 1, 1989 were created to better reflect each group’s behavior in light of different requirements for retirement eligibility.

Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.

A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made.

2015 Changes:
The Cost of Living Adjustment was not assumed to increase to 2.5%, but remain at 2.0% for all future years.

The investment return assumption was changed from 8.25% to 8.00%.

2014 Changes:
The Cost of Living Adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2034.

C. SUPPLEMENTAL PENSION PLAN

2023 Changes:
The mortality tables were updated.

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

2022 Changes:
The inflation rate was changed from 2.00% to 2.50%.

The discount rate was changed from 2.10% to 3.80%.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

C. SUPPLEMENTAL PENSION PLAN (Cont'd)

2021 Changes:
The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.

The salary increase rates for non-teachers were updated to reflect the latest experience study.

The withdrawal rates were updated to reflect the latest experience study.

The inflation rate was changed from 2.50% to 2.00%.

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

These changes increased the liability $1,432.

2020 Changes:
The discount rate was changed from 3.10% to 2.40%.

2019 Changes:
The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.

The discount rate was changed from 3.40% to 3.10%.

These changes increased the liability $1,730.

2018 Changes:
The mortality tables and salary increase rates were updated form the RP-2014 White Collar Mortality Tables (de-trended to 2006) and then projected beyond the valuation date using scale MP-2016 to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.

2017 Changes:
There have been no changes since the prior valuation.

2016 Changes:
The mortality tables were updated form the RP-2014 White Collar Mortality Tables projected with scale MP-2015 to the RP-2014 White Collar Mortality Tables (de-trended to 2006) and then projected beyond the valuation date using scale MP-2016.

The discount rate was changed from 2.90% to 3.40% based on updated 20-year municipal bond rates.

The retirement decrements were modified to start at age 55 even if the participant has not met the service requirement to be eligible for a GASB 73 benefit.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

D. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) NOT ADMINISTERED IN A TRUST

2023 Changes:
The health care trend rates and mortality tables were updated.

The discount rate was changed from 3.80% to 3.90%

2022 Changes:
The inflation rate was changed from 2.00% to 2.50%.

The discount rate was changed from 2.10% to 3.80%

2021 Changes:
The health care trend rates were changed to better anticipate short term and long term medical increases.

The salary increase rates for non-teachers were updated to reflect the latest experience study.

The withdrawal rates were updated to reflect the latest experience study.

The inflation rate was changed from 2.50% to 2.00%.

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

2020 Changes:
The discount rate was changed from 3.10% to 2.40%.

2019 Changes:
The health care trend rates were changed to better anticipate short term and long term medical increases.

The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.

The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.

The discount rate was changed from 3.40% to 3.10%.

The retiree plan participation percentage was reduced from 50% to 5% for dental and 40% for medical for future retirees in contract groups other than teachers and administrators who are not eligible for a post-employment subsidy.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

D. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) NOT ADMINISTERED IN A TRUST (Cont'd)

2018 Changes:
A discount rate of 3.40% was applied in the measurement of the total OPEB liability. The discount rate is based on the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates were based on the RP-2014 White Collar Mortality Tables (de-trended to 2006) and then projected beyond the valuation date using scale MP-2016.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016–June 30, 2017.

The health care trend rates were changed to better anticipate short term and long term medical increases.

The mortality tables were updated from the RP-2014 White Collar Mortality Tables projected with scale MP-2015 to the RP-2014 White Collar Mortality Tables (de-trended to 2006) and then projected beyond the valuation date using scale MP-2016.

