**INDEPENDENT SCHOOL DISTRICT NO. 593**
**CROOKSTON, MINNESOTA**

*AUDITED FINANCIAL STATEMENTS*

FOR THE YEAR ENDED JUNE 30, 2024

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**INDEPENDENT SCHOOL DISTRICT NO. 593**
**CROOKSTON, MINNESOTA**
**ROSTER OF SCHOOL OFFICIALS**
**June 30, 2024**

| | |
|---|---|
| Frank Fee | Chairperson |
| Mike Theis | Clerk |
| Tim Dufault | Treasurer |
| Dave Davidson | Director |
| Patty Dillabough | Director |
| Marcia Meine | Director |
| Randal Bergquist | Superintendent |

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Independent School District No. 593
Crookston, Minnesota

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

***Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund of the Independent School District No. 593, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Independent School District No. 593, as of June 30, 2024, and the respective changes in financial position 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 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 ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement 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 judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules, and notes as listed in the table of contents as required supplementary information 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 schedule of changes in fund balances and compliance table as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of changes in fund balances, compliance table, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Brady Martz

**BRADY, MARTZ & ASSOCIATES, P.C.**
**THIEF RIVER FALLS, MINNESOTA**

November 21, 2024

This section of Independent School District No. 593's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2024. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**Financial Highlights**

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

- Overall fund revenues were $24,752,654 and overall fund expenses were $28,529,614.
- The District continues to utilize multiple grants and utilized one time only pandemic relief aid.
- Maintaining a quality education while remaining financially healthy requires constant monitoring by management.

**Overview of the Financial Statements**

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

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide statements.
    - The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's general fund budget for the year, and supplementary information that is presented for additional analysis.

<u>District-wide Statements</u>

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

The two district-wide statements report the District's *net position* and how it has changed. Net position – the difference between the District's assets, liabilities, and deferred inflows/outflows of resources – is one way to measure the District's financial health or *position*.

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

- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

- *Governmental activities*: All of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

<u>Fund Financial Statements</u>

The fund financial statements provide more detailed information about the District's funds. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

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

The District has one kind of fund:

- Governmental funds: The District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you 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, reconciliations have been provided following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances to help explain the relationship (or differences) between the governmental funds and governmental activities.

  The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, food service fund, community service fund, debt service fund, and capital projects fund all of which are considered to be major funds.

## Financial Analysis of the District as a Whole

Net Position

The District's combined net position was $7,690,711 on June 30, 2024 (see details in Table A-1). This was an increase of 171.69 percent from the prior year.

**Table A-1**
**Statement of Net Position**

| | 2024 | 2023 |
|---|---|---|
| Current and Other Assets | $ 15,558,741 | $ 17,673,316 |
| Capital Assets | 28,561,228 | 22,443,109 |
| Total Assets | 44,119,969 | 40,116,425 |
| Deferred Outflows of Resources | 3,119,498 | 4,134,105 |
| Long-Term Liabilities | 29,911,853 | 32,013,005 |
| Other Liabilities | 4,504,080 | 3,111,261 |
| | 34,415,933 | 35,124,266 |
| Deferred Inflows of Resources | 5,132,823 | 6,295,545 |
| Net Investment in Capital Assets | 15,417,568 | 9,706,393 |
| Restricted | 3,121,692 | 3,675,311 |
| Unrestricted | (10,848,549) | (10,550,985) |
| Total Net Position | $ 7,690,711 | $ 2,830,719 |

Change in Net Position

Table A-2 presents the change in net position of the District.

**Table A-2**
**Change in Net Position**

| | 2024 | 2023 |
|---|---|---|
| Revenues | | |
| Program Revenues | | |
| Charges for Services | $ 580,615 | $ 711,006 |
| Operating Grants and Contributions | 7,753,372 | 7,033,043 |
| Capital Grants | 2,976,982 | 207,005 |
| General Revenues | | |
| Property Taxes & County Revenue | 3,087,733 | 2,968,007 |
| Unrestricted State Aid | 9,731,140 | 9,621,922 |
| Unrestricted Investment Earnings (Losses) | 569,131 | 236,479 |
| Gain on Sale of Capital Asset | 1,558 | 9,685 |
| Other General Revenue | 143,313 | 69,190 |
| Total Revenues | 24,843,844 | 20,856,337 |
| Expenses | | |
| Administration | 1,165,013 | 970,557 |
| District Support Services | 619,742 | 489,446 |
| Regular Instruction | 7,066,093 | 6,772,401 |
| Vocational Education Instruction | 195,405 | 197,272 |
| Special Education Instruction | 3,944,182 | 2,096,046 |
| Community Education and Services | 481,378 | 360,953 |
| Instructional Support Services | 601,399 | 922,673 |
| Pupil Support Services | 2,367,217 | 2,059,442 |
| Sites and Buildings | 1,773,282 | 2,165,443 |
| Fixed Costs | 154,440 | 143,512 |
| Interest Expense | 458,662 | 425,289 |
| Depreciation - Unallocated | 1,157,039 | 1,044,435 |
| Total Expenses | 19,983,852 | 17,647,469 |
| Change in Net Position | 4,859,992 | 3,208,868 |
| Net Position - Beginning | 2,830,719 | (408,569) |
| GASB 96 Adjustment | | 30,420 |
| Net Position - Beginning, Restated | 2,830,719 | (378,149) |
| Net Position - Ending | $ 7,690,711 | $ 2,830,719 |

The District's total revenues were $24,843,844 for the year ended June 30, 2024. Property taxes and state aid payments accounted for 80 percent of total revenue for the year.

The total cost of all programs and services was $19,983,852. The District's expenses are predominantly related to educating and caring for students.

Total revenues surpassed expenses, increasing net position by $4,859,992 over last year. For the year ended June 30, 2024, the net effect of the District's deferred inflows and outflows of resources and net pension liability related to TRA and PERA increased net position by $1,100,917. For the year ended June 30, 2023, the net effect of the District's deferred inflows and outflows of resources and net pension liability related to TRA and PERA increased net position by $2,585,730.

The net cost of governmental activities is their total costs less program revenues applicable to each category.

Table A-3 presents these net costs.

