

**Independent School District No. 271
Bloomington, Minnesota**

Basic Financial Statements

June 30, 2024

**Independent School District No. 271
Table of Contents**

Board of Education and Administration	1
Independent Auditor's Report	3
Management's Discussion and Analysis	7
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	24
Statement of Activities	25
Fund Financial Statements	
Balance Sheet - Governmental Funds	26
Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds	27
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities - Governmental Funds	29
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	30
Statement of Net Position - Proprietary Funds	31
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	32
Statement of Cash Flows - Proprietary Funds	33
Notes to Basic Financial Statements	35
Required Supplementary Information	
Schedule of Changes in Total OPEB Liability and Related Ratios	74
Schedule of District's Proportionate Share of Net Pension Liability - General Employees Retirement Fund	76
Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability - TRA Retirement Fund	76
Schedule of District Contributions General Employees-Retirement Fund	77
Schedule of District Contributions TRA-Retirement Fund	77
Notes to the Required Supplementary Information	78
Supplementary Information	
Combining Balance Sheet - Nonmajor Governmental Funds	88
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	89
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Food Service Fund	90
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Community Service Fund	91
Combining Statement of Net Position - Internal Service Funds	92
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - Internal Service Funds	93
Combining Statement of Cash Flows - Internal Service Funds	94

**Independent School District No. 271
Table of Contents**

Supplementary Information (Continued)	
Uniform Financial Accounting and Reporting Standards Compliance Table	95
Schedule of Expenditures of Federal Awards	96
Notes to the Schedule of Expenditures of Federal Awards	97
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	 99
Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance	 101
Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance	 104
Minnesota Legal Compliance	 107

**Independent School District No. 271
Board of Education and Administration
June 30, 2024**

<u>Board of Education</u>	<u>Position</u>	<u>Term Expires</u>
Dawn Steigauf	Chair	January 5, 2026
Matt Dymoke	Vice Chair	January 5, 2026
Beth Beebe	Clerk	January 5, 2026
Tom Bennett	Treasurer	January 5, 2026
Heather Starks	Director	January 1, 2028
Mia Olson	Director	January 1, 2028
Nelly Korman	Director	January 1, 2028

Administration

Dr. Eric Melbye	Superintendent
Rod Zivkovich	Executive Director of Finance and Support Services
Kim Agate	Controller

(THIS PAGE LEFT BLANK INTENTIONALLY)



Independent Auditor's Report

To the School Board
Independent School District No. 271
Bloomington, Minnesota

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 271, Bloomington, Minnesota, as of and for the year ended June 30, 2024 and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 271, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 271 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The management of Independent School District No. 271 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2024, on our consideration of the District's internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BerganKDV, Ltd.

Minneapolis, Minnesota
November 15, 2024

(THIS PAGE LEFT BLANK INTENTIONALLY)

Independent School District No. 271 Management's Discussion and Analysis

This section of the Independent School District No. 271, Bloomington Public Schools' (the "District") annual financial report presents the Management's Discussion and Analysis (MD&A) of the District's financial performance during the fiscal year ended June 30, 2024. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The MD&A is required supplementary information specified in the 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 is required to be presented in the MD&A between the current year (2023-2024) and the prior year (2022-2023).

Financial Highlights

- ◆ Total net position at June 30, 2024, was negative \$28.1 million, an increase of over \$17 million in net position compared to the prior year.
- ◆ Overall program and general revenues were \$241.1 million, \$17.2 million more than related expenses of \$223.9 million.
- ◆ Total General Fund balance (under the governmental fund presentation) increased \$9.6 million from the prior year.

Independent School District No. 271 Management's Discussion and Analysis

Overview of the Financial Statements

This annual financial report consists of four parts:

- ◆ Independent Auditor's Report
- ◆ Management's Discussion and Analysis
- ◆ Basic Financial Statements
- ◆ Required Supplementary Information

The basic financial statements include two kinds of statements that present different views of the District:

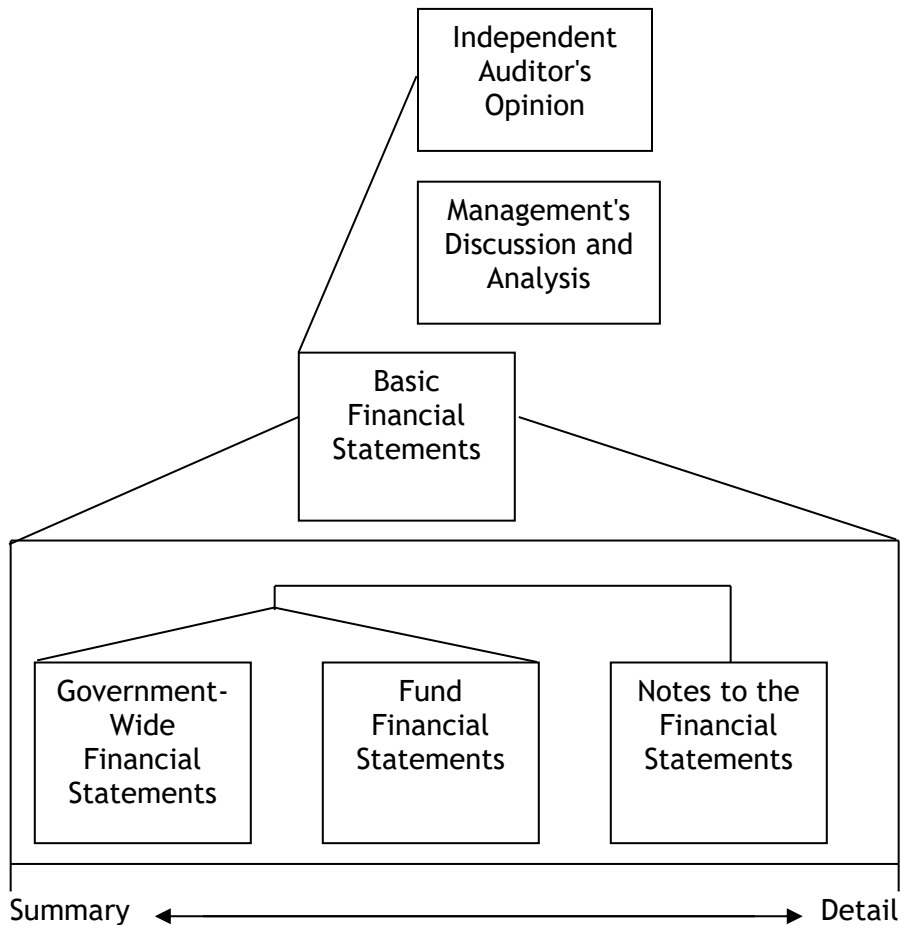
1. The government-wide financial statements provide both short-term and long-term information about the District's overall financial status. These include:
 - ◆ The Statement of Net Position
 - ◆ The Statement of Activities
2. The fund financial statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
 - ◆ The governmental funds statements examine how basic services, such as regular and special education were financed in the short-term, as well as what remains for future spending.
 - ◆ Proprietary funds statements present short-term and long-term financial information about the activities the District operates like businesses, such as dental and medical self-insurance, retiree severance and vacation funds.
 - ◆ Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others. The District is the Agent for the Bloomington Education Cable Television Fund. The District is also holding funds to be paid to Bloomington Kennedy graduates for college scholarships.

**Independent School District No. 271
Management's Discussion and Analysis**

Overview of the Financial Statements (Continued)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 on the following page shows how the various parts of this annual report are arranged and how they relate to one another.

**Figure A-1
Organization of the District's Annual Financial Report**



**Independent School District No. 271
Management's Discussion and Analysis**

Overview of the Financial Statements (Continued)

Figure A-2, shown below, summarizes the major features of the District's financial statements, including the portion of the District's activities which they cover and the types of information that they contain. The remainder of this overview section of the MD&A highlights the structure and contents of each of the statements.

**Figure A-2
Major Features of the Government-Wide and Fund Financial Statements
Fund Financial Statements**

	Government-Wide Financial Statements	Government Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except Fiduciary Funds)	The activities of the District that are not proprietary or fiduciary, such as special education, food service, community education and building maintenance	Activities the District operates similar to private businesses, such as self-insured medical and dental funds	Instances in which the District administers resources on behalf of someone else, such as Bloomington Educational Cable and student activities accounts
Required Financial Statements	<ul style="list-style-type: none"> ◆ Statement of Net Position ◆ Statement of Activities 	<ul style="list-style-type: none"> ◆ Balance Sheet ◆ Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> ◆ Statement of Net Position ◆ Statement of Revenues, Expenses and Changes in Net Position ◆ Statement of Cash Flows 	<ul style="list-style-type: none"> ◆ Statement of Fiduciary Net Position ◆ Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/ Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Independent School District No. 271 Management's Discussion and Analysis

Government-Wide Financial Statements

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

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

In the government-wide financial statements, the District's activities are presented in one category titled governmental activities.

- ◆ **Governmental Activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. State formula aid and property taxes finance most of these activities.

Independent School District No. 271 Management's Discussion and Analysis

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. "Non-major" funds such as, food service and community service do not meet the threshold to be classified as "major" funds.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

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

The District has two kinds of funds:

- ◆ **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information following the governmental funds statements explains the relationship (or differences) between them.
- ◆ **Proprietary Funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District uses internal service funds to report activities that provide supplies and services for its other programs and activities. The District currently has four internal service funds; the Self-Insured Dental Fund, Self-Insured Medical Benefits Fund, Other Post-Employment Benefits (OPEB) Fund, and the Retiree Benefits Fund.

**Independent School District No. 271
Management's Discussion and Analysis**

Fund Financial Statements (Continued)

Net Position: The District's combined net position on June 30, 2024, was negative \$28.1 million, an increase of approximately \$17.2 million in net position compared to the prior year (See Figure A-3).

**Figure A-3
Net Position - Governmental Activities**

	Year Ended 2024	Year Ended 2023	Percentage Change
Assets			
Current and other assets	\$ 214,666,297	\$ 215,461,248	-0.37%
Capital assets	143,009,769	138,767,255	3.06%
Total assets	<u>357,676,066</u>	<u>354,228,503</u>	<u>0.97%</u>
Deferred Outflows of Resources			
	<u>32,321,443</u>	<u>46,432,138</u>	<u>-30.39%</u>
Total assets and deferred outflows of resources	<u>\$ 389,997,509</u>	<u>\$ 400,660,641</u>	<u>-2.66%</u>
Liabilities			
Other liabilities	\$ 31,703,049	\$ 30,083,509	5.38%
Long-term liabilities	<u>304,032,120</u>	<u>320,347,158</u>	<u>-5.09%</u>
Total liabilities	<u>\$ 335,735,169</u>	<u>\$ 350,430,667</u>	<u>-4.19%</u>
Deferred Inflows of Resources			
	<u>\$ 82,321,481</u>	<u>\$ 95,515,658</u>	<u>-13.81%</u>
Net Position			
Net investment in capital assets	\$ 3,303,712	\$ 7,082,091	-53.35%
Restricted	28,783,352	26,466,667	8.75%
Unrestricted	<u>(60,146,205)</u>	<u>(78,834,442)</u>	<u>23.71%</u>
Total net position	<u>\$ (28,059,141)</u>	<u>\$ (45,285,684)</u>	<u>38.04%</u>

Changes in Net Position: The District's total revenues were \$241.1 million for the year ended June 30, 2024 (See Figure A-4). Property taxes and state formula aid accounted for 62% of the District's revenue. (See Figure A-5). Another 32% came from grants and contributions restricted for specific programs. The remainder came from fees charged for services and miscellaneous sources. The total cost of all programs and services was \$223.9 million. The District's expenses are predominantly related to direct instruction, instructional, and pupil support services (71%) (See Figure A-6). The District's administration and district support expenses are 6% of total costs.

**Independent School District No. 271
Management's Discussion and Analysis**

Financial Analysis of the District as a Whole

Change in Net Position (Continued)

**Figure A-4
Change in Net Position**

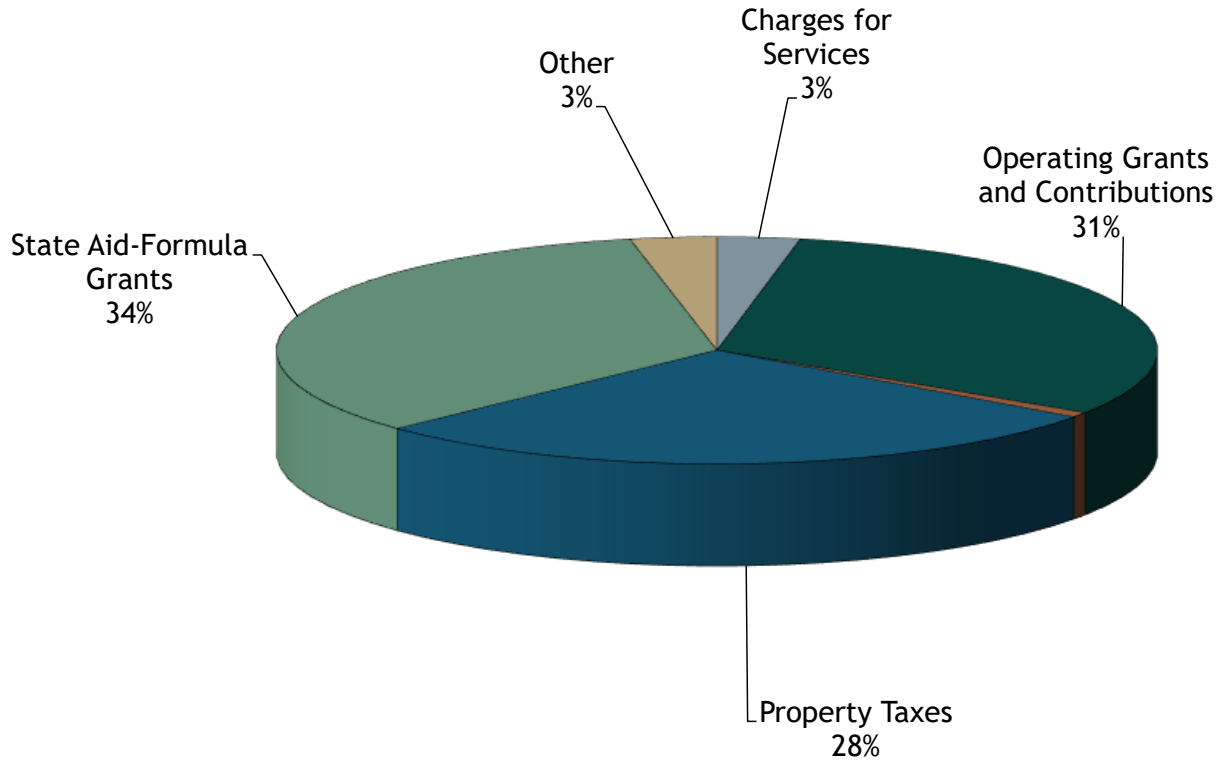
	Year Ended 2024	Year Ended 2023	Percentage Change
Revenues			
Program revenues			
Charges for services	\$ 7,318,762	\$ 8,122,352	-9.89%
Operating grants and contributions	75,385,781	72,236,143	4.36%
Capital grants and contributions	1,691,323	1,691,602	-0.02%
General revenues			
Property taxes	67,255,636	63,348,436	6.17%
State aid-formula grants	81,835,350	80,296,140	1.92%
Other	7,655,204	4,945,627	54.79%
Total revenues	<u>241,142,056</u>	<u>230,640,300</u>	<u>4.55%</u>
Expenses			
Administration	7,342,051	5,783,785	26.94%
District Support Services	5,494,358	5,624,201	-2.31%
Elementary and Secondary Regular Instruction	79,715,208	64,140,944	24.28%
Vocational Education Instruction	1,391,730	1,051,948	32.30%
Special Education Instruction	47,276,703	36,180,630	30.67%
Instructional Support Services	12,482,004	11,443,385	9.08%
Pupil Support Services	17,229,885	17,940,584	-3.96%
Sites and Buildings	15,467,735	22,714,247	-31.90%
Fiscal and other fixed cost programs	519,906	560,096	-7.18%
Food Service	6,737,218	6,015,044	12.01%
Community Education and Services	12,505,832	11,642,837	7.41%
Unallocated depreciation/amortization	13,069,511	10,558,950	23.78%
Interest and fiscal charges on long-term debt	4,683,372	4,499,152	4.09%
Total expenses	<u>223,915,513</u>	<u>198,155,803</u>	<u>13.00%</u>
Increase (decrease) in net position	17,226,543	32,484,497	-46.97%
Net Position			
Net position - beginning, as previously stated	(45,285,684)	(78,532,715)	-42.34%
Change in accounting principle	-	762,534	
Beginning of year, as restated	<u>(45,285,684)</u>	<u>(77,770,181)</u>	<u>41.77%</u>
End of year	<u>\$ (28,059,141)</u>	<u>\$ (45,285,684)</u>	<u>38.04%</u>

