

# Independent School District No. 100 Wrenshall, Minnesota

Financial Statements and  
Supplementary Information

Year Ended June 30, 2024



# Independent School District No. 100

Year Ended June 30, 2024

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# Independent School District No. 100

Year Ended June 30, 2024

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## School Officials

<u>Elective</u>	<u>Office</u>	<u>Term Expires</u>
Mary Carlson	Chair	1/1/27
Eric Ankrum	Vice-Chair	1/1/27
Misty Bergman	Treasurer	1/1/25
Ben Johnson	Clerk	1/1/27
Alice Kloepfer	Member	1/1/25
Nicole Krisak	Member	1/1/25
<u>Appointive</u>		
Jeff Pesta	Superintendent	



## **Independent Auditor’s Report**

To the School Board  
Independent School District No. 100  
Wrenshall, Minnesota

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 100 (District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2024, and the respective changes in financial position, and the respective budgetary comparison for the General Fund and Debt Service Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

#### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pages 5 through 9, the information about the District's other postemployment health care plan, page 48, and the information about the District's net pension liability, pages 49 through 53 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor governmental funds financial statements, and the fiscal compliance table, pages 54 through 56, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor governmental funds financial statements and fiscal compliance table are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 information is 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 12 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

November 12, 2024  
Eau Claire, Wisconsin

## Management's Discussion and Analysis

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# Independent School District No. 100

## Management's Discussion and Analysis Year Ended June 30, 2024

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As management of Independent School District No. 100 (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2024.

### Financial Highlights

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

- Total net position was \$1,420,051 at June 30, 2024, an increase of \$757,923 over the prior year.
- Overall actual revenues in the Statement of Activities were \$7,038,295 and expenses were \$6,280,372.
- General Fund total fund balance increased \$314,759 during fiscal year ended June 30, 2024.

### Overview of the Financial Statements

The financial section of the annual report consists of four parts - Independent Auditor's Report, required supplementary information which includes the Management's Discussion and Analysis (this section), the basic financial statements and supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

### Government-wide Statements

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

The two government-wide statements report the District's net position and how it has changed.

The statement of net position presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The statement of activities presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (i.e., uncollected taxes and earned but unused compensated absences).

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, and operation of non-instructional services.



# Independent School District No. 100

## Management's Discussion and Analysis (Continued)

Year Ended June 30, 2024

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, state statutes, and to control and manage money for particular purposes. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds - Most of the District's basic services are included in governmental funds. Governmental fund financial statements focus on near-term inflows of cash and other financial assets that can readily be converted to cash, as well as the balances at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Because this information does not encompass the additional long-term focus of the district-wide statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. A reconciliation is provided to facilitate a comparison between government funds financial statements and district-wide financial statements.

Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the custodial fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operation.

### Financial Analysis of the District as a Whole

Net position may serve over time as a useful indicator of a district's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,420,051 as of June 30, 2024.

#### Statement of Net Position (Deficit) June 30,

	2024	2023
Capital assets	\$ 17,104,966	\$ 17,471,077
Current and other assets	3,229,353	2,996,026
<b>Total assets</b>	<b>20,334,319</b>	<b>20,467,103</b>
Deferred outflows of resources	831,279	1,330,761
Long-term liabilities	16,609,357	17,682,612
Other liabilities	1,210,893	1,351,767
<b>Total liabilities</b>	<b>17,820,250</b>	<b>19,034,379</b>
Deferred inflows of resources	1,925,297	2,101,357
Net position		
Net investment in capital assets	4,194,900	3,920,733
Restricted	220,696	253,996
Unrestricted (deficit)	(2,995,545)	(3,512,601)
<b>Total net position (deficit)</b>	<b>\$ 1,420,051</b>	<b>\$ 662,128</b>

# Independent School District No. 100

## Management's Discussion and Analysis (Continued)

Year Ended June 30, 2024

	Change in Net Position For the years ended June 30,	
	2024	2023
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 369,596	\$ 264,487
Operating grants and contributions	1,462,813	1,370,586
General revenues		
Property taxes	1,525,303	1,524,283
State aids	3,622,536	3,341,870
Other	58,047	41,244
<b>Total revenues</b>	<b>7,038,295</b>	<b>6,542,470</b>
<b>Expenses</b>		
District and school administration	341,021	378,521
District support services	308,042	328,435
Regular instruction	2,189,610	1,728,251
Vocational instruction	91,562	84,211
Exceptional instruction	1,066,331	913,118
Instructional support services	78,935	99,031
Pupil support services	537,877	551,131
Sites, building and equipment	734,057	699,878
Fiscal and other fixed cost programs	47,117	34,411
Food service	199,364	240,838
Community service	154,226	152,806
Interest and fiscal charges on long-term debt	385,185	496,427
Unallocated depreciation	147,045	147,925
<b>Total expenses</b>	<b>6,280,372</b>	<b>5,854,983</b>
Change in net position	757,923	687,487
Net position, beginning of year	662,128	(25,359)
Net position, end of year (deficit)	\$ 1,420,051	\$ 662,128

### Financial Analysis of the District's Funds

While the government-wide presentations are designed to present users with a more complete picture of the District's financial position and results of operations, the traditional fund accounting basis provides users with information that can be used by the District to make decisions in the near-term.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$722,912, an increase of \$394,914 from the prior year. This total consists of: General Fund, \$471,119; Debt Service Fund, \$151,466; Food Service Fund, \$70,360; and Community Service Fund, \$29,967.

# Independent School District No. 100

## Management's Discussion and Analysis (Continued)

Year Ended June 30, 2024

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At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$363,074. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund budget. Unassigned fund balance represents 6.74% of the total General Fund's final budgeted expenditures of \$5,387,747 at June 30, 2024. The School Board has adopted a Fund Balance Policy, establishing a goal of having a positive General Fund unassigned fund balance.

The Debt Service fund balance increased by \$28,562, the Food Service fund balance increased by \$40,190 and the Community Service Fund balance increased \$11,403.

### General Fund Budgetary Highlights

The board of each school district must approve and adopt its revenue and expenditure budgets for the next school year prior to July 1 of each year. The budget document adopted is an expenditure-authorizing or appropriations document. No funds shall be expended by any board or district for any purpose in any school year prior to the adoption of the budget document which authorizes the expenditure or prior to an amendment to the budget document by the board to authorize the expenditure.

The originally adopted General Fund revenue and other financing sources budget was \$5,011,315. Budgeted revenues and other financing sources were revised during the year to \$5,418,978, an increase of \$407,663.

The originally adopted General Fund expenditure budget was \$4,950,975. Budgeted expenditures were revised during the year to \$5,387,747, an increase of \$436,772.

Actual revenues and other financing sources were \$241,457 more than anticipated primarily due to an increase in other local and county revenues, state and federal aid, and insurance recoveries.

Actual expenditures were \$42,071 less than anticipated due to fewer vocational instruction, exceptional instruction, and site and building costs.

### Capital Assets and Debt Administration

#### Capital Assets

By the end of fiscal year 2024, the District had invested \$23,676,403 in a broad range of capital assets, including land, school buildings, athletic facilities, buses and computer equipment. Total depreciation expense for the year was \$522,036. More detailed information about the District's capital assets is presented in Note 3 to the financial statements.

#### Debt Administration

At June 30, 2024, the District had \$12,555,000 in general obligation bonds payable outstanding. Under current state statutes, the District's general obligation bonded debt issuances are subject to a legal limitation of 10 percent of the fair market value of property in the District. The District is within its legal authority for bonded debt.

The District also had \$19,645 in notes payable, \$3,538,074 in net pension liability, \$27,089 in total OPEB liability, and \$134,128 in compensated absence liabilities at June 30, 2024.

More detailed information about the District's long-term liabilities is presented in Note 4 to the financial statements.

# Independent School District No. 100

## Management's Discussion and Analysis (Continued)

Year Ended June 30, 2024

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### Factors Bearing on the District's Future

Wrenshall School District continues to promote and maintain a comprehensive PK-12 educational system for Wrenshall resident students and open enrolled students from area school districts. The educational staff is now in the tenth school year of the Quality Compensation Program which has allowed for focused-systemic staff development. Under the Quality Compensation Program, the educators are evaluated every year under the Charlotte Danielson Model which has been very helpful. In addition, the professional learning communities are led by teacher leaders who do informal observations of all of the teaching staff. This has proved to be valuable and a collegial effort towards effective school improvement.

### Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, 207 Pioneer Drive Wrenshall, MN 55797 or call the Business Manager, (218) 384-4274.