2017 Changes:
There have been no changes since the prior valuation.

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SUPPLEMENTARY INFORMATION

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INDEPENDENT SCHOOL DISTRICT #423

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2024

	Food Service	Community Service	Total
ASSETS			
Cash and Investments	$ 143,695	$ 1,302,597	$ 1,446,292
Receivables			
Accounts	7,650	11,550	19,200
Current Property Taxes		76,943	76,943
Delinquent Property Taxes		3,944	3,944
Due from Other Governments			
Other Minnesota School Districts	159,468		159,468
State Department of Education	47,847	31,605	79,452
Federal Department of Education	101,862		101,862
Other Governmental Units		42,876	42,876
Inventory	65,168		65,168
Prepaid Items	4,073		4,073
Total Assets	$ 529,763	$ 1,469,515	$ 1,999,278
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities			
Payables			
Accounts and Contracts	$ 37,368	$ 18,830	$ 56,198
Salaries and Wages	14,719	12,834	27,553
Unearned Revenue	36,208	547,450	583,658
Total Liabilities	88,295	579,114	667,409
Deferred Inflows of Resources			
Property Taxes Levied for Subsequent Year		158,202	158,202
Unavailable Revenue - Delinquent Property Taxes		3,944	3,944
Total Deferred Inflows of Resources	0	162,146	162,146
Fund Balance			
Nonspendable	4,073		4,073
Restricted	437,395	728,255	1,165,650
Total Fund Balance	441,468	728,255	1,169,723
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 529,763	$ 1,469,515	$ 1,999,278

INDEPENDENT SCHOOL DISTRICT #423

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2024

	Food Service	Community Service	Total
REVENUES			
Local Property Tax Levies	$	$ 197,398	$ 197,398
Other Local and County Revenues	181,218	639,238	820,456
Revenue from State Sources	989,184	341,246	1,330,430
Revenue from Federal Sources	1,262,599		1,262,599
Sales and Other Conversions of Assets	183,560		183,560
Total Revenues	2,616,561	1,177,882	3,794,443
EXPENDITURES			
Current			
Community Education and Services		1,037,160	1,037,160
Pupil Support Services	2,509,622		2,509,622
Capital Outlay	184,283	46,678	230,961
Total Expenditures	2,693,905	1,083,838	3,777,743
Net Change in Fund Balances	(77,344)	94,044	16,700
FUND BALANCE, BEGINNING OF YEAR	518,812	634,211	1,153,023
FUND BALANCE, END OF YEAR	$ 441,468	$ 728,255	$ 1,169,723

INDEPENDENT SCHOOL DISTRICT #423

BALANCE SHEET
GENERAL FUND
JUNE 30, 2024
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2023

	2024	2023
ASSETS		
Cash and Investments	$ 18,131,705	$ 18,480,461
Receivables		
Accounts	81,696	16,872
Interest	417,866	285,128
Current Property Taxes	2,265,584	2,118,559
Delinquent Property Taxes	32,583	18,286
Due from Other Governments		
Other Minnesota School Districts	42,505	91,724
State Department of Education	3,750,369	3,065,156
Federal Department of Education	884,580	578,907
Other Governmental Units	55,562	29,705
Prepaid Items	63,210	36,703
Total Assets	$ 25,725,660	$ 24,721,501
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Payables		
Accounts and Contracts	$ 315,986	$ 351,849
Salaries and Wages	1,435,751	1,278,704
Payroll Deductions	1,235,740	1,406,945
Due to Other Minnesota School Districts	122,994	60,103
Due to Other Governmental Units	99,451	87,089
Total Liabilities	3,209,922	3,184,690
Deferred Inflows of Resources		
Property Taxes Levied for Subsequent Year	4,306,469	4,169,761
Unavailable Revenue - Delinquent Property Taxes	32,583	18,286
Total Deferred Inflows of Resources	4,339,052	4,188,047
Fund Balance		
Nonspendable	63,210	36,703
Restricted	5,699,901	5,087,810
Committed	56,812	55,837
Assigned	1,146,705	1,102,378
Unassigned	11,210,058	11,066,036
Total Fund Balance	18,176,686	17,348,764
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 25,725,660	$ 24,721,501

INDEPENDENT SCHOOL DISTRICT #423

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2024
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2023