Independent School District No. 271
Management's Discussion and Analysis

Financial Analysis of the District as a Whole (Continued)

Change in Net Position (Continued)

Figure A-5
Source of Revenues for Fiscal Year 2024

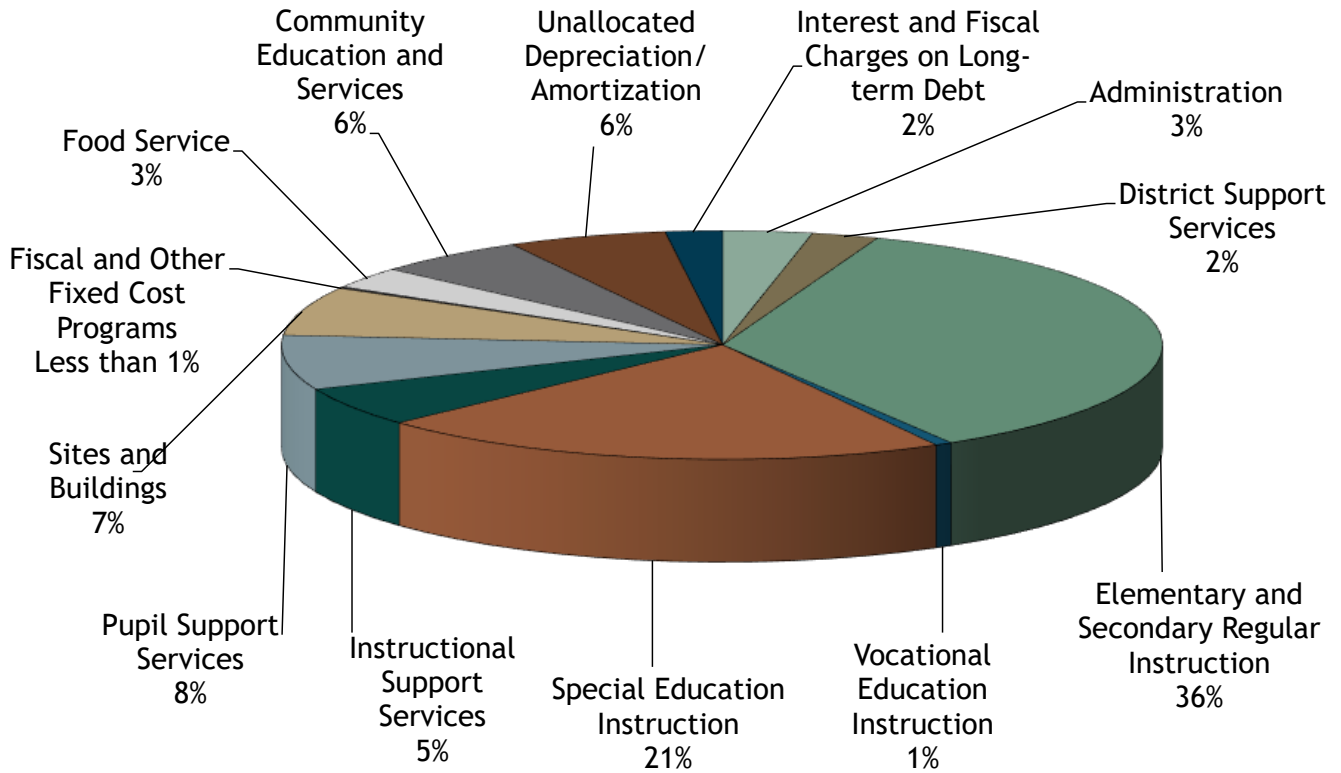


Independent School District No. 271
Management's Discussion and Analysis

Financial Analysis of the District as a Whole (Continued)

Change in Net Position (Continued)

Figure A-6
Expenses for Fiscal Year 2024



**Independent School District No. 271
Management's Discussion and Analysis**

Governmental Activities

Figure A-7 presents the cost of District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

Figure A-7

**Net Cost of Governmental Activities
Year Ended June 30, 2024**

	Total Cost of Services	Net Cost of Services
Administration	\$ 7,342,051	\$ 7,342,051
District Support Services	5,494,358	5,494,358
Elementary and Secondary Regular Instruction	79,715,208	55,884,563
Vocational Education Instruction	1,391,730	1,301,649
Special Education Instruction	47,276,703	6,409,283
Instructional Support Services	12,482,004	12,303,741
Pupil Support Services	17,229,885	16,640,930
Sites and Buildings	15,467,735	13,579,065
Fiscal and other fixed cost programs	519,906	519,906
Food Service	6,737,218	(16,871)
Community Education and Services	12,505,832	2,308,089
Unallocated depreciation	13,069,511	13,069,511
Interest and fiscal charges on long-term debt	4,683,372	4,683,372
	<u>\$ 223,915,513</u>	<u>\$ 139,519,647</u>
Total		

- ◆ Various fees and charges paid by users of the District services accounted for 3.0% or \$7.3 million of expenses.
- ◆ Grants and contributions totaling \$77.1 million, or 32.0%, offset other specific program costs.
- ◆ Local property taxes, state aid, federal grants and District fund balances (when expenses exceed revenues) provided funding for remaining costs of District services (\$156.7 million).

Financial Analysis of the District's Funds

At the end of the 2023-2024 fiscal year, the District's governmental funds reported a combined fund balance of \$79.7 million, a decrease of \$5.2 million from the June 30, 2023, combined fund balance of \$84.9 million. The decrease is due in large part to the \$13.5 million decrease in the Capital Projects Fund related to capital expenditures for the District's construction projects occurring in 2023-2024.

Independent School District No. 271 Management's Discussion and Analysis

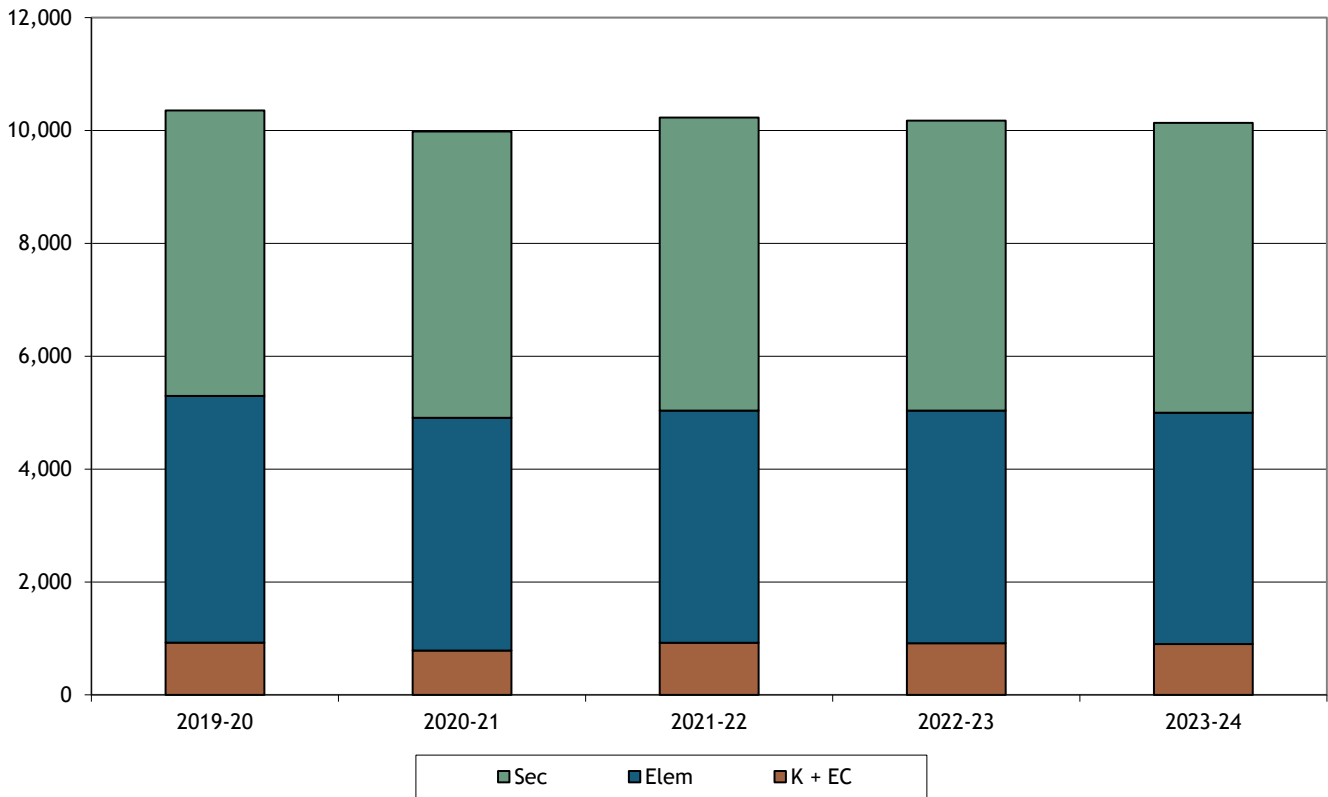
General Fund

The General Fund is the District's primary operating fund, providing instructional services to students from kindergarten through grade 12. In addition, the costs of pupil transportation and operating capital expenditures for equipment and facilities are included in the full reporting of the General Fund.

School funding in Minnesota is driven largely by pupil enrollment. In 2023-2024, the District saw a decrease of 41 average daily membership (ADM) over 2022-2023. Current ADM is 10,134.

The graph below illustrates the current trend in student enrollment over the previous five years.

ADM (Average Daily Memberships)



**Independent School District No. 271
Management's Discussion and Analysis**

General Fund Budgetary Highlights

Over the course of the year, the District amended the annual operating budget. The budget amendments account for enrollment changes, previous year carryover and amendments to federal and other grant programs.

While the District's amended budget for the General Fund projected a net decrease in the fund balance of \$5.3 million, the actual performance shows a net increase of \$9.6 million. This improvement was due to higher than anticipated general education aid, special education funding, and additional investment income. Less than budgeted expenditures for instructional support services and capital outlay contributed to the variance as well.

Actual revenues were \$204.5 million, or \$9.3 million over the budget of \$195.1 million. Actual expenditures were \$194.8 million, or \$5.3 million under the budget of \$200.1 million.

**Figure A-8
General Fund Expenditures**

	Final Budget	Net Actual Amounts	Variance with Final Budget - Over (Under)
Administration	\$ 7,120,692	\$ 7,433,282	\$ 312,590
District Support Services	5,749,757	5,745,956	(3,801)
Elementary and Secondary Regular Instruction	81,971,898	82,546,336	574,438
Vocational Education Instruction	1,597,390	1,473,820	(123,570)
Special Education Instruction	48,097,076	48,109,444	12,368
Instructional Support Services	16,501,944	11,469,570	(5,032,374)
Pupil Support Services	17,347,258	18,401,216	1,053,958
Sites and Buildings	11,933,217	12,019,419	86,202
Fiscal and other fixed cost programs	540,390	519,906	(20,484)
Capital outlay	8,503,139	6,252,124	(2,251,015)
Debt service	709,364	796,135	86,771
	<u>\$ 200,072,125</u>	<u>\$ 194,767,208</u>	<u>\$ (5,304,917)</u>

**Independent School District No. 271
Management's Discussion and Analysis**

Food Service Fund

The Food Service Fund is used to record financial activity for the purpose of preparation and service of milk, meals and snacks in connection with school and community service activities. The Food Service Fund revenue exceeded expenditures by \$334,448 in 2023-2024. The increase was due to additional reimbursement of meals from the State.

This Fund continues to meet the District's established fund balance goals.

Community Service Fund

The Community Service Fund is used to record financial activities of the Community Services Preschool to Senior Citizens Programs. The Community Service Fund balance decreased \$408,943 in 2023-2024.

This Fund continues to meet the District's established fund balance goals.

Debt Service Fund

The Debt Service Fund is used to record revenues and expenditures for a school district's outstanding bonded indebtedness, whether for building construction, operating capital or for initial or refunding bonds. The Debt Service Fund balance for 2023-2024 totaled \$395,499. This is a decrease of \$1.6 million over the prior year.