**Table A-3**
**Net Cost of Governmental Activities**

| | Total Cost of Services | | Net Cost of Services | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Expenses | | | | |
| Administration | $ 1,165,013 | $ 970,557 | $ 1,164,360 | $ 958,344 |
| District Support Services | 619,742 | 489,446 | 619,742 | 489,446 |
| Regular Instruction | 7,066,093 | 6,772,401 | 855,055 | 3,116,651 |
| Vocational Education Instruction | 195,405 | 197,272 | 193,270 | 185,971 |
| Special Education Instruction | 3,944,182 | 2,096,046 | 1,073,100 | (145,379) |
| Community Education and Services | 481,378 | 360,953 | 232,575 | 132,122 |
| Instructional Support Services | 601,399 | 922,673 | 227,340 | 506,209 |
| Pupil Support Services | 2,367,217 | 2,059,442 | 980,633 | 898,350 |
| Sites and Buildings | 1,773,282 | 2,165,443 | 1,761,640 | 2,140,214 |
| Fixed Costs | 154,440 | 143,512 | 127,120 | 113,478 |
| Interest Expense | 458,662 | 425,289 | 281,009 | 256,574 |
| Depreciation - Unallocated | 1,157,039 | 1,044,435 | 1,157,039 | 1,044,435 |
| | $ 19,983,852 | $ 17,647,469 | $ 8,672,883 | $ 9,696,415 |

**Financial Analysis of the District's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Table A-4**
**Major Funds**

| | Fund Balance 2024 | Fund Balance 2023 | Increase (Decrease) | Percentage Increase (Decrease) |
|---|---|---|---|---|
| Governmental Funds | | | | |
| General | $ 4,641,079 | $ 6,558,971 | $ (1,917,892) | (29.2) % |
| Food Service | 449,871 | 404,590 | 45,281 | 11.2 |
| Community Service | (62,836) | 26,682 | (89,518) | (335.5) |
| Debt Service | 359,851 | 494,186 | (134,335) | (27.2) |
| Capital Projects Fund | 3,507,142 | 5,044,717 | (1,537,575) | (30.5) |

## General Fund

The general fund includes the primary operations of the District in providing educational services to students from kindergarten through grade 12, including pupil transportation activities and capital outlay projects.

Table A-5 presents a summary of general fund revenue.

**Table A-5**
**General Fund Revenue**

| | 2024 | 2023 | Amount of Increase (Decrease) | Percent Increase (Decrease) |
|---|---|---|---|---|
| Local Sources | | | | |
| Property Taxes & County Revenue | $ 2,150,760 | $ 2,027,350 | $ 123,410 | 6.1 % |
| Interest Earnings | 295,890 | 203,325 | 92,565 | 45.5 |
| Other | 494,791 | 505,874 | (11,083) | (2.2) |
| State Sources | 14,549,171 | 13,058,061 | 1,491,110 | 11.4 |
| Federal Sources | 3,982,684 | 2,162,315 | 1,820,369 | 84.2 |
| Other | 66,625 | 47,065 | 19,560 | 41.6 |
| Total General Fund Revenue | $ 21,539,921 | $ 18,003,990 | $ 3,535,931 | 19.6 % |

Total general fund revenue increased by $3,535,931 or 19.6 percent from the previous year. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including excess levy referendum and the property tax shift, involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change on revenue.

Table A-6 presents a summary of general fund expenditures.

**Table A-6**
**General Fund Expenditures**

| | 2024 | 2023 | Amount of Increase (Decrease) | Percent Increase (Decrease) |
|---|---|---|---|---|
| Salaries | $ 10,710,865 | $ 10,093,338 | $ 617,527 | 6.1 % |
| Employee Benefits | 4,112,123 | 3,834,918 | 277,205 | 7.2 |
| Purchased Services | 2,027,779 | 1,693,722 | 334,057 | 19.7 |
| Supplies and Materials | 513,629 | 1,035,117 | (521,488) | (50.4) |
| Capital Expenditures | 5,987,178 | 1,409,012 | 4,578,166 | 324.9 |
| Debt Service | 163,156 | 166,312 | (3,156) | (1.9) |
| Other Expenditures | 86,004 | 124,301 | (38,297) | (30.8) |
| Total General Fund Expenditures | $ 23,600,734 | $ 18,356,720 | $ 5,244,014 | 28.6 % |

Total general fund expenditures increased $5,244,014 or 28.6 percent from the previous year.

General Fund Budgetary Highlights

During the year, the District revised its budget to reflect new allocations of federal and state revenue.

The District’s final budget for the general fund anticipated that expenditures would exceed revenues and other financing sources by $591,220. The actual results for the year show a deficit of $
1,917,892

**Capital Assets and Debt Administration**

Capital Assets

Note 3 to the financial statements presents an analysis of capital asset and lease transactions occurring during the year ended June 30, 2024. Additions totaling $7,787,106 mainly consisted of a new bus, janitorial and maintenance equipment, an oven, and a school addition project. The District disposed of a leased copier.

Long-Term Debt

At year-end, the District had $16,637,002 of long-term debt consisting of bonded indebtedness and leases. Note 8 to the financial statements present details and payment provisions of these items.

## Factors Bearing on the District's Future

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

- Uncertainty as to federal and state funding.
- Student enrollment.

The District continues to provide educational opportunities to students. The District has maintained strong reserve balances which will help bridge financial gaps in revenue projections. During FY 2024, the District received federal grant funding related to the global COVID-19 pandemic under the Elementary and Secondary School Emergency Relief Fund (ESSER) grant. This grant will be used to cover COVID-19 expenditures of the District. This global pandemic has created unprecedented challenges for Federal, State and Local Government operations, creating uncertainty in the outcome of the 2024 budget.

## Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District office, Independent School District 593, 402 Fisher Ave, Ste 593, Crookston, Minnesota 56716.

**INDEPENDENT SCHOOL DISTRICT NO. 593**
**CROOKSTON, MINNESOTA**
**STATEMENT OF NET POSITION**
**June 30, 2024**

| | |
|---|---|
| GOVERNMENTAL ACTIVITIES | |
| ASSETS | |
| Cash and Investments | $ 10,769,770 |
| Property Taxes Receivable, Net of Allowance | 1,896,004 |
| Accounts Receivable | 59,638 |
| Due From Minnesota Dept of Education | 1,859,969 |
| Due From Federal Govt. - MDE | 945,354 |
| Due From Other MN Districts | 3,328 |
| Inventory | 24,678 |
| Capital Assets | |
| Land, Construction in Progress | 2,602,274 |
| Depreciable Capital Assets, Net of Depreciation/Amortization | 25,958,954 |
| TOTAL ASSETS | 44,119,969 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Cost Sharing Defined Benefit Pension Plan | 2,737,970 |
| Other Postemployment Benefit | 334,798 |
| Supplemental Pension Plan | 46,730 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 3,119,498 |
| LIABILITIES | |
| Salaries Payable | 729,234 |
| Accounts Payable | 1,763,691 |
| Due To Other Governmental Units | 12,268 |
| Due to Other MN Districts | 1,563 |
| Payroll Deductions | 626,732 |
| Unearned Revenue | 1,000 |
| Interest Payable | 166,325 |
| Long-Term Liabilities Due Within One Year | 1,203,267 |
| Long-Term Liabilities | |
| Bonds, Net Premium | 16,133,595 |
| Compensated Absences Payable | 645,404 |
| Lease Payable | 503,406 |
| Net Pension Liability | 10,775,565 |
| Total OPEB Liability | 2,804,206 |
| Total Supplemental Pension Obligation | 252,944 |
| Less Amounts Due Within One Year | (1,203,267) |
| Total Long-Term Liabilities | 29,911,853 |
| TOTAL LIABILITIES | 34,415,933 |
| DEFERRED INFLOWS OF RESOURCES | |
| Property Taxes Levied - Subs. Years | 3,525,549 |
| Cost Sharing Defined Benefit Pension Plan | 1,218,432 |
| Other Postemployment Benefit | 359,214 |
| Supplemental Pension Plan | 29,628 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 5,132,823 |