	2024			2023
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Local Property Tax Levies	$ 4,645,839	$ 4,636,478	$ (9,361)	$ 4,380,448
Other Local and County Revenues	1,456,145	1,671,577	215,432	1,251,143
Revenue from State Sources	30,919,560	31,482,432	562,872	27,914,708
Revenue from Federal Sources	1,436,638	1,576,216	139,578	2,562,461
Sales and Other Conversions of Assets	4,000	7,057	3,057	3,594
Total Revenues	38,462,182	39,373,760	911,578	36,112,354
EXPENDITURES				
Current				
Administration	1,716,784	1,697,537	(19,247)	1,841,381
District Support Services	1,563,233	1,306,024	(257,209)	1,062,579
Elementary and Secondary Regular Instruction	16,185,603	16,035,417	(150,186)	15,084,211
Vocational Education Instruction	1,158,115	1,243,785	85,670	942,962
Special Education Instruction	8,359,905	8,568,646	208,741	6,700,621
Instructional Support Services	1,789,394	2,026,950	237,556	1,940,040
Pupil Support Services	3,511,245	3,399,174	(112,071)	3,119,218
Sites and Buildings	3,047,699	2,862,173	(185,526)	3,109,284
Fiscal and Other Fixed Costs Programs	355,000	194,383	(160,617)	157,010
Capital Outlay				
Administration	500		(500)	
District Support Services	60,800	48,122	(12,678)	7,651
Elementary and Secondary Regular Instruction	147,823	151,209	3,386	824,464
Vocational Education Instruction	14,525	17,750	3,225	9,794
Special Education Instruction	59,527	42,029	(17,498)	44,770
Instructional Support Services	227,477	282,026	54,549	288,933
Sites and Buildings	1,145,895	671,037	(474,858)	839,258
Total Expenditures	39,343,525	38,546,262	(797,263)	35,972,176
Excess (Deficiency) of Revenues Over (Under) Expenditures	(881,343)	827,498	1,708,841	140,178
OTHER FINANCING SOURCES (USES)				
Sales and Insurance Recovery	1,000	424	(576)	
Sale of Equipment	20,000		(20,000)	18,285
Total Other Financing Sources (Uses)	21,000	424	(20,576)	18,285
Net Change in Fund Balances	$ (860,343)	827,922	$ 1,688,265	158,463
FUND BALANCE, BEGINNING OF YEAR		17,348,764		17,190,301
FUND BALANCE, END OF YEAR		$ 18,176,686		$ 17,348,764

INDEPENDENT SCHOOL DISTRICT #423

BALANCE SHEET
FOOD SERVICE SPECIAL REVENUE FUND
JUNE 30, 2024
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2023

	2024	2023
ASSETS		
Cash and Investments	$ 143,695	$ 509,653
Receivables		
Accounts	7,650	
Due from Other Governments		
Other Minnesota School Districts	159,468	27,896
State Department of Education	47,847	
Federal Department of Education	101,862	49,574
Inventory	65,168	86,901
Prepaid Items	4,073	4,420
Total Assets	$ 529,763	$ 678,444
LIABILITIES AND FUND BALANCE		
Liabilities		
Payables		
Accounts and Contracts	$ 37,368	$ 126,180
Salaries and Wages	14,719	15,044
Unearned Revenue		
Local Sources	36,208	18,408
Total Liabilities	88,295	159,632
Fund Balance		
Nonspendable	4,073	4,420
Restricted	437,395	514,392
Total Fund Balance	441,468	518,812
Total Liabilities and Fund Balance	$ 529,763	$ 678,444

INDEPENDENT SCHOOL DISTRICT #423

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOOD SERVICE SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2024
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2023

	2024			2023
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Other Local and County Revenues	$ 130,484	$ 181,218	$ 50,734	$ 130,872
Revenue from State Sources	1,087,381	989,184	(98,197)	97,462
Revenue from Federal Sources	1,029,035	1,262,599	233,564	1,104,401
Sales and Other Conversions of Assets	167,334	183,560	16,226	696,134
Total Revenues	2,414,234	2,616,561	202,327	2,028,869
EXPENDITURES				
Current				
Pupil Support Services	2,516,742	2,509,622	(7,120)	2,027,232
Capital Outlay				
Pupil Support Services	185,500	184,283	(1,217)	213,643
Total Expenditures	2,702,242	2,693,905	(8,337)	2,240,875
Net Change in Fund Balances	$ (288,008)	(77,344)	$ 210,664	(212,006)
FUND BALANCE, BEGINNING OF YEAR		518,812		730,818
FUND BALANCE, END OF YEAR		$ 441,468		$ 518,812