## Government-Wide Financial Statements

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# Independent School District No. 100

## Statement of Net Position

For the Year Ended June 30, 2024

	Governmental Activities
<b>Assets and Deferred Outflows of Resources</b>	
Current assets	
Cash and investments	\$ 1,886,302
Current property taxes receivable	515,967
Delinquent property taxes receivable	14,904
Accounts receivable	8,680
Due from other Minnesota school districts	58,903
Due from Minnesota Department of Education	571,933
Due from federal government through the Minnesota Department of Education	120,162
Due from other governmental units	38,928
Prepaid expenses	766
Inventory	12,808
<b>Total current assets</b>	<b>3,229,353</b>
Capital assets, net of depreciation	
Capital assets not being depreciated	22,760
Capital assets being depreciated, net of accumulated depreciation	17,082,206
<b>Total capital assets, net of accumulated depreciation</b>	<b>17,104,966</b>
Deferred outflows of resources	
Items related to pensions plans	831,279
<b>Total assets and deferred outflow of resources</b>	<b>\$ 21,165,598</b>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>	
Current liabilities	
Salaries payable	\$ 442,688
Accounts payable	21,358
Accrued payroll liabilities	73,884
Due to other Minnesota school districts	130,449
Due to other governments	3,100
Interest payable	134,057
Unearned revenue	105,357
Short term indebtedness	300,000
Current portion of long-term liabilities	639,645
<b>Total current liabilities</b>	<b>1,850,538</b>
Long-term liabilities	15,969,712
<b>Total liabilities</b>	<b>17,820,250</b>
Deferred inflows of resources	
Property taxes levied for subsequent year's expenditures	1,414,701
Items related to pension plans	510,596
<b>Total deferred inflows of resources</b>	<b>1,925,297</b>
Net position	
Net investment in capital assets	4,194,900
Restricted	220,696
Unrestricted	(2,995,545)
<b>Total net position</b>	<b>1,420,051</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 21,165,598</b>

See accompanying notes to financial statements.

# Independent School District No. 100

## Statement of Activities

For the Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities</b>					
District and school administration	\$ 341,021	\$	\$	\$	(341,021)
District support services	308,042	30,507			(277,535)
Regular instruction	2,189,610	246,008	125,393		(1,818,209)
Vocational instruction	91,562		2,383		(89,179)
Exceptional instruction	1,066,331	9,243	1,039,775		(17,313)
Instructional support services	78,935				(78,935)
Pupil support services	537,877				(537,877)
Sites, buildings and equipment	734,057				(734,057)
Fiscal and other fixed program costs	47,117				(47,117)
Food service	199,364	2,381	237,352		40,369
Community service	154,226	81,457	57,910		(14,859)
Interest and fiscal charges on long-term debt	385,185				(385,185)
Unallocated depreciation	147,045				(147,045)
<b>Total governmental activities</b>	<b>\$ 6,280,372</b>	<b>\$ 369,596</b>	<b>\$ 1,462,813</b>	<b>\$</b>	<b>(4,447,963)</b>
<b>General revenues</b>					
Taxes					
Property taxes, levied for general purposes					629,067
Property taxes, levied for community service					25,997
Property taxes, levied for debt service					870,239
State aid-formula grants					3,622,536
Investment earnings					52,977
Other					5,070
<b>Total general revenues</b>					<b>5,205,886</b>
Change in net position					757,923
Net position (deficit), beginning of the year					662,128
Net position (deficit), end of the year					\$ 1,420,051

See accompanying notes to financial statements.

# Independent School District No. 100

## Governmental Funds – Balance Sheet

June 30, 2024

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 1,007,031	\$ 764,979	\$ 114,292	\$ 1,886,302
Current property taxes receivable	173,121	334,949	7,897	515,967
Delinquent property taxes receivable	5,479	9,168	257	14,904
Accounts receivable	831		7,849	8,680
Due from other Minnesota school districts	58,903			58,903
Due from the Minnesota Department of Education	558,371	10,635	2,927	571,933
Due from the federal government through the Minnesota Department of Education	120,162			120,162
Due from other governmental units	38,928			38,928
Prepaid expenses	766			766
Inventory	4,531		8,277	12,808
<b>Total assets</b>	<b>\$ 1,968,123</b>	<b>\$ 1,119,731</b>	<b>\$ 141,499</b>	<b>\$ 3,229,353</b>
<b>Liabilities</b>				
Salaries payable	\$ 429,315	\$	\$ 13,373	\$ 442,688
Accounts payable	20,860		498	21,358
Accrued payroll liabilities	73,884			73,884
Due to other Minnesota school districts	130,449			130,449
Due to other governments	3,100			3,100
Short term indebtedness	300,000			300,000
Unearned revenue	104,868		489	105,357
<b>Total liabilities</b>	<b>1,062,476</b>		<b>14,360</b>	<b>1,076,836</b>
<b>Deferred inflows of resources</b>				
Delinquent property taxes	5,479	9,168	257	14,904
Property taxes levied for subsequent year's expenditures	429,049	959,097	26,555	1,414,701
<b>Total deferred inflows of resources</b>	<b>434,528</b>	<b>968,265</b>	<b>26,812</b>	<b>1,429,605</b>
<b>Fund balances</b>				
Nonspendable	5,297		8,277	13,574
Assigned	5,833			5,833
Restricted	96,915	151,466	96,947	345,328
Unassigned	363,074		(4,898)	358,177
<b>Total fund balances</b>	<b>471,119</b>	<b>151,466</b>	<b>100,327</b>	<b>722,912</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,968,123</b>	<b>\$ 1,119,731</b>	<b>\$ 141,499</b>	<b>\$ 3,229,353</b>

See accompanying notes to financial statements.



# Independent School District No. 100

## Governmental Funds – Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2024

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Total fund balances - governmental funds	\$ 722,912
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Amounts reported for governmental activities in the statement of net position are different because:

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

Cost of capital assets	23,676,403
Less accumulated depreciation	(6,571,437)

Long-term liabilities, including bonds payable, notes payable, other postemployment benefits, and compensated absences payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

General obligation bonds	(12,555,000)
Notes payable	(19,645)
Unamortized bond premium	(335,421)
Compensated absences	(134,128)
Total OPEB obligation	(27,089)

The net pension liability and the deferred outflows of resources and inflows of resources related to pensions are only reported in the statement of net position

Net pension liability	(3,538,074)
Deferred inflows of resources related to pensions	(510,596)
Deferred outflows related to pensions	831,279

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

14,904

Interest on long-term debt is not accrued in governmental funds, but rather recognized as an expenditure when due.

(134,057)

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Total net position - governmental activities	\$ 1,420,051
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See accompanying notes to financial statements.

# Independent School District No. 100

## Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2024

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local property tax levies	\$ 631,403	\$ 871,841	\$ 26,087	\$ 1,529,331
Other local and county revenues	271,629		81,432	353,061
Revenue from state sources	4,465,734	104,686	152,456	4,722,876
Revenue from federal sources	206,115		143,634	349,749
Interest income	52,977			52,977
Sales and other conversion of assets	2,085		1,753	3,838
<b>Total revenues</b>	<b>5,629,943</b>	<b>976,527</b>	<b>405,362</b>	<b>7,011,832</b>
<b>Expenditures</b>				
<b>Current</b>				
District and school administration	340,946			340,946
District support services	302,969			302,969
Regular instruction	2,240,584			2,240,584
Vocational instruction	91,562			91,562
Exceptional instruction	1,034,256			1,034,256
Community education and services			154,226	154,226
Instructional support services	75,675			75,675
Pupil support services	490,521		199,364	689,885
Site, buildings, and equipment	549,827			549,827
Fiscal and other fixed cost programs	47,117			47,117
Capital outlay	104,842		179	105,021
<b>Debt service</b>				
Principal	19,019	600,000		619,019
Interest and other fiscal costs	48,358	347,965		396,323
<b>Total expenditures</b>	<b>5,345,676</b>	<b>947,965</b>	<b>353,769</b>	<b>6,647,410</b>
Excess of revenues over expenditures	284,267	28,562	51,593	364,422
<b>Other financing sources</b>				
Insurance recovery	30,492			30,492
<b>Total other financing sources</b>	<b>30,492</b>			<b>30,492</b>
Net change in fund balances	314,759	28,562	51,593	394,914
Fund balances, beginning	156,360	122,904	48,734	327,998
<b>Fund balances, ending</b>	<b>\$ 471,119</b>	<b>\$ 151,466</b>	<b>\$ 100,327</b>	<b>\$ 722,912</b>

See accompanying notes to financial statements.

# Independent School District No. 100

## Governmental Funds – Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

For the Year Ended June 30, 2024

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Total net changes in fund balances - governmental funds	\$	394,914
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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 costs of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlays		163,119
Depreciation expense		(522,036)
Net book value of assets retired		(7,194)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal payments on general obligation bonds		600,000
Principal payments on notes payable		19,019
Amortization of bond premium		21,259

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. However, in the statement of activities, interest expense is recognized as it is accrued, regardless of when it is due.

		8,897
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Vested employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.

Change in total OPEB liability		8,811
Change in compensated absences		(93,577)
Change in deferred outflows of resources related to pensions		(499,482)
Change in deferred inflows of resources related to pensions		150,478
Change in pension liability		517,743

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

		(4,028)
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Change in net position - governmental activities	\$	757,923
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See accompanying notes to financial statements.