Capital Asset and Debt Administration

Capital Assets

By the end of 2024, the District had invested \$143.0 million in a broad range of capital assets, including school buildings, athletic facilities, computers, and audio-visual equipment (See Figure A-9). (More detailed information about capital assets can be found in Note 4 to the financial statements.)

**Figure A-9
Capital Assets (Net of Accumulated Depreciation/Amortization)**

	Year Ended 2024	Year Ended 2023
Land	\$ 2,085,954	\$ 2,085,954
Construction in progress	5,407,601	2,530,801
Buildings and buildings improvement	122,095,670	120,029,575
Leased building	8,298,679	9,405,170
Furniture and equipment	4,180,394	3,520,949
Leased equipment	55,505	95,164
Subscription assets	885,966	1,099,642
 Total capital assets	 \$ 143,009,769	 \$ 138,767,255

**Independent School District No. 271
Management's Discussion and Analysis**

Debt Administration

**Figure A-10
Outstanding Long-Term Liabilities**

	Year Ended 2024	Year Ended 2023
General Obligation (G.O.) bonds and loans	\$ 150,181,525	\$ 160,821,027
Lease liability	9,037,915	10,001,103
Benefits payable	2,063,841	2,023,017
 Total long-term liabilities	 <u>\$ 161,283,281</u>	 <u>\$ 172,845,147</u>

At year-end, the District had \$161.3 million in long-term liabilities, including G.O. bonds, leases, severance benefits, and compensated absences. (More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements).

Factors Bearing on the District's Future

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

- ◆ Even with the historic increase in funding during the 2023 legislative session and use of the remaining ESSER funds, the District is still projecting the need for right sizing the budget over the next five years.
- ◆ The District is projecting slight decline in enrollment over the next five years.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it is entrusted with.

If you have questions about this report or need additional financial information, contact the Finance Office, Independent School District No. 271, 1350 West 106th Street, Bloomington, Minnesota 55431-4126.

(THIS PAGE LEFT BLANK INTENTIONALLY)

BASIC FINANCIAL STATEMENTS

Independent School District No. 271
Statement of Net Position
June 30, 2024

	Governmental Activities
Assets	
Cash and investments	\$ 152,285,285
Current property taxes receivable	36,194,884
Delinquent property taxes receivable	1,744,818
Accounts receivable	611,473
Lease receivable	616,156
Interest receivable	2,273,648
Due from Department of Education	14,123,328
Due from other Minnesota school districts	238,439
Due from Federal Government through Department of Education	5,131,630
Due from other governmental units	679,128
Inventory	184,213
Prepaid items	583,295
Capital assets not being depreciated	
Land	2,085,954
Construction in progress	5,407,601
Capital assets net of depreciation/amortization	
Buildings and building improvements	122,095,670
Leased building	8,298,679
Furniture and equipment	4,180,394
Leased equipment	55,505
Subscription assets	885,966
Total assets	357,676,066
Deferred Outflows of Resources	
Deferred amount on refunding	94,553
Deferred outflows related to OPEB	840,756
Deferred outflows related to pensions	31,386,134
Total deferred outflows of resources	32,321,443
Total assets and deferred outflows of resources	\$ 389,997,509
Liabilities	
Accounts and contracts payable	\$ 3,947,895
Salaries and benefits payable	22,315,637
Interest payable	2,026,563
Due to other Minnesota school districts	1,960,524
Due to other governmental units	867,420
Unearned revenue	585,010
Net bond principal payable	
Due within one year	9,365,000
Due in more than one year	140,816,525
Subscription liability	
Due within one year	39,420
Due in more than one year	79,494
Lease liability	
Payable within one year	1,009,328
Payable after one year	8,028,587
Compensated absences payable	
Due within one year	176,848
Due in more than one year	1,591,646
Severance payable	
Due within one year	29,535
Due in more than one year	265,812
Total OPEB Liability	
Due within one year	492,261
Due in more than one year	8,632,619
Net pension liability	133,505,045
Total liabilities	335,735,169
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	67,515,242
Deferred inflows related to lease receivable	616,156
Deferred inflows related to OPEB	3,716,880
Deferred inflows related to pensions	10,473,203
Total deferred inflows of resources	82,321,481
Net Position	
Net investment in capital assets	3,303,712
Restricted for	
Other purposes	28,783,352
Unrestricted	(60,146,205)
Total net position	(28,059,141)
Total liabilities, deferred inflows of resources, and net position	\$ 389,997,509

Independent School District No. 271
Statement of Activities
Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental activities					
Administration	\$ 7,342,051	\$ -	\$ -	\$ -	\$ (7,342,051)
District support services	5,494,358	-	-	-	(5,494,358)
Elementary and secondary regular instruction	79,715,208	887,350	22,943,295	-	(55,884,563)
Vocational education instruction	1,391,730	-	90,081	-	(1,301,649)
Special education instruction	47,276,703	747,356	40,120,064	-	(6,409,283)
Instructional support services	12,482,004	-	178,263	-	(12,303,741)
Pupil support services	17,229,885	198,858	390,097	-	(16,640,930)
Sites and buildings	15,467,735	197,347	-	1,691,323	(13,579,065)
Fiscal and other fixed cost programs	519,906	-	-	-	(519,906)
Food service	6,737,218	63,747	6,690,342	-	16,871
Community education and services	12,505,832	5,224,104	4,973,639	-	(2,308,089)
Unallocated depreciation/amortization	13,069,511	-	-	-	(13,069,511)
Interest and fiscal charges on long-term debt	4,683,372	-	-	-	(4,683,372)
Total governmental activities	\$ 223,915,513	\$ 7,318,762	\$ 75,385,781	\$ 1,691,323	(139,519,647)
General revenues					
Taxes					
Property taxes, levied for general purposes					53,892,602
Property taxes, levied for debt service					11,576,049
Property taxes, levied for community service					1,786,985
State aid-formula grants					81,835,350
Other general revenues					1,014,310
Investment income					6,640,894
Total general revenues					<u>156,746,190</u>
Change in net position					17,226,543
Net position - beginning					<u>(45,285,684)</u>
Net position - ending					<u>\$ (28,059,141)</u>

See notes to basic financial statements.

Independent School District No. 271
Balance Sheet - Governmental Funds
June 30, 2024

	General	Debt Service	Capital Projects	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 79,815,416	\$ 4,374,633	\$ 17,292,327	\$ 14,259,274	\$ 115,741,650
Current property taxes receivable	28,309,763	4,383,082	-	3,502,039	36,194,884
Delinquent property taxes receivable	1,400,057	148,193	-	196,568	1,744,818
Accounts receivable	35,518	-	-	9,335	44,853
Lease receivable	616,156	-	-	-	616,156
Interest receivable	1,858,888	-	234,990	-	2,093,878
Due from Department of Education	13,558,551	169,140	-	395,637	14,123,328
Due from Federal Government					
through Department of Education	4,743,094	-	-	388,536	5,131,630
Due from other Minnesota school districts	238,439	-	-	-	238,439
Due from other governmental units	679,128	-	-	-	679,128
Inventory	119,207	-	-	65,006	184,213
Prepaid items	518,359	-	-	64,936	583,295
Total assets	\$ 131,892,576	\$ 9,075,048	\$ 17,527,317	\$ 18,881,331	\$ 177,376,272
Liabilities					
Accounts payable	\$ 1,929,310	\$ -	\$ 1,463,505	\$ 110,328	\$ 3,503,143
Contracts payable	17,502	-	398,089	-	415,591
Salaries and benefits payable	16,685,014	-	-	1,306,242	17,991,256
Due to other Minnesota school districts	1,960,524	-	-	-	1,960,524
Due to other governmental units	347,792	-	517,979	1,649	867,420
Interfund payable	3,149,144	-	-	224,562	3,373,706
Unearned revenue	418,178	-	-	166,832	585,010
Total liabilities	24,507,464	-	2,379,573	1,809,613	28,696,650
Deferred inflows of resources					
Property tax levied for subsequent year's expenditures	52,064,383	8,588,560	-	6,862,299	67,515,242
Unavailable revenue - delinquent property taxes	678,044	90,989	-	82,211	851,244
Deferred inflows related to lease receivable	616,156	-	-	-	616,156
Total deferred inflows of resources	53,358,583	8,679,549	-	6,944,510	68,982,642
Fund Balances					
Nonspendable for					
Inventory	119,207	-	-	65,006	184,213
Prepaid items	518,359	-	-	64,936	583,295
Restricted for					
Student activities	111,553	-	-	-	111,553
Scholarships	34,792	-	-	-	34,792
Staff development	523,907	-	-	-	523,907
Capital projects levy	5,593,059	-	-	-	5,593,059
Literacy incentive aid	116,886	-	-	-	116,886
Operating capital	11,318,956	-	-	-	11,318,956
Student support personnel	48,010	-	-	-	48,010
State approved alternative program	1,734,357	-	-	-	1,734,357
Long-term facilities maintenance	-	-	15,147,744	-	15,147,744
Fund purpose	-	395,499	-	9,997,266	10,392,765
Committed for					
Wellness	25,082	-	-	-	25,082
Uniform and instrument replacement	113,504	-	-	-	113,504
Program shortfalls	17,000,000	-	-	-	17,000,000
Athletic activities	143,316	-	-	-	143,316
Middle school athletics	61,695	-	-	-	61,695
Site department carryover funds	1,025,066	-	-	-	1,025,066
Donations	213,889	-	-	-	213,889
Assigned for					
Property and casualty insurance	120,000	-	-	-	120,000
Unassigned	15,204,891	-	-	-	15,204,891
Total fund balances	54,026,529	395,499	15,147,744	10,127,208	79,696,980
Total liabilities, deferred inflows of resources, and fund balances	\$ 131,892,576	\$ 9,075,048	\$ 17,527,317	\$ 18,881,331	\$ 177,376,272

See notes to basic financial statements.

Independent School District No. 271
 Bloomington, Minnesota
 Reconciliation of the Balance Sheet to
 the Statement of Net Position - Governmental Funds
 June 30, 2024

Total fund balances - governmental funds \$ 79,696,980

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.

Cost of capital assets	345,755,544
Less accumulated depreciation/amortization	(202,745,775)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bond principal payable	(145,715,000)
Bond premiums	(4,466,525)
Deferred amount on refunding	94,553
Subscription liability	(118,914)
Lease liability	(9,037,915)
Compensated absences payable	(1,768,494)
Severance payable	(295,347)
Total OPEB liability	(9,124,880)
Net pension liability	(133,505,045)

Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.

Deferred outflows related to pensions	31,386,134
Deferred inflows related to pensions	(10,473,203)

Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to OPEB that are not recognized in the governmental funds.

Deferred inflows related to OPEB	(3,716,880)
Deferred outflows related to OPEB	840,756

Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

851,244

The retiree benefit and OPEB internal service funds are used to charge the benefits to the fund that incurs the cost. This amount represents assets available to fund the liabilities.

17,444,231

The dental and self insured medical benefit plans internal service funds are used by management to charge the costs of the self-insured plans. The assets and liabilities of the Internal Service funds are included in governmental activities in the Statement of Net Position and interfund activity is removed.

18,865,958

Governmental funds do not report a liability for accrued interest on bonds and capital loans until due and payable.

(2,026,563)

Total net position - governmental activities

\$ (28,059,141)

Independent School District No. 271
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2024

	General	Debt Service	Capital Projects	Nonmajor Funds	Total Governmental Funds
Revenues					
Local property taxes	\$ 53,433,464	\$ 5,085,896	\$ -	\$ 8,167,496	\$ 66,686,856
Other local and county revenues	5,756,254	125,255	1,114,816	6,321,407	13,317,732
Revenue from state sources	138,362,794	1,691,409	-	6,119,181	146,173,384
Revenue from federal sources	6,904,565	-	-	4,860,404	11,764,969
Sales and other conversion of assets	-	-	-	39,461	39,461
Interdistrict revenue	-	-	-	232,003	232,003
Total revenues	<u>204,457,077</u>	<u>6,902,560</u>	<u>1,114,816</u>	<u>25,739,952</u>	<u>238,214,405</u>
Expenditures					
Current					
Administration	7,433,282	-	-	-	7,433,282
District support services	5,745,956	-	-	-	5,745,956
Elementary and secondary regular instruction	82,546,336	-	-	100,001	82,646,337
Vocational education instruction	1,473,820	-	-	-	1,473,820
Special education instruction	48,109,444	-	-	-	48,109,444
Instructional support services	11,469,570	-	-	-	11,469,570
Pupil support services	18,401,216	-	-	-	18,401,216
Sites and buildings	12,019,419	-	307,077	-	12,326,496
Fiscal and other fixed cost programs	519,906	-	-	-	519,906
Food service	-	-	-	5,986,097	5,986,097
Community education and services	-	-	-	12,417,107	12,417,107
Capital outlay					
Administration	69,376	-	-	-	69,376
District support services	106,982	-	-	-	106,982
Elementary and secondary regular instruction	560,410	-	-	-	560,410
Special education instruction	115,474	-	-	-	115,474
Instructional support services	1,194,239	-	-	-	1,194,239
Pupil support services	1,188,125	-	-	-	1,188,125
Sites and buildings	3,017,518	-	13,808,748	-	16,826,266
Food service	-	-	-	622,362	622,362
Community education and services	-	-	-	97,948	97,948
Debt service					
Principal	619,267	3,485,000	-	6,293,116	10,397,383
Interest and fiscal charges	176,868	5,014,031	517,979	356,530	6,065,408
Total expenditures	<u>194,767,208</u>	<u>8,499,031</u>	<u>14,633,804</u>	<u>25,873,161</u>	<u>243,773,204</u>
Excess of revenues over (under) expenditures	9,689,869	(1,596,471)	(13,518,988)	(133,209)	(5,558,799)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	39,237	-	-	5,331	44,568
Insurance recovery	123,190	-	-	-	123,190
Lease and SBITA proceeds	163,109	-	-	-	163,109
Transfers in	-	-	-	406,141	406,141
Transfers out	(406,141)	-	-	-	(406,141)
Total other financing sources (uses)	<u>(80,605)</u>	<u>-</u>	<u>-</u>	<u>411,472</u>	<u>330,867</u>
Net change in fund balances	9,609,264	(1,596,471)	(13,518,988)	278,263	(5,227,932)
Fund Balances					
Beginning of year	<u>44,417,265</u>	<u>1,991,970</u>	<u>28,666,732</u>	<u>9,848,945</u>	<u>84,924,912</u>
End of year	<u>\$ 54,026,529</u>	<u>\$ 395,499</u>	<u>\$ 15,147,744</u>	<u>\$ 10,127,208</u>	<u>\$ 79,696,980</u>

See notes to basic financial statements.

