

FINANCIAL STATEMENTS

**INDEPENDENT SCHOOL DISTRICT NO. 2689
PIPESTONE AREA SCHOOLS
PIPESTONE, MINNESOTA 56164**

FOR THE YEAR ENDING JUNE 30, 2024

**Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants
P.O. Box 707
Pipestone, Minnesota 56164**

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Pipestone Area Schools
Pipestone, Minnesota

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Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

BOARD OF EDUCATION AND ADMINISTRATIVE PERSONNEL
JUNE 30, 2024

BOARD OF EDUCATION

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Brad Carson	Chairman	12/31/26
Lance Oye	Vice Chairman	12/31/24
Katie Wiese	Clerk	12/31/24
Chrissy DeBates	Treasurer	12/31/24
Daphne Likness	Director	12/31/26
Mark Hiniker	Director	12/31/26

ADMINISTRATIVE PERSONNEL

Dr. Klint Willert	Superintendent
Jacque Kennedy	Business Manager

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Blake R. Klinsing, CPA
Amy L. Mollberg, CPA

WITH THE FIRM
Kirk W. Morgan, CPA

INDEPENDENT AUDITOR'S REPORT

To The Board of Education
Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Independent School District No. 2689, Pipestone Area Schools, Pipestone, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Independent School District No. 2689, Pipestone Area Schools, Pipestone, Minnesota as of June 30, 2024, and the respective changes in financial position, and the respective budgetary comparison for General Fund and Major Special Revenue Funds (Food Service Fund and Community Service 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 *Governmental 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 Independent School District No. 2689, Pipestone Area Schools, Pipestone, Minnesota, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Independent School District No. 2689, Pipestone Area Schools, Pipestone, Minnesota's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Independent School District No. 2689, Pipestone Area Schools, Pipestone, Minnesota'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 Independent School District 2689, Pipestone Area Schools, Pipestone, Minnesota'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.

The Financial statements include partial prior-year comparative information, which does not include all of the information required in a presentation in conformity with accounting principles generally accepted in the United States of America. The prior year partial comparative information has been derived from the District's financial statements for the year ended June 30, 2023, and in our report dated November 20, 2023, we expressed unqualified opinions on the respective financial statements of the governmental activities and each major fund. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2023, from which it was derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Required Supplementary Information other than MD&A 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 Independent School District No. 2689, Pipestone Area Schools, Pipestone, Minnesota's basic financial statements. The accompanying combining and individual fund 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*, Uniform Financial Accounting and Reporting Standards Compliance Table 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.

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2024, on our consideration of the Independent School District No. 2689'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 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 Independent School District No. 2689's internal control over financial reporting and compliance.


Meulebroeck, Taubert Co., PLLP
Certified Public Accountants
Pipestone, Minnesota

November 19, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2024

This section of the Independent School District No. 2689's annual financial report presents 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 other components of the District's annual financial report.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 -- *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments* issued in June 1999. Certain comparative information between the current year and the prior year is presented in the MD&A.

Financial Highlights

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

- Net position increased by \$868,015, or 5.5% over June 30, 2023 due primarily to the GASB 68 required adjustment for TRA and PERA obligations.
- Fund Balance increased by \$3,133,614, or 34.2% over June 30, 2023 due primarily to bond proceeds.
- Total governmental revenues increased by \$953,478 or 5.0% in comparison to fiscal year 2023, and governmental expenditures increased by \$598,803 or 3.1% in comparison to fiscal year 2023.

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 supplemental information. The basic financial statements include District-wide financial statements and fund financial statements and the notes to the financial statements.

Government-Wide Statements

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

The two government-wide statements report the District's net position and how it has changed. Net position -- the difference between the District's assets and liabilities -- is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. You also need to consider other nonfinancial factors, however, such as changes in the District's property tax base, pupil enrollment, and the condition of school facilities.

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

Fund Financial Statements

The fund financial statements include more detailed information about a District's individual funds.

The District maintains the following funds:

Governmental Funds - The District's services are included in this type of fund, which generally focuses 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 provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's activities. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

Fiduciary Funds - The district is the trustee, or fiduciary, for assets that belong to others. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The student activity fund is reported as an agency fund. All of the district's fiduciary activities are reported in a separate Statement of Cash Receipts and Disbursements. We exclude these activities from the district-wide financial statements because the district cannot use these assets to finance its operations.

Independent School District No. 2689
 Pipestone Area Schools
 Pipestone, Minnesota

Financial Analysis of the District As A Whole

As noted, net position may serve over time as a useful indicator of a government's financial position. In the case of the Independent School District No. 2689, assets exceeded liabilities by \$16,769,561 at the close of the most recent fiscal year. This was an increase of \$868,015 or 5.5% from the previous year total of \$15,901,546.

Table 1 is a summarized view of the District's Statement of Net Position.

Table 1		
Statement of Net Position		
As of June 30, 2024		
	<u>2024</u>	<u>2023</u>
Assets		
Current and other assets	18,382,682	14,569,720
Capital assets, net of depreciation	40,754,319	41,683,236
Total Assets	<u>59,137,001</u>	<u>56,252,956</u>
Deferred Outflows of Resources		
Related to OPEB	41,977	77,824
Related to Pensions	<u>2,426,897</u>	<u>3,352,213</u>
Total Deferred Outflows of Resources	<u>2,468,874</u>	<u>3,430,037</u>
Total Assets and Deferred Outflows of Resources	<u>61,605,875</u>	<u>59,682,993</u>
Liabilities		
Current and other liabilities	2,713,472	2,306,285
Long-term liabilities, including due within one year	<u>37,194,165</u>	<u>36,294,310</u>
Total Liabilities	<u>39,907,637</u>	<u>38,600,595</u>
Deferred Inflows of Resources		
Property Taxes Levied for Subsequent Year	3,822,428	3,458,934
Related to OPEB	172,223	42,012
Related to Pensions	<u>934,026</u>	<u>1,679,906</u>
Total Deferred Inflows of Resources	<u>4,928,677</u>	<u>5,180,852</u>
Net Position		
Net Investment in capital assets	12,581,726	15,305,505
Restricted	6,167,968	3,207,897
Unrestricted	<u>(1,980,133)</u>	<u>(2,611,856)</u>
Net Position	<u>16,769,561</u>	<u>15,901,546</u>
Total Liabilities, Deferred Inflows of Resources & Net Position	<u>61,605,875</u>	<u>59,682,993</u>

The District's financial position is the product of numerous factors. Therefore, it is important to view the net position as a starting point to evaluate future years' results, rather than to just focus on the current balance.

Table 2 presents a condensed version of the change in net position of the District.

Table 2
Change in Net Position
For the year ended June 30, 2024

Revenues	<u>2024</u>	<u>2023</u>
Program Revenues		
Charges for Services	356,992	548,678
Operating Grants and Contributions	4,435,348	3,726,211
General Revenues		
Property Taxes	2,633,265	2,735,749
Unrestricted Federal and State Aid	11,302,851	10,600,763
Federal Aid Restricted to Specific Purposes	743,421	1,149,820
Earnings on Investments	449,232	214,508
Bond Premium	161,876	139,852
Other	<u>276,529</u>	<u>288,309</u>
Total revenues	20,359,514	19,403,890
Expenses		
District and School Administration	992,127	929,568
District Support Services	442,859	386,048
Regular Instruction	7,302,747	6,410,256
Vocational Instruction	450,200	331,162
Exceptional Instruction	2,262,631	1,954,196
Instructional Support Services	883,259	778,905
Pupil Support Services	1,616,166	1,618,930
Site, Buildings, and Equipment	3,050,906	2,570,529
Fiscal and Other Fixed Cost Programs	148,610	132,559
Food Service	996,799	779,088
Community Service	359,827	355,001
Interest and Fiscal Charges on Long-term Liabilities	<u>985,368</u>	<u>936,850</u>
Total expenses	<u>19,491,499</u>	<u>17,183,092</u>
Change in net position	868,015	2,220,798
Beginning net position	<u>15,901,546</u>	<u>13,680,748</u>
Ending net position	<u>16,769,561</u>	<u>15,901,546</u>

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

The district's total revenue consisted of program revenues of \$4,792,340, property taxes of \$2,633,265, federal and state aid not restricted to specific purposes of \$11,302,851, federal aid restricted to specific purposes of \$743,421, unrestricted investment earnings of \$449,232, bond premium of \$161,876, and other revenues of \$276,529.

The cost of all governmental activities this year was \$19,491,499.

- The users of the district programs paid for \$356,992 or 1.8% of the total costs.
- Operating grants and contributions consisting of federal and state aids restricted for specific purposes and donations totaled \$4,435,348 or 22.8% of total costs.
- The state government subsidized certain programs with aid not restricted for specific purposes. This totaled \$11,302,851 or 58.0% of total costs.

Figure A and Figure B show further analysis of these revenue sources and expenditure functions.

Figure A - Sources of Revenue for Fiscal Year 2024

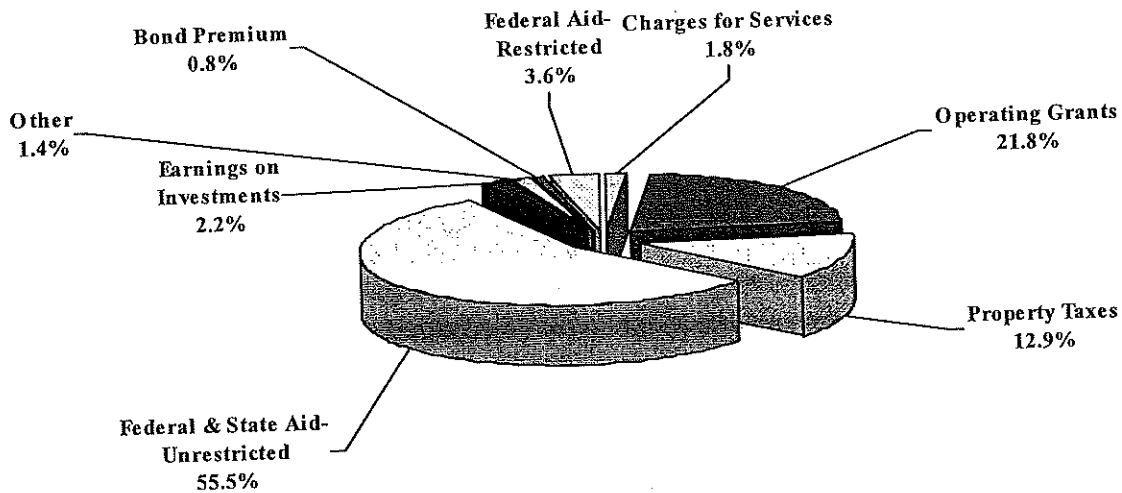
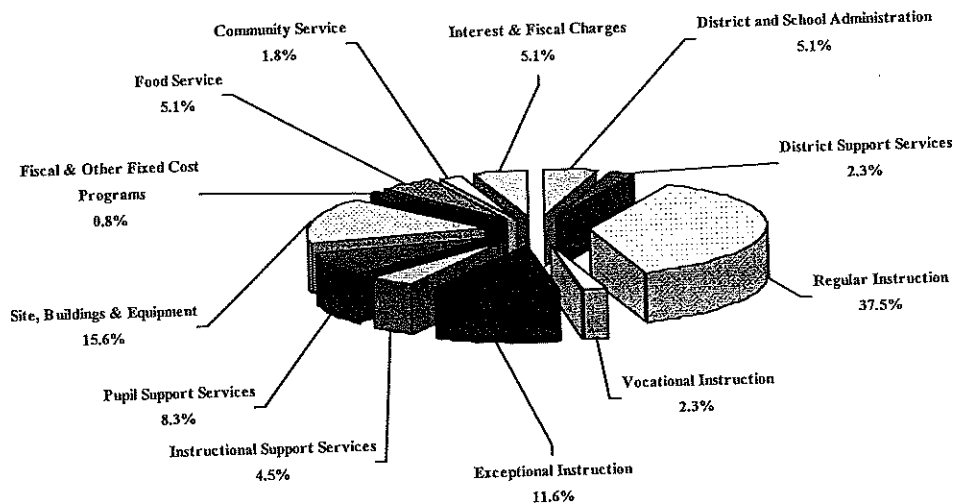


Figure B - Expenses for Fiscal Year 2024



Financial Analysis of the District's Funds (Fund Financial Statements)

Fund Balance

The financial performance of the district as a whole is reflected in its governmental funds as well. As the district completed the year, the governmental funds reported a combined fund balance of \$12,282,868, which is an increase of \$3,133,614 over the prior year fund balance of \$9,149,254. The General Fund had an increase of \$187,908. The Food Service Fund had an increase of \$162,297. The Community Service Fund had a decrease of \$33,187. The Capital Projects Fund had an increase of \$2,790,797, due to bond proceeds received. The Debt Service Fund had an increase of \$25,799.

Revenues and Expenditures

Revenues of the district's governmental funds totaled \$20,191,353 while total expenditures were \$19,945,059. A summary of the revenues and expenditures reported on the governmental financial statements is as follows:

	Revenue	Expenditures	Other Financing Sources (Uses)	Fund Balance Increase (Decrease)
General Fund	16,702,750	16,518,942	4,100	187,908
Food Service Fund	1,187,664	1,025,367	-0-	162,297
Community Service Fund	326,640	359,827	-0-	(33,187)
Capital Projects Fund	116,650	209,073	2,883,220	2,790,797
Debt Service Fund	<u>1,857,649</u>	<u>1,831,850</u>	<u>-0-</u>	<u>25,799</u>
Total	<u>20,191,353</u>	<u>19,945,059</u>	<u>2,887,320</u>	<u>3,133,614</u>

General Fund Budgetary Analysis

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to as the original budget. During the year, the District might amend that budget for known changes in circumstances such as legislative funding. For fiscal year 2024, the District did revise the budget. The district's budget anticipated that expenditures would exceed revenues and other financing sources (uses) by \$499,928. The actual results for the year showed revenues exceeding expenditures by \$187,908.