See Notes to the Basic Financial Statements

| | |
|---|---|
| NET POSITION | |
| Net Investment in Capital Assets | $ 15,417,568 |
| Restricted | |
| Student Activity | 34,962 |
| Scholarships | 323,883 |
| Staff Development | 130,254 |
| Literacy Incentive | 40,198 |
| American Indian Ed | 36,574 |
| Operating Capital | 695,553 |
| Disabled Access | 33,003 |
| Gifted and Talented | 87,477 |
| Library Aid | 27,834 |
| Safe Schools | 4,289 |
| Long Term Facilities Maint. | 975,788 |
| Medical Assistance | 14,607 |
| Building Repairs & Maintenance | 70,810 |
| Food Service | 449,871 |
| School Readiness | 603 |
| Community Service | 2,460 |
| Debt Service | 193,526 |
| Unrestricted | (10,848,549) |
| TOTAL NET POSITION | $ 7,690,711 |

See Notes to the Basic Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 593**
**CROOKSTON, MINNESOTA**
**STATEMENT OF ACTIVITIES**
**For the Year Ended June 30, 2024**

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants | Net (Expense) Revenue and Changes in Net Position |
|---|---|---|---|---|---|
| GOVERNMENTAL ACTIVITIES | | | | | |
| Administration | $ 1,165,013 | $ | $ 653 | $ | $ (1,164,360) |
| District Support Services | 619,742 | | | | (619,742) |
| Regular Instruction | 7,066,093 | 302,834 | 3,085,967 | 2,822,237 | (855,055) |
| Vocational Education Instruction | 195,405 | 2,135 | | | (193,270) |
| Special Education Instruction | 3,944,182 | 77,327 | 2,793,755 | | (1,073,100) |
| Community Education and Services | 481,378 | 109,482 | 139,321 | | (232,575) |
| Instructional Support Services | 601,399 | 981 | 218,333 | 154,745 | (227,340) |
| Pupil Support Services | 2,367,217 | 76,214 | 1,310,370 | | (980,633) |
| Sites and Buildings | 1,773,282 | 11,642 | | | (1,761,640) |
| Fixed Costs | 154,440 | | 27,320 | | (127,120) |
| Interest Expense | 458,662 | | 177,653 | | (281,009) |
| Depreciation - Unallocated | 1,157,039 | | | | (1,157,039) |
| TOTAL GOVERNMENTAL ACTIVITIES | $ 19,983,852 | $ 580,615 | $ 7,753,372 | $ 2,976,982 | (8,672,883) |

| | |
|---|---|
| GENERAL REVENUES | |
| Taxes | |
| Property Taxes, Levied for General Purposes and County Revenue | 2,167,744 |
| Property Taxes, Levied for Community Education and Services | 139,037 |
| Property Taxes, Levied for Debt Services | 780,952 |
| Unrestricted State Aid | 9,731,140 |
| Unrestricted Investment Earnings | 569,131 |
| Gain on Sale of Capital Asset | 1,558 |
| Other General Revenue | 143,313 |
| TOTAL GENERAL REVENUES | 13,532,875 |
| Change in Net Position | 4,859,992 |
| Net Position - Beginning | 2,830,719 |
| Net Position - Ending | $ 7,690,711 |

See Notes to the Basic Financial Statements

## INDEPENDENT SCHOOL DISTRICT NO. 593
## CROOKSTON, MINNESOTA
## BALANCE SHEET - GOVERNMENTAL FUNDS
## June 30, 2024

| | General Fund | Food Service Fund | Community Service Fund | Debt Service Fund | Capital Projects Fund | Total Governmental Funds |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Cash and Investments | $ 4,873,859 | $ 421,059 | $ 54,641 | $ 820,081 | $ 4,600,130 | $ 10,769,770 |
| Current Property Taxes Receivable | 968,572 | | 53,382 | 870,453 | | 1,892,407 |
| Delinquent Property Taxes Receivable | 33,371 | | 3,677 | 11,549 | | 48,597 |
| Accounts Receivable | 46,710 | 12,928 | | | | 59,638 |
| Due From Minnesota Dept of Education | 1,859,969 | | | | | 1,859,969 |
| Due From Federal Govt. - MDE | 945,354 | | | | | 945,354 |
| Due From Other MN Districts | 1,140 | 2,188 | | | | 3,328 |
| Inventory | | 24,678 | | | | 24,678 |
| TOTAL ASSETS | $ 8,728,975 | $ 460,853 | $ 111,700 | $ 1,702,083 | $ 4,600,130 | $ 15,603,741 |
| LIABILITIES | | | | | | |
| Salaries Payable | $ 681,283 | $ 2,565 | $ 45,386 | $ | $ | $ 729,234 |
| Accounts Payable | 657,685 | 7,429 | 4,639 | 950 | 1,092,988 | 1,763,691 |
| Due To Other Governmental Units | 10,846 | | 1,422 | | | 12,268 |
| Due to Other MN Districts | 575 | 988 | | | | 1,563 |
| Payroll Deductions | 626,732 | | | | | 626,732 |
| Unearned Revenue | | | 1,000 | | | 1,000 |
| TOTAL LIABILITIES | 1,977,121 | 10,982 | 52,447 | 950 | 1,092,988 | 3,134,488 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable Revenue - Delinquent Taxes | 33,371 | | 3,677 | 11,549 | | 48,597 |
| Property Taxes Levied - Subs. Years | 2,077,404 | | 118,412 | 1,329,733 | | 3,525,549 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 2,110,775 | | 122,089 | 1,341,282 | | 3,574,146 |
| FUND BALANCES | | | | | | |
| Nonspendable | | 24,678 | | | | 24,678 |
| Restricted | 2,475,232 | 425,193 | 3,063 | 359,851 | 3,507,142 | 6,770,481 |
| Committed | 200,000 | | | | | 200,000 |
| Assigned | 585,486 | | | | | 585,486 |
| Unassigned | 1,380,361 | | (65,899) | | | 1,314,462 |
| TOTAL FUND BALANCES | 4,641,079 | 449,871 | (62,836) | 359,851 | 3,507,142 | 8,895,107 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | $ 8,728,975 | $ 460,853 | $ 111,700 | $ 1,702,083 | $ 4,600,130 | $ 15,603,741 |