Independent School District No. 271
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances to the
 Statement of Activities - Governmental Funds
 Year Ended June 30, 2024

Net change in fund balances - total governmental funds \$ (5,227,932)

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the useful lives as depreciation expense. as depreciation expense.

Capital outlays	19,107,732
Depreciation/amortization expense	(15,029,636)

Compensated absences and severance are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(40,824)
---	----------

Net OPEB are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	275,224
---	---------

Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no effect on net position in the Statement of Activities.	10,398,692
--	------------

Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	7,623,781
--	-----------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	211,906
--	---------

Governmental funds report the effect of bond premiums when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	1,168,821
---	-----------

The retiree benefit internal service funds are used to charge the benefits to the fund that incurs the cost. This amount represents assets available to fund the liabilities and obligations.	370,493
---	---------

The dental and self-insured medical benefit plans internal service funds are used by management to charge the costs of the self insured plans. The increase in net position is reported within the governmental activities in the Statement of Activities.	(2,200,494)
--	-------------

Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	568,780
---	---------

Change in net position - governmental activities	\$ 17,226,543
--	---------------

Independent School District No. 271
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	\$ 54,169,649	\$ 54,169,649	\$ 53,433,464	\$ (736,185)
Other local and county revenues	3,631,419	4,335,706	5,756,254	1,420,548
Revenue from state sources	128,858,090	130,547,054	138,362,794	7,815,740
Revenue from federal sources	6,062,644	6,062,644	6,904,565	841,921
Total revenues	<u>192,721,802</u>	<u>195,115,053</u>	<u>204,457,077</u>	<u>9,342,024</u>
Expenditures				
Current				
Administration	7,037,470	7,120,692	7,433,282	312,590
District support services	5,749,757	5,749,757	5,745,956	(3,801)
Elementary and secondary regular instruction	80,561,570	81,971,898	82,546,336	574,438
Vocational education instruction	1,597,390	1,597,390	1,473,820	(123,570)
Special education instruction	48,093,876	48,097,076	48,109,444	12,368
Instructional support services	14,291,104	16,501,944	11,469,570	(5,032,374)
Pupil support services	17,329,808	17,347,258	18,401,216	1,053,958
Sites and buildings	11,933,217	11,933,217	12,019,419	86,202
Fiscal and other fixed cost programs	540,390	540,390	519,906	(20,484)
Capital outlay				
Administration	120,675	141,838	69,376	(72,462)
District support services	219,900	219,900	106,982	(112,918)
Elementary and secondary regular instruction	308,633	344,867	560,410	215,543
Special education instruction	304,350	304,350	115,474	(188,876)
Instructional support services	1,116,316	1,116,316	1,194,239	77,923
Pupil support services	1,194,425	1,940,425	1,188,125	(752,300)
Sites and buildings	4,439,142	4,435,443	3,017,518	(1,417,925)
Debt service				
Principal	709,364	709,364	619,267	(90,097)
Interest and fiscal charges	-	-	176,868	176,868
Total expenditures	<u>195,547,387</u>	<u>200,072,125</u>	<u>194,767,208</u>	<u>(5,304,917)</u>
Excess of revenues over (under) expenditures	(2,825,585)	(4,957,072)	9,689,869	14,646,941
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	39,237	39,237
Insurance recovery	-	-	123,190	123,190
Lease issuance	-	-	163,109	163,109
Transfers out	(385,000)	(385,000)	(406,141)	(21,141)
Total other financing sources (uses)	<u>(385,000)</u>	<u>(385,000)</u>	<u>(80,605)</u>	<u>304,395</u>
Net change in fund balance	<u>\$ (3,210,585)</u>	<u>\$ (5,342,072)</u>	9,609,264	<u>\$ 14,951,336</u>
Fund Balance				
Beginning of year			<u>44,417,265</u>	
End of year			<u>\$ 54,026,529</u>	

See notes to basic financial statements.

Independent School District No. 271
Statement of Net Position - Proprietary Funds
As of June 30, 2024

	Governmental Activities - Internal Service Funds
Assets	
Cash and cash equivalents	\$ 23,736,957
Investments	12,806,678
Accounts receivable	566,620
Interfund receivable	3,373,706
Interest receivable	179,770
Total assets	\$ 40,663,731
Liabilities and Net Position	
Liabilities	
Accounts payable	\$ 29,161
Incurred but not reported claims	4,324,381
Benefits payable	1,784,931
Unearned revenue	5,875,823
Total liabilities	12,014,296
Net Position	
Unrestricted	28,649,435
Total liabilities and net position	\$ 40,663,731

Independent School District No. 271
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended June 30, 2024

	Governmental Activities - Internal Service Funds
Operating Revenue	
Charges for services	\$ 29,764,186
District contribution	215,760
Total revenue	29,979,946
Operating Expenses	
Salaries and benefits	63,000
Employee benefits	31,153,795
Administrative	2,781,016
Total operating expenses	33,997,811
Operating income (loss)	(4,017,865)
Nonoperating Revenue	
Investment income	1,718,129
Change in net position	(2,299,736)
Net Position	
Beginning of year	30,949,171
End of year	\$ 28,649,435

Independent School District No. 271
Statement of Cash Flows - Proprietary Funds
As of June 30, 2024

	Governmental Activities - Internal Service Funds
Cash Flows - Operating Activities	
Receipts from employee contributions	\$ 29,356,419
Receipts from district contributions	286,581
Employee claims paid	(29,176,613)
Payments to employees	(385,676)
Payments to suppliers	(2,751,855)
Net cash flows - operating activities	(2,671,144)
 Cash Flows - Investment Activities	
Investment purchases	(268,512)
Interest received	1,672,954
Net cash flows - investment activities	1,404,442
 Net change in cash and cash equivalents	(1,266,702)
 Cash and Cash Equivalents	
Beginning of year, restated	25,003,659
End of year	\$ 23,736,957
 Reconciliation of Operating Income to Net Cash Flows - Operating Activities	
Operating income	\$ (4,017,865)
Adjustments to reconcile operating income To net cash flows - operating activities	
Accounts payable	29,161
Benefits payable	70,821
Incurred but not reported dental claims	1,654,506
Accounts receivable	(566,620)
Interfund receivable	(245,438)
Unearned revenue	398,914
Prepaid items	5,377
Net adjustments	1,346,721
Net cash flows - operating activities	\$ (2,671,144)

(THIS PAGE LEFT BLANK INTENTIONALLY)

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

B. Basic Financial Statement Information

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

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

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

**Independent School District No. 271
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

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

C. Measurement Focus and Basis of Accounting

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

1. Revenue Recognition

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

2. Recording of Expenditures

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

In the fund financial statements and governmental funds report, fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor the constraints on the specific purpose for which amounts in these funds can be spent. If resources from more than one fund balance classification could be spent, the school will follow the approved district plan for each of the areas. If there is no plan, the District will strive to spend resources from fund balance classifications in the following order: restricted, committed, assigned, and unassigned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Internal Service Fund is employee and District contributions. Operating expenses for proprietary funds include claims paid and administrative expenses.

**Independent School District No. 271
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

2. Recording of Expenditures (Continued)

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Amounts reported as program revenues include charges to customers or applicants for goods, services or privileges provided, operating grants and contributions, and capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Description of Funds:

Major Funds:

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

Debt Service Fund - This fund is used to account for the accumulation of resources for, and payment of, general obligation bond principal, interest, and related costs.

Capital Projects - Building Construction Fund - This fund is used to account for financial resources used for the acquisition or construction of major capital facilities funded with bond issues or special levies.

Nonmajor Funds:

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

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

OPEB Debt Service - This fund is used to account for the accumulation of resources for, and payment of, the 2009A OPEB Bonds and 2017B Taxable OPEB Refunding Bonds.

Proprietary Fund:

Internal Service Funds - These funds are used to account for self insured employee dental and medical costs and related stop loss insurance and retiree benefits and OPEB obligations.

D. Deposits and Investments

The District's total deposits and investments are comprised of two major components, each with its own set of legal and contractual provisions as described on the following page.

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

All governmental, fiduciary, and proprietary funds of the District, except for the OPEB Fund, participate in a government-wide investment pool. Cash balances from these funds are combined and invested to the extent available in authorized investments. Earnings from such investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. The investment pool of the District functions essentially as a demand account for all participating funds. All highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents. State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and the State Investment Pool. Investments are stated at fair value.

The District's cash and cash equivalents in its OPEB Internal Service Fund are considered to be cash on hand, deposits, and highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition. For all other proprietary funds, the District maintains an internal investment pool; each fund's position in this pool is considered a cash equivalent.

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

In accordance with GASB Statement No. 79, the various MSDLAF and MNTrust securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF or MNTrust. Investments in the MSDLAF MAX must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions. MSDLAF+ Term investments have a maturity of 60 days to one year and early withdrawal may result in substantial early redemption penalties. Seven days' notice of redemption is required for withdrawals of investments in the MNTrust Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

Interest is allocated among the funds based on the monthly cash balance.

E. Property Tax Receivable

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

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Property Taxes Levied for Subsequent Year's Expenditures

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

G. Inventories

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

H. Prepaid Items

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

I. Property Taxes

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

October 15. Delinquent collections for November and December are received the following January.

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

J. Capital Assets

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

Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000, or groups of assets more than \$50,000 and an estimated useful life in excess of one year. Such assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 50 years for buildings and building improvements and 3 to 20 years for furniture and equipment.

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

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

K. Lease Receivable

The District is a lessor for numerous noncancellable leases. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the District measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date.

Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term in a systematic and rational manner.

Key estimates and judgments include how the District determines (1) the discount rate, (2) lease term, and (3) lease receipts.

The District determines the discount rate for leases based on the applicable State and Local Government Securities (SLGS) rate. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

The District recorded right-to-use lease assets as a result of implementing GASB Statement No. 87, Leases. The right-to-use lease assets are initially measured at an amount equal to the initial measurement of the lease liability plus any payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease. The District has established a threshold of \$7,000 for recording right-to-use lease assets.

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

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

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

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Subscription-Based Information Technology Arrangements

The District recorded subscription assets as a result of implementing GASB Statement No. 96, Subscription-based information technology arrangements. The subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any payments made prior to the subscription term, less subscription incentives, and plus ancillary charges necessary to place the subscription into service. The subscription assets are amortized on a straight-line basis over the life of the related subscription. The District has established a threshold of \$7,000 for recording subscription assets.

Key estimates and judgments related to leases include (1) the discount rate, (2) subscription term, (3) subscription payments, and (4) amortization.

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

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

N. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has three items that qualify for reporting in this category. A deferred charge on refunding, deferred outflows of resources related to pensions, and deferred outflows of resources related to OPEB are reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years. Deferred outflows of resources related to OPEB is recorded for various estimate differences that will be amortized and recognized over future years.

**Independent School District No. 271
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Deferred Outflows/Inflows of Resources (Continued)

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

O. Long-Term Obligations

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

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

P. Compensated Absences

The District compensates most full-time classified employees upon termination of employment for unused vacation up to a set maximum. At June 30, 2024, the District recorded a liability of \$1,784,931 for unused vacation in the Internal Service Fund. District employees are entitled to sick leave at various rates for each month of full-time service. Certain employees are compensated for unused sick leave upon termination of employment; unused sick leave also enters into the calculation of some employee's severance pay.

**Independent School District No. 271
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Pensions

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

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

R. Fund Equity

1. Classification

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- ◆ Nonspendable Fund Balances - These are amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact and include inventory and prepaid items.
- ◆ Restricted Fund Balances - These are amounts that are restricted to specific purposes either by constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through enabling legislation.
- ◆ Committed Fund Balances - These are amounts that can only be used for specific purposes pursuant to constraints imposed by the School Board (highest level of decision-making authority) through resolution.
- ◆ Assigned Fund Balances - The School Board delegates to the Superintendent, the authority to assign fund balances for specific purposes.
- ◆ Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose in the General Fund.

If resources from more than one fund balance classification could be spent, the school will follow the approved district plan for each of the areas. If there is no plan, the District will strive to spend resources from fund balance classifications in the following order: restricted, committed, assigned, and unassigned.

**Independent School District No. 271
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Fund Equity (Continued)

2. Minimum Fund Balance Policy

The District will strive to maintain a General Fund unassigned minimum fund balance of 4.5% of General Fund operating expenditures. When the District is projected to drop below its minimum fund balance, District administration shall initiate measures to either generate additional revenue or to reduce expenditures through a budget reduction plan, or a combination of both.

S. Net Position

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

T. Use of Estimates

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

U. Budgetary Information

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits

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

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

Custodial Credit Risk - Deposits: The District has a policy in place to address custodial credit risk for deposits, stating all deposits will be invested at financial institutions that are members of the Federal Deposit Insurance Corporation (FDIC) system and be willing and capable of posting collateral, private insurance, or letters of credit for funds in excess of FDIC insurable limits and in amounts required by the District. The District had certificates of deposit totaling \$25,805,006 at June 30, 2024 that were covered by FDIC insurance or collateral pledged.

B. Investments

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

Investment	Weighted Average Maturities (in Years)	Fair Value	Moody's/ S&P Rating
Pooled Investments			
MSDLAF+ Liquid Class	N/A	\$ 1,703,003	AAAm
MSDLAF+ Max Class	N/A	1,048,621	AAAm
Minnesota Trust Investment Shares	N/A	36,512,351	AAAm
U.S. Treasury Notes	1.55	8,088,014	AAAm
Term Series	2.14	44,959,398	AAAm
Limited Term Series	N/A	5,692,000	AAAm
Total pooled investments		98,003,387	
OPEB Investments			
Minnesota Trust Investment Shares	N/A	4,410,626	AAAm
U.S. Treasury Notes	1.41	2,612,428	AAAm
Local Government Obligations	0.95	4,756,477	AAA, AA
Total OPEB investments		11,779,531	
Capital Project Investments			
Minnesota Trust Investment Shares	N/A	9,453,165	AAAm
Local Government Obligations	0.28	3,242,696	AA, Aaa
Term Series	0.46	4,000,000	AAAm
Total capital projects investments		16,695,861	
Total investments		\$ 126,478,779	

Interest Rate Risk: The District's investment policy states investments will be managed in a manner to attain market rate of return through various economic and budgetary cycles while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

Credit Risk: The District's policy states it may invest in any type of security allowed by *Minnesota Statutes* with limits. In addition, commercial paper must be rated at the highest classifications by two of the four nationally recognized rating services.