- Actual general fund revenues were more than the budget by \$384,058 primarily due to differences in state and other local and county aids.
- Actual general fund expenditures were less than budget by \$303,778 primarily due to over budgeting expenditures for various items, including salaries, employee benefits, supplies, and travel.

Capital Assets

Table 3 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal year ending June 30, 2024. More detailed information about the district's capital assets is presented in Note 6.

**Table 3
 Capital Assets**

	<u>2024</u>	<u>2023</u>	<u>Increase (Decrease)</u>
Land	209,572	209,572	
Land Improvements	3,308,673	3,208,062	100,611
Buildings and Improvements	45,605,323	45,477,555	127,768
Equipment	4,792,820	4,688,792	104,028
Pupil Transportation Vehicles	389,376	389,376	
Less: Accumulated Depreciation	(13,551,445)	(12,290,121)	(1,261,324)
Total	<u>40,754,319</u>	<u>41,683,236</u>	<u>(928,917)</u>
Depreciation Expense	<u>1,261,324</u>	<u>1,225,520</u>	<u>35,804</u>

Capital asset activity for the current fiscal year includes a scorers table, battery backup, softball scoreboard, two gas ovens, open display merchandiser, hardwired panic buttons, auditorium lights, elementary ball field, and tennis court resurfacing.

Long-Term Liabilities

In fiscal year 2024, long-term debt obligations were repaid in the amount of \$940,000, lease payments were paid in the amount of \$80,000, bond proceeds were received in the amount of \$2,685,000, the net severance liability decreased by \$10,240, the net OPEB liability decreased by \$174,703, and the net pension liability decreased by \$616,546. Pension benefits payable total \$9,086,424 at June 30, 2024. More detailed information about the district's long-term liabilities is presented in Note 9.

Factors Bearing on the District's Future

With the exception of voter-approved excess operating referendum, the District is dependent on the State of Minnesota for the vast majority of its funding. Recent experience shows uncertainty in state and federal funding.

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

Contacting the District's Management

This financial report is designed to provide 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 Independent School District No. 2689 at 1401 7th St. SW, Pipestone, Minnesota 56164.

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

STATEMENT OF NET POSITION
JUNE 30, 2024

	<u>2024</u>	<u>2023</u>
<u>Assets</u>	13,088,997	9,560,743
Cash and Investments		
Receivables:	2,469,281	2,223,781
Property Taxes	2,500,969	2,531,313
Governmental Units	193,295	144,511
Other	130,140	109,372
Prepaid Expenses		
Capital Assets:	209,572	209,572
Non Depreciable	40,544,747	41,473,664
Depreciable - net of accumulated depreciation	<u>59,137,001</u>	<u>56,252,956</u>
Total Assets		
 <u>Deferred Outflows of Resources</u>	 41,977	 77,824
Related to OPEB	2,426,897	3,352,213
Related to Pensions	<u>2,468,874</u>	<u>3,430,037</u>
Total Deferred Outflows of Resources	<u>61,605,875</u>	<u>59,682,993</u>
Total Assets and Deferred Outflows of Resources		
 <u>Liabilities</u>	 765,750	 785,372
Salaries Payable	1,085,285	929,517
Accounts Payable	461,039	367,521
Accrued Interest	380,879	205,572
Due to Other Governmental Units	20,519	18,303
Unearned Revenue		
Long Term Liabilities:	1,422,900	1,159,852
Portion Due Within One Year	26,337,563	24,909,507
Portion Due in More Than One Year	9,086,424	9,702,970
Pension Benefit Payable	347,278	521,981
Net OPEB Liability	<u>39,907,637</u>	<u>38,600,595</u>
Total Liabilities		
 <u>Deferred Inflows of Resources</u>	 3,822,428	 3,458,934
Property Taxes Levied for Subsequent Years	172,223	42,012
Related to OPEB	934,026	1,679,906
Related to Pensions	<u>4,928,677</u>	<u>5,180,852</u>
Total Deferred Inflows of Resources		
 <u>Net Position</u>	 12,581,726	 15,305,505
Net Investment in Capital Assets		
Restricted for:	1,451,030	1,436,665
General Fund State Mandated Purposes	950,689	788,392
Food Service	552,213	585,400
Community Service	2,790,797	
Capital Projects	423,239	397,440
Debt Service	<u>(1,980,133)</u>	<u>(2,611,856)</u>
Unrestricted	<u>16,769,561</u>	<u>15,901,546</u>
Total Net Position	<u>61,605,875</u>	<u>59,682,993</u>
Total Liabilities, Deferred Inflows of Resources and Net Position		

See accompanying notes to the financial statements.

**STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2024**

Functions	2024				2023	
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Governmental Activities
Governmental Activities						
District and School Administration	992,127			(992,127)	(929,568)	
District Support Services	442,859			(442,859)	(386,048)	
Regular Instruction	7,302,747	96,848	1,705,056	(5,500,843)	(4,695,758)	
Vocational Instruction	450,200			(450,200)	(331,162)	
Exceptional Instruction	2,262,631	58,665	1,544,831	(659,135)	(538,308)	
Instructional Support Services	883,259			(883,259)	(778,905)	
Pupil Support Services	1,616,166		37,037	(1,579,129)	(1,593,817)	
Site, Buildings and Equipment	3,050,906			(3,050,906)	(2,570,529)	
Fiscal and Other Fixed Cost Programs	148,610			(148,610)	(132,559)	
Food Service	996,799	80,877	1,079,595	163,673	157,389	
Community Service	359,827	120,602	68,829	(170,396)	(172,088)	
Interest and Fiscal Charges on Long-term Liabilities	985,368			(985,368)	(936,850)	
Total	<u>19,491,499</u>	<u>356,992</u>	<u>4,435,348</u>	<u>(14,699,159)</u>	<u>(12,908,203)</u>	
General Revenues						
Property Taxes Levied for:						
General Purposes				1,690,199	1,659,713	
Community Service				108,076	107,467	
Debt Service				834,990	968,569	
Federal and State Aid Not Restricted to Specific Purposes				11,302,851	10,600,763	
Federal Aid Restricted to Specific Purposes				743,421	1,149,820	
Earnings on Investments				449,232	214,508	
Bond Premium				161,876	139,852	
Miscellaneous				276,529	288,309	
Total General Revenues				<u>15,567,174</u>	<u>15,129,001</u>	
Change in Net Position				868,015	2,220,798	
Net Position - Beginning				15,901,546	13,680,748	
Net Position - Ending				<u>16,769,561</u>	<u>15,901,546</u>	

See accompanying notes to the financial statements.

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2024

	2024					2023	
	<u>Major Funds</u>					<u>Total</u>	<u>Total</u>
	<u>General</u>	<u>Food Service</u>	<u>Community Service</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
Assets							
Cash and Investments	7,865,268	871,059	682,487	2,790,797	879,386	13,088,997	9,560,743
Current Property Taxes Receivable	720,115		51,520		1,672,693	2,444,328	2,148,878
Delinquent Property Taxes Receivable	16,979		899		7,075	24,953	74,903
Accounts Receivable	6,003	106,132	2,000			114,135	125,639
Interest Receivable	79,160				99,301	79,160	18,872
Due From Department of Education	1,666,172		6,725			1,772,198	2,035,476
Due From Federal Government Through the Department of Education	647,920	16,817				664,737	404,354
Due From Other Governmental Units	64,034					64,034	91,483
Prepaid Expenses	130,140					130,140	109,372
Total Assets	<u>11,195,791</u>	<u>994,008</u>	<u>743,631</u>	<u>2,790,797</u>	<u>2,658,455</u>	<u>18,382,682</u>	<u>14,569,720</u>
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities							
Salaries Payable	712,805		52,945			765,750	785,372
Accounts Payable	510,167	22,800	22,823			555,790	397,799
Due to Other Governmental Units	380,879					380,879	205,572
Payroll Deductions	529,495					529,495	531,718
Unearned Revenue		20,519				20,519	18,303
Total Liabilities	<u>2,133,346</u>	<u>43,319</u>	<u>75,768</u>	<u>-0-</u>	<u>-0-</u>	<u>2,252,433</u>	<u>1,938,764</u>
Deferred Inflows of Resources							
Unavailable Revenue-Delinquent Taxes	16,979		899		7,075	24,953	22,768
Property Taxes Levied for Subsequent Years	1,479,536		114,751		2,228,141	3,822,428	3,458,934
Total Deferred Inflows of Resources	<u>1,496,515</u>	<u>-0-</u>	<u>115,650</u>	<u>-0-</u>	<u>2,235,216</u>	<u>3,847,381</u>	<u>3,481,702</u>
Fund Balances							
Fund Balance-Nonspendable	130,140					130,140	109,372
Fund Balance-Restricted	1,451,030	950,689	552,213	2,790,797	423,239	6,167,968	3,207,896
Fund Balance-Committed	48,909					48,909	59,149
Fund Balance-Assigned	25,298					25,298	26,130
Fund Balance-Unassigned	5,910,553					5,910,553	5,746,707
Total Fund Balances	<u>7,565,930</u>	<u>950,689</u>	<u>552,213</u>	<u>2,790,797</u>	<u>423,239</u>	<u>12,282,868</u>	<u>9,149,254</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>11,195,791</u>	<u>994,008</u>	<u>743,631</u>	<u>2,790,797</u>	<u>2,658,455</u>	<u>18,382,682</u>	<u>14,569,720</u>

See accompanying notes to the financial statements.

Independent School District No. 2689
 Pipestone Area Schools
 Pipestone, Minnesota

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO
 NET POSITION OF GOVERNMENTAL ACTIVITIES**
JUNE 30, 2024

	2024	2023	
Total Governmental Fund Balances	12,282,868	9,149,254	
Amounts reported in governmental activities in the statement of net position are different because:			
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds		53,973,357	
Cost of Capital Assets	54,305,764	(12,290,121)	
Less: Accumulated Depreciation	(13,551,445)		41,683,236
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 unavailable revenue.	24,953		22,768
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(461,039)		(367,521)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.			
Deferred Outflows of Resources related to Pensions	2,426,897	3,352,213	
Deferred Outflows of Resources - OPEB	41,977	77,824	
Deferred Inflows of Resources related to Pensions	(934,026)	(1,679,906)	
Deferred Inflows of Resources - OPEB	(172,223)	(42,012)	1,708,119
Long-term liabilities that pertain to governmental funds are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at year-end are:			
Severance Payable	(48,909)	(59,149)	
Bonds Payable	(25,356,000)	(23,691,000)	
Bond Premium	(2,355,554)	(2,319,210)	
Pension Benefits Payable	(9,086,424)	(9,702,970)	
Net OPEB Liability	(347,278)	(521,981)	(36,294,310)
Net Position of Governmental Activities	16,769,561		15,901,546

See accompanying notes to the financial statements.

Independent School District No. 2689
 Pipestone Area Schools
 Pipestone, Minnesota

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	2024					2023	2023
	General	Food Service	Community Service	Capital Projects	Debt Service	Total Governmental Funds	Total Governmental Funds
Revenues							
Local Property Tax Levies	1,688,014		108,076		834,990	2,631,080	2,740,614
Other Local and County Revenues	673,870	27,192	149,735	116,650	29,646	997,093	721,146
Revenue from State Sources	13,230,287	430,953	68,829		993,013	14,723,082	13,135,417
Revenue from Federal Sources	1,109,896	648,642				1,758,538	2,341,377
Sales and Other Conversion of Assets	683	80,877				81,560	299,321
Total Revenues	<u>16,702,750</u>	<u>1,187,664</u>	<u>326,640</u>	<u>116,650</u>	<u>1,857,649</u>	<u>20,191,353</u>	<u>19,237,875</u>
Expenditures							
Current:						992,127	929,568
District and School Administration	992,127					442,859	386,048
District Support Services	442,859					7,753,861	7,619,393
Regular Instruction	7,753,861					450,200	331,162
Vocational Instruction	450,200					2,262,631	1,954,196
Exceptional Instruction	2,262,631					359,827	355,001
Community Education and Services			359,827			893,249	778,905
Instructional Support Services	893,249					2,603,834	2,590,320
Pupil Support Services	1,578,467	1,025,367		209,073		2,206,011	2,432,254
Site, Buildings and Equipment	1,996,938					148,610	132,559
Fiscal and Other Fixed Cost Programs	148,610						
Debt Service:						940,000	900,000
Principal						891,850	936,850
Interest and Fiscal Charges						1,831,850	19,346,256
Total Expenditures	<u>16,518,942</u>	<u>1,025,367</u>	<u>359,827</u>	<u>209,073</u>	<u>1,831,850</u>	<u>19,945,059</u>	<u>19,346,256</u>
Excess Revenues (Expenditures) Before Other Financing Sources (Uses)	183,808	162,297	(33,187)	(92,423)	25,799	246,294	(108,381)
Other Financing Sources (Uses)						4,100	31,028
Insurance Recovery	4,100						143,747
Transfer In							(143,747)
Transfer Out						198,220	
Bond Premium				198,220		2,685,000	
Bond Proceeds				2,685,000		2,887,320	31,028
Total Other Financing Sources (Uses)	<u>4,100</u>	<u>-0-</u>	<u>-0-</u>	<u>2,883,220</u>	<u>-0-</u>	<u>2,887,320</u>	<u>31,028</u>
Net Change in Fund Balance	187,908	162,297	(33,187)	2,790,797	25,799	3,133,614	(77,353)
Fund Balance-Beginning	7,378,022	788,392	585,400		397,440	9,149,254	9,226,607
Fund Balance-Ending	<u>7,565,930</u>	<u>950,689</u>	<u>552,213</u>	<u>2,790,797</u>	<u>423,239</u>	<u>12,282,868</u>	<u>9,149,254</u>

See accompanying notes to the financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2024**

	2024		2023
Net Change in Governmental Fund Balances	3,133,614		(77,353)
Amounts reported for the governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures, however, in statement of activities, assets with an initial, individual cost of more than \$10,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period			
Capital Outlay	332,407		1,222,215
Depreciation Expense	(1,261,324)	(928,917)	(1,225,520)
			(3,305)
Governmental funds report long-term debt proceeds as financing sources, while repayment of long-term debt principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues. The net effect of these differences is as follows:			
Bond Proceeds	(2,685,000)		
Bond Premium	(198,220)		
Amortization of Bond Premium	161,876		139,852
Lease Payments	80,000		77,000
Repayment of Bond Principal	940,000		900,000
Interest Expense - General Obligation Bonds	(93,518)		
Severance Payments	14,024	(1,780,838)	5,325
			1,122,177
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for current period's expenditures, and therefore deferred in the funds.		2,185	(4,865)
In the statement of activities, severance benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).			
Severance	(3,784)		1,182
OPEB	(166,058)		3,865
Pension Benefits	(179,436)	(349,278)	5,867,500
			5,872,547
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			
Change in Pension Benefits	616,546		(4,683,914)
Change in Net OPEB liability	174,703	791,249	(4,489)
			(4,688,403)
Change in Net Position of Governmental Activities	868,015		2,220,798

See accompanying notes to the financial statements.