See Notes to the Basic Financial Statements

# INDEPENDENT SCHOOL DISTRICT NO. 593
# CROOKSTON, MINNESOTA
# RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
# June 30, 2024

| | |
|---|---|
| Total fund balances - governmental funds | $ 8,895,107 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | |
| Cost of capital assets | 52,100,634 |
| Less accumulated depreciation | (23,539,406) |
| Deferred outflows of resources relating to pensions and other postemployment benefits in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | 3,119,498 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | |
| Bonds, Net Premium | (16,133,595) |
| Compensated Absences Payable | (645,404) |
| Lease Payable | (503,406) |
| Net pension liability | (10,775,565) |
| Total OPEB lability | (2,804,206) |
| Total supplemental pension liability | (252,944) |
| Deferred inflows of resources relating to pensions and other postemployment benefits in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | (1,607,274) |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds. | 48,597 |
| Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the debt service fund. | (166,325) |
| An allowance has been set up for taxes receivable in the government-wide financial statements. | (45,000) |
| Net position - governmental activities | $ 7,690,711 |

See Notes to the Basic Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 593**
**CROOKSTON, MINNESOTA**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**
**For the Year Ended June 30, 2024**

| | General Fund | Food Service Fund | Community Service Fund | Debt Service Fund | Capital Projects Fund | Total Governmental Funds |
|---|---|---|---|---|---|---|
| REVENUES | | | | | | |
| Local Property Tax Levies & County Revenue | $ 2,150,760 | $ | $ 138,398 | $ 782,367 | $ | $ 3,071,525 |
| Other Local Revenues | 790,681 | 29,442 | 116,734 | | 272,345 | 1,209,202 |
| Revenue From State Sources | 14,549,171 | 367,286 | 138,150 | 621,079 | | 15,675,686 |
| Revenue From Federal Sources | 3,982,684 | 690,290 | | | | 4,672,974 |
| Sale/Other Conversion of Asset | 66,625 | 56,642 | | | | 123,267 |
| TOTAL REVENUES | 21,539,921 | 1,143,660 | 393,282 | 1,403,446 | 272,345 | 24,752,654 |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| Administration | 1,165,012 | | | | | 1,165,012 |
| District Support Services | 594,677 | | | | | 594,677 |
| Regular Instruction | 8,172,804 | | | | | 8,172,804 |
| Vocational Education Instruction | 193,792 | | | | | 193,792 |
| Special Education Instruction | 3,921,062 | | | | | 3,921,062 |
| Community Education and Services | | | 481,378 | | | 481,378 |
| Instructional Support Services | 498,014 | | | | | 498,014 |
| Pupil Support Services | 1,091,904 | 1,083,081 | 1,422 | | | 2,176,407 |
| Sites and Buildings | 1,668,320 | | | | | 1,668,320 |
| Fixed Costs | 144,815 | | | | | 144,815 |
| Debt Service | | | | | | |
| Principal | 148,627 | | | 1,020,000 | | 1,168,627 |
| Interest and Fiscal Charges | 14,529 | | | 517,781 | | 532,310 |
| Capital Outlay | 5,987,178 | 15,298 | | | 1,809,920 | 7,812,396 |
| TOTAL EXPENDITURES | 23,600,734 | 1,098,379 | 482,800 | 1,537,781 | 1,809,920 | 28,529,614 |
| Revenues Over (Under) Expenditures | (2,060,813) | 45,281 | (89,518) | (134,335) | (1,537,575) | (3,776,960) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Debt Issuance | 106,926 | | | | | 106,926 |
| Insurance Recovery | 35,995 | | | | | 35,995 |
| TOTAL OTHER FINANCING SOURCES (USES) | 142,921 | | | | | 142,921 |
| Net Change in Fund Balances | (1,917,892) | 45,281 | (89,518) | (134,335) | (1,537,575) | (3,634,039) |
| Fund Balances - Beginning | 6,558,971 | 404,590 | 26,682 | 494,186 | 5,044,717 | 12,529,146 |
| Fund Balances - Ending | $ 4,641,079 | $ 449,871 | $ (62,836) | $ 359,851 | $ 3,507,142 | $ 8,895,107 |

See Notes to the Basic Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 593**
**CROOKSTON, MINNESOTA**
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
**For the Year Ended June 30, 2024**

| | | |
|---|---|---|
| Total net change in fund balances - governmental funds | $ | (3,634,039) |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense. | | |
| Capital outlays | | 7,787,106 |
| Depreciation/Amortization expense | | (1,668,987) |
| Change in net pension liability | | 960,180 |
| Payment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position. | | 1,168,627 |
| The issuance of long-term debt provides current financial resources to the governmental funds, but the issuance increases long-term liabilities in the statement of net position. | | (106,926) |
| Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Also, governmental funds report the effect of premiums and discounts when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. | | 64,022 |
| Revenue in the statement of activities that does not provide current financial resources is not reported as revenues in the governmental funds. | | 16,210 |
| Changes in deferred outflows and inflows of resources related to net pension liability | | 140,737 |
| Changes in deferred outflows and inflows of resources related to other postemployment liability | | 179,178 |
| Changes in deferred outflows and inflows of resources related to supplemental pension liability | | 1,134 |
| Recognition of additional pension expense and grant revenue for the District's proportionate share of the State of Minnesota's contribution to the PERA and TRA. | | |
| In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid.) | | |
| Total supplemental pension liability | | 11,512 |
| Other postemployment benefit liability | | (29,553) |
| Compensated absences payable | | (29,209) |
| Change in net position - governmental activities | $ | 4,859,992 |

See Notes to the Basic Financial Statements

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Basis of Presentation

The financial statements of Independent School District No. 593 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

### B. Reporting Entity

The District's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the District is considered to be financially accountable.

Component units are legally separated entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally dependent upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the District.

### C. Basic Financial Statement Presentation

The district-wide financial statements (i.e. the statement of net position and the statement of activities) display information about the non-fiduciary activities of the reporting government as a whole. These statements include all the financial activities of the District.

The statement of activities demonstrates the degree to which the direct expenses of a given function or 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 purposes for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function.

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

### D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for advance amounts recognized in accordance with a statutory “tax shift”. 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:

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 available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within one year.

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.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

**Description of Funds**

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

**Major Governmental Funds**

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

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

Community Service Fund – The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs, K-6 extended day programs, or other similar services.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term obligations of the District.

Capital Projects Fund – The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities.

**Budgeting**

The School Board adopts annual operating budgets for the following fiscal year for the General, Food Service, and Community Service on the same modified accrual basis of accounting used in the preparation of fund financial statements. The budget is adopted through passage of resolution. Administration can authorize the transfer of budgeted amounts within a fund. Any revision that alters total expenditures of any fund must be approved by the governing board. Legal budgetary control is at the fund level. Unencumbered appropriations lapse at year-end.

**E. Specific Account Information**

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

Investments are carried at fair value. The District considers certificates of deposit to be cash.