**Independent School District No. 271
Notes to Basic Financial Statements**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Concentration of Credit Risk: The District's investment policy states investments shall be diversified by limiting investments to avoid over concentration in securities from a specific issuer or business sector, limiting investments in securities that have higher credit risks, investing in securities with varying maturities and continuously investing a portion of the portfolio in readily available funds to ensure appropriate liquidity is maintained in order to meet ongoing obligations. The policy does not state the maximum percentage of the District's investment portfolio that may be invested in a single type of investment instrument.

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

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

- ◆ Investments of \$25,373,971 are significant other observable inputs (Level 2 inputs)

C. Deposits and Investments

Summary of cash, deposits, and investments as of June 30, 2024:

Deposits	\$ 25,805,006
Investments (Note 3.B.)	126,478,779
Petty cash	<u>1,500</u>
 Total deposits and investments	 <u><u>\$ 152,285,285</u></u>

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

Statement of Net Position	
Cash and investments	<u><u>\$ 152,285,285</u></u>

NOTE 3 - INTERFUND TRANSACTIONS

A. Interfund Transfers

Transfers of \$406,114 were made from the General Fund to the other nonmajor funds to subsidize certain costs for the Community Service Fund.

**Independent School District No. 271
Notes to Basic Financial Statements**

NOTE 3 - INTERFUND TRANSACTIONS (CONTINUED)

B. Interfund Receivable/Payable

	Interfund Payable		
	General	Other Nonmajor	Total
Interfund receivable			
Internal service fund	\$ 3,149,144	\$ 224,562	\$ 3,373,706

An interfund receivable/payable was established to present July and August dental and health insurance premiums withheld and owed to the Internal Service Funds.

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 4 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land and land improvements	\$ 2,085,954	\$ -	\$ -	\$ 2,085,954
Construction in progress	2,530,801	5,407,601	2,530,801	5,407,601
Total capital assets not being depreciated	<u>4,616,755</u>	<u>5,407,601</u>	<u>2,530,801</u>	<u>7,493,555</u>
Capital assets being depreciated and amortized				
Buildings and building improvements	293,685,479	11,111,832	-	304,797,311
Leased building	11,618,151	-	-	11,618,151
Furniture and equipment	16,202,703	5,119,100	850,643	20,471,160
Leased equipment	165,412	-	34,439	130,973
Subscription assets	1,473,328	164,418	393,352	1,244,394
Total capital assets being depreciated	<u>323,145,073</u>	<u>16,395,350</u>	<u>1,278,434</u>	<u>338,261,989</u>
Less accumulated depreciation and amortization for				
Buildings and building improvements	173,655,904	9,045,737	-	182,701,641
Leased building	2,212,981	1,106,491	-	3,319,472
Furniture and equipment	12,681,754	4,459,655	850,643	16,290,766
Leased equipment	70,248	39,659	34,439	75,468
Subscription assets	373,686	378,094	393,352	358,428
Total accumulated depreciation/amortization	<u>188,994,573</u>	<u>15,029,636</u>	<u>1,278,434</u>	<u>202,745,775</u>
Total capital assets being depreciated and amortized, net	<u>134,150,500</u>	<u>1,365,714</u>	<u>-</u>	<u>135,516,214</u>
Governmental activities, capital assets, net	<u>\$ 138,767,255</u>	<u>\$ 6,773,315</u>	<u>\$ 2,530,801</u>	<u>\$ 143,009,769</u>

**Independent School District No. 271
Notes to Basic Financial Statements**

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation/amortization expense for the year ended June 30, 2024, was charged to the following functions:

Administration	\$	1,282
District Support Services		47,124
Elementary and Secondary Regular Instruction		48,170
Special Education Instruction		27,831
Community Service		15,910
Instructional Support		88,345
Pupil Support		1,722,702
Food Service		8,761
Unallocated		13,069,511
		\$ 15,029,636
Total depreciation/amortization expense		\$ 15,029,636

NOTE 5 - LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities						
G.O. Bonds including						
Refunding bonds						
2013A Alternative Facilities Bonds	06/04/13	3.00%-5.00%	\$ 16,275,000	02/01/34	\$ 16,175,000	\$ -
2014B Alternative Facilities Bonds	12/30/14	3.125% - 3.50%	25,965,000	02/01/38	25,965,000	-
2017A Facility Maintenance Bonds	03/23/17	3.375-4.00%	24,915,000	02/01/41	24,915,000	-
2017B Taxable Refunding OPEB Bonds	03/23/17	0.85-2.70%	11,470,000	02/01/25	4,390,000	4,390,000
2019A Facility Maintenance Bonds	03/14/19	3.00-5.00%	23,935,000	02/01/42	23,935,000	-
2020A Facility Maintenance Bonds	09/03/20	1.00-2.00%	23,935,000	02/01/33	26,855,000	3,540,000
2022A Facility Maintenance Bonds	12/29/22	4.00-5.00%	23,480,000	02/01/34	23,480,000	1,435,000
Total G.O. Bonds					145,715,000	9,365,000
Unamortized bond premiums					4,466,525	-
Other long-term liabilities						
Lease liability					9,037,915	1,009,328
Subscription liability					118,914	39,420
Compensated absences payable					1,768,494	176,848
Severance payable					295,347	29,535
Total long-term liabilities					\$ 161,402,195	\$ 10,620,131

**Independent School District No. 271
Notes to Basic Financial Statements**

NOTE 5 - LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Liabilities (Continued)

The long-term bond liabilities listed above were issued to finance the acquisition, construction, and refurbishing of School facilities, purchase capital assets, refinance (refund) previous bond issues or to finance the District's OPEB obligation.

The District entered into lease and subscription agreements for buildings and equipment. The agreements include annual principal and interest payments that are shown below. The interest and discount rate for leases and subscriptions range from 3.0% to 7.74%.

Bonds will be retired with assets from the Debt Service Funds while the compensated absences and severance liabilities will be liquidated by the General and Internal Service Funds. Lease liabilities will be retired with assets from the General Fund and Community Service Fund.

B. Minimum Debt Payments for Bonds, Leases, and Subscriptions

Year Ending June 30,	G.O. Bonds			Lease Liability		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 9,365,000	\$ 4,863,749	\$ 14,228,749	\$ 1,009,328	\$ 259,943	\$ 1,269,271
2026	7,740,000	4,602,669	12,342,669	1,063,383	227,661	1,291,044
2027	7,275,000	4,335,669	11,610,669	1,121,447	194,114	1,315,561
2028	8,010,000	4,083,069	12,093,069	1,177,198	159,335	1,336,533
2029	8,025,000	3,807,869	11,832,869	1,244,584	123,098	1,367,682
2030-2034	51,515,000	14,684,675	66,199,675	3,421,975	135,476	3,557,451
2035-2039	37,205,000	6,953,190	44,158,190	-	-	-
2040-2042	16,580,000	930,975	17,510,975	-	-	-
Total	<u>\$ 145,715,000</u>	<u>\$ 44,261,865</u>	<u>\$ 189,976,865</u>	<u>\$ 9,037,915</u>	<u>\$ 1,099,627</u>	<u>\$ 10,137,542</u>

Year Ending June 30,	Subscription Liability		
	Principal	Interest	Total
2025	\$ 39,420	\$ 6,084	\$ 45,504
2026	41,437	4,067	45,504
2027	38,057	1,947	40,004
Total	<u>\$ 118,914</u>	<u>\$ 12,098</u>	<u>\$ 131,012</u>

**Independent School District No. 271
Notes to Basic Financial Statements**

NOTE 5 - LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. Bonds	\$ 155,105,000	\$ -	\$ 9,390,000	\$ 145,715,000
Unamortized bond premiums	5,716,027	-	1,249,502	4,466,525
Lease liability	10,001,103	-	963,188	9,037,915
Subscription liability	-	163,109	44,195	118,914
Compensated absence payable	1,726,785	1,332,690	1,290,981	1,768,494
Severance benefits payable	296,232	-	885	295,347
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total long-term liabilities	<u>\$ 172,845,147</u>	<u>\$ 1,495,799</u>	<u>\$ 12,938,751</u>	<u>\$ 161,402,195</u>

NOTE 6 - FUND BALANCES

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

Fund Equity

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

A. Restricted/Reserved Fund Equity

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

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

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

Restricted/Reserved for Capital Projects Levy - This balance represents available resources from the capital projects levy to be used for building construction. All interest income attributable to the capital projects levy must be credited to this account.

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

**Independent School District No. 271
Notes to Basic Financial Statements**

NOTE 6 - FUND BALANCES (CONTINUED)

A. Restricted/Reserved Fund Equity (Continued)

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

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

Restricted/Reserved for State Approved Alternative Programs - Per *Minnesota Statutes* § 123.05, subd. 2, each district that is a member of a state approved alternative learning program must restrict/reserve revenue in an amount equal to the sum of (1) at least 90 and no more than 100 percent of the district average General Education Revenue per adjusted pupil unit minus an amount equal to the product of the formula allowance according to section 126.10 subd. 2, times .0466, calculated without basic skills revenue, local optional revenue, and transportation sparsity revenue, times the number of pupil units attending a state-approved public alternative program, plus (2) the amount of basic skills revenue generated by pupils attending the alternative learning program.

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

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

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

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

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

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

Restricted/Reserved for School Readiness - This balance represents the resources available to provide for services for school readiness programs (*Minnesota Statutes* § 124D.16).

B. Committed Fund Equity

Committed for Wellness - This balance represents resources committed for employee wellness programs.

Committed for Uniform and Instrument Replacement - This balance represents resources committed to purchase high school uniforms and future instrument replacement.

**Independent School District No. 271
Notes to Basic Financial Statements**

NOTE 6 - FUND BALANCES (CONTINUED)

B. Committed Fund Equity (Continued)

Committed for Program Shortfalls - This balance represents unspent grant revenue set aside from general revenue for program shortfalls.

Committed for Athletic Activities - This balance represents unspent athletic and activities dollars to differentiate between athletics and activities and K-12 operating funding.

Committed for Middle School Athletics - This balance represents unspent athletic and activities dollars to differentiate between middle school athletics and activities and K-12 operating funding.

Committed for Site Department Carryover Funds - This balance represents resources committed for budget carryovers from the prior year.

Committed for Donations - This balance represents unspent donations set aside from general revenue.

C. Government-Wide Restrictions

Net position restricted for "Other Purposes" are comprised of the total General Fund restricted fund balances, the Food Service Fund and Community Service Fund balances.

NOTE 7 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE

The District participates in various pension plans. Total pension expense for the year ended June 30, 2023, was \$4,039,385. The components of pension expense are noted in the following plan summaries.

The General Fund typically liquidates the Liability related to the pensions.

Teachers' Retirement Association

A. Plan Description

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

B. Benefits Provided

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

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.

**Independent School District No. 271
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age, and a formula multiplier based on years of credit at termination of service.

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

Tier 1 Benefits

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

With these provisions:

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

Or

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

Tier II Benefits

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

**Independent School District No. 271
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier II Benefits (Continued)

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

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

C. Contribution Rate

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

	<u>June 30, 2022</u>		<u>June 30, 2023</u>		<u>June 30, 2024</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
Basic	11.0 %	12.34 %	11.0 %	12.55 %	11.3 %	12.75 %
Coordinated	7.5	8.34	7.5	8.55	7.8	8.75

**Independent School District No. 271
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

C. Contribution Rate (Continued)

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

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

Amounts reported in the allocation schedules may not precisely agree with basic 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.

**Independent School District No. 271
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Valuation date	July 1, 2023
Measurement date	June 30, 2023
Experience study	June 28, 2019 (demographic and economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% after June 30, 2028.
Projected salary increase	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% after June 30, 2028.
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

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 projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

**Independent School District No. 271
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

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

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

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

Changes in actuarial assumptions since the 2022 valuation:

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

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

The 2024 Omnibus Pensions and Retirement Bill:

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

**Independent School District No. 271
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

E. Discount Rate

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

F. Net Pension Liability

On June 30, 2024, the District reported a liability of \$110,757,245 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 1.3415% at the end of the measurement period and 1.3269% 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	\$ 110,757,245
State's proportionate share of the net pension liability associated with the District	7,758,550

For the year ended June 30, 2024, the District recognized pension expense of \$4,039,385. Included in this amount, the District recognized \$1,092,465 as pension expense for the support provided by direct aid.

**Independent School District No. 271
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,093,995	\$ 1,597,196
Net difference between projected and actual earnings on plan investments	133,896	-
Changes in assumptions	12,488,050	-
Changes in proportion	2,245,423	1,551,509
District's contributions to TRA subsequent to the measurement date	7,914,477	-
Total	\$ 23,875,841	\$ 3,148,705

The \$7,914,477 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

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

Year Ending June 30,	Pension Expense Amount
2025	\$ 1,773,076
2026	(249,365)
2027	12,251,250
2028	(954,463)
2029	(7,839)
Total	\$ 12,812,659

**Independent School District No. 271
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

G. Pension Liability Sensitivity

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

District Proportionate Share of NPL		
1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
\$ 176,649,659	\$ 110,757,245	\$ 56,816,281

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

H. Pension Plan Fiduciary Net Position

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

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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

B. Benefits Provided

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

**Independent School District No. 271
Notes to Basic Financial Statements**

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

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

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

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

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2024 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2024, were \$2,653,406. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2024, the District reported a liability of \$22,747,800 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$627,057.

**Independent School District No. 271
Notes to Basic Financial Statements**

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.4068% at the end of the measurement period and 0.4094% for the beginning of the period.

District's proportionate share of net pension liability	\$ 22,747,800
State's proportionate share of the net pension liability associated with the District	<u>627,057</u>
Total	<u><u>\$ 23,374,857</u></u>

For the year ended June 30, 2024, the District recognized pension expense of \$3,387,059 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized \$2,818 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 748,190	\$ 145,451
Changes in actuarial assumptions	3,429,695	6,234,979
Net collective difference between projected and actual investments earnings	-	190,082
Change in proportion	679,002	753,986
Contributions paid to PERA subsequent to the measurement date	<u>2,653,406</u>	<u>-</u>
Total	<u><u>\$ 7,510,293</u></u>	<u><u>\$ 7,324,498</u></u>

**Independent School District No. 271
Notes to Basic Financial Statements**

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

The \$2,653.406 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Expense Amount</u>
2025	\$ 334,713
2026	(2,807,100)
2027	498,253
2028	<u>(493,477)</u>
Total	<u><u>\$ (2,467,611)</u></u>

E. Long-Term Expected Return on Investment

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

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

**Independent School District No. 271
Notes to Basic Financial Statements**

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

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.5%. 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 7.5% 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.