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
<u>Revenues</u>				
Local Property Tax Levies	1,687,638	1,687,638	1,688,014	376
Other Local and County Revenues	407,879	525,628	673,870	148,242
Revenue from State Sources	12,872,617	12,948,682	13,230,287	281,605
Revenue from Federal Sources	1,147,344	1,156,444	1,109,896	(46,548)
Sales and Other Conversion of Assets	300	300	683	383
Total Revenues	<u>16,115,778</u>	<u>16,318,692</u>	<u>16,702,750</u>	<u>384,058</u>
<u>Expenditures</u>				
District and School Administration	1,082,134	997,101	992,127	(4,974)
District Support Services	440,352	464,992	442,859	(22,133)
Regular Instruction	7,506,109	7,541,962	7,753,861	211,899
Vocational Instruction	410,406	443,853	450,200	6,347
Exceptional Instruction	2,273,781	2,334,595	2,262,631	(71,964)
Instructional Support Services	965,118	1,056,308	893,249	(163,059)
Pupil Support Services	1,715,975	1,635,993	1,578,467	(57,526)
Site, Building and Equipment	2,029,416	2,200,631	1,996,938	(203,693)
Fiscal and Other Fixed Cost Programs	147,285	147,285	148,610	1,325
Total Expenditures	<u>16,570,576</u>	<u>16,822,720</u>	<u>16,518,942</u>	<u>(303,778)</u>
Excess Revenues (Expenditures)	(454,798)	(504,028)	183,808	687,836
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery		4,100	4,100	
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>4,100</u>	<u>4,100</u>	<u>-0-</u>
Excess Revenues and Other Financing Sources Over Expenditures and Other Uses	<u>(454,798)</u>	<u>(499,928)</u>	187,908	<u>687,836</u>
Fund Balance-Beginning			<u>7,378,022</u>	
Fund Balance-Ending			<u>7,565,930</u>	

See accompanying notes to the financial statements.

Independent School District No. 2689
 Pipestone Area Schools
 Pipestone, Minnesota

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Other Local and County Revenues	19,295	19,295	27,192	7,897
Revenue from State Sources	295,995	295,995	430,953	134,958
Revenue from Federal Sources	640,456	640,456	648,642	8,186
Sales and Other Conversion of Assets	53,100	53,100	80,877	27,777
Total Revenues	<u>1,008,846</u>	<u>1,008,846</u>	<u>1,187,664</u>	<u>178,818</u>
<u>Expenditures</u>				
Pupil Support Services	<u>986,139</u>	<u>986,139</u>	<u>1,025,367</u>	<u>39,228</u>
Total Expenditures	<u>986,139</u>	<u>986,139</u>	<u>1,025,367</u>	<u>39,228</u>
Net Change in Fund Balance	<u>22,707</u>	<u>22,707</u>	162,297	<u>139,590</u>
Fund Balance-Beginning			<u>788,392</u>	
Fund Balance-Ending			<u>950,689</u>	

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR COMMUNITY SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Local Property Tax Levies	107,550	107,550	108,076	526
Other Local and County Revenues	131,018	131,018	149,735	18,717
Revenue from State Sources	<u>65,906</u>	<u>65,906</u>	<u>68,829</u>	<u>2,923</u>
Total Revenues	<u>304,474</u>	<u>304,474</u>	<u>326,640</u>	<u>22,166</u>
<u>Expenditures</u>				
Community Education and Services	<u>334,156</u>	<u>334,156</u>	<u>359,827</u>	<u>25,671</u>
Total Expenditures	<u>334,156</u>	<u>334,156</u>	<u>359,827</u>	<u>25,671</u>
Net Change in Fund Balance	<u>(29,682)</u>	<u>(29,682)</u>	(33,187)	<u>(3,505)</u>
Fund Balance-Beginning			<u>585,400</u>	
Fund Balance-Ending			<u>552,213</u>	

See accompanying notes to the financial statements.

Independent School District No. 2689
 Pipestone Area Schools
 Pipestone, Minnesota

Exhibit J

STATEMENT OF FIDUCIARY ASSETS
AGENCY FUND
JUNE 30, 2024

	<u>2024</u>	<u>2023</u>
<u>Assets</u>		
Cash and Investments	<u>345</u>	<u>345</u>
<u>Liabilities and Net Position</u>		
<u>Liabilities</u>		
Unearned Revenue	345	345
<u>Net Position</u>		
Total Liabilities and Net Position	<u>-0-</u> <u>345</u>	<u>-0-</u> <u>345</u>

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 1 **Summary of Significant Accounting Policies**

A. **Basis of Presentation**

The financial statements of Independent School District No. 2689 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.

B. **Financial Reporting Entity**

Independent School District 2689, Pipestone, was formed and operates pursuant to applicable Minnesota laws and statutes. The District operates under an elected seven member Board of Education form of government. The Board has control over all activities related to the public school education in the District.

As required by generally accepted accounting principles, these financial statements present the District and its component units, entities for which the government is considered to be financially accountable.

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the District.

C. **Basic Financial Statements Presentation**

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 1 **Summary of Significant Accounting Policies - continued**

C. Basic Financial Statements Presentation - continued

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.

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material interfund activity has been removed from the District-wide financial statements.

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type: expendable trust, and agency. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the District-wide statements.

Proprietary funds are used to report business-type activities carried on by a school district. No activities of the District were determined to be of this nature, so no proprietary funds are present in the financial statements.

D. Basis of Accounting and Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenues in the 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 as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered to be

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 1 **Summary of Significant Accounting Policies - continued**

D. Basis of Accounting and Measurement Focus - continued

available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within 60 days of fiscal year-end. Federal revenue is recorded in the year in which the related expenditure is made. State revenue is recognized in the year to which it applies according to Minnesota Statutes and U.S. generally accepted accounting principles. Other miscellaneous revenues (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

All major revenues are susceptible to accrual. Property tax revenues for all funds, which are payable by property owners on a calendar-year basis, are recognized as revenues in the fiscal years for which they apply according to Minnesota Statutes. Federal revenues are recorded in the year in which the related expenditure is made. If the amounts of Minnesota or federal revenues cannot be reasonably estimated or realization is not assured, they are not recorded as revenue in the current year.

The District reports unavailable revenue on its balance sheet. Unavailable revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unavailable revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurring qualified expenditures. In subsequent periods, when both revenue recognition criteria are met or when the District has a legal claim to the resources, the liability for unavailable revenue is removed and revenue is recognized.

Description of Funds

The existence of the various District funds has been established by the State of Minnesota, Department of Education. Each fund is accounted for as an independent entity. A description of the funds included in this report is as follows:

Governmental Funds

General Fund

The General Fund includes all financial transactions relating to the administration, instruction, maintenance, transportation, and capital expenditures of the District, which are not accounted for in other funds.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 1 **Summary of Significant Accounting Policies - continued**
D. Basis of Accounting and Measurement Focus - continued

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted for expenditures for specified purposes. These funds include the Food Service and Community Service funds.

The Food Service fund is used to account for food service revenues and expenditures.

The Community Service fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs, or other similar services.

Capital Projects Fund

The Capital Projects Fund is used to record all operations of the District's new building project.

Debt Service Fund

Debt Service Funds account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

Agency Fund

The Agency Fund is used to account for donations specifically used to apply to food service accounts and community education fees. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations.

E. Budgets and Budgetary Accounting

The budgeted amounts included in the statement of revenues and expenditures were accounted for and presented on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with generally accepted accounting principles. The budgets are prepared by the school personnel and approved by the school board. Encumbrances are not considered in the budget process or in the regular district accounting.

Once a budget is approved, school personnel can amend it with approval by the school board. Amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Individual amendments were not material in relation to the original appropriations. All budget appropriations lapse at year-end.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 1 Summary of Significant Accounting Policies – continued

F. Cash and Temporary Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.

The school District uses the average cash balance method of allocating investment income to the various funds.

G. 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.

H. Inventories

Inventories consist of expendable supplies held for consumption and are stated at moving, weighted average cost. Inventory of the General Fund is recorded as expenditure when items are issued from central stores. Accordingly inventory items on hand at the school are not included in inventory.

I. 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 recorded as expenditure at the time of consumption.

J. Property Tax Recognition

The levy certification is made in December of each year. The tax levy is collectible as of January 2nd of the following year and the taxes are due to the county treasurer in May and October of each year. The taxes levied during the fall of the year are recognized in the subsequent fiscal year for the school district.

Current taxes receivable includes the amount of Homestead Market Value Credit Aid, Disparity Reduction Aid, and School Building Bond Ag Credit to be received after July 1, 2024, and will be recognized as revenue during the fiscal year ending June 30, 2025. The delinquent taxes receivable are reserved as 100% uncollectible except for the amount received during the first sixty days of the subsequent fiscal year.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 1 **Summary of Significant Accounting Policies - continued**

K. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded at their estimated fair market value at the date of donation. The District defines capital assets as those with an initial, individual cost of \$10,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the district-wide financial statements, but are not reported in the 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 or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for buildings and improvements, and 5 to 20 years for equipment and vehicles. Land is not depreciated.

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

L. Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs, if material, are also reported as deferred charges and amortized over the term of the related debt.

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 or discounts on debt issuances are reported as other financing sources or uses, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The District has two types, Related to pensions and Related to OPEB Obligations, which arise only under a modified accrual basis of accounting that qualifies for reporting in this category.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 1 **Summary of Significant Accounting Policies - continued**

M. **Deferred Outflows/Inflows of Resources - continued**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types, Property Taxes Levied for Subsequent Years, Related to Pensions, and Related to OPEB, which arise only under a modified accrual basis of accounting, that qualify for reporting in this category. Accordingly, the items, unavailable revenue, are reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

N. **Fund Equity**

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 the resources in the governmental funds. The following are the five fund balance categories used by the district:

Non-Spendable Fund Balance

Fund balance amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance

Fund balance amounts that can be spent only for specific purposes imposed by laws or regulations, external resource providers, constitutional provisions or enabling legislation.

Committed Fund Balance

Fund balance amounts that can be used only for the specific purpose determined by a formal action of the government's highest level of decision making authority.

The District's highest level of decision making authority is the district school board. In order to establish, modify or rescind a committed fund balance amount, the school board would need to approve the action at a school board meeting.

Assigned Fund Balance

Fund balance amounts that are intended to be used by the government for a specific purpose, but do not meet the criteria to be classified as restricted or committed.

The District school board has delegated the authority to assign fund balance amounts to the business manager and/or superintendent. Assigned amounts or changes to assigned amounts are presented to the school board for review.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 1 **Summary of Significant Accounting Policies - continued**

N. **Fund Equity - continued**

Unassigned Fund Balance

Fund balance amounts that are available for any purpose. These amounts represent the remaining fund balance in the General Fund that has not been classified as non-spendable, restricted, committed or assigned. Also, for funds other than the general fund, unassigned fund balance is used to report a deficit fund balance.

The school district will strive to maintain a fund balance of between 25% and 34% of total operating expenditures to fund balance. The fund balance shall be defined as the sum of the restricted, committed, assigned and unassigned fund balances in the General Fund, Food Service Fund and the Community Service Fund. Total operating expenditures will include the expenditures in the funds noted above.

If resources from more than one fund balance classification could be spent, the school district established the following order for resource use: non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance. Journal entries at the end of the fiscal year may be used to accomplish this.

O. **Net Position**

Net position represents the difference between assets and liabilities in the District-wide and Fiduciary 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 District-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

P. **Pensions**

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 1 **Summary of Significant Accounting Policies - continued**

Q. **Certain Comparative Data and Reclassifications**

Certain comparative total data for the prior year have been presented in the District-wide and fund financial statements in order to provide an understanding of the changes in the financial position and operations. Such comparative total data does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

R. **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

S. **Subsequent Events**

Subsequent events have been evaluated through December 3, 2024, which is the date the financial statements were available to be issued.

Note 2 **Cash and Investments**

A. **Deposits**

Minnesota Stat. 118A.02 and 118A.04 authorize the District to designate a depository for public funds and to invest in certificates of deposit. Minnesota Stat. 118A.03 requires that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; 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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 2 **Cash and Investments - continued**

A. **Deposits - continued**

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2024, none of the District's bank balance of \$2,487,265 (includes student activity fund account) was exposed to custodial credit risk because it was insured and properly collateralized with securities held by the pledging financial institution's trust department or agent in the district's name.

B. **Investments**

Minnesota Stat. 118A.04 and 118A.05 generally authorize the following types of investments as available to the District:

- (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 Minnesota Stat. 118A.04, subd. 6;
- (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) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by 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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 2 **Cash and Investments - continued**

B. **Investments - continued**

The District's investments are potentially subject to various risks including the following:

Custodial Credit Risk

The risk that in the event of a failure of the counter party to an investment transaction, a district will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Credit Risk

The risk that an issuer or other counter party to an investment will not fulfill its obligations to the holder of the investment.

Concentration of Credit Risk

The risk of loss that may be caused by the District's investment in a single issuer.

Interest Rate Risk

The risk that changes in the market interest rates will adversely affect the fair value of an investment.