When fair value measurements are required, various data is used in determining those values. Assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

Level 1: Quoted market prices in active markets for identical assets or liabilities
Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data
Level 3: Unobservable market inputs that are not corroborated by market data

Taxes Receivable – Taxes receivable represents taxes levied in 2023 which are not payable until 2024, net of the amount received prior to June 30.

Property Taxes – Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county generally remits taxes to the District at periodic intervals as the taxes are collected.

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

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as unavailable revenue (property taxes levied for subsequent years).

The majority of the revenue in the general fund is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between property taxes and state aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the “tax shift”.

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred 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. The allowance for uncollectible taxes is $45,000.

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

Inventory – Inventory is recorded using the consumption method of accounting and consists of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method. Surplus commodities are stated at standardized costs, as determined by the Department of Agriculture.

Capital Assets – Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of $5,000 or more for capitalizing capital assets. Expenditures for major additions and improvements that extend the useful lives of property and equipment are capitalized. Routine expenditures for repairs and maintenance are charged to expense as incurred.

Capital assets are recorded in the district-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 20 years for equipment. Capital assets not being depreciated include land and construction in progress, if any.

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

Leases - Lessor – The District is a lessor for lease of a portion of a building. The District recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term.

Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources initially measured at the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases. The District has made an accounting policy election to use a risk free rate based on US Treasury T-bill rate as of the lease commencement.

Leases - Lessee – The determination of whether an arrangement contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the District has control of the right to use asset. Control includes the right to obtain present service capacity and the right to determine the nature and manner of use of the underlying asset, as specified in the contract.

Leases with an initial lease term of more than 12 months, or that contain an option to purchase that the District is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the District uses its incremental borrowing rate based on the information available at the lease commencement date. The District accounts for lease agreements with lease and non-lease components together as a single lease component for all underlying classes of assets. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the District is reasonably certain to exercise.

Subscription-Based Information Technology Arrangements (SBITA) – Subscription-Based Information Technology Arrangements (SBITA) are contracts that conveys control of the right to use another party's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The determination of whether a SBITA asset and liability are to be recorded in the financial statements is made at inception by evaluating the maximum possible term of the SBITA.

A SBITA contract with an initial term of more than 12 months, or that contain an option to extend the contract more than 12 months that is reasonably expected to be exercised by the District, are recognized based on the present value of subscription payments over the contract term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the District uses its incremental borrowing rate based on the information available at the SBITA contract commencement date. The District has made an accounting policy election to use a risk free rate based on US Treasury T-bill rate as of the SBITA contract commencement.

The District continues to recognize short-term SBITA subscription payments as outflows of resources (expenditure) based on the payment provision of the SBITA contract. Short-term SBITA contracts have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

The amortizable life of SBITA assets are limited to the shorter of the expected agreement term or the useful life of the underlying asset.

Unearned Revenue – The District defers revenue recognition in connection with resources that have been received but not yet earned.

Long-Term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Existing bonded debt is reported at the face value of remaining indebtedness. For any new indebtedness that may be issued in the future, bond premiums and discounts will be deferred and amortized over the life of the bonds using the effective interest method. Bonds payable will be reported net of the applicable bond premium or discount. Bond issuance costs will be expensed in the period incurred.

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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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

<u>Compensated Absences Payable</u> – Vacation pay amounts accrued by employees are recorded in the government-wide financial statements as compensated absences payable. Vacation pay is recorded as an expenditure when paid in the fund financial statements. Teachers are not eligible for vacation pay.

Substantially all District employees are entitled to sick leave at various rates. Unused compensated absences enters into the calculation of retirement payments for some employees upon termination.

<u>Other Postemployment Benefits Payable</u> – Under the provisions of the various employee agreements, the District provides health coverage until age 65 or eligible for Medicare, if a certain age and minimum years of service requirements are met. The amount incurred is limited as specified by contract. All premiums are funded on a pay-as-you-go basis.

<u>Deferred Outflows/Inflows of Resources</u> – 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(s) and so will not be recognized as an outflow of resource (expense/expenditure) until then. The District has three items that qualify for reporting in this category. The *Cost Sharing Defined Benefit Pension Plan* and *Other Postemployment Benefits* which represents actuarial differences within PERA and TRA pension plans and other postemployment benefits as well as amounts paid to the plans after the measurement date, and *Supplemental Pension Plan* which represents the amounts paid to the plan after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has six types of items, one of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources, property taxes and leases. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The items, *property taxes levied – subs. years* and *leases,* are reported as deferred inflows of resources for both the Balance Sheet – Governmental Funds and the Statement of Net Position as these amounts represent property tax revenue levied for a subsequent period and leases. The other items, *Cost Sharing Defined Benefit Pension Plan, Other Postemployment,* and *Supplemental Pension Plan* represents actuarial differences within PERA, TRA, and supplemental pension plans and other postemployment benefits.

Net Position – Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net investment in capital assets consists of capital assets, lease assets, and SBITA assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Net Position Flow Assumption – Sometimes the government will fund outlays for a particular purpose for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance – The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

> Nonspendable – Represents a portion of fund balance that includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
>
> Restricted – Represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
>
> Committed – Consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority which is the School Board through a resolution.
>
> Assigned – Consists of amounts constrained by the government's intent to be used for specific purposes, but neither restricted nor committed. The assigned amounts are determined by the Superintendent or Business Manager.
>
> Unassigned – Represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

The first priority is to utilize the restricted before unrestricted fund balance when both are available. Committed funds will be considered spent first when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classification could be used like assigned or unassigned.

The District will strive to maintain a minimum unassigned general fund balance of 10 percent of the annual budget.

### F. Use of Estimates

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

## NOTE 2 DEPOSITS AND INVESTMENTS

The District maintains a cash account at its depository bank.

The District's interest income for the year ended June 30, 2024, was $569,131.

The pooled cash and investment account is comprised of the following:

| | Governmental Activities |
|---|---|
| Cash | $ 1,740,151 |
| Investments | 9,029,619 |
| Total | $ 10,769,770 |

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

| Investments | Fair Value (Level 1) |
|---|---|
| MnTrust | $ 6,447,853 |
| Minnesota School District Liquid Asset Fund | 2,581,766 |
| Total | $ 9,029,619 |

The Minnesota School District Liquid Asset Fund and the MnTrust are common law trusts organized and existing under the laws of the State of Minnesota, in accordance with the provisions of the Minnesota Joint Powers Act. The general objective of the Fund is to provide a high yield for the participants while maintaining liquidity and preserving capital by investing only in instruments authorized by Minnesota Statutes, which govern the temporary investment of School District monies. In addition, the fixed rate/fixed term portion of the program is also structured with safety of principal as the major objective.

The Minnesota School District Liquid Asset Fund and the MnTrust are external investment pools not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under 2a7. The fair value of the position is the same as the value of the pool shares.