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

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

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

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

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

G. Discount Rate

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

**Independent School District No. 271
Notes to Basic Financial Statements**

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

Public Employees' Retirement Association (Continued)

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
District's proportionate share of the PERA net pension liability	\$ 40,242,686	\$ 22,747,800	\$ 8,357,592

I. Pension Plan Fiduciary Net Position

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

NOTE 8 - POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

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

B. Benefits Provided

The District provides benefits to certain employees and retirees based on different bargaining groups. The General Fund, Food Service Fund, and Community Service Fund typically liquidate the Liability related to OPEB.

C. Contributions

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with Corporate Health. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2024, the District contributed \$552,758 to the plan.

**Independent School District No. 271
Notes to Basic Financial Statements**

NOTE 8 - POST EMPLOYMENT HEALTH CARE PLAN

D. Members

As of June 30, 2022, the following were covered by the benefit terms:

Active employees electing coverage	1,363
Active employees waiving coverage	369
Retirees electing coverage	25
Total	1,757

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Discount Rate	3.86%
Expected Return	n/a
Inflation	2.50%
Healthcare cost trend increases	6.8% initially, decreasing over several decades to an ultimate rate of 3.9% in FY2076 and later years
Mortality Assumption	RP-2014 mortality tables with projected mortality improvements based on Scale MP-2015 and other adjustments (Teachers). RP-2010 mortality tables with projected mortality improvements based on Scale MP-2021 and other adjustments (Non-Teachers).

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2021 through June 30, 2022.

Actuary's assumption changes

- ◆ The discount rate was changed from 3.69% to 3.86% based on the index rate for 20-year, tax-exempt municipal bonds.

F. Total OPEB Liability

The District's total OPEB liability of \$9,124,880 was measured as of June 30, 2023, and was determined by an actuarial valuation as of June 30, 2022.

**Independent School District No. 271
Notes to Basic Financial Statements**

NOTE 8 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

Changes in the total OPEB liability are as follows:

	<u>Total OPEB Liability</u>
Balances at June 30, 2023	<u>\$ 8,826,263</u>
Changes for the year	
Service cost	596,169
Interest	337,489
Differences between expected and actual economic experience	11,087
Changes in assumptions	(93,370)
Benefit payments	(552,758)
Net changes	<u>298,617</u>
Balances at June 30, 2024	<u><u>\$ 9,124,880</u></u>

G. OPEB Liability Sensitivity

The following presents the District's total OPEB liability calculated using the discount rate of 3.86% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	<u>1% Decrease in Discount Rate (2.86%)</u>	<u>Current Discount Rate (3.86%)</u>	<u>1% Increase in Discount Rate (4.86%)</u>
Total OPEB liability (asset)	\$ 9,677,992	\$ 9,124,880	\$ 8,583,685

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

	<u>1% Decrease in Trend Rate (5.7% Decreasing to 2.8%)</u>	<u>Current Trend Rate (6.7% Decreasing to 3.8%)</u>	<u>1% Increase in Trend Rate (7.7% Decreasing to 4.8%)</u>
Total OPEB liability (asset)	\$ 8,378,199	\$ 9,124,880	\$ 10,002,603

**Independent School District No. 271
Notes to Basic Financial Statements**

NOTE 8 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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

For the year ended June 30, 2024, the District recognized OPEB expense of \$227,923. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net collective difference between projected and actual earnings on OPEB plan investments	\$ -	\$ -
Differences between expected and actual liability	9,773	1,481,169
Changes of assumptions	338,722	2,235,711
Contributions made subsequent to measurement date	492,261	-
Total	\$ 840,756	\$ 3,716,880

The \$492,261 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	Total
2025	\$ (705,735)
2026	(705,738)
2027	(596,435)
2028	(557,621)
2029	(427,065)
Thereafter	(375,791)
Total	\$ (3,368,385)

**Independent School District No. 271
Notes to Basic Financial Statements**

NOTE 9 - CONTINGENCIES

Program Compliance

Federal and state program activities are subject to financial and compliance regulation. To the extent any expenditures are disallowed, or other compliance features are not met, a liability to the respective grantor agencies could result.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance to address these risks. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in insurance coverage from the past year.

On July 1, 1993, the District began to self-insure for dental insurance. Under this program, the fund provides up to a maximum of \$1,200 for each dental care claim. The General, Food Service, Community Service, and Agency Funds of the District participate in the program and make payments to the Dental Insurance Internal Service Fund. Based on the requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the basic financial statements indicates that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss can be reasonably estimated.

Payments are made based on actuarial estimates of the amounts needed to pay claims. The Dental Insurance Internal Service Fund includes a reserve of \$712,372 for catastrophe losses. The total claims liability reported in the Fund at June 30, 2024, is \$24,381 and include amounts for known claims and for estimated incurred but not reported claims. These estimates are determined based on the probability that a loss has occurred, and the amount of the loss can be reasonably estimated.

Changes in the Fund's claims liability amounts for the past three years were as follows:

	Balance Beginning of Year	Claims, Expense, and Estimates	Claims Payments	Balance End of Year
2021-2022	\$ 47,993	\$ 1,286,038	\$ (1,311,909)	\$ 22,122
2022-2023	22,122	1,371,635	(1,366,230)	27,527
2023-2024	27,527	1,506,349	(1,509,495)	24,381

During 2010, the District began to self-insure for health benefits. A stop-loss policy was purchased that limits the District's loss to \$200,000 at which point the reinsurance coverage is available. The District also has aggregate stop-loss coverage in place which limits the District's liability to 125% of the prior year's claims. Settled claims have not exceeded this commercial coverage in any of the past three years.

**Independent School District No. 271
Notes to Basic Financial Statements**

NOTE 10 - RISK MANAGEMENT (CONTINUED)

The General, Food Service, Community Service, and Agency Funds of the District participate in the program and make payments to the Self-Insured Medical Benefits Internal Service Fund. Based on the requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the basic financial statements indicates that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss can be reasonably estimated. Participants in the program make premium payments to the fund based on the insurance premium. The Self-Insured Medical Benefits Internal Service Fund does not include a reserve for catastrophe losses. The total claims liability reported in the Fund at June 30, 2024, is \$4,300,000 and includes amounts for known claims and for estimated incurred but not reported claims. These estimates are determined based on the probability that a loss has occurred, and the amount of the loss can be reasonably estimated.

Changes in the Fund's claims liability amounts for the past three years were as follows:

	Balance, Beginning of Year	Claims, Expense and Estimates	Claims Payments	Balance, End of Year
2021-2022	\$ 1,760,000	\$ 23,520,715	\$ (22,930,715)	\$ 2,350,000
2022-2023	2,350,000	24,123,854	(23,831,506)	2,642,348
2023-2024	2,642,348	28,933,494	(27,275,842)	4,300,000

NOTE 11 - COMMITMENTS

At June 30, 2024, the District had various construction contract commitments for projects outstanding totaling \$5,744,289 that are expected to be paid from the Capital Projects Fund.

NOTE 12 - SUBSEQUENT EVENT

On October 28, 2024, the District approved the award of the sale of General Obligation Facilities Maintenance and Capital Facilities Bonds, Series 2024A in the amount of \$34,670,000. Approximately \$27,100,000 of the Series 2024A Bonds will be used to finance various deferred facilities maintenance projects at District facilities with the remaining portion of approximately \$7,570,000 being used to finance certain capital improvements at the District's outdoor athletic facilities.

(THIS PAGE LEFT BLANK INTENTIONALLY)

REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 271
Schedule of Changes in Total OPEB Liability
and Related Ratios

	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>
Total OPEB Liability				
Service cost	\$ 1,004,898	\$ 968,403	\$ 807,734	\$ 919,388
Interest	341,865	428,159	424,983	400,494
Differences between expected and actual experience	-	(437,742)	-	(823,816)
Changes of assumptions	(429,969)	(586,402)	337,784	(2,320,033)
Benefit payments	(902,286)	(590,516)	(611,558)	(641,854)
Net change in total OPEB liability	<u>14,508</u>	<u>(218,098)</u>	<u>958,943</u>	<u>(2,465,821)</u>
Beginning of year	<u>11,441,509</u>	<u>11,456,017</u>	<u>11,237,919</u>	<u>12,196,862</u>
End of year	<u>\$ 11,456,017</u>	<u>\$ 11,237,919</u>	<u>\$ 12,196,862</u>	<u>\$ 9,731,041</u>
Covered payroll	\$ 87,324,967	\$ 95,356,875	\$ 96,344,843	\$ 96,512,871
Total OPEB liability as a percentage of covered-employee payroll	13.1%	11.8%	12.7%	10.1%

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

<u>June 30, 2022</u>	<u>June 30, 2023</u>	<u>June 30, 2024</u>
\$ 749,348	\$ 834,281	\$ 596,169
248,979	209,479	337,489
(33,909)	(1,160,783)	11,087
307,130	(842,286)	(93,370)
(635,994)	(581,023)	(552,758)
<u>635,554</u>	<u>(1,540,332)</u>	<u>298,617</u>
<u>9,731,041</u>	<u>10,366,595</u>	<u>8,826,263</u>
<u>\$ 10,366,595</u>	<u>\$ 8,826,263</u>	<u>\$ 9,124,880</u>
\$ 100,979,066	\$ 114,892,187	\$ 120,400,555
10.3%	7.7%	7.6%

Independent School District No. 271
Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.4741%	\$ 22,270,843	\$ -	\$ 22,270,843	\$ 24,890,469	89.5%	78.7%
2016	0.4521%	23,430,168	-	23,430,168	26,129,960	89.7%	78.2%
2017	0.4216%	34,231,829	447,074	34,678,903	26,160,187	132.6%	68.9%
2018	0.4075%	26,014,531	327,077	26,341,608	26,249,387	100.4%	75.9%
2019	0.3912%	21,702,172	711,813	22,413,985	26,290,387	85.3%	79.5%
2020	0.4024%	22,247,795	691,470	22,939,265	28,479,147	80.5%	80.2%
2021	0.4176%	25,037,028	772,094	25,809,122	29,783,587	86.7%	79.1%
2022	0.3776%	16,125,212	492,391	16,617,603	27,612,107	60.2%	87.0%
2023	0.4094%	32,424,615	950,587	33,375,202	30,667,627	108.8%	76.7%
2024	0.4068%	22,747,800	627,057	23,374,857	32,348,987	72.3%	83.1%

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

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	1.3465%	\$ 62,045,751	\$ 4,364,762	\$ 66,410,513	\$ 61,461,929	100.9%	81.5%
2016	1.3409%	82,947,927	10,174,529	93,122,456	68,056,160	121.9%	76.8%
2017	1.2585%	300,182,278	30,130,021	330,312,299	65,462,973	458.6%	44.9%
2018	1.2555%	250,620,575	24,227,300	274,847,875	67,587,093	370.8%	51.6%
2019	1.3098%	82,268,864	7,729,497	89,998,361	72,366,120	113.7%	78.1%
2020	1.3294%	84,736,235	7,498,653	92,234,888	75,471,855	112.3%	78.2%
2021	1.3403%	99,023,160	8,298,307	107,321,467	77,886,376	127.1%	75.5%
2022	1.2983%	56,817,490	4,791,928	61,609,418	78,156,384	72.7%	86.6%
2023	1.3269%	106,251,133	7,879,574	114,130,707	82,020,767	129.5%	76.2%
2024	1.3415%	110,757,245	7,758,550	118,515,795	85,296,257	129.9%	76.4%

**Independent School District No. 271
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years**

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 1,959,747	\$ 1,959,747	\$ -	\$ 26,129,960	7.50%
2016	1,962,014	1,962,014	-	26,160,187	7.50%
2017	1,968,704	1,968,704	-	26,249,387	7.50%
2018	1,971,779	1,971,779	-	26,290,387	7.50%
2019	2,135,936	2,135,936	-	28,479,147	7.50%
2020	2,233,769	2,233,769	-	29,783,587	7.50%
2021	2,070,908	2,070,908	-	27,612,107	7.50%
2022	2,300,072	2,300,072	-	30,667,627	7.50%
2023	2,426,174	2,426,174	-	32,348,987	7.50%
2024	2,653,406	2,653,406	-	35,378,747	7.50%

**Schedule of District Contributions
TRA Retirement Fund
Last Ten Years**

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 5,104,212	\$ 5,104,212	\$ -	\$ 68,056,160	7.50%
2016	4,909,723	4,909,723	-	65,462,973	7.50%
2017	5,069,032	5,069,032	-	67,587,093	7.50%
2018	5,427,459	5,427,459	-	72,366,120	7.50%
2019	5,818,880	5,818,880	-	75,471,855	7.71%
2020	6,168,601	6,168,601	-	77,886,376	7.92%
2021	6,354,114	6,354,114	-	78,156,384	8.13%
2022	6,840,532	6,840,532	-	82,020,767	8.34%
2023	7,292,830	7,292,830	-	85,296,257	8.55%
2024	7,914,477	7,914,477	-	90,451,166	8.75%

Independent School District No. 271
Notes to the Required Supplementary Information

TRA Retirement Fund

2023 Changes

Changes of Benefit Terms

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

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

The 2024 Omnibus Pensions and Retirement Bill:

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

2022 Changes

Changes in Actuarial Assumptions

- ◆ None

2021 Changes

Changes in Actuarial Assumptions

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

2020 Changes

Changes in Actuarial Assumptions

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

2019 Changes

Changes in Actuarial Assumptions

- ◆ None

2018 Changes

Changes in Actuarial Assumptions

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

Independent School District No. 271
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2018 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- ◆ Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- ◆ Augmentation on deferred benefits will be reduced to 0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- ◆ The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes

Changes in Actuarial Assumptions

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

2016 Changes

Changes in Actuarial Assumptions

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

Independent School District No. 271
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2016 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

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

2015 Changes

Changes of Benefit Terms

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

Changes in Actuarial Assumptions

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

Independent School District No. 271
Notes to the Required Supplementary Information

General Employees Fund

2023 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- ◆ There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

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

Independent School District No. 271
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2020 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

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

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

- ◆ The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.