# Independent School District No. 100

## General Fund – Statement of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual

For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance Over (Under)
<b>Revenues</b>				
Local property tax levies	\$ 587,585	\$ 628,063	\$ 631,403	\$ 3,340
Other local and county revenues	67,255	141,980	271,629	129,649
Revenue from state sources	4,169,118	4,416,256	4,465,734	49,478
Revenue from federal sources	172,357	182,679	206,115	23,436
Sales and conversion of assets			2,085	2,085
Interest income	15,000	50,000	52,977	2,977
<b>Total revenues</b>	<b>5,011,315</b>	<b>5,418,978</b>	<b>5,629,943</b>	<b>210,965</b>
<b>Expenditures</b>				
<b>Current</b>				
District and school administration	400,382	332,575	340,946	8,371
District support services	269,182	330,284	302,969	(27,315)
Regular instruction	2,067,554	2,103,501	2,240,584	137,083
Vocational instruction	71,574	138,425	91,562	(46,863)
Exceptional instruction	908,261	1,075,302	1,034,256	(41,046)
Instructional support services	98,861	98,377	75,675	(22,702)
Pupil support services	542,709	537,260	490,521	(46,739)
Site, buildings, and equipment	459,610	604,552	549,827	(54,725)
Fiscal and other fixed cost programs	37,500	37,500	47,117	9,617
Capital outlay	40,537	39,219	104,842	65,623
Debt service				
Principal	19,026	19,023	19,019	(4)
Interest	35,779	71,729	48,358	(23,371)
<b>Total expenditures</b>	<b>4,950,975</b>	<b>5,387,747</b>	<b>5,345,676</b>	<b>(42,071)</b>
Excess of revenues over expenditures	60,340	31,231	284,267	253,036
<b>Other financing sources</b>				
Insurance recovery			30,492	30,492
<b>Total other financing sources</b>			<b>30,492</b>	<b>30,492</b>
Net change in fund balance	60,340	31,231	314,759	283,528
Fund balance, beginning	156,360	156,360	156,360	
Fund balance, ending	\$ 216,700	\$ 187,591	\$ 471,119	\$ 283,528

See accompanying notes to financial statements.

# Independent School District No. 100

## Debt Service Fund – Statement of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual

For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance Over (Under)
<b>Revenues</b>				
Local property tax levies	\$ 944,524	\$ 868,494	\$ 871,841	\$ 3,347
Revenue from state sources	34,621	101,592	104,686	3,094
<b>Total revenues</b>	<b>979,145</b>	<b>970,086</b>	<b>976,527</b>	<b>6,441</b>
<b>Expenditures</b>				
Debt service				
Principal	600,000	600,000	600,000	
Interest	345,120	345,120	347,965	2,845
<b>Total expenditures</b>	<b>945,120</b>	<b>945,120</b>	<b>947,965</b>	<b>2,845</b>
Excess of revenues over expenditures	34,025	24,966	28,562	3,596
Net change in fund balance	34,025	24,966	28,562	3,596
Fund balance, beginning	122,904	122,904	122,904	
<b>Fund balance, ending</b>	<b>\$ 156,929</b>	<b>\$ 147,870</b>	<b>\$ 151,466</b>	<b>\$ 3,596</b>

See accompanying notes to financial statements.

# Independent School District No. 100

## Fiduciary Fund – Statement of Fiduciary Net Position

June 30, 2024

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	Custodial Fund
Assets	
Cash and investments	\$ 51,732
Net position	
Held in trust for scholarships	51,732
Total liabilities and net position	\$ 51,732

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See accompanying notes to financial statements.

# Independent School District No. 100

## Fiduciary Fund – Statement of Change in Fiduciary Net Position

For the Year Ended June 30, 2024

	Custodial Fund
<hr/>	
Additions	
Donations	\$ 1,500
Interest income	2,091
<hr/>	
Total additions	3,591
<hr/>	
Deductions	
Scholarships paid	42
Management fees	50
<hr/>	
Total deductions	92
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Change in net position	3,499
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Net position, beginning of the year	48,233
<hr/>	
Net position, end of the year	\$ 51,732
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See accompanying notes to financial statements.

# Independent School District No. 100

## Notes to Financial Statements

Year Ended June 30, 2024

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### Note 1 Summary of Significant Accounting Policies

Independent School District No. 100 (District) was formed and operates pursuant to applicable Minnesota laws and statutes. The Governing Body consists of a six-member Board elected by voters of the District. Members are elected for four-year terms. The accounting policies of the District conform to accounting principles generally accepted in the United States as applied to government units. The Governmental Accounting Standards Board is the accepted standard setting board for establishing governmental accounting and financial reporting principles.

#### Reporting Entity

The District's financial statements include all funds, departments, agencies, boards, commissions, and other component units for which the District is considered to be financially accountable or for which the exclusion of would render the financial statements misleading. The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. Based on these criteria established by the Governmental Accounting Standards Board, there are no organizations considered to be component units of the District.

The student activity accounts of the District are under School Board control. The activity is accounted for in the General Fund.

#### Basic Financial Statement Presentation

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

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

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

Separate fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported as a separate column in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

The fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide statements.



# Independent School District No. 100

## Notes to Financial Statements (Continued)

Year Ended June 30, 2024

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### Note 1 Summary of Significant Accounting Policies (Continued)

#### 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 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. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

1. Revenue Recognition - Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year in which it applies according to Minnesota Statutes. 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 one year.
2. Recording of Expenditures - Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

A general summary of the nature and purpose of each of the funds maintained by the District follows:

#### **Major Governmental Funds**

**General Fund** - This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The general fund accounts for: administration, kindergarten through 12<sup>th</sup> grade instruction, transporting students to and from school, maintenance of facilities, equipment purchases, health and safety projects, and disabled accessibility projects.

**Debt Service Fund** - This fund accounts for the accumulation of resources for the retirement of principal and interest on all general obligation bond indebtedness. Assets of the Debt Service Fund are restricted to the payment of bond principal and interest.

# Independent School District No. 100

## Notes to Financial Statements (Continued)

Year Ended June 30, 2024

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### Note 1 Summary of Significant Accounting Policies (Continued)

#### Nonmajor Governmental Funds

**Special Revenue Funds** - These funds are used to account for proceeds of specific revenue sources that are restricted by law or administrative action to expense for specified purposes. The District has two special revenue funds:

Food Service Fund - Is used to account for food service revenues and expenditures. Revenues consist of state and federal aids and sales to students and employees.

Community Service Fund - Is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs, K-6 extended day programs, or other similar services. Revenues consist of state and federal aids and grants and fees from program participants.

#### Fiduciary Funds

**Custodial Fund** - The Scholarship Trust Fund is used to account for resources received and held by the District in a trustee capacity to be used in making scholarship awards.

#### Budgeting

Formal budgetary accounting is employed as a management control for all funds of the District. For each fund for which a formal budget is adopted, the budget is prepared on the same basis of accounting as the financial statements. The budget is adopted through passage of a resolution. The School Board must approve revisions. Legal budgetary control is at the fund account level.

#### Use of Estimates

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

#### Cash and Investments

Cash and investments of the individual funds are combined to form a pool and are invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of average cash balance participation by each fund.

Investments are stated at fair value or amortized cost.

#### Receivables

All receivables are shown net of any allowance for uncollectible amounts. No allowances for uncollectibles have been recorded. The only receivables not expected to be collected within one year are delinquent property taxes receivable.

# Independent School District No. 100

## Notes to Financial Statements (Continued)

Year Ended June 30, 2024

### Note 1 Summary of Significant Accounting Policies (Continued)

#### Inventory

The District maintains no central stores and, therefore, expenses supply items as purchased. However, inventories for food items and fuel have been recorded in the proper funds. The District values its inventories at cost, on a first-in, first-out basis.

#### Property Taxes

Property taxes are set by the school board and certified to the county auditor who acts as collecting agent, in December, of the year prior to collection. Taxes become a lien on property on the following January 1. Minnesota school districts operate under a levy limitation law that generally limits annual increases in taxes per capita. This law does not cover levies for bonded indebtedness.

Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The county provides tax settlements to school districts and other taxing districts in January, March, June, and November or December. Portions of the tax levy paid by the state in the form of credits are included in revenue from state sources.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as a deferred inflow of resources (property taxes levied for subsequent year). General fund revenue is determined annually by statutory funding formulas. These formulas allocate revenue between property taxes and state aids based on education funding priorities set by the Minnesota State Legislature. Changes in this allocation result in an annual change in property tax revenue recognition referred to as the "tax shift". In prior years, the amount of shift has varied between 0 and 50 percent.

The following is a summary of tax shift transactions by fund:

	(0.0%) Total Shift June 30, 2023	State Aid Adjustment	Revenue Adjustment	(0.0%) Total Shift June 30, 2024
General Fund	\$ 77,388	\$	\$ 21,023	\$ 98,411

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources in the fund based financial statements because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes is considered necessary.

# Independent School District No. 100

## Notes to Financial Statements (Continued)

Year Ended June 30, 2024

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### Note 1 Summary of Significant Accounting Policies (Continued)

#### Capital Assets

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

Capital assets are reported in the district-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives, ranging from five to fifty years.

Capital assets not being depreciated include land.

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

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has reported deferred outflows of resources related to pensions for its proportionate share of collective deferred outflows of resources related to pensions and the Districts contributions to pension plans subsequent to the measurement date of the collective net pension liability.