The District has no internal policies that limit deposits on investment choices or address these potential risks beyond the statutory limitations described above.

	<u>Credit Risk</u>		<u>Concentration Risk</u>	<u>Interest Rate Risk</u>	<u>Carrying Value</u>
	<u>Credit Rating</u>	<u>Agency</u>	<u>Over 5% of Portfolio</u>	<u>Maturity Date</u>	
Investment Pools:					
MN Trust				N/A	2,729,575
Investment Shares Portfolio	AAA	S & P	34.44%	N/A	1,017,428
LTD	AAA	S & P	12.84%	N/A	547,952
Term Series-Flex	AAA	S & P	6.91%	N/A	1,250,000
Term Series	AAA	S & P	15.77%	1/27/25-11/18/25	2,380,503
CD	AAA	S & P	30.04%	7/31/24-1/5/26	7,925,458
Total Investments					2,794,267
MN Trust-2023A Bonds					2,365,862
Checking & Money Market Accounts (not including Agency Funds)					3,410
Petty Cash					<u>13,088,997</u>
Total Cash and Investments					

The MN Trust Investment Shares Portfolio is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool shares.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 3 **Due From Department of Education**

Amounts due from the Department of Education are aids and reimbursements receivable for the fiscal years as follows:

	June 30	
General Fund	2024	2023
General Education Aid	1,421,642	1,550,767
Other State Aids	39,293	22,211
Special Education	<u>205,237</u>	<u>369,591</u>
Total General Fund	1,666,172	1,942,569
<u>Special Revenue Funds</u>		
<u>Community Service Fund</u>		
Other State Credits	6,725	7,728
<u>Debt Service Fund</u>		
Other State Credits	99,301	85,179
Total All Funds	<u>1,772,198</u>	<u>2,035,476</u>

Note 4 **Due From Federal Government Through the Department of Education**

Amounts due from the federal government through the Department of Education are as follows:

	June 30	
General Fund	2024	2023
Title I	142,658	125,719
Title II	8,209	14,353
Title III	372	160
Title IV		20
ESSER III	<u>496,681</u>	<u>246,095</u>
Total General Fund	647,920	386,347
<u>Special Revenue Funds</u>		
<u>Food Service Fund</u>		
Summer Food Program	<u>16,817</u>	<u>18,007</u>
Total Special Revenue Funds	<u>16,817</u>	<u>18,007</u>
Total All funds	<u>664,737</u>	<u>404,354</u>

Independent School District No. 2689
 Pipestone Area Schools
 Pipestone, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 5 **Due From Other Governmental Units**
 Amounts due from Other Governmental Units are as follows:

	June 30	
<u>General Fund</u>	<u>2024</u>	<u>2023</u>
CEM		2,267
City of Pipestone	16,635	13,425
E Rate		18,046
ISD 581 – Edgerton	16,190	22,013
Pipestone County		5,132
Rock County	1,265	1,587
State of MN	665	1,370
SW Health & Human Services	13,400	13,400
SW/WC Service Coop	11,911	5,858
Third Party	<u>3,968</u>	<u>8,385</u>
Total General Fund	<u>64,034</u>	<u>91,483</u>
Total All Funds	<u>64,034</u>	<u>91,483</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 6 **Capital Assets**
 Capital asset activity for the year ended June 30, 2024 was as follows:

	<u>Balance</u> <u>7/01/23</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/24</u>
Capital assets not depreciated				<u>209,572</u>
Land	<u>209,572</u>	—	—	<u>209,572</u>
Total capital assets not deprec.	<u>209,572</u>	-0-	-0-	
Capital assets depreciated				<u>3,308,673</u>
Land Improvements	3,208,062	100,611		45,605,323
Buildings	45,477,555	127,768		4,792,820
Equipment	4,688,792	104,028		<u>389,376</u>
Pupil Transportation Vehicles	<u>389,376</u>	—	—	<u>54,096,192</u>
Total Capital assets depreciated	<u>53,763,785</u>	<u>332,407</u>	-0-	
Less accumulated depreciation for				<u>1,673,148</u>
Land Improvements	1,558,545	114,603		9,211,978
Buildings	8,287,610	924,368		2,471,939
Equipment	2,287,285	184,654		<u>194,380</u>
Pupil Transportation Vehicles	<u>156,681</u>	<u>37,699</u>	—	<u>13,551,445</u>
Total accum depreciation	<u>12,290,121</u>	<u>1,261,324</u>	-0-	
Total capital assets depreciated-net	<u>41,473,664</u>	<u>(928,917)</u>	-0-	<u>40,544,747</u>
Net Capital Assets	<u>41,683,236</u>	<u>(928,917)</u>	-0-	<u>40,754,319</u>

Depreciation expense of \$1,261,324 for the year ended June 30, 2024 was charged to the following governmental functions:

Regular Instruction	4,881
Instructional Support	1,110
Pupil Support Services	37,699
Sites, Buildings, and Equipment	1,199,439
Food Service	<u>18,195</u>
Total	<u>1,261,324</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 7 **Due to Other Governmental Units**
 Amounts due to Other Governmental Units are as follows:

	June 30	
	<u>2024</u>	<u>2023</u>
<u>General Fund</u>		
ISD 777 – Benson	1,618	
Intermediate District 287	512	731
ISD 991 - SW/WC Service Coop	294,865	189,731
MN Dept of Labor and Industry	460	50
MN West – Canby	20,000	
MN Department of Education	40,000	
MN Dept of Employment	8,603	
Pipestone County Medical Center	1,696	2,559
Pipestone County Sheriff's Office	<u>13,125</u>	<u>12,501</u>
Total General Fund	<u>380,879</u>	<u>205,572</u>

Note 8 **Unearned Revenue**
 Unearned revenues are as follows:

	June 30	
	<u>2024</u>	<u>2023</u>
<u>Special Revenue Funds</u>		
<u>Food Service Fund</u>		
Lunch Sales	20,519	18,039
<u>Community Service Fund</u>		
Community Ed Classes		264
Total Special Revenue Funds	<u>20,519</u>	<u>18,303</u>
Total All Funds	<u>20,519</u>	<u>18,303</u>

Note 9 **Long-Term Liabilities**

A. Severance Payable

Contract employees who are at least 55 years of age and who have completed 15 years of teaching with at least ten years of service with Independent School District 2689 are eligible to receive an early retirement incentive payment. The maximum payment amount is limited to 100 days of pay calculated at the daily rate of pay during the last year of service, excluding pay for additional assignments. Payments will be paid in the following manner: one-third the amount due to the employee will be paid in July following retirement, one-third of the amount due to the employee will be paid the following January, and the remaining one-third will be paid in January one year later. The Board approves a maximum of five teachers in any given fiscal year.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 9 Long-Term Liabilities – continued

A. Severance Payable - continued

The District estimates its vested severance pay obligations to be \$48,909 and \$59,149 at June 30, 2024 and 2023, respectively and the amount is designated in the fund balance of the General fund at those dates.

B. General Obligation School Building Bond, Series 2019A

On August 22, 2019 the District issued general obligation bonds of \$25,415,000 with an interest rate ranging from 5.0% to 3.0%. Proceeds will be used for the construction of a new elementary school to be built on the site of the existing middle-high school location. Terms of the bond call for annual principal payments and semi-annual interest payments on February 1 and August 1 from February 1, 2020 to February 1, 2040.

The following is a summary of the bond transactions of the District for the year ending June 30, 2024:

Bonds Payable at July 1	23,265,000
Net Bonds Issued (Redeemed)	<u>(940,000)</u>
Bonds Payable at June 30	<u>22,325,000</u>

The annual requirements to amortize the bonds outstanding as of June 30, 2024 including interest payments, are listed below:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	990,000	844,850	1,834,850
2026	1,040,000	795,350	1,835,350
2027	1,090,000	743,350	1,833,350
2028	1,145,000	688,850	1,833,850
2029	1,205,000	631,600	1,836,600
2030-2034	6,920,000	2,250,300	9,170,300
2035-2039	8,155,000	1,015,650	9,170,650
2040	<u>1,780,000</u>	<u>53,400</u>	<u>1,833,400</u>
Total	<u>22,325,000</u>	<u>7,023,350</u>	<u>29,348,350</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 9 Long-Term Liabilities – continued

C. Lease-Purchase Agreement

On July 25, 2017 the District entered into a Lease-Purchase Agreement for the construction of tennis courts on the District property as follows:

\$790,000 Lease-Purchase Agreement, due in
 semi-annual payments of \$91,814 to \$93,867
 from February 2, 2018 to August 1, 2027,
 interest rate of 3.15% \$346,000

The annual requirements to amortize the Lease-Purchase Agreement outstanding as of June 30, 2024, including interest payments, are listed below.

Year Ended			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	82,000	9,608	91,608
2026	85,000	6,977	91,977
2027	88,000	4,253	92,253
2028	91,000	1,433	92,433
Total	<u>346,000</u>	<u>22,271</u>	<u>368,271</u>

D. General Obligation School Building and Capital Facilities Bonds, Series 2023A

On September 20, 2023 the District issued general obligation bonds of \$2,685,000 with an interest rate of 5.0%. A portion of the proceeds in the amount of \$2,315,000 (the School Building Bonds Portion), will be used to finance the acquisition and betterment of school sites and facilities. The remaining portion in the amount of \$370,000 (the Capital Facilities Bonds Portion), will be used to finance FACS classroom remodeling, industrial tech classroom relocation, greenhouse addition and a new turf field and track. Terms of the bond call for annual principal payments and semi-annual interest payments on August 1 and February 1 from August 1, 2024 to February 1, 2034.

The annual requirements to amortize the bonds outstanding as of June 30, 2024 including interest payments, are listed below:

Year Ended			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	175,000	183,102	358,102
2026	225,000	125,500	350,500
2027	240,000	114,250	354,250
2028	250,000	102,250	352,250
2029	265,000	89,750	354,750
2030-2034	<u>1,530,000</u>	<u>236,500</u>	<u>1,766,500</u>
Total	<u>2,685,000</u>	<u>851,352</u>	<u>3,536,352</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 9 **Long-Term Liabilities – continued**

E. Changes in Long-Term Liabilities

	<u>Balance</u> <u>7/01/23</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/24</u>	<u>Due Within</u> <u>One Year</u>
GO School Bldg Bonds					
Series 2019A	23,265,000		940,000	22,325,000	990,000
Lease-Purchase Agreement	426,000		80,000	346,000	82,000
GO School Bldg Bonds					
Series 2023A		2,685,000		2,685,000	175,000
Bond Premium	2,319,210	198,220	161,876	2,355,554	161,876
Severance	59,149		10,240	48,909	14,024
Total	<u>26,069,359</u>	<u>2,883,220</u>	<u>1,192,116</u>	<u>27,760,463</u>	<u>1,422,900</u>

Note 10 **Fund Balances**

Non-Spendable Fund Balance

The District has the following non-spendable fund balances as of June 30, 2024:

General Fund

Prepaid Items	130,140
Total Funds	<u>130,140</u>

Restricted Fund Balance

The District has various restricted fund balances that are based on state requirements to track certain program funding, to provide funding for long-term debt requirements, or for other requirements. The District has the following restricted fund balances as of June 30, 2024:

General Fund

Student Activities	136,764
Staff Development	306,543
Literacy Incentive	52,863
Operating Capital	352,503
Learning and Development	20,318
Gifted and Talented	273,688
Basic Skills	240,286
Safe Schools	4,401
Long Term Facility Maintenance	12,093
Medical Assistance	51,571
Total General Fund	<u>1,451,030</u>

Special Revenue Funds

Food Service Fund

Restricted	950,689
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 10 Fund Balances - continued

Community Service Fund	242,088
Community Education	310,530
Early Childhood and Family Education	(461)
Learning Readiness	56
Restricted	<u>552,213</u>
Total Community Service Fund	1,502,902
<u>Capital Projects Fund</u>	2,790,797
Restricted	
<u>Debt Service Fund</u>	<u>423,239</u>
Restricted	<u>6,167,968</u>
Total All Funds	

Committed Fund Balance
 The District has the following committed fund balances as of June 30, 2024:

<u>General Fund</u>	<u>48,909</u>
Severance	

Assigned Fund Balance
 The District has the following assigned fund balances as of June 30, 2024:

<u>General Fund</u>	17,371
Athletic Help Fund	2,389
Help Fund	4,280
Elem Help	<u>1,258</u>
Arrow Way	<u>25,298</u>
Total General Fund	

Unassigned Fund Balance
 The District has the following unassigned fund balances as of June 30, 2024:

<u>General Fund</u>	<u>5,910,553</u>
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Stabilization Amounts
 Amounts formally set aside by the governmental unit for use in emergency situations such as revenue shortages or budgetary imbalances.

The District has no stabilization amounts as of June 30, 2024.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 11 **Defined Benefit Pension Plans**
A. **Public Employees Retirement Association (PERA)**

1. Plan Description

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

General Employees Retirement Plan (GERF)

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.

2. Benefits Provided

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

General Employees Plan Benefits 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 fired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 11 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA)-continued

3. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2024 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2024, were \$137,730. The District's contributions were equal to the required contributions as set by state statute.

4. Pension Costs

At June 30, 2024, the District reported a liability of \$1,168,705 for its proportionate share of the GERF'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 \$32,253.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0209 percent at the end of the measurement period and 0.0207 percent for the beginning of the period.

District's proportionate share of the net pension liability	1,168,705
State of Minnesota's proportionate share of the net pension liability associated with the District	<u>32,253</u>
Total	<u>1,200,958</u>

For the year ended June 30, 2024, the District recognized pension expense of \$11,571 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized \$145 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 11 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA)-continued

4. Pension Costs - continued

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$38,293	\$8,167
Changes in actuarial assumptions	\$191,732	\$320,332
Difference between projected and actual investment earnings		\$51,883
Changes in proportion	\$11,880	\$28,661
Contributions paid to PERA subsequent to the measurement date	\$137,730	
Total	\$379,635	\$409,043

\$137,730 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2024	\$9,477
2025	(\$181,077)
2026	\$29,814
2027	(\$25,352)

5. Long-Term Expected Return of Investment

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 11 Defined Benefit Pension Plans - continued
A. Public Employees Retirement Association (PERA) - continued
5. Long-Term Expected Return of Investment - continued

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	100%	

6. Actuarial Methods and Assumptions

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

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

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

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

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

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

General Employees Fund

Changes in Actuarial Assumptions:

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 11 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA) - continued

6. Actuarial Methods and Assumptions – continued

Changes in Plan Provisions:

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

7. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund 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.