INDEPENDENT SCHOOL DISTRICT #423

BALANCE SHEET
COMMUNITY SERVICE SPECIAL REVENUE FUND
JUNE 30, 2024
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2023

	2024	2023
ASSETS		
Cash and Investments	$ 1,302,597	$ 1,258,437
Receivables		
Accounts	11,550	4,420
Current Property Taxes	76,943	95,551
Delinquent Property Taxes	3,944	3,052
Due from Other Governments		
State Department of Education	31,605	30,980
Other Governmental Units	42,876	44,228
Total Assets	$ 1,469,515	$ 1,436,668
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Payables		
Accounts	$ 18,830	$ 20,718
Salaries and Wages	12,834	40,604
Unearned Revenue	547,450	537,367
Total Liabilities	579,114	598,689
Deferred Inflows of Resources		
Property Taxes Levied for Subsequent Year	158,202	200,716
Unavailable Revenue - Delinquent Property Taxes	3,944	3,052
Total Deferred Inflows of Resources	162,146	203,768
Fund Balance		
Restricted	728,255	634,211
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 1,469,515	$ 1,436,668

INDEPENDENT SCHOOL DISTRICT #423

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
COMMUNITY SERVICE SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2024
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2023

	2024			2023
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Local Property Tax Levies	$ 198,233	$ 197,398	$ (835)	$ 194,242
Other Local and County Revenues	955,243	639,238	(316,005)	659,659
Revenue from State Sources	324,703	341,246	16,543	305,694
Total Revenues	1,478,179	1,177,882	(300,297)	1,159,595
EXPENDITURES				
Current				
Community Education and Services	1,396,071	1,037,160	(358,911)	1,018,507
Capital Outlay				
Community Education and Services	135,000	46,678	(88,322)	46,718
Total Expenditures	1,531,071	1,083,838	(447,233)	1,065,225
Net Change in Fund Balances	$ (52,892)	94,044	$ 146,936	94,370
FUND BALANCE, BEGINNING OF YEAR		634,211		539,841
FUND BALANCE, END OF YEAR		$ 728,255		$ 634,211

INDEPENDENT SCHOOL DISTRICT #423

BALANCE SHEET
BUILDING CONSTRUCTION CAPITAL PROJECTS FUND
JUNE 30, 2024
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2023

	2024	2023
ASSETS		
Cash and Investments	$ 4,085,499	$ 1,392,638
Receivables		
Accounts		265
Total Assets	$ 4,085,499	$ 1,392,903
LIABILITIES AND FUND BALANCE		
Liabilities		
Payables		
Accounts and Contracts	$ 967,493	$ 825,148
Fund Balance		
Restricted	3,118,006	567,755
Total Liabilities and Fund Balance	$ 4,085,499	$ 1,392,903

INDEPENDENT SCHOOL DISTRICT #423

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
BUILDING CONSTRUCTION CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2024
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2023

	2024			2023
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Other Local and County Revenues	$ 3,740,761	$ 74,717	$ (3,666,044)	$ 157,956
EXPENDITURES				
Capital Outlay				
Sites and Buildings	706,800	1,635,889	929,089	8,680,484
Excess (Deficiency) of Revenues Over (Under Expenditures)	3,033,961	(1,561,172)	(4,595,133)	(8,522,528)
OTHER FINANCING SOURCES (USES)				
Bonds Issued		3,815,000	3,815,000	
Bond Premium		296,423	296,423	
Total Other Financing Sources (Uses)	0	4,111,423	4,111,423	0
Net Change in Fund Balances	$ 3,033,961	2,550,251	$ (4,595,133)	(8,522,528)
FUND BALANCE, BEGINNING OF YEAR		567,755		9,090,283
FUND BALANCE, END OF YEAR		$ 3,118,006		$ 567,755

INDEPENDENT SCHOOL DISTRICT #423

BALANCE SHEET
DEBT SERVICE FUND
JUNE 30, 2024
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2023