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has reported unavailable revenue from delinquent property taxes, which arises only under a modified accrual basis of accounting, in the governmental funds balance sheet. The District has also reported property taxes levied for subsequent years expenditures as a deferred inflow of resources in both the governmental funds balance sheet and the statement of net position. The District has also reported deferred inflows of resources for its proportionate share of the collective deferred inflows of resources related to pensions.

#### Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective-interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

# Independent School District No. 100

## Notes to Financial Statements (Continued)

Year Ended June 30, 2024

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### Note 1 Summary of Significant Accounting Policies (Continued)

#### Leases

The District is a lessee in a noncancelable lease. If the contract provides the District the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The discount rate used is the implicit rate in the lease contract, if it is readily determinable, or the District's incremental borrowing rate. The District uses the incremental borrowing rate based on the information available at the commencement date for all leases. The District's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment.

The ROU asset for leases is amortized on a straight-line basis over the lease term.

#### Pensions

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis, and Minneapolis School District. This direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in Note 7.

#### Compensated Absences

Vacation granted and sick pay earned are based on length of service and various bargaining unit contracts. In the fund financial statements, vacation pay is recorded when paid. In the district-wide financial statements, a liability is recorded for vacation pay when it is earned. Unused sick leave enters into the calculation of early retirement incentive payments for some employees upon termination.

#### Other Postemployment Benefits (OPEB)

The District provides postemployment health insurance benefits to some retired employees as established by contracts with bargaining units or other employment contracts. These contracts state the years, age and retiring dates needed to qualify for these postemployment benefits.

# Independent School District No. 100

## Notes to Financial Statements (Continued)

Year Ended June 30, 2024

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### Note 1 Summary of Significant Accounting Policies (Continued)

#### Fund Balance

In the fund financial statements, governmental funds report fund balance amounts within one of the following categories: non-spendable, restricted, committed, assigned or unassigned. Non-spendable fund balance is either (a) not in spendable form, or (b) legally or contractually required to remain intact. Restricted fund balance includes amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Committed fund balance includes amounts that can be used only for specific purposes determined by a formal action of the School Board. Assigned fund balance includes amounts intended to be used for specific purposes, but do not meet the criteria to be classified as restricted or committed. In accordance with the District's fund balance policy, a majority vote of the School Board is required to commit a fund balance to a specific purpose and subsequently remove or change any commitment and the District's superintendent is authorized to assign fund balance to a specific purpose.

At June 30, 2024, the District had no committed fund balances. The portion of the fund balance not non-spendable, restricted, committed, or assigned, is reported as unassigned. If resources from one fund balance classification could be spent, the District will strive to spend resources in the following order: restricted, committed, assigned, and unassigned. The District applies restricted resources first when an expense is incurred for the purpose for which both restricted and unrestricted fund balance is available.

The District strives to maintain a positive unassigned general fund balance. At June 30, 2024, the District has met that minimum general fund balance goal for FY2024.

#### Net Position

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

# Independent School District No. 100

## Notes to Financial Statements (Continued)

Year Ended June 30, 2024

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### Note 2 Deposits and Investments

#### Deposits

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

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes and bonds; issues of U.S. Government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. The District requires collateral for deposits over FDIC insurance amounts. At June 30, 2024, the District's deposits were not exposed to custodial credit risk.

#### Investments

The District may also invest idle funds as authorized by Minnesota statutes, as follows: direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better, general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States' bank eligible for purchase by the Federal Reserve System; commercial paper issued by United States' corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

# Independent School District No. 100

## Notes to Financial Statements (Continued)

Year Ended June 30, 2024

### Note 2 Deposits and Investments (Continued)

The Minnesota School District Liquid Asset Fund (MSDLAF), the Minnesota Trust (MNTrust) Investment Shares Portfolio, and MNTrust Term Series-Flex are external investment pools are regulated by the Minnesota Statutes and are not registered with the Securities and Exchange Commission (SEC). The District's investments in these investment pools are measured at net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. The fund is a short-term money market portfolio, a cash-management vehicle created exclusively for Minnesota school districts. The Portfolio is managed to maintain a dollar-weighted average portfolio maturity of no greater than 60 days and seeks to maintain a constant net asset value (NAV) per share of \$1.00.

MNTrust Term Series-Flex are intended to be held until maturity but can be fully or partially redeemed on the specified date for the weekly redemption provided that the notice of such redemption was provided to the Administrator at least one business day before such redemption date.

Interest rate risk - Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

State law limits investments as discussed above. The District has no investment policy that would further limit its investment choices.

At June 30, 2024, investments consisted of the following:

Investment		Less Than One Year
MNTrust Investment Shares Portfolio	\$ 1,221,090	\$ 1,221,090
MNTrust Term Series - Flex	260,970	260,970
MSDLAF+ Liquid Class	204	204
MSDLAF+ MAX Class	119	119
Certificates of Deposit	243,500	243,500
U.S. Treasury Securities	40,976	40,976
Money Market Fund	1,197	1,197
Total	\$ 1,768,056	\$ 1,768,056

Credit risk - Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the District's policy to invest only in securities that meet the ratings requirements set by state statute.

#### Standard and Poor's

AAAm	\$ 1,221,413
Not applicable	40,976
Not rated	505,667
Total	\$ 1,768,056



# Independent School District No. 100

## Notes to Financial Statements (Continued)

Year Ended June 30, 2024

### Note 2 Deposits and Investments (Continued)

Custodial credit risk - The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At June 30, 2024, none of the District's investments were subject to custodial credit risk.

Concentration of credit risk - The concentration of credit risk is the risk of loss that may be caused by the District's investment in a single issuer. The District has no policy that would limit its investment in a single issuer. At June 30, 2024, the District had 82.4% of its investments in the MNTrust Investment Shares Portfolio.

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 assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 are significant unobservable inputs.

The District had the following investments valued at recurring measurements at June 30, 2024:

Investments by fair value level	Total	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	\$ 243,500	\$	\$ 243,500	\$
Money market	1,197		1,197	
Government securities	40,976		40,976	
<b>Total debt securities/investments by fair value level</b>	<b>\$ 285,673</b>	<b>\$</b>	<b>\$ 285,673</b>	<b>\$</b>
<b>Investments measured at the net asset value (NAV)</b>				
External investment pools	1,482,383			
<b>Total investments</b>	<b>\$ 1,768,056</b>			

The following table sets forth additional disclosures about the District's investments whose value are estimated using net asset value (NAV) as of June 30, 2024:

	Total	Unfunded Commitments	Redemption Frequency	Redemption Notice Period 2 P.M. Eastern Time transaction deadline.
External Investment Pool - MSDLAF+ Liquid Class	\$ 204	\$ 0	On Demand 14 days, with the exception of direct investments of funds distributed by the State of Minnesota	
External Investment Pool - MSDLAF+ MAX Class	119	\$0		24-hour notice
External Investment Pool - MNTrust Investment Shares Portfolio	1,221,090	\$0	On Demand	None
External Investment Pool - MNTrust Term Series-Flex	260,970	\$0	Weekly	One business day prior to weekly redemption date
<b>Total External Pool Investments</b>	<b>\$ 1,482,383</b>			

# Independent School District No. 100

## Notes to Financial Statements (Continued)

Year Ended June 30, 2024

### Note 2 Deposits and Investments (Continued)

The District's total deposits and investments are as follows:

Petty cash	\$	1,025
Deposits		168,953
Investments		1,768,056
<hr/>		
Total	\$	1,938,034

Presented in the basic financial statements as follows:

Statement of Net Position		
Cash and investments	\$	1,886,302
Statement of Fiduciary Net Position		
Private Purpose Trust Fund		
Cash and investments		51,732
<hr/>		
Total deposits and investments	\$	1,938,034

### Note 3 Capital Assets

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

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
<hr/>				
Capital assets not being depreciated				
Land	\$ 22,760			\$ 22,760
<hr/>				
Total capital assets not being depreciated	22,760			22,760
<hr/>				
Capital assets being depreciated				
Land improvements	142,880			142,880
Buildings	22,088,597	95,511	(13,233)	22,170,875
Equipment	1,404,795	67,608	(132,515)	1,339,888
<hr/>				
Total capital assets being depreciated	23,636,272	163,119	(145,748)	23,653,643
<hr/>				
Less accumulated depreciation				
Land improvements	132,512	1,041		133,553
Buildings	5,095,809	434,823	(6,039)	5,524,593
Equipment	959,634	86,172	(132,515)	913,291
<hr/>				
Total accumulated depreciation	6,187,955	522,036	(138,554)	6,571,437
<hr/>				
Total capital assets being depreciated, net	17,448,317	(358,917)	(7,194)	17,082,206
<hr/>				
Capital assets, net	\$ 17,471,077	\$ (358,917)	\$ (7,194)	\$ 17,104,966

# Independent School District No. 100

## Notes to Financial Statements (Continued)

Year Ended June 30, 2024

### Note 3 Capital Assets (continued)

Depreciation is charged to governmental functions as follows:

District support services	\$ 5,073
Regular instruction	9,515
Exceptional instruction	1,887
Instructional support services	3,260
Pupil support services	62,691
Sites, building and equipment	292,565
Unallocated	147,045
<b>Total</b>	<b>\$ 522,036</b>

### Note 4 Long-Term Obligations

The following is a summary of change in long-term obligations:

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Due Within One Year
<b>General Obligation Bonds</b>					
\$9,240,000 General Obligation Facilities Maintenance Bonds, Series 2020A, due in annual installments of \$35,000 to \$625,000 plus interest of 2.0% to 4.0% through February 2040.	\$ 8,700,000.00	\$ -	\$ 395,000.00	\$ 8,305,000.00	\$ 410,000.00
\$965,000 General Obligation Facilities Maintenance Bonds, Series 2021A, due in annual installments of \$60,000 to \$70,000 plus interest of 1.1% to 2.0% through February 2037.	905,000	-	60,000	845,000	60,000
\$3,670,000 General Obligation Facilities Maintenance Bonds, Series 2021B, due in annual installments of \$120,000 to \$780,000 plus interest of 2% to 3% through February 2041.	3,550,000	-	145,000	3,405,000	150,000
Unamortized bond premium	356,680	-	21,259	335,421	-
<b>Total general obligation bonds</b>	<b>13,511,680</b>	<b>-</b>	<b>621,259</b>	<b>12,890,421</b>	<b>620,000</b>
<b>Notes payable</b>	<b>38,664</b>	<b>-</b>	<b>19,019</b>	<b>19,645</b>	<b>19,645</b>
<b>Pension liability</b>	<b>4,055,817</b>	<b>127,056</b>	<b>644,799</b>	<b>3,538,074</b>	<b>-</b>
<b>Compensated absences</b>	<b>40,551</b>	<b>105,277</b>	<b>11,700</b>	<b>134,128</b>	<b>-</b>
<b>Total OPEB obligation</b>	<b>35,900</b>	<b>5,904</b>	<b>14,715</b>	<b>27,089</b>	<b>-</b>
<b>Total</b>	<b>\$ 17,682,612</b>	<b>\$ 238,237</b>	<b>\$ 1,311,492</b>	<b>\$ 16,609,357</b>	<b>\$ 639,645</b>

General Obligation School Building Refunding Bonds are paid from the Debt Service Fund. The notes payable, pension liability, OPEB obligation and compensated absences are paid from the General, Food Service, or Community Service Funds.

# Independent School District No. 100

## Notes to Financial Statements (Continued)

Year Ended June 30, 2024

### Note 4 Long-Term Obligations (Continued)

Annual amounts required to service outstanding general obligation bonds:

	General Obligation Bonds		
	Principal	Interest	Total
2025	\$ 620,000	\$ 318,770	\$ 938,770
2026	645,000	297,210	942,210
2027	670,000	274,750	944,750
2028	690,000	251,340	941,340
2029	725,000	227,180	952,180
2030-2034	3,740,000	903,318	4,643,318
2035-2039	3,890,000	461,359	4,351,359
2040-2041	1,575,000	51,006	1,626,006
<b>Total</b>	<b>\$ 12,555,000</b>	<b>\$ 2,784,933</b>	<b>\$ 15,339,933</b>

The District has issued a note for the purchase of a bus. Annual amounts required to service the outstanding note payable is as follows:

	Notes Payable		
	Principal	Interest	Total
2025	\$ 19,645	\$ 618	\$ 20,263
<b>Total</b>	<b>\$ 19,645</b>	<b>\$ 618</b>	<b>\$ 20,263</b>

The bus purchased with the proceeds of the note is collateral on the loan.

The District has entered into a lease for copiers. The right of use asset and related lease liability have not been recorded in the government-wide financial statements due to the insignificance of the remaining balance.

### Note 5 Interfund Transactions

There were no interfund receivable/payables at June 30, 2024. The District also did not record any interfund transfers during 2023-24.

### Note 6 Net Position/Fund Balances

Fund balances were non-spendable for the following purposes at June 30, 2024:

Nonspendable	
General Fund - Prepaid expenses	\$ 766
General Fund - Inventory	4,531
Food Service Fund - Inventory	8,277
Total nonspendable	<u>\$ 13,574</u>

# Independent School District No. 100

## Notes to Financial Statements (Continued)

Year Ended June 30, 2024

### Note 6 Net Position/Fund Balances (Continued)

Fund balances were assigned for the following purposes at June 30, 2024:

Assigned		
General Fund - Kindergarten	\$	100
General Fund - Football Scoreboard		5,733
	\$	<u>5,833</u>

Net position and fund balance were restricted for the following purposes at June 30, 2024:

Restricted	Net Position	Fund Balance
General Fund		
Student activities	\$ 34,254	\$ 34,254
Basic skills	476	476
Literacy incentive aid	13,475	13,475
LTFM	8,650	8,650
Operating capital	18,389	18,389
Medical assistance	1,341	1,341
Student support personnel	571	571
Staff development	19,759	19,759
<b>Total general fund</b>	<b>96,915</b>	<b>96,915</b>
<b>Debt service</b>	<b>26,577</b>	<b>151,466</b>
Other nonmajor governmental funds		
Food service	62,083	62,083
ECFE	25,446	25,446
Community service	3,076	2,819
School readiness	6,599	6,599
<b>Total other nonmajor governmental funds</b>	<b>97,204</b>	<b>96,947</b>
<b>Total restricted</b>	<b>\$ 220,696</b>	<b>\$ 345,328</b>

The following funds had projects with fund balance deficits at June 30, 2024:

General Fund		
Safe Schools	\$	(2,018)
Community Service Fund		
Community education	\$	(4,898)

The project deficits in the community service and general funds are allowable by the Minnesota Department of Education and will be eliminated through revenues in future years. The deficits are included in unassigned fund balance on the fund financial statements.

# Independent School District No. 100

## Notes to Financial Statements (Continued)

Year Ended June 30, 2024

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### Note 7 Defined Benefit Pension Plans

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

#### A. Teachers Retirement Fund (TRA)

##### 1. Plan Description

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

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

##### 2. Benefits Provided

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

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

##### *Tier I Benefits*

<u>Tier I</u>	<u>Step rate formula</u>	<u>Percentage</u>
Basic	1st ten years of service	2.2 percent per year
	All years after	2.7 percent per year
Coordinated	1 <sup>st</sup> ten years if service years are up to July 1, 2006	1.2 percent per year
	1 <sup>st</sup> ten years if service years are July 1, 2006 or after	1.4 percent per year
	All other years of service if service years are prior to July 1, 2006	1.7 percent per year
	All other years of service if service years are July 1, 2006 or after	1.9 percent per year

# Independent School District No. 100

## Notes to Financial Statements (Continued)

Year Ended June 30, 2024

### Note 7 Defined Benefit Pension Plans (Continued)

With these provisions:

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

or

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

#### ***Tier II Benefits***

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

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

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

### **3. Contribution Rate**

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

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

# Independent School District No. 100

## Notes to Financial Statements (Continued)

Year Ended June 30, 2024

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### Note 7 Defined Benefit Pension Plans (Continued)

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

Employer contributions reported in TRA's CAFR Statement of Changes in Fiduciary Net Position	\$ 508,764,000
Employer contributions not related to future contribution efforts	(87,000)
Deduct TRA's contributions not included in allocation	(643,000)
<u>Total employer contributions</u>	<u>508,034,000</u>
<u>Total nonemployer contributions</u>	<u>35,587,000</u>
<u>Total contributions reported in Schedule of Employer and Non-Employer Allocations</u>	<u>\$ 543,621,000</u>

Amounts reported in the allocation schedule may not precisely agree with financial statement amounts or actuarial valuations due to the number of decimal places used in the allocations. TRA has rounded percentage amounts to the nearest ten thousandths.

#### 4. Actuarial Assumptions

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

#### Key Methods and Assumptions Used in Valuation of Total Pension Liability

##### Actuarial Information:

Valuation Date	July 1, 2023
Measurement Date	June 30, 2023
Experience 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.



# Independent School District No. 100

## Notes to Financial Statements (Continued)

Year Ended June 30, 2024

### Note 7 Defined Benefit Pension Plans (Continued)

#### Mortality Assumption:

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 rates. Generational projection uses MP-2015 scale.
Post-disability	RP-2014 disabled retiree mortality table, without adjustment.

*\*The assumptions prescribed are based on the experience study dated June 28, 2019. For GASB 67 purposes, the long-term rate of return assumptions is selected by TRA management in consultation with actuary*

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 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 an expected long-term rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

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

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2023 is 6 years. The *Difference Between Expected and Actual Experience, Changes of Assumptions, and Changes in Proportion* use the amortization period of 6 years in the schedule presented. The amortization period for *Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments* is 5 years as required by GASB 68.

Changes in actuarial assumptions since the 2022 valuation:

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

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

# Independent School District No. 100

## Notes to Financial Statements (Continued)

Year Ended June 30, 2024

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### Note 7 Defined Benefit Pension Plans (Continued)

The 2024 Omnibus Pensions and Retirement Bill:

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

#### 5. Discount Rate

The discount rate used to measure the total pension liability was 7%. 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 and employer contributions will be made at the fiscal 2023 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

#### 6. Net Pension Liability

At June 30, 2024, the District reported a liability of \$2,906,191 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.0352% at the end of the measurement period and 0.0371% for the beginning of the period.