8. Pension Liability Sensitivity

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

Sensitivity Analysis (In Thousands)		
<i>Net Pension Liability (Asset) at Different Discount Rates</i>		
	General Employees Fund	
1% Lower	6.00%	2,067,532
Current Discount Rate	7.00%	1,168,705
1% Higher	8.00%	429,385

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 11 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA) - continued

9. Pension Plan Fiduciary Net Position

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

B. Teachers Retirement Association

1. Plan Description

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

Educators employed in Minnesota's public elementary and secondary 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 Retirement Plan (DCR) administered by Minnesota State.

2. Benefits Provided

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

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 11 Defined Benefit Pension Plans - continued
B. Teachers Retirement Association - continued
2. Benefits Provided - continued
Tier I Benefits

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

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) 3 percent per year early retirement reduction 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).

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 11 - Defined Benefit Pension Plans - continued

B. Teachers Retirement Association - continued

2. Benefits Provided - continued

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 which 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.

3. Contribution Rate

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

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

The following is a reconciliation of employer contributions in TRA’s fiscal year 2023 ACFR “Statement of Changes in Fiduciary Net Position” to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations.

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 11 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association - continued

3. Contribution Rate – continued

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.

4. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Valuation Date	July 1, 2023
Measurement Date	June 30, 2023
Experience Studies	June 28, 2019 (demographic and economic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected Salary Increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 20, 2028
Cost of living adjustment	1.00% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 11 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association - continued

4. Actuarial Assumptions – continued

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

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Geometric Mean)
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Private Markets	25.0%	5.90%
Fixed Income	25.0%	0.75%
Total	100%	

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 6 years in the schedule presented. The amortization period for *Net difference between projected and actual investment earnings on pension plan investments* is five years as required by GASB 68.

Changes in actuarial assumptions since the 2022 valuation:

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

- The employer contribution rate will increase from 8.75% to 9.5% on July 1, 2025.
- The employee contribution rate will increase from 7.75% to 8% 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 Academics will increase to reflect the 0.75% employer contribution rate increase.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 11 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association - continued

4. Actuarial Assumptions – continued

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.

5. Discount Rate

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

6. Net Pension Liability

On June 30, 2024, the District reported a liability of \$7,917,719 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 0.1026% at the end of the measurement period and 0.1082% for the beginning of the year.

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

District’s proportionate share of net pension liability	\$7,917,719
State’s proportionate share of the net pension Liability associated with the District	\$554,530

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 11 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association - continued

6. Net Pension Liability - continued

For the year ended June 30, 2024, the District recognized pension expense of (\$370,454). It also recognized \$78,082 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$69,956	\$107,806
Net difference between projected and actual earnings on plan inv.	\$462,880	
Change in assumptions	\$753,443	
Changes in proportion	\$195,475	\$417,177
Contributions paid to TRA subsequent to measurement date	\$565,508	
Total	\$2,047,262	\$524,983

\$565,508 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in the pension expense as follows:

2024	\$193,694
2025	\$102,857
2026	\$850,706
2027	(\$111,934)
2028	(\$78,552)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 11 Defined Benefit Pension Plans – continued

B. Teachers Retirement Association - continued

7. Pension Liability Sensitivity

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

Sensitivity of Net Pension Liability (NPL) to changes in the discount rate		
1 percent decrease (6.00%)	Current (7.00%)	1 percent increase (8.00%)
\$12,628,179	\$7,917,719	\$4,061,634

The Employer’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.

8. Pension Plan Fiduciary Net Position

Detailed information about the plan’s fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org, 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 12 Other Postemployment Benefits

The District has implemented Governmental Accounting Standards Board (GASB), Statement No. 75, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.

General Information about the OPEB Plan

Plan Description

The District provides a single-employer defined benefit healthcare plan to eligible retirees and their spouses.

Benefits Provided

The plan offers medical insurance benefits. Benefits are provided through a third-party insurer. Retirees and their spouses contribute to the healthcare plan at the same cost as District employees.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 12 Other Postemployment Benefits – continued

Employees covered by benefit terms

At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	6
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>153</u>
	<u>159</u>

Contributions

The contribution requirements of the plan members and the District are established and may be amended by the Board of Education. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2024, the District contributed \$23,139 to the plan.

Net OPEB Liability

The District’s net OPEB liability was measured as of July 1, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2023.

Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The inflation rate was changed from 2.00% to 2.50%.
- The discount rate was changed from 2.10% to 3.90%.
- These changes decreased the liability \$30,338.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 12 Other Postemployment Benefits – continued

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at 7/1/2023	521,981	-0-	521,981
Changes for the year:			
Service cost	32,383		32,383
Interest cost	11,075		11,075
Assumption Changes	(30,338)		(30,338)
Differences between Expected and Actual Experience	(133,547)		(133,547)
Benefit Payment	<u>(54,276)</u>	-0-	<u>(54,276)</u>
Net changes	<u>(174,703)</u>		<u>(174,703)</u>
Balances at 6/30/2024	<u>347,278</u>	-0-	<u>347,278</u>

Sensitivity of the net OPEB liability to changes in discount rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.9 percent) or 1-percentage-point higher (4.9 percent) than the current discount rate:

	1% Decrease (2.9%)	Discount Rate (3.9%)	1% Increase (4.9%)
Net OPEB liability	\$368,394	\$347,278	\$327,033

Sensitivity of the net OPEB liability to changes in healthcare cost trend rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (7.5 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (5.5% decreasing To 4.0%)	Healthcare Cost Trend Rates (6.5% decreasing to 5.0%)	1% Increase (7.5% decreasing to 6.0%)
Net OPEB Liability	\$315,816	\$347,278	\$384,377

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 12 Other Postemployment Benefits – continued
OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2024, the District recognized OPEB expense of \$14,494. At June 30, 2024, the District reported deferred outflow of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Gains		\$144,959
Assumption Changes	\$18,838	\$27,264
Contributions paid to plan subsequent to measurement date	\$23,139	
	<u>\$41,977</u>	<u>\$172,223</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

June 30, 2025	(\$28,961)
June 30, 2026	(\$25,868)
June 30, 2027	(\$25,868)
June 30, 2028	(\$25,868)
June 30, 2029	(\$23,413)
June 30, 2030	(\$23,407)

Note 13 Vacation and Sick Leave

Under the terms of contracts, certain employees accrue vacation at varying rates, which can be carried over to future years. The majority of vacation leave is lost if not taken each year, therefore a liability for accrued vacation is not recorded in the financial statements. Vacation pay is charged to operations when taken by the employees of the district.

Substantially all District employees are entitled to sick leave at various rates. Upon termination or retirement, employees are not entitled to receive compensation for their accrued sick leave. Since the employees' accumulating rights to receive compensation for future absences are contingent upon the absences being caused by future illnesses and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Note 14 **Risk Management**

The District is exposed to various risk of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and dental; and natural disasters. Risks of loss associated with workers' compensation claims are insured through participation in the Minnesota School Boards Association Insurance Trust. All other risks of loss are insured by the purchase of commercial insurance. There were no significant reductions in insurance coverage from the previous year. There were no settlements in excess of insurance for any of the past three fiscal years.

The Minnesota School Boards Association Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for member school districts. The district pays an annual premium based on its annual payroll and an experience modification factor for workers' compensation coverage.

Note 16 **Excess Expenditures over Budget Appropriations**

The following governmental funds had excess expenditures over budget appropriations:

Food Service Fund	\$39,228
Community Service Fund	\$25,671

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD & A

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
DEFINED BENEFIT PENSION PLANS
JUNE 30, 2024

Actuarial Valuation Date	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share of the Net Pension Liability Associated with the District (if Applicable)	Total	District's Covered-Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
		(a)	(b)	(a+b)	(c)		
PERA							
June 30, 2014	0.0354%	1,662,915		1,662,915	1,860,279	89.4%	78.7%
June 30, 2015	0.0318%	1,648,041		1,648,041	1,887,731	87.3%	78.2%
June 30, 2016	0.0297%	2,411,493	31,508	2,443,001	1,923,321	127.0%	68.9%
June 30, 2017	0.0243%	1,551,296	19,509	1,570,805	1,487,907	105.6%	75.9%
June 30, 2018	0.0237%	1,314,779	43,167	1,357,946	1,616,067	84.0%	79.5%
June 30, 2019	0.0228%	1,260,561	39,165	1,299,726	1,594,533	81.5%	80.2%
June 30, 2020	0.0224%	1,342,982	41,250	1,384,232	1,528,840	90.5%	79.0%
June 30, 2021	0.0212%	905,335	27,714	933,049	1,552,867	60.1%	87.0%
June 30, 2022	0.0207%	1,639,447	48,048	1,687,495	1,649,027	102.3%	76.7%
June 30, 2023	0.0209%	1,168,705	32,253	1,200,958	1,836,400	65.4%	83.1%
TRA							
June 30, 2014	0.0112%	5,156,271		5,156,271	5,107,987	100.9%	81.5%
June 30, 2015	0.0103%	6,346,825		6,346,825	5,238,958	121.1%	76.8%
June 30, 2016	0.0996%	23,756,976	2,384,641	26,141,617	5,182,320	504.4%	44.9%
June 30, 2017	0.0981%	19,582,540	1,893,280	21,475,820	5,281,646	406.6%	51.6%
June 30, 2018	0.0990%	6,218,127	584,205	6,802,332	5,469,213	124.4%	78.1%
June 30, 2019	0.0976%	6,221,044	550,350	6,771,394	5,542,101	112.3%	78.1%
June 30, 2020	0.0956%	7,063,056	591,839	7,654,895	5,556,326	127.1%	75.5%
June 30, 2021	0.0940%	4,113,721	346,851	4,460,572	5,622,140	73.2%	86.6%
June 30, 2022	0.1082%	8,063,523	598,160	8,661,683	6,221,487	129.6%	76.2%
June 30, 2023	0.1026%	7,917,719	554,530	8,472,249	6,097,798	129.8%	

See Note 11, Defined Benefit Pension Plans, for more information

Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
DEFINED BENEFIT PENSION PLANS
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- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (b/d)
<u>Pensions</u>					
PERA					
June 30, 2014	134,731	134,731	-0-	1,860,279	7.2%
June 30, 2015	138,002	138,094	(92)	1,887,731	7.3%
June 30, 2016	138,146	138,146	-0-	1,887,731	7.3%
June 30, 2017	111,593	111,593	-0-	1,487,907	7.5%
June 30, 2018	121,205	121,205	-0-	1,616,067	7.5%
June 30, 2019	119,590	119,590	-0-	1,594,533	7.5%
June 30, 2020	114,663	114,663	-0-	1,528,840	7.5%
June 30, 2021	116,465	116,465	-0-	1,552,867	7.5%
June 30, 2022	123,677	123,677	-0-	1,649,027	7.5%
June 30, 2023	137,730	137,730	-0-	1,836,400	7.5%
TRA					
June 30, 2014	357,559	357,559	-0-	5,107,987	7.0%
June 30, 2015	390,392	389,399	993	5,238,958	7.4%
June 30, 2016	388,674	388,674	-0-	5,182,320	7.5%
June 30, 2017	396,123	396,123	-0-	5,281,646	7.5%
June 30, 2018	410,191	410,191	-0-	5,469,213	7.5%
June 30, 2019	427,296	427,296	-0-	5,542,101	7.7%
June 30, 2020	440,061	440,061	-0-	5,556,326	7.9%
June 30, 2021	457,080	457,080	-0-	5,622,140	8.1%
June 30, 2022	518,872	518,872	-0-	6,221,487	8.3%
June 30, 2023	521,362	521,362	-0-	6,097,798	8.6%

See Note 11, Defined Benefit Pension Plans, for more information

Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S
NET OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability							
Service Cost	32,383	49,136	47,705	36,159	35,106	36,384	35,324
Interest Cost	11,075	11,315	16,989	16,650	18,430	17,881	16,992
Assumption Changes	(30,338)		32,968		(7,560)		
Differences between Expected and Actual Experience	(133,547)		(50,153)		(11,013)		
Benefit Payments	(54,276)	(55,962)	(60,197)	(46,797)	(35,200)	(38,460)	(16,183)
Net change in total OPEB liability	(174,703)	4,489	(12,688)	6,012	(237)	15,805	36,133
Total OPEB liability - beginning	521,981	517,492	530,180	524,168	524,405	508,600	472,467
Total OPEB liability - ending	<u>347,278</u>	<u>521,981</u>	<u>517,492</u>	<u>530,180</u>	<u>524,168</u>	<u>524,405</u>	<u>508,600</u>
Covered-employee payroll	7,122,449	7,118,944	6,911,596	6,764,797	6,567,764	6,614,006	6,421,365
District's Net OPEB liability as a percentage of covered-employee payroll	4.88%	7.33%	7.49%	7.84%	7.98%	7.93%	7.92%

See Note 12, Other Postemployment Benefits, for more information.

Multi-year trend information is not available at this time.

The District will report the above RSI information prospectively as the information becomes available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
JUNE 30, 2024

General Employees Fund

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5% to 7.0%.
- Changes in Plan Provisions
- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
 - The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
 - The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
 - A one-time, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Changes in Plan Provisions

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

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

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

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% 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.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
JUNE 30, 2024

General Employees Fund – continued

Changes in Actuarial Assumptions – continued

- 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.