	2024	2023
ASSETS		
Cash and Investments	$ 3,286,711	$ 3,067,683
Receivables		
Current Property Taxes	2,805,093	2,430,878
Delinquent Property Taxes	61,639	45,370
Due from State Department of Education	78,667	74,373
Total Assets	$ 6,232,110	$ 5,618,304
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Deferred Inflows of Resources		
Property Taxes Levied for Subsequent Year	$ 5,062,745	$ 4,536,246
Unavailable Revenue - Delinquent Property Taxes	61,639	45,370
Total Deferred Inflows of Resources	5,124,384	4,581,616
Fund Balance		
Restricted	1,107,726	1,036,688
Total Deferred Inflows of Resources and Fund Balance	$ 6,232,110	$ 5,618,304

INDEPENDENT SCHOOL DISTRICT #423

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2024
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2023

	2024			2023
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Local Property Tax Levies	$ 4,002,048	$ 3,988,132	$ (13,916)	$ 4,084,494
Other Local and County Revenues		87,289	87,289	38,255
Revenue from State Sources	786,653	786,653		743,742
Total Revenues	4,788,701	4,862,074	73,373	4,866,491
EXPENDITURES				
Debt Service				
Fiscal and Other Fixed Costs Programs				
Principal	2,640,000	2,640,000		2,465,000
Interest	2,149,611	2,149,613	2	2,261,413
Service Charges	2,500	1,423	(1,077)	1,426
Total Expenditures	4,792,111	4,791,036	(1,075)	4,727,839
Net Change in Fund Balances	$ (3,410)	71,038	$ 74,448	138,652
FUND BALANCE, BEGINNING OF YEAR		1,036,688		898,036
FUND BALANCE, END OF YEAR		$ 1,107,726		$ 1,036,688

INDEPENDENT SCHOOL DISTRICT #423

COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2024
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2023

	Governmental Activities - Internal Service Funds			
	Health and Flex Service	Dental Plan	Totals 2024	Totals 2023
ASSETS				
Cash and Investments	$ 3,612,607	$ 74,956	$ 3,687,563	$ 3,537,310
Receivables				
Interest	19,045		19,045	23,881
Total Assets	$ 3,631,652	$ 74,956	$ 3,706,608	$ 3,561,191
NET POSITION				
Unrestricted	$ 3,631,652	$ 74,956	$ 3,706,608	$ 3,561,191

INDEPENDENT SCHOOL DISTRICT #423

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2024
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2023

	Governmental Activities - Internal Service Funds			
	Health and Flex Service	Dental Plan	Totals 2024	Totals 2023
NONOPERATING REVENUES				
Investment Earnings	$ 145,194	$ 223	$ 145,417	$ 94,205
NET POSITION, BEGINNING OF YEAR	3,486,458	74,733	3,561,191	3,466,986
NET POSITION, END OF YEAR	$ 3,631,652	$ 74,956	$ 3,706,608	$ 3,561,191

INDEPENDENT SCHOOL DISTRICT #423

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2024
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2023

	Governmental Activities - Internal Service Funds			
	Health and Flex Service	Dental Plan	Totals 2024	Totals 2023
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received on Investments	$ 150,030	$ 223	$ 150,253	$ 73,562
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,462,577	74,733	3,537,310	3,463,748
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,612,607	$ 74,956	$ 3,687,563	$ 3,537,310