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 proportional share of net pension liability	\$	2,906,191
State's proportional share of net pension liability associated with the District	\$	203,760

For the year ended June 30, 2024, the District recognized pension expense of (\$162,662). It also recognized \$28,691 as an increase to pension expense for the support provided by direct aid.

# Independent School District No. 100

## Notes to Financial Statements (Continued)

Year Ended June 30, 2024

### Note 7 Defined Benefit Pension Plans (Continued)

At 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 economic experience	\$ 29,951	\$ 42,773
Changes in actuarial assumptions	350,096	
Net difference between projected and actual investment earnings on pension plan investments	8,625	
Changes in proportion	35,295	130,972
Contributions paid to TRA subsequent to the measurement date	188,190	
<b>Total</b>	<b>\$ 612,157</b>	<b>\$ 173,745</b>

\$188,190 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Pension Expense Amount
2025	\$ 26,812
2026	(18,403)
2027	328,244
2028	(55,756)
2029	(30,675)
<b>Total</b>	<b>\$ 250,222</b>

### 7. Pension Liability Sensitivity

The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6%) or one percentage point higher (8%) than the current rate:

Discount Rate	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	6.00%	7.00%	8.00%
District's proportionate share of the TRA net pension liability	\$ 4,635,161	\$ 2,906,191	\$ 1,490,819

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.

# Independent School District No. 100

## Notes to Financial Statements (Continued)

Year Ended June 30, 2024

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### Note 7 Defined Benefit Pension Plans (Continued)

#### 8. Pension Plan Fiduciary Net Position

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

#### B. Public Employee Retirement Association (PERA)

##### 1. Plan Description

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

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

##### 2. Benefits Provided

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

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

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

# Independent School District No. 100

## Notes to Financial Statements (Continued)

Year Ended June 30, 2024

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### Note 7 Defined Benefit Pension Plans (Continued)

#### 3. Contributions

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

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 \$64,534. The District's contribution was equal to the required contributions as set by state statute.

#### 4. Pension Costs

At June 30, 2024, the District reported a liability of \$631,883 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's totaled \$17,402.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The District's proportion was 0.0113% at the end of the measurement period and 0.0137% for the beginning of the period.

District's proportionate share of net pension liability	\$	631,883
State's proportionate share of net pension liability associated with the District		17,402
Total	\$	<u>649,285</u>

For the year ended June 30, 2024 the District recognized pension expense of \$22,692 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$78 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.

# Independent School District No. 100

## Notes to Financial Statements (Continued)

Year Ended June 30, 2024

### Note 7 Defined Benefit Pension Plans (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 21,810	\$ 5,239
Changes in actuarial assumptions	123,149	173,194
Net difference between projected and actual earnings on plan investments		15,857
Changes in proportion	9,629	142,561
Contributions made to PERA subsequent to the measurement date	64,534	
<b>Total</b>	<b>\$ 219,122</b>	<b>\$ 336,851</b>

\$64,534 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Pension Expense Amount
2025	\$ (6,771)
2026	(146,206)
2027	(15,580)
2028	(13,706)
<b>Total</b>	<b>\$ (182,263)</b>

### 5. 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:

# Independent School District No. 100

## Notes to Financial Statements (Continued)

Year Ended June 30, 2024

### Note 7 Defined Benefit Pension Plans (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Private Markets	25.0%	5.90%
Fixed Income	25.0%	0.75%
<b>Total</b>	<b>100.0%</b>	

#### 6. Actuarial Methods and Assumptions

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

Inflation is assumed to be 2.25 percent for the General Employees Plan.

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

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table.

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 percent to 7.0 percent.

#### Changes in Plan Provisions:

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

# Independent School District No. 100

## Notes to Financial Statements (Continued)

Year Ended June 30, 2024

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### Note 7 Defined Benefit Pension Plans (Continued)

#### 7. Discount Rate

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

#### 8. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount Rate	6.00%	7.00%	8.00%
District's proportionate share of the PERA net pension liability	\$ 1,117,852	\$ 631,883	\$ 232,155

#### 9. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report can be obtained at [www.mnpera.org](http://www.mnpera.org).



# Independent School District No. 100

## Notes to Financial Statements (Continued)

Year Ended June 30, 2024

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### Note 8 Postemployment Healthcare Plan

*Plan Description* – The District administers a single-employer defined benefit OPEB plan which provides medical benefits to eligible retired employees and their dependents in accordance with the terms of the plan. The District has not established a trust fund to account for the plan and there is not a stand-alone report for the plan. As of June 30, 2023, the date of the latest actuarial study, there were 59 active employees eligible to receive benefits and no retirees receiving benefits.

#### Total Other Postemployment Benefit Liability

The District’s total OPEB liability of \$27,089 was measured as of June 30, 2023 and was determined by an actuarial valuation dated June 30, 2023.

#### Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	2.50%
Discount rate	3.86%
Healthcare trend rates	7.6% for FY2024, gradually decreasing over several decades to an ultimate rate of 3.9% in FY2076 and later years.

The discount rate was determined using the Municipal GO AA index rate for 20-Year, tax-exempt municipal bonds.

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2015 for teachers and Pub-2010 for non-teachers based on scale MP-2021 and other adjustments.

#### Change in the Total OPEB Liability

Balance at 6/30/2023	\$	35,900
Changes for the year:		
Service Cost		3,302
Interest		1,438
Changes of assumptions		1,164
Difference between expected and actual experience		(14,232)
Benefit payments		(483)
Net change		(8,811)
Balance at 6/30/2024	\$	27,089

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# Independent School District No. 100

## Notes to Financial Statements (Continued)

Year Ended June 30, 2024

### Note 8 Postemployment Healthcare Plan (Continued)

#### Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.86 percent) or one percentage point higher (4.86 percent) than the current discount rate:

	1% Decrease 2.86%	Discount Rate 3.86%	1% Increase 4.86%
Total OPEB Liability	\$ 29,450	\$ 27,089	\$ 24,930

#### Sensitivity of the Total OPEB Liability to Changes in the Health Care Trend Rates

The following presents the total OPEB Liability of the District, as well as what the District’s total OPEB liability would be if calculated using healthcare trend rates that are one percentage point lower or one percentage point higher than the current healthcare trend rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Total OPEB Liability	\$ 24,039	\$ 27,089	\$ 30,792

#### OPEB Expense

For the year ended June 30, 2024 the District recognized OPEB expense of (\$8,328).

### Note 9 Commitments and Contingencies

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

# Independent School District No. 100

## Notes to Financial Statements (Continued)

Year Ended June 30, 2024

### Note 10 Temporary Notes Payable

The District issued General Obligation Aid Anticipation Certificates of Indebtedness, Series 2023A during fiscal year 2023. The note matured on September 30, 2023. The District issued General Obligation Aid Anticipation Certificates of Indebtedness, Series 2024A during fiscal year 2024. The note matures September 30, 2024. The following is a summary of the temporary note activity during fiscal year 2024.

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024
G.O. Aid Certificates of Indebtedness, Series 2023A	\$ 500,000		\$ 500,000	\$
G.O. Aid Certificates of Indebtedness, Series 2024A		300,000		300,000
	<u>\$ 500,000</u>	<u>\$ 300,000</u>	<u>\$ 500,000</u>	<u>\$ 300,000</u>

Interest paid on temporary notes payable during fiscal year 2024 was \$13,509.

### Note 11 Risk Management

The District's property and liability premiums and reemployment claims are paid by the General Fund. The General, Food Service and Community Service Funds pay workers' compensation premiums based on salaries. There were no significant reductions in insurance coverage from coverage in prior years and insurance settlements have not exceeded insurance coverage in any of the past three years.

The District purchases commercial insurance for property and liability, transferring the risk of loss to the insurance carrier.

The District participates in a risk pool for workers' compensation insurance. The pool in turn contracts with an insurance carrier, thereby transferring the risk from the pool members to the insurance carrier. The workers' compensation policy is retrospectively rated in that the initial premium is adjusted based on the actual experience during coverage period of the group of entities that participate in the pool.

The District handles reemployment costs through a self-insurance plan. The District retains the risks associated with reemployment claims.

## Required Supplementary Information

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# Independent School District No. 100

## Information about the District's Other Postemployment Health Care Plan

Year Ended June 30, 2024

Measurement date	2024	2023	2022	2021	2020	2019
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
<b>Total OPEB Liability</b>						
Service Cost	\$ 3,302	\$ 4,223	\$ 5,553	\$ 4,899	\$ 3,018	\$ 2,840
Interest	1,438	794	1,333	1,421	1,142	985
Changes of assumptions	1,164	(5,833)	(174)	2,576	3,626	(134)
Differences between expected and actual experience	(14,232)		(17,710)		4,352	
Benefit payments	(483)	(811)	(682)	(349)		
Net change in total OPEB liability	(8,811)	(1,627)	(11,680)	8,547	12,138	3,691
Total OPEB Liability - beginning of year	35,900	37,527	49,207	40,660	28,522	24,831
Total OPEB liability - end of year	\$ 27,089	\$ 35,900	\$ 37,527	\$ 49,207	\$ 40,660	\$ 28,522
Covered payroll	2,650,019	2,846,978	3,020,185	2,933,720	2,808,572	2,755,952
Total OPEB liability as a percentage of covered payroll	1.0%	1.3%	1.2%	1.7%	1.4%	1.0%

### Notes to Schedule

Funding: There are no assets accumulated in a trust that meets the criteria of GASB No 75, paragraph 4, to pay related benefits.