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
JUNE 30, 2024

General Employees Fund - continued

Changes in Plan Provisions – continued

- 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.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2016 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
JUNE 30, 2024

General Employees Fund - continued

2015 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions:

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

TRA Retirement Funds

2023 Changes

Changes in Actuarial Assumptions

- 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 Academics will increase to reflect the 0.75% employer contribution rate increase.
- The 2024 Omnibus Pensions and Retirement Bill:
 - The Normal Retirement Age (NRA) for active and eligible deferred Tier II members will be 65 effective July 1, 2024.
 - TRA's amortization date will remain the same at 2048.

2022 Changes

Changes in Actuarial Assumptions

- None

2021 Changes

Changes in Actuarial Assumptions

- For GASB valuation:
 - The investment return assumption was changed from 7.5% to 7.0%.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
JUNE 30, 2024

TRA Retirement Funds – continued

2020 Changes

Changes in Actuarial Assumptions

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

2019 Changes

Changes in Actuarial Assumptions

- None

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The 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.
- 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). The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
JUNE 30, 2024

TRA Retirement Funds – continued

2017 Changes

Changes in Actuarial Assumptions

- The discount rate was increased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5 percent, but remain at 2.0 percent for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4 percent to 0.0 percent, the vested inactive load increased from 4.0 percent to 7.0% and the non-vested inactive load increased from 4.0 percent to 9.0 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for ten years followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes

Changes in Actuarial Assumptions

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
JUNE 30, 2024

TRA Retirement Funds – continued

Changes in Actuarial Assumptions – continued

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

2015 Changes

Changes of Benefit Terms

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

Changes in Actuarial Assumptions

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

Post Employment Health Care Plan

2024 Changes

Assumption changes

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

2023 Changes

Assumption changes

- None

2022 Changes

Assumption changes

- The health care trend rates, mortality tables, salary increase rates for non-teachers, and withdrawal rates were updated.
- The rate of inflation was changed from 2.50% to 2.00%.
- The discount rate was changed from 3.10% to 2.10%.

2021 Changes

Assumption changes

- None

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
JUNE 30, 2024

Post Employment Health Care Plan – continued

2020 Changes

Assumption changes

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated 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 changed from 3.40% to 3.10%.

2019 Changes

Assumption changes

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2000 Combined Healthy Mortality Tables projected to 2014 with Scale BB to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.
- The discount rate was changed from 4.00% to 3.40%.
- The withdrawal table for all employees and retirement table for only employees eligible to retire with Rule of 90 also were updated.

Method Changes

- The actuarial cost method was changed from projected unit credit to entry age as prescribed by GASB 75.

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GENERAL FUND
BALANCE SHEET
JUNE 30, 2024

<u>Assets</u>	<u>2024</u>	<u>2023</u>
Cash	2,474,318	2,567,993
Investments	5,390,950	4,683,850
Current Property Taxes Receivable	720,115	741,560
Delinquent Property Taxes Receivable	16,979	40,938
Accounts Receivable	6,003	6,049
Interest Receivable	79,160	18,872
Due From Department of Education	1,666,172	1,942,569
Due From Federal Government Through the Department of Education	647,920	386,347
Due From Other Governmental Units	64,034	91,483
Prepaid Expenses	130,140	109,372
Total Assets	<u>11,195,791</u>	<u>10,589,033</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>		
<u>Liabilities</u>		
Salaries Payable	712,805	721,241
Accounts Payable	510,167	224,640
Due to Other Governmental Units	380,879	205,572
Accrued Payroll Liabilities	529,495	531,718
Total Liabilities	<u>2,133,346</u>	<u>1,683,171</u>
<u>Deferred Inflows of Resources</u>		
Unavailable Revenue-Delinquent Taxes	16,979	11,248
Property Taxes Levied for Subsequent Years	1,479,536	1,516,592
Total Deferred Inflows of Resources	<u>1,496,515</u>	<u>1,527,840</u>
<u>Fund Balances</u>		
Fund Balance-Nonspendable	130,140	109,372
Fund Balance-Restricted	1,451,030	1,436,664
Fund Balance-Committed	48,909	59,149
Fund Balance-Assigned	25,298	26,130
Fund Balance-Unassigned	5,910,553	5,746,707
Total Fund Balances	<u>7,565,930</u>	<u>7,378,022</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>11,195,791</u>	<u>10,589,033</u>

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2024

	Year Ended June 30			2023 Actual
	2024	Variance with Final Budget		
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>	<u>Final Budget</u>	<u>Actual</u>
<u>Local Property Tax Levy</u>				
County Apportionment	30,000	32,136	2,136	31,234
Local Tax Levy	1,592,628	1,598,163	5,535	1,552,712
Miscellaneous Tax Revenue	65,010	57,715	(7,295)	80,632
Total Local Property Tax Levy	1,687,638	1,688,014	376	1,664,578
<u>Other Local and County Revenues</u>				
Admissions	45,175	51,959	6,784	41,596
Fees	1,000	2,381	1,381	3,110
Gifts and Bequests	35,796	38,120	2,324	15,432
Interest Income	161,165	252,656	91,491	159,880
Medical Assistance Revenue	36,400	66,665	30,265	71,714
Other Miscellaneous Income	223,767	228,264	4,497	237,852
Rent of Facilities	6,825	7,535	710	7,050
Tuition from Other Minnesota School Districts	15,500	26,290	10,790	22,013
Total Other Local and County Revenues	525,628	673,870	148,242	558,647
<u>Revenue From State Sources</u>				
Disparity	16,000	14,664	(1,336)	14,808
Education Homestead Credit	12,000	8,592	(3,408)	10,082
Endowment Fund Apportionment	50,979	68,654	17,675	53,764
General Education Aid	11,033,046	11,255,219	222,173	10,538,868
Other State Aids	334,409	349,470	15,061	209,712
Special Education	1,502,248	1,533,688	31,440	1,332,724
Total Revenue From State Sources	12,948,682	13,230,287	281,605	12,159,958
<u>Revenue From Federal Sources</u>				
Title Programs	366,240	353,877	(12,363)	356,516
COVID Testing				62,874
CARES		653	653	
ESSER	775,004	742,768	(32,236)	1,086,946
Federal Aid Programs	15,200	12,598	(2,602)	242,518
Total Revenue From Federal Sources	1,156,444	1,109,896	(46,548)	1,748,854
<u>Sales and Other Conversion of Assets</u>				
Sales of Material	300	683	383	
Total Sales and Other				
Conversion of Assets	300	683	383	
Total Revenues	16,318,692	16,702,750	384,058	16,132,037

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2024

	Year Ended June 30			
	2024		Variance with	2023
<u>Expenditures</u>	<u>Budget</u>	<u>Actual</u>	<u>Final Budget</u>	<u>Actual</u>
<u>District and School Administration</u>				
<u>Administration</u>				
Dues and Membership	3,075	11,284	8,209	9,926
Equipment	9,500	9,500		8,500
Fixed Charges and Employee Benefits	230,112	209,784	(20,328)	206,376
Instructional Supplies		37	37	
Other	2,200		(2,200)	1,924
Professional Services	88,500	85,151	(3,349)	37,254
Salaries	614,572	618,687	4,115	622,238
Supplies	42,392	51,602	9,210	35,784
Travel and Transportation	5,250	4,790	(460)	6,083
Utilities	1,500	1,292	(208)	1,483
Total Administration	<u>997,101</u>	<u>992,127</u>	<u>(4,974)</u>	<u>929,568</u>
<u>District Support Services</u>				
Dues and Membership	950	679	(271)	919
Equipment	30,042	24,053	(5,989)	4,283
Fixed Charges and Employee Benefits	65,438	65,352	(86)	63,821
Other	21,515	10,549	(10,966)	9,317
Professional Services	65,006	63,476	(1,530)	54,680
Rentals and Leases	86,983	84,964	(2,019)	61,040
Salaries	189,558	192,044	2,486	184,611
Supplies	5,500	1,742	(3,758)	7,377
Total District Support Services	<u>464,992</u>	<u>442,859</u>	<u>(22,133)</u>	<u>386,048</u>
<u>Regular Instruction</u>				
<u>District Wide</u>				
Equipment				38,460
Fixed Charges and Employee Benefits	81,774	113,903	32,129	96,749
Instructional Supplies	20,440	5,052	(15,388)	21,662
Professional Services	27,250	25,613	(1,637)	18,912
Salaries	376,705	368,339	(8,366)	327,878
Supplies	139,755	147,981	8,226	144,577
Travel and Transportation	6,875	3,259	(3,616)	3,202
Total District Wide	<u>652,799</u>	<u>664,147</u>	<u>11,348</u>	<u>651,440</u>
<u>Elementary School</u>				
Dues and Membership				50
Fixed Charges and Employee Benefits	616,595	635,587	18,992	576,868
Instructional Supplies	190,431	189,536	(895)	223,409
Professional Services	1,500	3,391	1,891	3,000
Salaries	2,164,778	2,307,589	142,811	2,121,178
Supplies	16,388	4,759	(11,629)	33,986
Travel and Transportation	17,395	21,640	4,245	19,014
Total Elementary School	<u>3,007,087</u>	<u>3,162,502</u>	<u>155,415</u>	<u>2,977,505</u>

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2024

	Year Ended June 30			2023 Actual
	2024	Variance with Final Budget		
<u>Expenditures - continued</u>	<u>Budget</u>	<u>Actual</u>	<u>Final Budget</u>	<u>Actual</u>
<u>Regular Instruction - continued</u>				
<u>Middle School</u>				
Fixed Charges and Employee Benefits	230,074	234,783	4,709	218,223
Instructional Supplies	30,556	30,688	132	117,349
Salaries	744,464	766,632	22,168	649,747
Supplies	107	1,501	1,394	4,587
Travel and Transportation	2,500	12,288	9,788	5,733
Total Middle School	<u>1,007,701</u>	<u>1,045,892</u>	<u>38,191</u>	<u>995,639</u>
<u>Secondary School</u>				
Dues and Memberships	7,520	3,238	(4,282)	6,290
Equipment	48,666	53,245	4,579	105,037
Fixed Charges and Employee Benefits	470,034	411,344	(58,690)	429,324
Instructional Supplies	90,328	98,129	7,801	118,444
Professional Services	65,650	57,840	(7,810)	53,877
Reimbursements to Other Agencies/Districts	373,990	380,637	6,647	326,620
Reimbursements to Other MN Districts		1,618	1,618	1,256
Rentals and Leases	13,160	13,130	(30)	13,085
Repair and Maintenance	17,000	22,990	5,990	14,481
Salaries	1,607,723	1,637,423	29,700	1,667,576
Supplies	32,914	83,922	51,008	100,941
Travel and Transportation	147,390	117,804	(29,586)	157,878
Total Secondary School	<u>2,874,375</u>	<u>2,881,320</u>	<u>6,945</u>	<u>2,994,809</u>
Total Regular Instruction	<u>7,541,962</u>	<u>7,753,861</u>	<u>211,899</u>	<u>7,619,393</u>
<u>Vocational Instruction</u>				
Dues and Memberships				40
Fixed Charges and Employee Benefits	77,934	78,885	951	55,696
Instructional Supplies	40,739	38,823	(1,916)	29,546
Reimbursements to Other Agencies/Districts		2,974	2,974	
Rentals and Leases	7,500	7,200	(300)	7,200
Salaries	307,690	312,517	4,827	230,215
Supplies	590	398	(192)	399
Travel and Transportation	9,400	9,403	3	8,066
Total Vocational Instruction	<u>443,853</u>	<u>450,200</u>	<u>6,347</u>	<u>331,162</u>

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Year Ended June 30</u>			
	<u>2024</u>		<u>2023</u>	
<u>Expenditures - continued</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
<u>Exceptional Instruction</u>				
Fixed Charges and Employee Benefits	259,640	223,024	(36,616)	239,670
Instructional Supplies	19,710	14,037	(5,673)	10,498
Professional Services	429,218	451,128	21,910	213,490
Reimbursements to Other Agencies/Districts	65,030	63,435	(1,595)	54,048
Reimbursements to Other MN Districts	334,836	380,429	45,593	307,309
Salaries	1,205,149	1,105,000	(100,149)	1,112,520
Supplies	3,497	3,941	444	4,318
Travel and Transportation	17,515	21,637	4,122	12,343
Total Exceptional Instruction	<u>2,334,595</u>	<u>2,262,631</u>	<u>(71,964)</u>	<u>1,954,196</u>
<u>Instructional Support Services</u>				
Dues	875	4,468	3,593	1,811
Equipment	37,075	44,320	7,245	50,965
Fixed Charges and Employee Benefits	98,142	81,187	(16,955)	68,170
Instructional Supplies	28,075	12,713	(15,362)	30,828
Professional Services	135,180	133,261	(1,919)	123,541
Repair and Maintenance	16,150	20,103	3,953	18,762
Salaries	539,456	408,550	(130,906)	296,596
Supplies	147,126	142,062	(5,064)	64,055
Travel and Transportation	53,729	46,293	(7,436)	123,677
Utilities	500	292	(208)	500
Total Instructional Support	<u>1,056,308</u>	<u>893,249</u>	<u>(163,059)</u>	<u>778,905</u>
<u>Pupil Support Services</u>				
Fixed Charges and Employee Benefits	92,850	93,549	699	89,738
Insurance	5,045		(5,045)	1,657
Instructional Supplies	273	290	17	27
Professional Services	56,504	55,332	(1,172)	52,823
Reimbursements to Other MN Districts	50,315	50,653	338	34,673
Repair and Maintenance				310
Salaries	357,631	323,724	(33,907)	302,489
Supplies	16,587	27,545	10,958	31,629
Travel and Transportation	1,056,788	1,027,374	(29,414)	1,245,045
Total Pupil Support Services	<u>1,635,993</u>	<u>1,578,467</u>	<u>(57,526)</u>	<u>1,758,391</u>