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REQUIRED REPORTS

INDEPENDENT SCHOOL DISTRICT #423

UFARS COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2024

	Audited	UFARS	Difference
01 GENERAL FUND			
Total Revenue	$ 39,373,760	$ 39,373,760	$
Total Expenditures	38,546,262	38,546,258	4
Nonspendable:			
460 Nonspendable	63,210	63,209	1
Restricted/Reserved:			
401 Student Activities	60,334	60,334	
403 Staff Development			
405 Deferred Maintenance			
406 Health and Safety			
407 Capital Projects Levy			
408 Cooperative Programs			
414 Operating Debt			
416 Levy Reduction			
417 Taconite Building Maintenance			
423 Certain Teacher Programs			
424 Operating Capital	4,705,795	4,705,795	
426 $25 Taconite			
427 Disabled Accessibility			
428 Learning & Development			
434 Area Learning Center	121,714	121,714	
435 Contracted Alt. Programs			
436 State Approved Alt. Programs			
438 Gifted & Talented			
440 Teacher Development & Eval			
441 Basic Skills Programs			
445 Career & Technical Programs			
448 Achievement and Integration			
449 Safe Schools - Crime Levy			
450 Transition for Pre-Kindergarten			
451 QZAB and QSCB Payments			
452 OPEB Liab Not Held in a Trust			
453 Unfunded Sev & Retirement Levy			
459 Basic Skills Ext Time			
467 LTFM	112,384	112,384	
472 Medical Assistance	699,674	699,674	
Restricted:			
464 Restricted			
Committed:			
418 Separation/Retirement Benefits	56,812	56,812	
461 Committed			
Assigned:			
462 Assigned	1,146,705	1,146,705	
Unassigned:			
422 Unassigned	11,210,058	11,210,059	(1)
02 FOOD SERVICE			
Total Revenue	2,616,561	2,616,558	3
Total Expenditures	2,693,905	2,693,905	
Nonspendable:			
460 Nonspendable	4,073	4,073	
Restricted/Reserved:			
452 OPEB Liab Not Held in a Trust			
Restricted:			
464 Restricted	437,395	437,393	2
Unassigned:			
463 Unassigned			
04 COMMUNITY SERVICE			
Total Revenue	1,177,882	1,177,879	3
Total Expenditures	1,083,838	1,083,834	4
Nonspendable:			
460 Nonspendable			
Restricted/Reserved:			
426 $25 Taconite			
431 Community Education	107,504	107,505	(1)
432 E.C.F.E	388,016	388,016	
444 School Readiness	203,663	203,663	
447 Adult Basic Education	9,181	9,181	
452 OPEB Liab Not Held in a Trust			
Restricted:			
464 Restricted	19,891	19,891	
Unassigned:			
463 Unassigned			

	Audited	UFARS	Difference
06 BUILDING CONSTRUCTION			
Total Revenue	$ 74,717	$ 74,717	$
Total Expenditures	1,635,889	1,635,890	(1)
Nonspendable:			
460 Nonspendable			
Restricted/Reserved:			
407 Capital Projects Levy			
409 Alternative Facilities Program			
413 Project Funded by COP/LP			
467 LTFM			
Restricted:			
464 Restricted	3,118,006	3,118,005	1
Unassigned:			
463 Unassigned			
07 DEBT SERVICE			
Total Revenue	4,862,074	4,862,075	(1)
Total Expenditures	4,791,036	4,791,038	(2)
Restricted/Reserved:			
425 Bond Refundings			
451 QZAB and QSCB Payments			
Restricted:			
464 Restricted	1,107,726	1,107,725	1
Unassigned:			
463 Unassigned			
08 TRUST			
Total Revenue			
Total Expenditures			
Unassigned:			
422 Net Assets			
20 INTERNAL SERVICE			
Total Revenue	145,417	145,416	1
Total Expenditures			
Unassigned:			
422 Net Assets	3,706,608	3,706,609	(1)
25 OPEB REVOCABLE TRUST			
Total Revenue			
Total Expenditures			
Unassigned:			
422 Net Assets			
45 OPEB IRREVOCABLE TRUST			
Total Revenue			
Total Expenditures			
Unassigned:			
422 Net Assets			
47 OPEB DEBT SERVICE			
Total Revenue			
Total Expenditures			
Restricted:			
464 Restricted			
Unassigned:			
463 Unassigned			