Independent School District No. 271
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

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

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- ◆ There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Independent School District No. 271
Notes to the Required Supplementary Information

Post Employment Health Care Plan

No assets are acclimated in a trust.

2024 Changes

- ◆ The discount rate was changed from 3.69% to 3.86% based on updated 20-year municipal bond rates.

2023 Changes

- ◆ The discount rate was changed from 1.92% to 3.69% based on the index rate for 20-year, tax-exempt municipal bonds.
- ◆ Healthcare trend rates were reset to reflect updated cost increase expectations.
- ◆ Medical per capita claims costs were updated to reflect recent experience.
- ◆ Mortality rates were updated from the rates used in the July 1, 2020, PERA General Employees Plan to the rates used in the July 1, 2022, valuation.
- ◆ The inflation assumption was changed from 2.25% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

2022 Changes

- ◆ The discount rate was changed from 2.45% to 1.92% based on updated 20-year municipal bond rates.

2021 Changes

- ◆ The discount rate was changed from 3.13% to 2.45% based on updated 20-year municipal bond rates.
- ◆ Healthcare trend rates were reset to reflect updated cost increase expectations, including the repeal of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- ◆ Medical per capita claims costs were updated to reflect recent experience and new plan offerings, including an adjustment to reflect age/gender based risk scores published by the Society of Actuaries.
- ◆ Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the 7/1/2018 PERA General Employees Plan and 7/1/2018 Teachers Retirement Association valuations to the rates used in the 7/1/2020 valuations.
- ◆ The percent of future retirees eligible for a flat-dollar medical explicit subsidy assumed to elect coverage at retirement changed from 50% to 40% to reflect recent plan experience.
- ◆ The percent of future retirees not eligible for a medical explicit subsidy assumed to elect coverage at retirement changed from 10% to 5% to reflect recent plan experience.
- ◆ The percent of future retirees assumed to elect spouse coverage at retirement changed from 40% to 30% to reflect recent plan experience.
- ◆ The inflation assumption was changed from 2.50% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.

2020 Changes

- ◆ The discount rate was changed from 3.13% to 2.45% based on updated 20-year municipal bond rates.
- ◆ Healthcare trend rates were reset to reflect updated cost increase expectations, including the repeal of the Affordable Care Act's Excise Tax on high-cost health insurance plans.

Independent School District No. 271
Notes to the Required Supplementary Information

Post Employment Health Care Plan (Continued)

2020 Changes (Continued)

- ◆ Medical per capita claims costs were updated to reflect recent experience and new plan offerings, including an adjustment to reflect age/gender based risk scores published by the Society of Actuaries.
- ◆ Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the 7/1/2018 PERA General Employees Plan and 7/1/2018 Teachers Retirement Association valuations to the rates used in the 7/1/2020 valuations.
- ◆ The percent of future retirees eligible for a flat-dollar medical explicit subsidy assumed to elect coverage at retirement changed from 50% to 40% to reflect recent plan experience.
- ◆ The percent of future retirees not eligible for a medical explicit subsidy assumed to elect coverage at retirement changed from 10% to 5% to reflect recent plan experience.
- ◆ The percent of future retirees assumed to elect spouse coverage at retirement changed from 40% to 30% to reflect recent plan experience.
- ◆ The inflation assumption was changed from 2.50% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.

2019 Changes

- ◆ The discount rate decreased from 3.62% in 2018 to 3.13% in 2019 based on updated 20-year municipal bond rates.

2018 Changes

- ◆ Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- ◆ Medical per capita claims costs were updated to reflect recent experience.
- ◆ Mortality and salary increase rates were updated from the rates used in the 7/1/2015 PERA General Employees Retirement Plan and 7/1/2015 Teachers Retirement Association valuations to the rates used in the 7/1/2018 valuations.
- ◆ The percent of future retirees not eligible for a direct subsidy assumed to elect coverage at retirement changed from 20% to 10% to reflect recent plan experience.
- ◆ The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.
- ◆ The discount rate used to measure the total OPEB liability was 3.62% based on updated 20-year municipal bond rates.

2017 Changes

- ◆ Changes of assumption and other inputs reflect a change in the discount rate from 2.85% in 2016 to 3.53% in 2017.

(THIS PAGE LEFT BLANK INTENTIONALLY)

SUPPLEMENTARY INFORMATION

Independent School District No. 271
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2024

	Special Revenue Funds			OPEB Debt Service	Total Nonmajor Funds
	Food Service	Community Service	Total		
Assets					
Cash and investments	\$ 4,729,193	\$ 6,855,923	\$ 11,585,116	\$ 2,674,158	\$ 14,259,274
Current property taxes receivable	-	1,084,447	1,084,447	2,417,592	3,502,039
Delinquent property taxes receivable	-	38,728	38,728	157,840	196,568
Accounts receivable	3,418	5,917	9,335	-	9,335
Due from Department of Education	-	395,636	395,636	1	395,637
Due from Federal Government through Department of Education	61,497	327,039	388,536	-	388,536
Inventory	65,006	-	65,006	-	65,006
Prepaid items	480	64,456	64,936	-	64,936
Total assets	\$ 4,859,594	\$ 8,772,146	\$ 13,631,740	\$ 5,249,591	\$ 18,881,331
Liabilities					
Accounts payable	\$ 65,127	\$ 45,201	\$ 110,328	\$ -	\$ 110,328
Salaries and benefits payable	317,537	988,705	1,306,242	-	1,306,242
Due to other governmental units	-	1,649	1,649	-	1,649
Interfund payable	109,049	115,513	224,562	-	224,562
Unearned revenue	153,410	13,422	166,832	-	166,832
Total liabilities	645,123	1,164,490	1,809,613	-	1,809,613
Deferred Inflows of Resources					
Property taxes levied for subsequent year's expenditures	-	2,125,019	2,125,019	4,737,280	6,862,299
Unavailable revenue - delinquent property taxes	-	20,522	20,522	61,689	82,211
Total deferred inflows of resources	-	2,145,541	2,145,541	4,798,969	6,944,510
Fund Balances					
Nonspendable					
Inventory	65,006	-	65,006	-	65,006
Prepaid items	480	64,456	64,936	-	64,936
Restricted					
Community education programs	-	2,968,421	2,968,421	-	2,968,421
Adult basic education	-	1,257,431	1,257,431	-	1,257,431
Early childhood family and education programs	-	696,695	696,695	-	696,695
School readiness	-	475,112	475,112	-	475,112
Fund purpose	4,148,985	-	4,148,985	450,622	4,599,607
Total fund balances	4,214,471	5,462,115	9,676,586	450,622	10,127,208
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,859,594	\$ 8,772,146	\$ 13,631,740	\$ 5,249,591	\$ 18,881,331

Independent School District No. 271
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2024

	Special Revenue Funds			OPEB Debt Service	Total Nonmajor Funds
	Food Service	Community Service	Total		
Revenues					
Local property taxes	\$ -	\$ 1,775,277	\$ 1,775,277	\$ 6,392,219	\$ 8,167,496
Other local and county revenues	264,193	5,927,436	6,191,629	129,778	6,321,407
Revenue from state sources	2,356,417	3,762,751	6,119,168	13	6,119,181
Revenue from federal sources	4,282,836	577,568	4,860,404	-	4,860,404
Sales and other conversion of assets	39,461	-	39,461	-	39,461
Interdistrict revenue	-	232,003	232,003	-	232,003
Total revenues	<u>6,942,907</u>	<u>12,275,035</u>	<u>19,217,942</u>	<u>6,522,010</u>	<u>25,739,952</u>
Expenditures					
Current					
Elementary and secondary regular instruction	-	100,001	100,001	-	100,001
Food service	5,986,097	-	5,986,097	-	5,986,097
Community education and services	-	12,417,107	12,417,107	-	12,417,107
Capital outlay					
Food service	622,362	-	622,362	-	622,362
Community education and services	-	97,948	97,948	-	97,948
Debt service					
Principal	-	388,116	388,116	5,905,000	6,293,116
Interest and fiscal charges	-	86,947	86,947	269,583	356,530
Total expenditures	<u>6,608,459</u>	<u>13,090,119</u>	<u>19,698,578</u>	<u>6,174,583</u>	<u>25,873,161</u>
Excess of revenues over (under) expenditures	334,448	(815,084)	(480,636)	347,427	(133,209)
Other Financing Source					
Proceeds from sale of capital assets	5,331	-	5,331	-	5,331
Transfers in	-	406,141	406,141	-	406,141
Total other financing sources	<u>5,331</u>	<u>406,141</u>	<u>411,472</u>	<u>-</u>	<u>411,472</u>
Net change in fund balances	339,779	(408,943)	(69,164)	347,427	278,263
Fund Balances					
Beginning of year	<u>3,874,692</u>	<u>5,871,058</u>	<u>9,745,750</u>	<u>103,195</u>	<u>9,848,945</u>
End of year	<u>\$ 4,214,471</u>	<u>\$ 5,462,115</u>	<u>\$ 9,676,586</u>	<u>\$ 450,622</u>	<u>\$ 10,127,208</u>

Independent School District No. 271
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Food Service Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Other local and county revenues	\$ 15,000	\$ 15,000	\$ 264,193	\$ 249,193
Revenue from state sources	204,200	204,200	2,356,417	2,152,217
Revenue from federal sources	4,754,100	4,754,100	4,282,836	(471,264)
Sales and other conversion of assets	-	-	39,461	39,461
Total revenues	<u>4,973,300</u>	<u>4,973,300</u>	<u>6,942,907</u>	<u>1,969,607</u>
Expenditures				
Current				
Food service	5,644,121	5,644,121	5,986,097	341,976
Capital outlay				
Food service	500,000	500,000	622,362	122,362
Total expenditures	<u>6,144,121</u>	<u>6,144,121</u>	<u>6,608,459</u>	<u>464,338</u>
Excess of revenues over (under) expenditures	(1,170,821)	(1,170,821)	334,448	1,505,269
Other Financing Sources				
Proceeds from sale of capital asset	-	-	5,331	5,331
Net change in fund balance	<u>\$ (1,170,821)</u>	<u>\$ (1,170,821)</u>	339,779	<u>\$ 1,510,600</u>
Fund Balance				
Beginning of year			<u>3,874,692</u>	
End of year			<u>\$ 4,214,471</u>	

Independent School District No. 271
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Community Service Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	\$ 1,799,040	\$ 1,799,040	\$ 1,775,277	\$ (23,763)
Other local and county revenues	5,329,249	5,579,768	5,927,436	347,668
Revenue from state sources	3,604,664	3,605,248	3,762,751	157,503
Revenue from federal sources	564,070	555,432	577,568	22,136
Interdistrict revenue	232,105	234,248	232,003	(2,245)
Total revenues	<u>11,529,128</u>	<u>11,773,736</u>	<u>12,275,035</u>	<u>501,299</u>
Expenditures				
Current				
Elementary and secondary regular instruction	100,000	100,000	100,001	1
Community education and services	12,513,053	12,510,472	12,417,107	(93,365)
Capital outlay				
Community education and services	98,900	104,903	97,948	(6,955)
Debt service:				
Principal	475,062	478,222	388,116	(90,106)
Interest and fiscal charges	-	-	86,947	86,947
Total expenditures	<u>13,187,015</u>	<u>13,193,597</u>	<u>13,090,119</u>	<u>(103,478)</u>
Excess of revenues over (under) expenditures	(1,657,887)	(1,419,861)	(815,084)	604,777
Other Financing Sources				
Transfers in	<u>373,553</u>	<u>373,553</u>	<u>406,141</u>	<u>32,588</u>
Net change in fund balance	<u>\$ (1,284,334)</u>	<u>\$ (1,046,308)</u>	<u>(408,943)</u>	<u>\$ 637,365</u>
Fund Balance				
Beginning of year			<u>5,871,058</u>	
End of year			<u>\$ 5,462,115</u>	

Independent School District No. 271
Combining Statement of
Net Position - Internal Service Funds
June 30, 2024

	Internal Service Funds				Total
	Retiree Benefits	Dental Insurance	Self Insured Medical Benefits	OPEB	
Assets					
Cash and cash equivalents	\$ 4,457,783	\$ 849,793	\$ 18,429,381	\$ -	\$ 23,736,957
Investments	-	-	-	12,806,678	12,806,678
Accounts receivable	-	56	566,564	-	566,620
Interfund receivable	-	149,022	3,224,684	-	3,373,706
Interest receivable	-	-	-	179,770	179,770
Total assets	\$ 4,457,783	\$ 998,871	\$ 22,220,629	\$ 12,986,448	\$ 40,663,731
Liabilities					
Accounts payable	\$ -	\$ 604	\$ 28,557	\$ -	\$ 29,161
Incurred but not reported claims	-	24,381	4,300,000	-	4,324,381
Benefits payable	1,784,931	-	-	-	1,784,931
Unearned revenue	-	261,514	5,614,309	-	5,875,823
Total liabilities	1,784,931	286,499	9,942,866	-	12,014,296
Net Position					
Unrestricted	2,672,852	712,372	12,277,763	12,986,448	28,649,435
Total liabilities and net position	\$ 4,457,783	\$ 998,871	\$ 22,220,629	\$ 12,986,448	\$ 40,663,731

Independent School District No. 271
Combining Statement of Revenues, Expenses, and Changes
in Fund Net Position - Internal Service Funds
Year Ended June 30, 2024

	Internal Service Funds				Total
	Retiree Benefits	Dental Insurance	Self Insured Medical Benefits	OPEB	
Operating revenues					
Charges for services	\$ -	\$ 1,373,860	\$ 28,390,326	\$ -	\$ 29,764,186
Contribution	215,760	-	-	-	215,760
Total revenue	<u>215,760</u>	<u>1,373,860</u>	<u>28,390,326</u>	<u>-</u>	<u>29,979,946</u>
Operating expenses					
Salaries and benefits	-	63,000	-	-	63,000
Employee benefits	322,676	1,506,349	28,933,494	391,276	31,153,795
Administrative	-	102,322	2,675,944	2,750	2,781,016
Total operating expenses	<u>322,676</u>	<u>1,671,671</u>	<u>31,609,438</u>	<u>394,026</u>	<u>33,997,811</u>
Operating income (loss)	(106,916)	(297,811)	(3,219,112)	(394,026)	(4,017,865)
Nonoperating revenues					
Investment income	203,722	47,051	870,464	596,892	1,718,129
Change in net position	96,806	(250,760)	(2,348,648)	202,866	(2,299,736)
Net position					
Beginning of year	<u>2,576,046</u>	<u>963,132</u>	<u>14,626,411</u>	<u>12,783,582</u>	<u>30,949,171</u>
End of year	<u>\$ 2,672,852</u>	<u>\$ 712,372</u>	<u>\$ 12,277,763</u>	<u>\$ 12,986,448</u>	<u>\$ 28,649,435</u>