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2024

	Year Ended June 30			2023
	2024			
	Budget	Actual	Variance with Final Budget	Actual
<u>Expenditures - continued</u>				
<u>Site, Building and Equipment</u>				
Building Improvements	532,375	441,055	(91,320)	482,535
Dues and Memberships	1,000	349	(651)	582
Equipment	57,000	36,108	(20,892)	283,841
Fixed Charges and Employee Benefits	186,274	140,663	(45,611)	147,168
Fuel	60,173	44,130	(16,043)	78,403
Lease Interest	14,287	14,124	(163)	16,491
Lease Principle	95,612	96,153	541	91,740
Professional Services	16,630	30,989	14,359	14,645
Reimbursements to Other MN Districts				45
Rentals and Leases		3,500	3,500	
Repair and Maintenance	224,020	217,949	(6,071)	189,971
Salaries	421,929	404,696	(17,233)	368,219
Site and Ground Acquisition	61,650	61,650		49,942
Supplies	207,130	179,195	(27,935)	83,861
Travel and Transportation	1,500	20	(1,480)	355
Utilities	321,051	326,357	5,306	309,366
Total Site, Building and Equipment	<u>2,200,631</u>	<u>1,996,938</u>	<u>(203,693)</u>	<u>2,117,164</u>
<u>Fixed Cost Programs</u>				
Property Insurance	147,285	148,610	1,325	132,559
Total Fixed Cost Programs	<u>147,285</u>	<u>148,610</u>	<u>1,325</u>	<u>132,559</u>
Total Expenditures	<u>16,822,720</u>	<u>16,518,942</u>	<u>(303,778)</u>	<u>16,007,386</u>
Excess Revenues (Expenditures)	(504,028)	183,808	687,836	124,651
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	4,100	4,100		31,028
Transfer Out				(143,747)
Total Other Financing Sources (Uses)	<u>4,100</u>	<u>4,100</u>	<u>-0-</u>	<u>(112,719)</u>
Excess Revenues and Other Financing Sources Over Expenditures and Other Uses	<u>(499,928)</u>	187,908	<u>687,836</u>	11,932
Fund Balance-July 1		<u>7,378,022</u>		<u>7,366,090</u>
Fund Balance-June 30		<u>7,565,930</u>		<u>7,378,022</u>

ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2024

	Food	Community	Total	
<u>Assets</u>	<u>Service</u>	<u>Service</u>	(Memo Only)	
			<u>2024</u>	<u>2023</u>
Cash and Investments	871,059	682,487	1,553,546	1,543,004
Current Property Taxes Receivable		51,520	51,520	50,915
Delinquent Property Taxes Receivable		899	899	3,001
Accounts Receivable	106,132	2,000	108,132	119,590
Due from Department of Education		6,725	6,725	7,728
Due from Federal Government Through the Department of Education	16,817		16,817	18,007
Total Assets	<u>994,008</u>	<u>743,631</u>	<u>1,737,639</u>	<u>1,742,245</u>
 <u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>				
<u>Liabilities</u>				
Salaries Payable		52,945	52,945	64,131
Accounts Payable	22,800	22,823	45,623	173,159
Unearned Revenue	20,519		20,519	18,303
Total Liabilities	<u>43,319</u>	<u>75,768</u>	<u>119,087</u>	<u>255,593</u>
 <u>Deferred Inflows of Resources</u>				
Unavailable Revenue-Delinquent Taxes		899	899	810
Property Taxes Levied for Subsequent Years Expenditures		114,751	114,751	112,050
Total Deferred Inflows of Resources	<u>-0-</u>	<u>115,650</u>	<u>115,650</u>	<u>112,860</u>
 <u>Fund Balances</u>				
Fund Balance-Restricted	950,689	552,213	1,502,902	1,373,792
Total Fund Balances	<u>950,689</u>	<u>552,213</u>	<u>1,502,902</u>	<u>1,373,792</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>994,008</u>	<u>743,631</u>	<u>1,737,639</u>	<u>1,742,245</u>

SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Food</u>	<u>Community</u>	<u>Total</u>	
<u>Revenues</u>	<u>Service</u>	<u>Service</u>	<u>(Memo Only)</u>	
			<u>2024</u>	<u>2023</u>
Local Property Tax Levy		108,076	108,076	107,467
Other Local and County Revenues	27,192	149,735	176,927	140,531
Revenue from State Sources	430,953	68,829	499,782	123,672
Revenue from Federal Sources	648,642		648,642	592,523
Other	80,877		80,877	299,321
Total Revenues	<u>1,187,664</u>	<u>326,640</u>	<u>1,514,304</u>	<u>1,263,514</u>
 <u>Expenditures</u>				
Community Education and Services		359,827	359,827	355,001
Pupil Support Services	1,025,367		1,025,367	831,929
Total Expenditures	<u>1,025,367</u>	<u>359,827</u>	<u>1,385,194</u>	<u>1,186,930</u>
 Excess Revenues (Expenditures)	162,297	(33,187)	129,110	76,584
 <u>Other Financing Sources (Uses)</u>				
Transfer In				143,747
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>143,747</u>
 Excess Revenues and Other Financing Sources Over Expenditures and Other Uses	162,297	(33,187)	129,110	220,331
Fund Balance-July 1	<u>788,392</u>	<u>585,400</u>	<u>1,373,792</u>	<u>1,153,461</u>
Fund Balance-June 30	<u><u>950,689</u></u>	<u><u>552,213</u></u>	<u><u>1,502,902</u></u>	<u><u>1,373,792</u></u>

FOOD SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Year Ended June 30</u>			
	<u>2024</u>	<u>2023</u>	<u>Variance with</u>	<u>2023</u>
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>	<u>Final Budget</u>	<u>Actual</u>
<u>Other Local and County Revenues</u>				
Gifts				750
Interest Income	14,295	27,192	12,897	19,795
Miscellaneous	5,000		(5,000)	
Total Other Local and County Revenues	<u>19,295</u>	<u>27,192</u>	<u>7,897</u>	<u>20,545</u>
<u>Revenue From State Sources</u>				
Breakfast Reimbursement	75,905	108,885	32,980	20,533
Lunch Reimbursement	220,090	321,649	101,559	24,592
Summer Food Service Program		419	419	
Total Revenue From State Sources	<u>295,995</u>	<u>430,953</u>	<u>134,958</u>	<u>45,125</u>
<u>Revenue From Federal Sources</u>				
Breakfast Reimbursement	146,942	143,052	(3,890)	129,932
Commodities	60,000	84,759	24,759	66,870
Lunch Reimbursement	389,077	388,361	(716)	371,800
Special Milk Program		239	239	
Summer Food Service Program	44,437	32,231	(12,206)	23,921
Total Revenue From Federal Sources	<u>640,456</u>	<u>648,642</u>	<u>8,186</u>	<u>592,523</u>
<u>Sales and Other Conversion of Assets</u>				
Lunch and Breakfast Sales	53,100	80,877	27,777	298,829
Total Revenues	<u>1,008,846</u>	<u>1,187,664</u>	<u>178,818</u>	<u>957,022</u>
<u>Expenditures</u>				
<u>Pupil Support Services</u>				
Commodities	60,000	84,759	24,759	66,870
Equipment	55,800	74,469	18,669	83,693
Milk		31,907	31,907	8,123
Other		6,979	6,979	4,999
Professional Services	821,239	747,036	(74,203)	632,282
Repairs and Maintenance	12,000	29,039	17,039	17,742
Supplies	36,800	51,072	14,272	17,978
Travel and Transportation	300	106	(194)	242
Total Expenditures	<u>986,139</u>	<u>1,025,367</u>	<u>39,228</u>	<u>831,929</u>
Excess Revenues (Expenditures)	<u>22,707</u>	162,297	<u>139,590</u>	125,093
Fund Balance-July 1		788,392		663,299
Fund Balance-June 30		<u>950,689</u>		<u>788,392</u>

COMMUNITY SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Year Ended June 30</u>			
	<u>2024</u>	<u>2023</u>	<u>2023</u>	
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
<u>Local Property Tax Levy</u>				
Local Tax Levy	107,550	108,076	526	107,467
Total Local Property Tax Levy	107,550	108,076	526	107,467
<u>Other Local and County Revenues</u>				
Fees	45,075	33,990	(11,085)	28,550
Gifts and Bequests		3,750	3,750	2,000
Interest Income	5,718	23,088	17,370	12,865
Other Miscellaneous Income		2,295	2,295	1,247
Tuition from Patrons	80,225	86,612	6,387	75,324
Total Other Local and County Revenues	131,018	149,735	18,717	119,986
<u>Revenue From State Sources</u>				
Disparity	2,500	2,413	(87)	2,404
Market Value Credits	2,000	1,414	(586)	1,637
Other State Aids	61,406	65,002	3,596	74,506
Total Revenue From State Sources	65,906	68,829	2,923	78,547
<u>Sales and Other Conversion of Assets</u>				
Sales of Materials				492
Total Sales and Other Conversion of Assets	-0-	-0-	-0-	492
Total Revenues	304,474	326,640	22,166	306,492
<u>Expenditures</u>				
<u>Community Education and Services</u>				
Dues and Memberships	980	1,665	685	1,207
Equipment				26,817
Fixed Charges	67,571	57,917	(9,654)	62,041
Instructional Supplies	27,217	31,634	4,417	15,792
Other Non-Education Agencies	21,213	21,212	(1)	20,956
Professional Services	13,000	254	(12,746)	(2,043)
Rentals and Leases	500	2,395	1,895	2,741
Repair and Maintenance		396	396	
Salaries	194,900	141,573	(53,327)	207,619
Supplies	6,025	15,841	9,816	16,603
Travel and Transportation	2,750	86,940	84,190	3,268
Total Expenditures	334,156	359,827	25,671	355,001
Excess Revenues (Expenditures)	(29,682)	(33,187)	(3,505)	(48,509)
<u>Other Financing Sources (Uses)</u>				
Transfer In				143,747
Total Other Financing Sources (Uses)	-0-	-0-	-0-	143,747
Excess Revenues and Other Financing Sources Over Expenditures and Other Uses	(29,682)	(33,187)	(3,505)	95,238
Fund Balance-July 1		585,400		490,162
Fund Balance-June 30		552,213		585,400

CAPITAL PROJECTS FUND
BALANCE SHEET
JUNE 30, 2024

	<u>2024</u>	<u>2023</u>
<u>Assets</u>		
Cash	2,790,797	
Total Assets	<u>2,790,797</u>	<u>-0-</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>		
<u>Liabilities</u>		
Total Liabilities	<u>-0-</u>	<u>-0-</u>
<u>Fund Balances</u>		
Fund Balance-Restricted	2,790,797	
Total Fund Balances	<u>2,790,797</u>	<u>-0-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>2,790,797</u>	<u>-0-</u>

CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Year Ended June 30</u>			
	<u>2024</u>		<u>Variance with</u>	<u>2023</u>
	<u>Budget</u>	<u>Actual</u>	<u>Final Budget</u>	<u>Actual</u>
<u>Revenues</u>				
<u>Other Local and County Revenues</u>				
Interest Income		116,650	116,650	2,200
Total Other Local and County Revenues	-0-	116,650	116,650	2,200
<u>Expenditures</u>				
<u>Site, Building and Equipment</u>				
Building	1,226,761		(1,226,761)	116,446
Equipment				198,644
Professional Services	82,865	209,073	126,208	
Total Expenditures	1,309,626	209,073	(1,100,553)	315,090
Excess Revenues (Expenditures)	(1,309,626)	(92,423)	1,217,203	
<u>Other Financing Sources (Uses)</u>				
Bond Premium		198,220	198,220	
Bond Proceeds	2,536,386	2,685,000	148,614	
Total Other Financing Sources (Uses)	2,536,386	2,883,220	346,834	-0-
Excess Revenues and Other Financing Sources Over Expenditures and Other Uses	1,226,760	2,790,797	1,564,037	(312,890)
Fund Balance-July 1		-0-		312,890
Fund Balance-June 30		2,790,797		-0-

DEBT SERVICE FUND
BALANCE SHEET
JUNE 30, 2024

<u>Assets</u>	<u>2024</u>	<u>2023</u>
Cash	879,386	765,896
Current Property Taxes Receivable	1,672,693	1,356,403
Delinquent Property Taxes Receivable	7,075	30,964
Due from Department of Education	99,301	85,179
Total Assets	<u>2,658,455</u>	<u>2,238,442</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>		
<u>Deferred Inflows of Resources</u>		
Unavailable Revenue-Delinquent Taxes	7,075	10,710
Property Taxes Levied for Subsequent Years	2,228,141	1,830,292
Total Liabilities	<u>2,235,216</u>	<u>1,841,002</u>
<u>Fund Balances</u>		
Fund Balance-Restricted	423,239	397,440
Total Fund Balances	<u>423,239</u>	<u>397,440</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>2,658,455</u>	<u>2,238,442</u>

DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Year Ended June 30</u>			
	<u>2024</u>	<u>2023</u>	<u>Variance with</u>	
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>	<u>Final Budget</u>	<u>Actual</u>
<u>Local Property Tax Levy</u>				
Local Tax Levy	915,596	834,990	(80,606)	968,569
Total Local Property Tax Levy	<u>915,596</u>	<u>834,990</u>	<u>(80,606)</u>	<u>968,569</u>
<u>Other Local and County Revenues</u>				
Interest Income	8,577	29,646	21,069	19,768
Total Other Local and County Revenues	<u>8,577</u>	<u>29,646</u>	<u>21,069</u>	<u>19,768</u>
<u>Revenue From State Sources</u>				
Disparity Reduction	37,000	39,360	2,360	39,225
Market Value Credits	30,000	23,063	(6,937)	26,706
School Building Bond Ag Credit	847,696	930,590	82,894	785,856
Total Revenue From State Sources	<u>914,696</u>	<u>993,013</u>	<u>78,317</u>	<u>851,787</u>
Total Revenue	<u>1,838,869</u>	<u>1,857,649</u>	<u>18,780</u>	<u>1,840,124</u>
<u>Expenditures</u>				
<u>Fiscal and Other Fixed Cost Programs</u>				
Interest and Fiscal Charges	891,850	891,850		936,850
Principal	940,000	940,000		900,000
Total Expenditures	<u>1,831,850</u>	<u>1,831,850</u>	<u>-0-</u>	<u>1,836,850</u>
Excess Revenues (Expenditures)	<u>7,019</u>	25,799	<u>18,780</u>	3,274
Fund Balance-July 1		<u>397,440</u>		<u>394,166</u>
Fund Balance-June 30		<u>423,239</u>		<u>397,440</u>