INDEPENDENT SCHOOL DISTRICT #423

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2024

Federal Grantor / Pass-Through Grantor/ Program Title	Assistance Listing Number		Passed Through Entity Identifying Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture					
Minnesota Department of Education					
Child Nutrition Cluster:					
National School Lunch Program:					
Regular Lunch				$ 150,416	$
Free and Reduced Lunch				454,081	
Food Distribution (Commodities-cash)				5,997	
Food Distribution (Commodities-noncash)				138030	
USDA Supply Chain Assistance				72,329	
Total National School Lunch Program	10.555	*	0000193909	820,853	0
School Breakfast Program	10.553	*	0000193909	200,993	
Special Milk Program for Children	10.556	*	0000193909	313	
Summer Food Service Program for Children	10.559	*	0000193909	60,170	
Total Child Nutrition Cluster				1,082,329	0
Minnesota Department of Agriculture					
Farm to School Grant Program	10.575		0000193909	152,014	
Child Nutrition Discretionary Grants Limited Availability	10.579		0000193909	25,000	
Pandemic EBT Administrative Costs	10.649		0000193909	3,256	
Total U.S. Department of Agriculture				1,262,599	0
U.S. Department of Education					
Minnesota Department of Education					
Title I Grants to Local Educational Agencies	84.010		0000193909	371,122	
Title II, Part A - Improving Teacher Quality State Grants	84.367		0000193909	64,976	
Title III, Part A - English Language Acquisition Grants	84.365		0000193909	34,338	17,146
Title IV, Part A - Student Support and Academic Enrichment	84.424		0000193909	24,475	
Special Education Cluster:					
Special Education Grants to States:					
Federal Flow Through, P.L. 108-446				615,100	
Low Incidence Project				20,000	
Total Special Education_Grants to States:	84.027		0000193909	635,100	0
Special Education Preschool Grants:					
Preschool Incentive Sec. 619, P.L. 108-446	84.173		0000193909	16,248	
Total Special Education Cluster				651,348	0
Special Education_Grants for Infants and Families	84.181		0000193909	14,930	
Education Stabilization Fund					
Elementary and Secondary School Emergency Relief Fund	84.425D		0000193909	29,308	
American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U		0000193909	365,700	
Total Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act				395,008	0
Ridgewater College					
Career and Technical Education - Basic Grants to States	84.048		Not Assigned	20,019	
Total U.S. Department of Education				1,576,216	17,146
Total Federal Awards				$ 2,838,815	$ 17,146

* Denotes Major Program

See Accompanying Notes to Schedule of Expenditures of Federal Awards

INDEPENDENT SCHOOL DISTRICT #423

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2024

NOTE 1. REPORTING ENTITY

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Independent School District #423, Hutchinson, Minnesota. The District's reporting entity is defined in Note 1 to the financial statements.

NOTE 2. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Independent School District #423 under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of the Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the District.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Subpart E - Cost Principles, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 4. FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

NOTE 5. SUBRECIPIENTS

During the year ended June 30, 2024, the District passed $17,146 of Federal money to subrecipients.

NOTE 6. DE MINIMIS COST RATE

The District elected not to charge the de minimis indirect cost rate of 10% to federal programs.

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COMPLIANCE SECTION

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To The Board of Education
Independent School District #423
Hutchinson, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #423, Hutchinson, Minnesota, as of and for the year ended June 30, 2024, and the related notes to the financial statements, and have issued our report thereon dated November 21, 2024.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting - bid laws, depositories of public funds and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards 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.

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

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

November 21, 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 PREFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To The Board of Education
Independent School District #423
Hutchinson, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #423, Hutchinson, Minnesota, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 21, 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 over financial reporting.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2024-001 and 2024-002 that we consider to be significant deficiencies.

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Report on Compliance and Other Matters

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

District's Response to Findings

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 Questioned Costs. The District’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

November 21, 2024

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

To the Board of Education
Independent School District #423
Hutchinson, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Independent School District #423's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2024. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

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PO Box 570
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(320) 235-3311
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Benson Office
1209 Pacific Ave, Ste 3
Benson, MN 56215
(320) 843-2302

Morris Office
401 Atlantic Ave
Morris, MN 56267
(320) 589-2602

Litchfield Office
820 Sibley Ave N
Litchfield, MN 55355
(320) 693-7975

Sartell Office
Ste 110
2351 Connecticut Ave
Sartell, MN 56377
(320) 252-7565
(800) 862-1337

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Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

Report on Internal Control Over Compliance (Cont'd)