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The District may invest idle funds as authorized in Minnesota Statutes, as follows:

(a) Direct obligations or obligations guaranteed or insured issued by the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.
(b) General obligations and revenue obligations of any state or local government with taxing powers rated "A" and "AA", respectively, and general obligations of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and rated "A" or better.

(c) Commercial paper issued by United States corporations or their Canadian subsidiaries, rated in the highest quality by at least two rating agencies, and maturing in 270 days or less.
(d) Time deposits that are fully insured by the FDIC or bankers acceptances of U.S. banks.
(e) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
(f) Repurchase or reverse repurchase agreements with banks that are qualified as a “depository” of public funds of the government entity, any other financial institution which is a member 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.
(g) Guaranteed investment contracts (GIC’s) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories, or in the top three rating categories for long-term GIC’s issued by Minnesota banks.
(h) Securities lending agreements with financial institutions having its principal executive office in Minnesota and meeting the qualifications described in (f) above.

The Minnesota School District Liquid Asset Fund is rated AAA by Standard & Poor’s, while the MnTrust is rated Aaa by Moody’s Investors Services.

Concentration of Credit Risk - The District places no limit on the amount the District may invest in any one issuer.

Custodial Credit Risk - Deposits – The District does not have a policy for custodial credit risk. In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the District's board, all of which are members of the Federal Reserve System. Minnesota Statutes require that all district deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. As of June 30, 2024, the District was not exposed to custodial credit risk.

Custodial Credit Risk - Investments - The investment in the Minnesota School District Liquid Asset Fund and the MnTrust are not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement 40.

## NOTE 3 CAPITAL ASSETS

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

| | Beginning Balance, Restated | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Capital Assets, Not Being Depreciated/Amortized: | | | | |
| Land | $ 213,145 | $ | $ | $ 213,145 |
| Construction in Progress | 1,402,888 | 2,186,142 | 1,199,901 | 2,389,129 |
| Total Capital Assets, Not Being Depreciated/Amortized | 1,616,033 | 2,186,142 | 1,199,901 | 2,602,274 |
| Capital Assets, Being Depreciated/Amortized: | | | | |
| Land Improvements | 2,793,648 | | | 2,793,648 |
| Buildings | 34,521,202 | 6,546,842 | | 41,068,044 |
| Equipment | 4,567,209 | 147,097 | | 4,714,306 |
| Right to Use - Lease Equipment | 833,951 | 106,926 | 48,935 | 891,942 |
| Right To Use - SBITA | 30,420 | | | 30,420 |
| Total Capital Assets, Being Depreciated/Amortized | 42,746,430 | 6,800,865 | 48,935 | 49,498,360 |
| Less Accumulated Depreciation/Amortization For: | | | | |
| Land Improvements | 1,645,074 | 115,503 | | 1,760,577 |
| Buildings | 16,449,778 | 1,156,324 | | 17,606,102 |
| Equipment | 3,511,243 | 231,853 | | 3,743,096 |
| Right to Use - Lease Equipment | 299,558 | 151,606 | 48,935 | 402,229 |
| Right to Use - SBITA | 13,701 | 13,701 | | 27,402 |
| Total Accumulated Depreciation/Amortizatior | 21,919,354 | 1,668,987 | 48,935 | 23,539,406 |
| Total Capital Assets, Being Depreciated/Amortized, Net | 20,827,076 | 5,131,878 | | 25,958,954 |
| Governmental Activities Capital Assets, Net | $ 22,443,109 | $ 7,318,020 | $ 1,199,901 | $ 28,561,228 |

In the statement of activities, depreciation expense was charged to the following governmental functions:

| | |
|---|---|
| District Support Services | $ 20,770 |
| Elementary & Secondary Regular Instruction | 59,559 |
| Vocational Education Services | 1,613 |
| Special Education Instruction | 553 |
| Instructional Support Services | 2,648 |
| Pupil Support Services | 178,584 |
| Sites and Buildings | 248,221 |
| | 511,948 |
| Unallocated | 1,157,039 |
| Total Depreciation/Amortization Expense | $ 1,668,987 |

## NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE

Substantially, all employees of the District are required by state law to belong to pension plans administered by Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA), all of which are administered on a statewide basis.

Disclosures relating to these plans follow:

### A. Public Employees Retirement Association

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.

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

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

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

Benefit increases are provided to benefit recipients each January. The postretirement increase will be 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 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 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.

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

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2024 and the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2024, were $252,089. The District's contributions were equal to the required contributions as set by state statute.

Pension Costs – At June 30, 2024, the District reported a liability of $2,180,836 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $60,155.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0390% at the end of the measurement period and 0.0403% for the beginning of the period.

| | | |
|---|---|---|
| District's proportionate share of net pension liability | $ | 2,180,836 |
| State of Minnesota's proportionate share of the net pension liability associated with the District | | 60,155 |
| Total | $ | 2,240,991 |

For the year ended June 30, 2024, the District recognized pension expense of $342,677 for its proportionate share of the General Employee Plan's pension expense. In addition, the District recognized $270 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual $16 million contribution.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ 72,192 | $ 14,750 |
| Difference between projected and actual investment earnings | | 41,819 |
| Changes in actuarial assumptions | 347,432 | 58,899 |
| Changes in proportion | 69,288 | 597,750 |
| Contributions paid to PERA subsequent to the measurement date | 252,089 | |
| Total | $ 741,001 | $ 713,218 |

The $252,089 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30 | Pension Expense Amount |
|---|---|
| 2025 | $ 84,200 |
| 2026 | (301,792) |
| 2027 | 40,597 |
| 2028 | (47,311) |

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

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

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. Benefit increases after retirement are assumed to be 1.25 percent.

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

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

Actuarial assumptions are reviewed every four years. The most recent four-year experience study 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 7.00 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.

Discount Rate – The discount rate used to measure the total pension liability in 2023 was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

| Sensitivity Analysis - NPL at Different Discount Rates | | |
|---|---|---|
| 1% Decrease (6.00%) | Current (7.00%) | 1% Increase (8.00%) |
| $ 3,858,075 | $ 2,180,836 | $ 801,244 |

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

## B. Teachers Retirement Association

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 Plan (DCR) administered by the State of Minnesota.

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:

| Tier I | Step Rate Formula | Percentage |
|---|---|---|
| Basic | 1st ten years | 2.2 percent per year |
| | All years after | 2.7 percent per year |
| Coordinated | 1st ten years if service years are prior to July 1, 2006 | 1.2 percent per year |
| | 1st 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 |

With these provisions:

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

or

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

Tier II Benefits:

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

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

<u>Contribution Rate</u> - Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal years ended June 30, 2022, June 30, 2023, and June 30, 2024 were:

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

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

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

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

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 | 7.0% |
| Price Inflation | 2.50% |
| Wage Growth Rate | 2.85% before July 1, 2028 and 3.25% after June 30, 2028 |
| Projected Salary Increase | 2.85 to 8.85% before July 1, 2028 and 3.25 to 9.25% after June 30, 2028. |
| Cost of Living Adjustment | 1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually |

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

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

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

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2024 is 6 years. The “Difference Between Expected and Actual Experience” and “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.