UNIFORM FINANCIAL ACCOUNTING & REPORTING STANDARDS
COMPLIANCE TABLE
FOR THE YEAR ENDED JUNE 30, 2024

	Audit	UFARS	Audit - UFARS
<u>01 GENERAL FUND</u>			
Total Revenues	16,702,750	16,702,750	0
Total Expenditures	<u>16,518,942</u>	<u>16,518,943</u>	<u>-1</u>
Nonspendable:			
460 Non Spendable Fund Balance	130,140	130,140	0
Restricted/Reserve:			
401 Student Activities	136,764	136,764	0
403 Staff Development	306,543	306,543	0
412 Literacy Incentive Aid	52,863	52,863	0
424 Operating Capital	352,503	352,503	0
428 Learning & Development	20,318	20,318	0
438 Gifted & Talented	273,688	273,688	0
441 Basic Skills Programs	240,286	240,286	0
449 Safe Schools Levy	4,401	4,401	0
467 Long Term Facility Maintenance	12,093	12,093	0
472 Medical Assistance	51,571	51,571	0
Committed:			
418 Committed for Separation	48,909	48,909	0
Assigned:			
462 Assigned Fund Balance	25,298	25,298	0
Unassigned:			
422 Unassigned Fund Balance	5,910,553	5,910,553	0
<u>02 FOOD SERVICE</u>			
Total Revenues	1,187,664	1,187,664	0
Total Expenditures	<u>1,025,367</u>	<u>1,025,367</u>	<u>0</u>
Restricted:			
464 Restricted Fund Balance	950,689	950,689	0
<u>04 COMMUNITY SERVICE</u>			
Total Revenues	326,640	326,640	0
Total Expenditures	<u>359,827</u>	<u>359,828</u>	<u>-1</u>
Restricted/Reserve:			
431 Community Education	242,088	242,088	0
432 Early Childhood and Family Education	310,530	310,530	0
444 Learning Readiness	(461)	(461)	0
464 Restricted Fund Balance	56	56	0
<u>06 BUILDING CONSTRUCTION</u>			
Total Revenues	116,650	116,650	0
Total Expenditures	<u>209,073</u>	<u>209,073</u>	<u>0</u>
Restricted/Reserve:			
464 Restricted Fund Balance	2,790,797	2,790,797	0
<u>07 DEBT SERVICE</u>			
Total Revenues	1,857,649	1,857,649	0
Total Expenditures	<u>1,831,850</u>	<u>1,831,850</u>	<u>0</u>
Restricted:			
464 Restricted Fund Balance	423,239	423,239	0

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

<u>Pass Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>	<u>Federal Funding Source</u>	<u>Loan Award</u>
Through Minnesota Department of Education					
Child Nutrition Cluster:					
School Breakfast Program	10.553	143,052	None	USDOA	No
National School Lunch Program	10.555	384,218	None	USDOA	No
Special Milk Program for Children	10.556	126	None	USDOA	No
Summer Food Service Program for Children	10.559	32,936	None	USDOA	No
Total Child Nutrition Cluster		560,332			
Child and Adult Care Food Program	10.558	102	None	USDOA	No
Food Distribution Cluster:					
Commodity Supplemental Food Program	10.565	88,207	None	USDOA	No
Total Food Distribution Cluster		88,207			
State (P-EBT) Admin Costs Grant	10.649	653	None	USDOA	No
American Rescue Plan-Summer Academic	21.027	21,842	None	USDOED	No
Title I	84.010	292,969	None	USDOED	No
Title II	84.367	35,333	None	USDOED	No
Title III	84.365	7,614	None	USDOED	No
Title IV	84.424	17,961	None	USDOED	No
Education Stabilization Cluster:					
COVID-ESSER-III	84.425UC	720,926	None	USDOED	No
Total Education Stabilization Cluster		720,926			
Through SW/WC Coop					
Special Education Cluster:					
Special Education	84.027	9,144	None	USDOED	No
Handicapped Early Education	84.173	2,000	None	USDOED	No
Total Special Education Cluster		11,144			
Perkins	84.048	1,455	None	USDOED	No
Total Federal Expenditures		1,758,538			

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

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

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2 – PASS-THROUGH GRANT NUMBERS

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

NOTE 3 – INDIRECT COST RATE

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

NOTE 4 – LOAN BALANCES

None

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WITH THE FIRM
Kirk W. Morgan, CPA

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

To The Board of Education
Independent School District No. 2689
Pipestone Area Schools
Pipestone, 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 and each major fund of the Independent School District No. 2689, Pipestone Area Schools, Pipestone, Minnesota, as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise the Independent School District No. 2689's basic financial statements and have issued our report thereon dated November 19, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Independent School District No. 2689'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 Independent School District No. 2689's internal control. Accordingly, we do not express an opinion on the effectiveness of the Independent School District No. 2689's internal control over.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2024-001 and 2024-002, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Independent School District No. 2689's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for School District's*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts. Our study included all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the Independent School District No. 2689 failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School District's*. 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 Independent School District No. 2689's noncompliance with the above referenced provisions.

Independent School District No. 2689's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Independent School District No. 2689'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 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting 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 over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.



Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants
Pipestone, Minnesota

November 19, 2024

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

To The Board of Education
Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Independent School District No. 2689, Pipestone Area Schools, Pipestone, Minnesota's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Independent School District No. 2689's major federal programs for the year ended June 30, 2024. Independent School District No. 2689's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance.

In our opinion, the District complied, in all material respects, with the 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 (GAAS); 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

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgement 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, and 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.

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

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. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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



Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants
Pipestone, Minnesota

November 19, 2024

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE
FOR THE YEAR ENDED JUNE 30, 2024

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes, Audit Finding 2024-001
• Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted:	No

Federal Awards

Type of auditor’s report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	No
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No

Identification of Major Programs

CFDA No:	84.425UC
Name of Federal Program or Cluster:	Education Stabilization Cluster
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low risk auditee?	No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE
FOR THE YEAR ENDED JUNE 30, 2024

SECTION II – FINANCIAL STATEMENT FINDINGS

2024-001 Internal Accounting Controls

Criteria: Internal control should include an adequate segregation of duties in the accounting functions.

Condition: Due to a limited number of office personnel, proper segregation of duties in the accounting functions is not always possible.

Cause: This condition is not unusual where staffing size can result in an improper segregation of duties. Management has determined that given the size and resource limitations the desirable level of segregation of duties necessary may not be feasible.

Effect: Without an adequate segregation of duties these are opportunities for errors or fraudulent activities to occur and remain undetected.

Recommendation: We recommend that the District's management be aware of the lack of segregation of the accounting functions and implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff and encourage additional controls as they become available due to changes in staff, etc.

Corrective Action Plan (CAP)

Evaluation of disagreement with audit findings:

There is no disagreement with the audit findings.

Actions planned in response to the finding:

Because it is economically infeasible to hire additional staff to adequately provide for the proper segregation of duties, the district will utilize staff and board members to segregate duties to the extent possible.

Official responsible for Ensuring CAP:

The District's Superintendent in conjunction with the Business Manager is the official responsible for ensuring corrective action.

Planned completion date for CAP:

December 31, 2024

Plan to monitor completion of CAP:

The Superintendent and Board of Education will monitor the internal control system to ensure it is functioning as the internal control policy states.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE
FOR THE YEAR ENDED JUNE 30, 2024

SECTION II – FINANCIAL STATEMENT FINDINGS – CONTINUED

2024-002 GAAP Financial Statements

Personnel that lack the necessary expertise are responsible for financial statements required to be prepared in accordance with generally accepted accounting principles.

Criteria: Personnel in the District should prepare the financial statements in accordance with generally accepted accounting principles.

Condition: It was determined that the personnel lacked the necessary expertise to prepare the financial statements in accordance with generally accepted accounting principles.

Cause: Personnel in the District do not have the experience or expertise to prepare the financial statements in accordance with generally accepted accounting principles.

Effect: As the District personnel were unable to prepare the financial statements in accordance with generally accepted accounting principles, the District had the audit firm assist with the preparation of the financial statements in accordance with generally accepted accounting principles.

Corrective Action Plan (CAP):

Evaluation of disagreement with audit findings:

There is no disagreement with the audit findings.

Actions planned in response to the finding:

The District has studied the situation and found that it is economically infeasible to hire or provide adequate training required to adequately prepare financial statements in accordance with generally accepted accounting principles. The cost benefit of providing the necessary training to acquire and maintain this expertise prohibits it. Although the district will continue to have the auditor prepare the financial statements, the district implemented an internal control policy that documents the annual review of the financial statements, disclosures and schedules.

Official Responsible for Ensuring CAP:

The District's Superintendent in conjunction with the Business Manager is the official responsible for ensuring corrective action.

Planned Completion Date for CAP:

December 31, 2024

Plan to Monitor Completion of CAP:

The Superintendent and Board of Education will monitor the internal control policy is being followed in relation to the annual review of the financial statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE
FOR THE YEAR ENDED JUNE 30, 2024

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

2023-001 Internal Accounting Controls

Criteria: Internal control should include an adequate segregation of duties in the accounting functions.

Condition: Due to a limited number of office personnel, proper segregation of duties in the accounting functions is not always possible.

Cause: This condition is not unusual where staffing size can result in an improper segregation of duties. Management has determined that given the size and resource limitations the desirable level of segregation of duties necessary may not be feasible.

Effect: Without an adequate segregation of duties these are opportunities for errors or fraudulent activities to occur and remain undetected.

Recommendation: We recommend that the District's management be aware of the lack of segregation of the accounting functions and implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff and encourage additional controls as they become available due to changes in staff, etc.

Corrective Action Plan (CAP)

Evaluation of disagreement with audit findings:

There is no disagreement with the audit findings.

Actions planned in response to the finding:

Because it is economically infeasible to hire additional staff to adequately provide for the proper segregation of duties, the district will utilize staff and board members to segregate duties to the extent possible.

Official responsible for Ensuring CAP:

The District's Superintendent in conjunction with the Business Manager is the official responsible for ensuring corrective action.

Planned completion date for CAP:

December 31, 2024

Plan to monitor completion of CAP:

The Superintendent and Board of Education will monitor the internal control system to ensure it is functioning as the internal control policy states.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE
FOR THE YEAR ENDED JUNE 30, 2024

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS - CONTINUED

2023-002 GAAP Financial Statements

Personnel that lack the necessary expertise are responsible for financial statements required to be prepared in accordance with generally accepted accounting principles.

Criteria: Personnel in the District should prepare the financial statements in accordance with generally accepted accounting principles.

Condition: It was determined that the personnel lacked the necessary expertise to prepare the financial statements in accordance with generally accepted accounting principles.

Cause: Personnel in the District do not have the experience or expertise to prepare the financial statements in accordance with generally accepted accounting principles.

Effect: As the District personnel were unable to prepare the financial statements in accordance with generally accepted accounting principles, the District had the audit firm assist with the preparation of the financial statements in accordance with generally accepted accounting principles.

Corrective Action Plan (CAP):

Evaluation of disagreement with audit findings:

There is no disagreement with the audit findings.

Actions planned in response to the finding:

The District has studied the situation and found that it is economically infeasible to hire or provide adequate training required to adequately prepare financial statements in accordance with generally accepted accounting principles. The cost benefit of providing the necessary training to acquire and maintain this expertise prohibits it.

Official Responsible for Ensuring CAP:

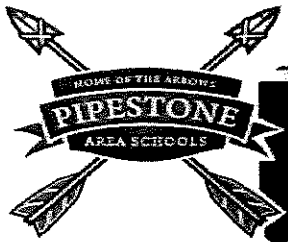
The District's Superintendent in conjunction with the Business Manager is the official responsible for ensuring corrective action.

Planned Completion Date for CAP:

December 31, 2024

Plan to Monitor Completion of CAP:

The Superintendent and Board of Education will monitor the internal control policy is being followed in relation to the annual review of the financial statement.



Dr. Klint W. Willert, Superintendent
Todd Huisman, MS/HS Principal
Jennifer Moravetz, Elementary Principal
Jacque Kennedy, Business Manager

Rick Zollner, Activities Director
Christeen Groenhoff, Maintenance Director
Jean Bailey, Food Service Director

"District and Community committed to working together to provide educational excellence and support our students for their future."

Financial Statement Findings

2024-001 Internal Accounting Controls

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding

Because it is economically infeasible to hire additional staff to adequately provide for the proper segregation of duties, the district will utilize staff and board members to segregate duties to the extent possible.

3. Official Responsible for Ensuring CAP

The District's Superintendent in conjunction with the Business Manager are the officials responsible for ensuring corrective action.

4. Planned Completion Date for CAP

December 31, 2024

5. Plan to Monitor Completion of CAP

The Superintendent and Board of Education will monitor the internal control system to ensure it is functioning as the internal control policy states.

"Inspire life-long learners. Build Character. Prepare them for their future."

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding

The District has studied the situation and found that it is economically infeasible to hire or provide adequate training required to adequately prepare financial statements in accordance with generally accepted accounting principles. The cost benefit of providing the necessary training to acquire and maintain this expertise prohibits it. Although the district will continue to have the auditor prepare the financial statements, the district implemented an internal control policy that documents the annual review of the financial statements, disclosures and schedules.

3. Official Responsible for Ensuring CAP

The District's Superintendent in conjunction with the Business Manager are the officials responsible for ensuring corrective action.

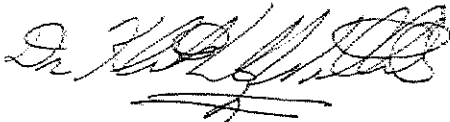
4. Planned Completion Date for CAP

December 31, 2024

5. Plan to Monitor Completion of CAP

The Superintendent and Board of Education will monitor the internal control policy is being followed in relation to the annual review of the financial statements.

Sincerely,



Dr. Klint W. Willert
Superintendent of Schools