#### Changes of Assumptions:

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

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 7/1/2021 PERA General Employees Plan valuation to the rates used in the 7/1/2022 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.

\*This schedule is intended to present information for the last 10 years. Additional information will be added as it becomes available.

# Independent School District No. 100

## Information about the District's Net Pension Liability

Year Ended June 30, 2024

### Schedule of Employer's Contributions

#### Teacher's Retirement Association (TRA)

Fiscal Year Ending	Contributions in Relation to the			Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)		
June 30, 2024	\$188,190	\$188,190	\$0	\$2,150,743	8.75%
June 30, 2023	\$191,132	\$191,132	\$0	\$2,235,467	8.55%
June 30, 2022	\$191,378	\$191,378	\$0	\$2,294,698	8.34%
June 30, 2021	\$176,971	\$176,971	\$0	\$2,176,751	8.13%
June 30, 2020	\$167,529	\$167,529	\$0	\$2,115,259	7.92%
June 30, 2019	\$156,084	\$156,084	\$0	\$2,024,431	7.71%
June 30, 2018	\$149,550	\$149,550	\$0	\$1,994,004	7.50%
June 30, 2017	\$132,702	\$132,702	\$0	\$1,769,357	7.50%
June 30, 2016	\$125,327	\$125,327	\$0	\$1,671,026	7.50%
June 30, 2015	\$121,217	\$121,217	\$0	\$1,616,225	7.50%

#### Public Employees Retirement Association (PERA)

Fiscal Year Ending	Contributions in Relation to the			Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)		
June 30, 2024	\$64,534	\$64,534	\$0	\$860,448	7.50%
June 30, 2023	\$67,493	\$67,493	\$0	\$899,905	7.50%
June 30, 2022	\$76,874	\$76,874	\$0	\$1,024,977	7.50%
June 30, 2021	\$72,448	\$72,448	\$0	\$965,968	7.50%
June 30, 2020	\$70,264	\$70,264	\$0	\$936,853	7.50%
June 30, 2019	\$63,878	\$63,878	\$0	\$851,704	7.50%
June 30, 2018	\$57,567	\$57,567	\$0	\$767,561	7.50%
June 30, 2017	\$54,108	\$54,108	\$0	\$721,292	7.50%
June 30, 2016	\$48,936	\$48,936	\$0	\$652,479	7.50%
June 30, 2015	\$48,834	\$48,834	\$0	\$661,441	7.38%

# Independent School District No. 100

## Information about the District's Net Pension Liability (Continued)

Year Ended June 30, 2024

### Schedule of Employer's Proportionate Share of Net Pension Liability

#### Teacher's Retirement Association (TRA)

Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability	Employer's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability associated with the District	Total	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2023	0.0352%	\$2,906,191	\$203,760	\$3,109,951	\$2,235,467	130.0%	76.4%
June 30, 2022	0.0371%	\$2,970,772	\$220,578	\$3,191,350	\$2,294,698	129.5%	76.2%
June 30, 2021	0.0364%	\$1,592,973	\$134,452	\$1,727,425	\$2,176,751	73.2%	86.6%
June 30, 2020	0.0364%	\$2,689,281	\$225,653	\$2,914,934	\$2,115,259	127.1%	75.5%
June 30, 2019	0.0357%	\$2,275,525	\$201,588	\$2,477,113	\$2,024,431	112.4%	78.1%
June 30, 2018	0.0361%	\$2,266,863	\$213,075	\$2,479,938	\$1,994,004	113.7%	78.1%
June 30, 2017	0.0329%	\$6,567,437	\$635,199	\$7,202,636	\$1,769,357	371.2%	51.6%
June 30, 2016	0.0321%	\$7,656,616	\$768,046	\$8,424,662	\$1,671,026	458.2%	44.9%
June 30, 2015	0.0318%	\$1,967,145	\$241,285	\$2,208,430	\$1,616,225	121.7%	76.8%
June 30, 2014	0.0329%	\$1,622,613	\$106,605	\$1,729,218	\$1,502,810	108.0%	81.5%

#### Public Employees Retirement Association (PERA)

Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability	Employer's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability associated with the District	Total	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2023	0.0113%	\$631,883	\$17,402	\$649,285	\$899,905	70.2%	74.6%
June 30, 2022	0.0137%	\$1,085,045	\$31,807	\$1,116,852	\$1,024,977	105.9%	76.7%
June 30, 2021	0.0136%	\$580,781	\$17,716	\$598,497	\$965,968	60.1%	87.0%
June 30, 2020	0.0131%	\$785,405	\$24,212	\$809,617	\$936,853	83.8%	79.1%
June 30, 2019	0.0120%	\$663,463	\$20,666	\$684,129	\$851,704	77.9%	80.2%
June 30, 2018	0.0114%	\$632,425	\$20,791	\$653,216	\$767,561	82.4%	79.5%
June 30, 2017	0.0112%	\$715,001	\$9,025	\$724,026	\$721,292	99.1%	75.9%
June 30, 2016	0.0105%	\$852,548	\$11,200	\$863,748	\$652,479	130.7%	68.9%
June 30, 2015	0.0113%	\$585,625	\$0	\$585,625	\$661,441	88.5%	78.2%
June 30, 2014	0.0122%	\$573,095	\$0	\$573,095	\$642,881	89.1%	78.7%

# Independent School District No. 100

## Information about the District's Net Pension Liability (Continued)

Year Ended June 30, 2024

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### 2023 Changes

#### *Changes in Actuarial Assumptions*

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

#### *Changes in Plan Provisions*

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

### 2022 Changes

#### *Changes in Actuarial Assumptions*

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

#### *Changes in Plan Provisions*

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

### 2021 Changes

#### *Changes in Actuarial Assumptions*

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

#### *Changes in Plan Provisions*

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

### 2020 Changes

#### *Changes in Actuarial Assumptions*

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- 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 percent 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.



# Independent School District No. 100

## Information about the District's Net Pension Liability (Continued)

Year Ended June 30, 2024

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- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15 percent to 30 percent. 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 percent for the period July 1, 2020, through December 31, 2023, and 0.0 percent after. 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 percent per year through 2044 and 2.5 percent per year thereafter to 1.25 percent per year.

#### **Changes in Plan Provisions**

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4 percent to 3 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Annual increases were changed from 1 percent per year with a provision to increase to 2.5 percent upon attainment of 90 percent funding ratio to 50 percent of the Social Security Cost-of Living Adjustment, not less than 1 percent and not more than 1.5 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.

# Independent School District No. 100

## Information about the District's Net Pension Liability (Continued)

Year Ended June 30, 2024

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

### 2017 Changes

#### *Changes in Actuarial Assumptions*

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA load are now 0 percent for active member liability, 15 percent for vested deferred member liability, and 3 percent for non-vested deferred member liability.
- The assumed annual increase rate was changed for 1 percent per year for all years to 1 percent per year through 2044 and 2.50 percent per year thereafter.

#### *Changes in Plan Provisions*

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16.0 million in 2017 and 2018 and \$6.0 million 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 annual increase rate was changed from 1 percent per year through 2035 and 2.50 percent per year thereafter to 1 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

#### *Changes in Plan Provisions*

- There have been no changes since the prior valuation.

### 2015 Changes:

#### *Changes in Actuarial Assumptions*

- The assumed annual increase rate was changed from 1 percent per year through 2030 and 2.5 percent per year thereafter to 1 percent per year through 2035 and 2.5 percent per year thereafter.

#### *Changes in Plan Provisions:*

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6 million, which meets the special funding situation definition, was due September 2015.