The 2024 Omnibus Pensions and Retirement Bill:

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

Discount Rate - The discount rate used to measure the total pension liability was 7.00 percent. The discount rate used to measure the TPL at the Prior Measurement Date was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employee 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).

Net Pension Liability - On June 30, 2024, the District reported a liability of $8,594,729 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.1041% at the end of the measurement period and 0.1067% for the beginning of the year.

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

| | | |
|---|---|---|
| District's proportionate share of net pension liability | $ | 8,594,729 |
| State's proportionate share of the net pension liability associated with the district | $ | 602,096 |

For the year ended June 30, 2024, the District recognized pension expense of ($490,020). It also recognized $84,779 as an increase to pension expense for the support provided by direct aid.

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

| | | Deferred Outflows of Resources | | Deferred Inflows of Resources |
|---|---|---|---|---|
| Differences between expected and actual experience | $ | 85,790 | $ | 125,393 |
| Difference between projected and actual investment earnings | | 35,249 | | |
| Changes in actuarial assumptions | | 996,440 | | |
| Changes in proportion | | 214,848 | | 379,821 |
| Contributions paid to TRA subsequent to the measurement date | | 664,642 | | |
| Total | $ | 1,996,969 | $ | 505,214 |

The $664,642 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

| Year Ending June 30 | | Pension Expense Amount |
|---|---|---|
| 2025 | $ | 19,502 |
| 2026 | | (59,856) |
| 2027 | | 1,005,276 |
| 2028 | | (86,762) |
| 2029 | | (51,047) |

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

Sensitivity Analysis - NPL at Different Discount Rates

| 1% Decrease (6.0%) | Current (7.0%) | 1% Increase (8.0%) |
|---|---|---|
| $ 13,707,961 | $ 8,594,729 | $ 4,408,926 |

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.

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

## NOTE 5 DISTRICT 403(b) PLAN

The District also provides eligible employees future retirement benefits through the District's 403(b) Plan (the Plan). Educators Benefit Consultants is the third party administrator of this Plan. Employees of the District are eligible to participate in the Plan as stipulated in their individual bargaining or collective bargaining agreements. Eligible employees may elect to have a specified dollar amount or percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective bargaining agreements. Contributions are invested in tax deferred annuities selected and owned by Plan participants. The District contributions for the years ended June 30, 2024, 2023, and 2022 were $116,662, $89,372, and $89,323, respectively.

## NOTE 6 DEFINED BENEFIT SUPPLEMENTAL PENSION PLAN

Plan Description – The District is the administrator of a single employer defined benefit pension plan available to teachers within the District who have over 15 years of service to the District. The authority and requirement to provide these benefits is established in accordance with Minnesota Statutes. The benefit levels, employee contributions and employer contributions are governed by the District and can be amended by the District through the District's collective bargaining agreements with employee groups.

Benefits Provided – The pension benefit is equal to 50% of: $35,000 reduced by accumulated employer contributions to the District's 403(b) Plan. The pension benefit is payable in annual equal installments over five years. The District may make an annual contribution of $500 per year to its 403(b) Plan for participating teachers completing 15 years of service.

Funding Policy – Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for payment of future benefits. The general fund is used for funding all pension/retirement benefits. The District makes all contributions.

Contributions – In 2024, the District contributed $28,682 to the pension plan.

Employees Covered by Benefit Term – At June 30, 2024, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive plan members or beneficiaries currently receiving benefit payments | 9 |
| Active plan members | 37 |
| | 46 |

Total Supplemental Pension Liability – The District's total supplemental pension liability was measured as of July 1, 2023, and the total supplemental pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total supplemental pension liability in the July 1, 2022, actual valuation was determined using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise noted:

| | |
|---|---|
| Actuarial Cost Method | Entry Age, level percentage of pay |
| Amortization period | Average of expected remaining services on a closed basis for differences between expected and actual experience assumption changes. |
| 20-Year Municipal Bond Yield | 3.80% |
| Inflation | 2.50% |
| Salary Increases | Service graded table |

Mortality rates were based on Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (Teachers) with MP-2021 Generational Improvement Scale.

The following changes in actuarial assumptions occurred:

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

Discount Rate – The discount rate used to measure the total supplemental pension liability in the July 1, 2022 valuation was 3.90%. 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.

Changes in the Total Supplemental Pension Liability:

| | |
|---|---|
| Balance as of July 1, 2023 | $ 264,456 |
| Service Cost | 8,458 |
| Interest Cost | 9,831 |
| Assumption Changes | (1,119) |
| Difference between Expected and Actual Experience | |
| Benefit Payments | (28,682) |
| Balance as of June 30, 2024 | $ 252,944 |

Sensitivity of the total supplemental pension liability to changes in the discount rate – The following presents the District's proportionate share of the total supplemental pension liability, as well as what the District's proportionate share of the total supplemental pension liability would be if it were calculated using a discount rate one percentage point lower (2.90%) or one percentage point higher (4.90%) than the current discount rate:

| District Proportionate Share of TSPL | | |
|---|---|---|
| 1% Decrease (2.90%) | Current (3.90%) | 1% Increase (4.90%) |
| $ 265,854 | $ 252,944 | $ 240,440 |

Pension Expense and Deferred Outflows and Inflows of Resources Related to Total Supplemental Pension Liability – For the year ended June 30, 2024, the District recognized pension expense of $16,036. At June 30, 2024, the District reported deferred outflow and inflows of resources related to total supplemental pension liability from the following source:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ 12,495 | $ 5,812 |
| Changes in actuarial assumptions | 5,553 | 23,816 |
| Contributions paid subsequent to the measurement date | 28,682 | |
| Total | $ 46,730 | $ 29,628 |

$28,682 reported as deferred outflows of resources related to pensions resulting from District contributions to the 403(b) Plan subsequent to the measurement date will be recognized as a reduction of the total supplemental pension liability in the year ending June 30, 2024. Other amounts reported as inflow and outflows of resources related to the supplemental pension will be recognized in pension expense as follows:

| Year Ending June 30 | Pension Expense Amount |
|---|---|
| 2025 | $ (2,253) |
| 2026 | (2,253) |
| 2027 | (2,253) |
| 2028 | (2,243) |
| 2029 | (1,870) |
| Thereafter | (708) |

The District recognized total pension expense of ($131,307) for all of the pension plans in which it participates.

## NOTE 7 OTHER POST-EMPLOYMENT BENEFITS

Plan Description - The District's Plan is a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The authority and requirement to provide these benefits is established in Minnesota Statutes Section 471.61, Subd. 2b. The benefit levels, employee contributions and employer contributions are governed by the District and can be amended by the District through the District's collective bargaining agreements with employee groups. In as much as the Plan has no assets, reporting another employee benefit trust fund in the accompanying financial statements is not required nor was a separate or stand-alone report issued.