Independent School District No. 271
Combining Statement of Cash Flows -
Internal Service Funds
As of June 30, 2024

	Internal Service Funds				
	Retiree Benefits	Dental Insurance	Self Insured Medical Benefits	OPEB	Total
Cash Flows - Operating Activities					
Receipts from employee contributions	\$ -	\$ 1,374,643	\$ 27,981,776	\$ -	\$ 29,356,419
Receipts from district contributions	286,581	-	-	-	286,581
Employee claims paid	-	(1,509,495)	(27,275,842)	(391,276)	(29,176,613)
Payments to employees	(322,676)	(63,000)	-	-	(385,676)
Payments to suppliers	-	(101,718)	(2,647,387)	(2,750)	(2,751,855)
Net cash flows - operating activities	<u>(36,095)</u>	<u>(299,570)</u>	<u>(1,941,453)</u>	<u>(394,026)</u>	<u>(2,671,144)</u>
Cash Flows - Investment Activities					
Investment purchases	-	-	-	(268,512)	(268,512)
Interest received	203,722	47,051	870,464	551,717	1,672,954
Net cash flows - investment activities	<u>203,722</u>	<u>47,051</u>	<u>870,464</u>	<u>283,205</u>	<u>1,404,442</u>
Net change in cash and cash equivalents	167,627	(252,519)	(1,070,989)	(110,821)	(1,266,702)
Cash and Cash Equivalents					
Beginning of year	<u>4,290,156</u>	<u>1,102,312</u>	<u>19,500,370</u>	<u>110,821</u>	<u>25,003,659</u>
End of year	<u>\$ 4,457,783</u>	<u>\$ 849,793</u>	<u>\$ 18,429,381</u>	<u>\$ -</u>	<u>\$ 23,736,957</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities					
Operating income (loss)	\$ (106,916)	\$ (297,811)	\$ (3,219,112)	\$ (394,026)	\$ (4,017,865)
Adjustments to reconcile operating income (loss) to net cash flows - operating activities					
Accounts payable	-	604	28,557	-	29,161
Benefits payable	70,821	-	-	-	70,821
Accounts receivable	-	(48,410)	(518,210)	-	(566,620)
claims	-	(3,146)	1,657,652	-	1,654,506
Interfund receivable	-	46,390	(291,828)	-	(245,438)
Unearned revenue	-	2,803	396,111	-	398,914
Prepaid items	-	-	5,377	-	5,377
Net adjustments	<u>70,821</u>	<u>(1,759)</u>	<u>1,277,659</u>	<u>-</u>	<u>1,346,721</u>
Net cash flows - operating activities	<u>\$ (36,095)</u>	<u>\$ (299,570)</u>	<u>\$ (1,941,453)</u>	<u>\$ (394,026)</u>	<u>\$ (2,671,144)</u>

Independent School District No. 271
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2024

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION FUND			
Total revenue	\$ 204,457,077	\$ 204,457,081	\$ (4)	Total revenue	\$ 1,114,816	\$ 1,114,816	\$ -
Total expenditures	194,767,208	194,767,207	1	Total expenditures	14,633,804	14,633,807	(3)
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	637,566	637,566	-	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted/reserved:</i>			
4.01 Student Activities	111,553	111,553	-	4.07 Capital Projects Levy	-	-	-
4.02 Scholarships	34,792	34,792	-	4.09 Alternative Facility Program	-	-	-
4.03 Staff Development	523,907	523,907	-	4.13 Building Projects Funded by COP/LP	-	-	-
4.07 Capital Projects Levy	5,593,059	5,593,059	-	4.67 Long-term Facilities Maintenance	15,147,744	15,147,743	1
4.08 Cooperative Programs	-	-	-	<i>Restricted:</i>			
4.09 Alternative Facility Program	-	-	-	4.64 Restricted fund balance	-	-	-
4.12 Literacy Incentive Aid	116,886	116,886	-	<i>Unassigned:</i>			
4.13 Building Projects Funded by COP/LP	-	-	-	4.63 Unassigned fund balance	-	-	-
4.14 Operating Debt	-	-	-				
4.16 Levy Reduction	-	-	-	07 DEBT SERVICE FUND			
4.17 Taconite Building Maintenance	-	-	-	Total revenue	\$ 6,902,560	\$ 6,902,560	\$ -
4.20 American Indian Education Aid	-	-	-	Total expenditures	8,499,031	8,499,031	-
4.24 Operating Capital	11,318,956	11,318,957	(1)	<i>Nonspendable:</i>			
4.26 \$25 Taconite	-	-	-	4.60 Nonspendable fund balance	-	-	-
4.27 Disabled Accessibility	-	-	-	<i>Restricted/reserved:</i>			
4.28 Learning and Development	-	-	-	4.25 Bond refunding	-	-	-
4.34 Area Learning Center	-	-	-	4.33 Maximum effort loan aid	-	-	-
4.35 Contracted Alternative Programs	-	-	-	4.51 QZAB payments	-	-	-
4.36 State Approved Alternative Program	1,734,357	1,734,357	-	4.67 LTFM	-	-	-
4.38 Gifted and Talented	-	-	-	<i>Restricted:</i>			
4.39 English Learner	-	-	-	4.64 Restricted fund balance	395,499	395,499	-
4.40 Teacher Development and Evaluation	-	-	-	<i>Unassigned:</i>			
4.41 Basic Skills Programs	-	-	-	4.63 Unassigned fund balance	-	-	-
4.43 School Library Aid	-	-	-				
4.45 Career Technical Programs	-	-	-	08 TRUST FUND			
4.48 Achievement and Integration Revenue	-	-	-	Total revenue	\$ -	\$ -	\$ -
4.49 Safe Schools Revenue	-	-	-	Total expenditures	-	-	-
4.51 QZAB Payments	-	-	-	<i>Unassigned:</i>			
4.52 OPEB Liabilities not Held in Trust	-	-	-	4.01 Student Activities	-	-	-
4.53 Unfunded Severance and Retirement Levy	-	-	-	4.02 Scholarships	-	-	-
4.59 Basic Skills Extended Time	-	-	-	4.22 Net position	-	-	-
4.67 Long-term Facilities Maintenance	-	-	-				
4.71 Student Support Personnel Aid	48,010	48,010	-	18 CUSTODIAL			
4.72 Medical Assistance	-	-	-	Total revenue	\$ -	\$ -	\$ -
4.75 Title VII - Impact Aid	-	-	-	Total expenditures	-	-	-
4.76 Payments in Lieu of Taxes	-	-	-	<i>Restricted/Reserved</i>			
<i>Restricted:</i>				4.01 Student Activities	-	-	-
4.72 Medical Assistance	-	-	-	4.02 Scholarships	-	-	-
4.64 Restricted fund balance	-	-	-	4.48 Achievement and Integration	-	-	-
4.75 Title VII - Impact Aid	-	-	-	4.64 Restricted	-	-	-
4.76 Payments in Lieu of Taxes	-	-	-				
<i>Committed:</i>				20 INTERNAL SERVICE FUND			
4.18 Committed for separation	-	-	-	Total revenue	\$ 31,101,183	\$ 31,101,183	\$ -
4.61 Committed fund balance	18,582,552	18,582,552	-	Total expenditures	33,603,785	33,603,785	-
<i>Assigned:</i>				<i>Unassigned:</i>			
4.62 Assigned fund balance	120,000	120,000	-	4.22 Net position	15,662,987	15,662,988	(1)
<i>Unassigned:</i>							
4.22 Unassigned fund balance	15,204,891	15,204,894	(3)	25 OPEB REVOCABLE TRUST			
				Total revenue	\$ 596,892	\$ 596,892	\$ -
02 FOOD SERVICE FUND				Total expenditures	394,026	394,027	(1)
Total revenue	\$ 6,942,907	\$ 6,942,909	\$ (2)	<i>Unassigned:</i>			
Total expenditures	6,608,459	6,608,459	-	4.22 Net position	12,986,448	12,986,448	-
<i>Nonspendable:</i>							
4.60 Nonspendable fund balance	65,486	65,486	-	45 OPEB IRREVOCABLE TRUST			
<i>Restricted/reserved:</i>				Total revenue	\$ -	\$ -	\$ -
4.52 OPEB liabilities not held in trust	-	-	-	Total expenditures	-	-	-
<i>Restricted:</i>				<i>Unassigned:</i>			
4.64 Restricted fund balance	4,148,985	4,148,985	-	4.22 Net position	-	-	-
<i>Unassigned:</i>							
4.63 Unassigned fund balance	-	-	-	47 OPEB DEBT SERVICE			
				Total revenue	\$ 6,522,010	\$ 6,522,009	\$ 1
04 COMMUNITY SERVICE FUND				Total expenditures	6,174,583	6,174,583	-
Total revenue	\$ 12,275,035	\$ 12,275,039	\$ (4)	<i>Nonspendable:</i>			
Total expenditures	13,090,119	13,090,116	3	4.60 Nonspendable fund balance	-	-	-
<i>Nonspendable:</i>				<i>Restricted:</i>			
4.60 Nonspendable fund balance	64,456	64,456	-	4.25 Bond refundings	-	-	-
<i>Restricted/reserved:</i>				4.64 Restricted fund balance	450,622	450,622	-
4.26 \$25 Taconite	-	-	-	<i>Unassigned:</i>			
4.31 Community Education	2,968,421	2,968,425	(4)	4.63 Unassigned fund balance	-	-	-
4.32 ECFE	696,695	696,695	-				
4.40 Teacher Development and Evaluation	-	-	-				
4.44 School Readiness	475,112	475,112	-				
4.47 Adult Basic Education	1,257,431	1,257,432	(1)				
4.52 OPEB Liabilities not Held in Trust	-	-	-				
<i>Restricted:</i>							
4.64 Restricted fund balance	-	-	-				
<i>Unassigned:</i>							
4.63 Unassigned fund balance	-	-	-				

Independent School District No. 271
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Agency/Pass Through Agency/Program Title	Federal Assistance Listing Number	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education		
Child Nutrition Cluster		
Commodities Programs (Noncash Assistance)	10.555	\$ 525,444
School Breakfast	10.553	693,751
Summer Food Service	10.559	125,758
Type A Lunch	10.555	2,566,202
After School Snack	10.555	19,932
Supply Chain Assistance Funding	10.555C	345,569
Total Child Nutrition Cluster and U.S. Department of Agriculture		<u>4,276,656</u>
U.S. Department of the Treasury		
Through Minnesota Department of Education		
COVID - Coronavirus Relief Fund	21.019	25,974
COVID - Coronavirus State and Local Fiscal Recovery Fund	21.027	167,121
Total U.S. Department of the Treasury		<u>193,095</u>
U.S. Department of Education		
Through Minnesota Department of Education		
Title I, Part A	84.010	1,738,873
Title II, Part A - Improving Teacher Quality	84.367	244,065
Title III, Part A - Language Enhancement	84.365	248,803
Title IV, Part A - Safe and Drug-Free Schools and Communities	84.424	52,431
Comprehensive Literacy State Development	84.371	965,967
Special Education Cluster		
Special Education	84.027	2,892,468
Handicapped Early Education	84.173	69,922
Total Special Education Cluster		<u>2,962,390</u>
Infants and Toddlers	84.181	56,269
Total Early Intervention Service Cluster		
ARP IDEA - Ages Birth through 2	84.181X	27,770
Adult Basic Education		
Adult Basic Education	84.002	190,838
Adult Basic Education Literacy	84.002A	38,355
Total Adult Basic Education		<u>229,193</u>
Education for Homeless Children and Youth	84.196	36,935
Javits Gifted and Talented Students Education	84.206A	453,677
Education Stabilization Fund		
COVID - Elementary and Secondary School Emergency Relief II	84.425D	32,289
COVID - ARP - Learning Recovery and Emergency Relief	84.425U	108,165
COVID - ARP - Homeless I and II	84.425W	13,328
Total Education Stabilization Fund		<u>153,782</u>
Through Independent School District No. 273		
Carl Perkins	84.048A	57,791
Direct from Federal Government		
Indian Elementary and Secondary School Assistance	84.060	39,312
Total U.S. Department of Education		<u>7,267,258</u>
Total Federal Expenditures		<u>\$ 11,737,009</u>

See notes to schedule of expenditures of federal awards.

Independent School District No. 271
Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - PASS-THROUGH GRANT NUMBERS

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

NOTE 4 - INVENTORY

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

NOTE 5 - INDIRECT COST RATE

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

(THIS PAGE LEFT BLANK INTENTIONALLY)



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

Independent Auditor's Report

To the School Board
Independent School District No. 271
Bloomington, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 271, Bloomington, Minnesota, as of and for the year ending June 30, 2024, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 15, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

BerganKDV, Ltd.

Minneapolis, Minnesota
November 15, 2024



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

Independent Auditor's Report

To the School Board
Independent School District No. 271
Bloomington, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control over Compliance

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

Report on Internal Control over Compliance (Continued)

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

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

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

Bergan KDV, Ltd.

Minneapolis, Minnesota
November 15, 2024

**Independent School District No. 271
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).
----------------------------------	--

Internal control over financial reporting:	
◆ Material weakness(es) identified?	No
◆ Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported

Noncompliance material to financial statements noted?	No
---	----

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
---	------------

Internal control over major programs:	
◆ Material weakness(es) identified?	No
◆ Significant deficiency(ies) identified?	None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No
---	----

Identification of Major Programs

Assistance Listing No.:	10.553, 10.555, 10.559
Name of Federal Program or Cluster:	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
--	-----------

Auditee qualified as low risk auditee?	Yes
--	-----

**Independent School District No. 271
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no findings noted.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs noted.

SECTION IV - PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs noted.

(THIS PAGE LEFT BLANK INTENTIONALLY)



Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 271
Bloomington, 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 basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 271, Bloomington, Minnesota, as of and for the year ended June 30, 2024, and the related notes to basic financial statements, and have issued our report thereon dated November 15, 2024.

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

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

BerganKDV, Ltd.

Minneapolis, Minnesota
November 15, 2024