Supplementary Financial Information

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# Independent School District No. 100

## Nonmajor Governmental Funds – Combining Balance Sheet

June 30, 2024

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service Fund	Community Service Fund	
<b>Assets</b>			
Cash and temporary cash investments	\$ 64,621	\$ 49,671	\$ 114,292
Accounts receivable	7,849		7,849
Current property taxes receivable		7,897	7,897
Delinquent property taxes receivable		257	257
Due from the Minnesota Department of Education		2,927	2,927
Inventory	8,277		8,277
<b>Total assets</b>	<b>\$ 80,747</b>	<b>\$ 60,752</b>	<b>\$ 141,499</b>
<b>Liabilities</b>			
Salaries payable	\$ 9,840	\$ 3,533	\$ 13,373
Accounts payable	58	440	498
Unearned revenue	489		489
<b>Total liabilities</b>	<b>10,387</b>	<b>3,973</b>	<b>14,360</b>
<b>Deferred inflows of resources</b>			
Delinquent property taxes		257	257
Property taxes levied for subsequent year's expenditures		26,555	26,555
<b>Total deferred inflows of resources</b>		<b>26,812</b>	<b>26,812</b>
<b>Fund balances</b>			
Nonspendable	8,277		8,277
Restricted	62,083	34,865	96,947
Unassigned		(4,898)	(4,898)
<b>Total fund balances</b>	<b>70,360</b>	<b>29,967</b>	<b>100,327</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 80,747</b>	<b>\$ 60,752</b>	<b>\$ 141,499</b>

# Independent School District No. 100

## Nonmajor Governmental Funds – Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2024

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service Fund	Community Service Fund	
<b>Revenues</b>			
Local property tax levies	\$	\$ 26,087	\$ 26,087
Other local and county revenues		81,432	81,432
Revenue from state sources	94,371	58,085	152,456
Revenue from federal sources	143,634		143,634
Sales and other conversion of assets	1,728	25	1,753
<b>Total revenues</b>	<b>239,733</b>	<b>165,629</b>	<b>405,362</b>
<b>Expenditures</b>			
Current			
Community education and services		154,226	154,226
Pupil support services	199,364		199,364
Capital outlay	179		179
<b>Total expenditures</b>	<b>199,543</b>	<b>154,226</b>	<b>353,769</b>
Net change in fund balances	40,190	11,403	51,593
Fund balances, beginning	30,170	18,564	48,734
<b>Fund balances, ending</b>	<b>\$ 70,360</b>	<b>\$ 29,967</b>	<b>\$ 100,327</b>

# Independent School District No. 100

## Fiscal Compliance Table

For the Year Ended June 30, 2024

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
<b>01 GENERAL FUND</b>							
Total revenues	\$ 5,629,943	\$ 5,629,942	\$ 1				
Total expenditures	5,345,676	5,345,676					
<i>Non spendable</i>							
460 Non spendable fund balance	5,297	5,295	2				
<i>Restricted/Reserve</i>							
401 Student activities	34,254	34,254					
403 Staff development	19,759	19,759					
405 Deferred maintenance							
406 Health and safety							
407 Capital Projects Levy							
408 Cooperative revenue							
411 Severance pay							
412 Literacy incentive aid	13,475	13,475					
414 Operating debt							
416 Levy reduction							
417 Taconite building maintenance							
423 Certain teacher programs							
424 Operating capital	18,389	18,389					
426 \$25 Taconite							
427 Disabled accessibility							
428 Learning and development							
434 Area learning center							
435 Contracted alt. Programs							
436 St. approved alt. Program							
438 Gifted & talented							
441 Basic skills program	476	477	(1)				
445 Career and technical Programs							
446 First Grade Preparedness							
449 Safe schools levy	(2,018)	(2,018)	(0)				
450 Prekindergarten							
451 QZAB payments							
452 OPEB liability not in trust							
453 Unfunded sev & retirement levy							
467 LTFM	8,650	8,650					
471 Student Support Personnel	571	571					
472 Medical Assistance	1,341	1,341					
<i>Restricted</i>							
464 Restricted fund balance							
<i>Committed</i>							
418 Committed for separation							
461 Committed fund balance							
<i>Assigned</i>							
462 Assigned fund balance	5,833	5,833					
<i>Unassigned</i>							
422 Unassigned fund balance	365,092	365,094	(2)				
<b>02 FOOD SERVICE</b>							
Total revenues	239,733	239,733					
Total expenditures	199,543	199,543					
<i>Non spendable</i>							
460 Non spendable fund balance	8,277	8,277					
<i>Restricted</i>							
452 OPEB liability not in trust							
464 Restricted fund balance	62,083	62,084	(1)				
<i>Unassigned</i>							
463 Unassigned fund balance	-	-					
<b>04 COMMUNITY SERVICE</b>							
Total revenues	165,629	165,628	1				
Total expenditures	154,226	154,226					
<i>Non spendable</i>							
460 Non spendable fund balance							
<i>Restricted/Reserve</i>							
426 \$25 taconite							
431 Community education	(4,898)	(4,898)	0				
432 ECFE	25,446	25,446					
444 School readiness	6,599	6,599					
447 Adult Basic Education							
452 OPEB liability not in trust							
<i>Restricted</i>							
464 Restricted fund balance	2,819	2,819					
<i>Unassigned</i>							
463 Unassigned fund balance							
<b>06 BUILDING CONSTRUCTION</b>							
Total revenues	\$	\$	\$				
Total expenditures							
<i>Non spendable</i>							
460 Non spendable fund balance							
<i>Restricted/Reserve</i>							
467 LTFM							
407 Down payment levy							
409 Alternative facility program							
413 Projects funded by COP							
<i>Restricted</i>							
464 Restricted fund balance							
<i>Unassigned</i>							
463 Unassigned fund balance							
<b>07 DEBT SERVICE</b>							
Total revenues	976,527	976,527					
Total expenditures	947,965	947,965					
<i>Non spendable</i>							
460 Non spendable fund balance							
<i>Restricted/Reserve</i>							
425 Bond refundings							
451 QZAB payments							
<i>Restricted</i>							
464 Restricted fund balance	151,466	151,465	1				
<i>Unassigned</i>							
463 Unassigned fund balance							
<b>08 TRUST</b>							
Total revenues							
Total expenditures							
422 Net position							
<b>18 CUSTODIAL FUND</b>							
Total revenues	3,591	3,591					
Total expenditures	92	92					
402 Scholarships	51,732	51,732					
<b>20 INTERNAL SERVICE</b>							
Total revenues							
Total expenditures							
422 Net position							
<b>25 OPEB REVOCABLE TRUST FUND</b>							
Total revenues							
Total expenditures							
422 Net position							
<b>45 OPEB IRREVOCABLE TRUST FUND</b>							
Total revenues							
Total expenditures							
422 Net position							
<b>47 OPEB DEBT SERVICE FUND</b>							
Total revenues							
Total expenditures							
<i>Non spendable</i>							
460 Non spendable fund balance							
<i>Restricted</i>							
425 Bond refundings							
464 Restricted fund balance							
<i>Unassigned</i>							
463 Unassigned fund balance							

Reports Required by *Government Auditing Standards*  
and the State of Minnesota

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

To the School Board  
Independent School District No. 100  
Wrenshall, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 100, Wrenshall, Minnesota (District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated November 12, 2024.

### **Report on Internal Control Over Financial Reporting**

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

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

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

### **Report on Compliance and Other Matters**

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



### **District's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

November 12, 2024  
Eau Claire, Wisconsin

## Independent Auditor's Report on Legal Compliance for the State of Minnesota

To the School Board  
Independent School District No. 100  
Wrenshall, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 100, (District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 12, 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 Minnesota school districts (UFARS) sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

A handwritten signature in black ink that reads "Wipfli LLP".

Wipfli LLP

November 12, 2024  
Eau Claire, Wisconsin

# Independent School District No. 100

## Schedule of Findings and Responses

For the Year Ended June 30, 2024

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### Financial Statement Findings

#### Item 2024-001 - Financial Statement Presentation and Disclosures (Significant Deficiency)

**Criteria** - The District is responsible for having controls in place to prepare the financial statements in accordance with accounting principles generally accepted in the United States (GAAP).

**Condition** - The District's internal control over financial reporting does not end at the general ledger but extends to the financial statements and related notes. As part of our professional services for the year ended June 30, 2024, Wipfli assisted in drafting the financial statements and related notes. While the District does have an internal control process to review the financial statements prepared by the auditors, the District does not have sufficient expertise to completely prepare its own financial statements and related notes and relies on the auditors to provide necessary understanding of current accounting and disclosure principles in the preparation of the financial statements and related notes.

**Cause** - The District does not expect, nor does it require, its financial staff to have the ability to prepare GAAP statements.

**Effect** - The completeness of the related note disclosures and the accuracy of the overall financial presentation is negatively impacted as outside auditors do not have the same comprehensive understanding of the District and its staff. The potential exists that a misstatement of the financial statements and related notes could occur and not be prevented or detected by the District.

**Recommendation** - We recommend that management and those charged with governance continue to evaluate whether to accept the degree of risk associated with this condition because of cost or other considerations.

#### **DISTRICT'S CORRECTIVE ACTION PLAN (CAP):**

1. Explanation of Disagreement

The District does not disagree with the audit finding.

2. Action Planned

The District will continue to rely upon the auditors to prepare the financial statements and related notes. Management will review and approve the annual financial statements and related notes.

3. Official Responsible

The Superintendent is the official responsible for ensuring corrective action for the deficiency.

4. Planned Completion Date

Ongoing.

5. Plan to Monitor

The School Board will monitor compliance with the corrective action plan.

### Minnesota Legal Compliance Findings

None

# Independent School District No. 100

## Schedule of Prior Year Findings and Responses

For the Year Ended June 30, 2024

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### Financial Statement Findings

#### Item 2023-001 –Financial Statement Presentation and Disclosure

Resolution: This finding was repeated for fiscal year 2024 as item 2024-001.