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

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

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

November 21, 2024

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INDEPENDENT SCHOOL DISTRICT #423

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2024

I. SUMMARY OF AUDITOR'S RESULTS

A. FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
- Material weakness(es) identified?	No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?	2024-001, 2024-002
Noncompliance material to financial statements noted?	No

B. FEDERAL AWARDS

Type of auditor's report issued on compliance for major program(s):	Unmodified
Internal control over major programs:	
- Material weakness(es) identified?	No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?	No
Any audit findings disclosed that are required to be reported in accordance with Part 200.516(a) of the Uniform Guidance?	No

C. IDENTIFICATION OF MAJOR PROGRAMS

Assistance Listing No.:	10.553, 10.555, 10.556, and 10.559
Name of Federal Program or Cluster:	Child Nutrition Cluster
Dollar threshold used to distinguish between Types A and B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

FINDING: 2024-001 LIMITED SEGREGATION OF DUTIES

Condition: There is an absence of appropriate segregation of duties consistent with appropriate control objectives due to a limited number of employees.

Criteria: The basic premise is that no one person should have access to both physical assets and the related accounting records or to all phases of a transaction. The lack of such controls could result in the occurrence of a material error or fraud in relation to the financial statements not being detected by management.

Cause: The District has assigned duties to staff based on a cost-benefit relationship to the District and the practicality of the level of staffing the District maintains.

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

Recommendation: The District should continue to monitor and evaluate the job responsibilities assigned to staff to determine whether there is an unacceptable risk.

CORRECTIVE ACTION PLAN (CAP):
Explanation of Disagreement with Audit Findings:
There is no disagreement with the audit finding.

Actions Planned in Response to Finding:
The District is aware of the limited segregation of duties and will continue to review internal controls and make changes when and where they can be made.

Official Responsible for Ensuring CAP:
Rebecca Boll, Director of Business and Finance, is the official responsible for ensuring corrective action of the deficiency.

Planned Completion Date for CAP:
June 30, 2025

Plan to Monitor Completion of CAP:
Board of Education

II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)

FINDING: 2024-002 AUDITOR PREPARED FINANCIAL STATEMENTS

Condition: The District does not have an internal control system designed to provide for the preparation of the financial statements and the related notes being audited. However, based on the degree of complexity and level of detail needed to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), the District has requested the auditors to prepare them.

Criteria: The preparation of the financial statements and the related notes are the responsibility of management.

Cause: There are a limited number of office employees and resources available to allow for the adequate preparation of the financial statements and the related notes by the District.

Effect: This could result in a material misstatement to the financial statements and related notes that would not be prevented, or detected and corrected as a result of the District's current internal control.

Recommendation: The District should continue to request the assistance to draft the financial statements and related notes and thoroughly review these financial statements after they have been prepared so the District can take responsibility for them.

CORRECTIVE ACTION PLAN (CAP):
Explanation of Disagreement with Audit Findings:
There is no disagreement with the audit finding.

Actions Planned in Response to Finding:
The District will continue to provide all of the financial information to the auditing firm for the financial reports. Upon completion of the annual audit by the auditing firm on the financial data, the District will work to develop a policy and plan to prepare the necessary financial reports as part of the annual audit.

Official Responsible for Ensuring CAP:
Rebecca Boll, Director of Business and Finance, is the official responsible for ensuring corrective action of the deficiency.

Planned Completion Date for CAP:
June 30, 2025

Plan to Monitor Completion of CAP:
Board of Education

III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

None

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2024

IV. FINDINGS RELATED TO MINNESOTA LEGAL COMPLIANCE

None

INDEPENDENT SCHOOL DISTRICT #423

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2024

Comment Reference	Comment Title	Status	Year Finding Initially Occurred	If not corrected, Provided Planned Corrective Action or Other Explanation
Financial Statement Findings:				
2023-001	Limited Segregation of Duties	Not Corrected	2018	See current year finding 2024-001
2023-002	Auditor Prepared Financial Statements	Not Corrected	2007	See current year finding 2024-002
Federal Audit Findings:				
None				
Minnesota Legal Compliance Findings:				
None				