Benefits Provided - The District allows eligible individuals who have separated from employment to remain on the healthcare plan with no subsidized benefit from the District. An eligible individual is an active employee who has access to the healthcare plan and all retirees who have elected to continue coverage on the District's medical plan after retiring. The District requires a three-year service requirement for all non-TRA employees who began employment on or before July 1, 2010, after July 2, 2010 the service requirement is five years. All teachers have a service requirement of three years.

Employees Covered by Benefit Term – At July 1, 2022, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive plan members or beneficiaries currently receiving benefit payments | 16 |
| Active plan members | 179 |
| Total Members | 195 |

Total OPEB Liability – At June 30, 2024, the District reported a liability of $2,804,206 for the defined benefit healthcare plan. The total OPEB liability was measured as of July 1, 2023, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of that date.

*Actuarial Methods and Assumptions*

The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Inflation | 2.50% |
| Salary increases | Rates vary by service and tact group |
| Discount rate | 3.90% |
| Healthcare cost trend | 6.50% decreasing to 5.00%, over 6 years, then 4.00% |

The discount rate is based on the estimated yield of 20-year municipal bonds.

The valuation uses mortality rates based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Amortization of deferred resource flows are based on the average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes.

In the July 1, 2022 actuarial valuation, the entry age, level percentage of pay actuarial cost method was used.

Retirees and their spouses contribute to the healthcare plan according to their benefit received at retirement. Since the premium is a blended rate determined on the entire active retiree population, the retirees are receiving an implicit rate subsidy for which the District has historically funded on a pay-as-you-go basis. All of the active employees who have access to healthcare and all retirees who have elected to continue coverage on the employer’s medical plan after retirement have been included in this valuation.

Changes in the Total OPEB Liability:

| | | Total OPEB Liability |
|---|---|---|
| Balance at 6/30/2023 | $ | 2,774,653 |
| Changes for the year: | | |
| Service Cost | | 147,361 |
| Interest Cost | | 107,062 |
| Differences between expected and actual experience | | |
| Assumption Changes | | (13,727) |
| Benefit Payments | | (211,143) |
| Net Changes | | 29,553 |
| Balance at 6/30/2024 | $ | 2,804,206 |

*Sensitivity of the Total OPEB Liability*

The following presents the total OPEB liability as of June 30, 2024, calculated using the discount rate of 3.9%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.9 percent) or 1-percentage-point higher (4.9 percent) than the current rate:

| District Total OPEB Liability | | |
|---|---|---|
| 1% Decrease (2.90%) | Current (3.90%) | 1% Increase (4.90%) |
| $ 2,969,182 | $ 2,804,206 | $ 2,644,133 |

The following presents the total OPEB liability as of June 30, 2024, calculated using the healthcare cost trend rate of 6.25% decreasing to 5.00% over six years, then 4.00%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

| District Healthcare Cost Trend Rates | | |
|---|---|---|
| (5.25% decreasing to 4.00% then 3.00%) | (6.25% decreasing to 5.00% then 4.00%) | (7.25% decreasing to 6.00% then 5.00%) |
| $ 2,542,099 | $ 2,804,206 | $ 3,113,282 |

<u>OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB</u> – For the year ended June 30, 2024, the District recognized OPEB expense of $96,544.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Assumption changes | $ 48,988 | $ 173,978 |
| Differences between expected and actual experience | | |
| Changes in Assumptions | 39,641 | 185,236 |
| Employer contributions paid subsequent to the measurement date | 246,169 | |
| Total | $ 334,798 | $ 359,214 |

The $246,169 reported as deferred outflows of resources related to OPEB resulting from District contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the total other postemployment benefit liability in the year ending June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

| Year Ending June 30 | | Pension Expense Amount |
|---|---|---|
| 2025 | $ | (157,879) |
| 2026 | | (29,302) |
| 2027 | | (38,066) |
| 2028 | | (18,924) |
| 2029 | | (24,449) |
| Thereafter | | (1,965) |

## NOTE 8 LONG-TERM LIABILITIES

Changes in the District's long-term liabilities for the year ended June 30, 2024 are as follows:

| | Beginning Balance | Additions | Retired | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| G.O. Alternative and Capital Facility Bonds, Series 2013A | $ 4,680,000 | $ | $ 380,000 | $ 4,300,000 | $ 390,000 |
| G.O. Tax Abatement Bond, Series 2015A | 875,000 | | 115,000 | 760,000 | 120,000 |
| G.O. School Building Bond, Series 2020A | 2,050,000 | | 270,000 | 1,780,000 | 280,000 |
| G.O. School Building Refunding Bond, Series 2021A | 3,700,000 | | 255,000 | 3,445,000 | 260,000 |
| G.O. School Building Bond, Series 2023A | 4,965,000 | | | 4,965,000 | |
| Premium | 966,326 | | 82,731 | 883,595 | |
| Total Bonds | 17,236,326 | | 1,102,731 | 16,133,595 | 1,050,000 |
| Compensated Absences Payable | 616,195 | 86,255 | 57,046 | 645,404 | |
| Lease Payable | 545,108 | 106,926 | 148,627 | 503,407 | 153,267 |
| Total Long-Term Liabilities | $ 18,397,629 | $ 193,181 | $ 1,308,404 | $ 17,282,406 | $ 1,203,267 |

The District's interest expense on long-term debt for the year ended June 30, 2024 was $466,658. Compensated absences payable and lease payable are generally liquidated by the general fund.

### A. General Obligation Bonds

| Description | Date of Issue | Net Interest Rate | Maturity Dates | Original Amount | Current Year Retired | Balance 6/30/2024 | Amounts Due in 2024-2025 Principal | Interest |
|---|---|---|---|---|---|---|---|---|
| Alt. and Capital Facility Bonds | 2013 | 3.0-4.0% | 2024/34 | $ 7,645,000 | $ 380,000 | $ 4,300,000 | $ 390,000 | $ 157,045 |
| Tax Abatement Bond | 2015 | 2.0-3.0% | 2024/30 | 1,625,000 | 115,000 | 760,000 | 120,000 | 21,600 |
| Building Bond Series 2020A | 2020 | 2.0-3.0% | 2024/35 | 2,800,000 | 270,000 | 1,780,000 | 280,000 | 44,200 |
| Building Refunding Bond Series 2021A | 2021 | 2.0-4.0% | 2024/35 | 3,970,000 | 255,000 | 3,445,000 | 260,000 | 97,400 |
| Building Bond Series 2023A | 2023 | 4.0-5.0% | 2024/37 | 4,965,000 | | 4,965,000 | | 221,850 |
| | | | | | $ 1,020,000 | $ 15,250,000 | $ 1,050,000 | $ 542,095 |

Annual debt service requirements to maturity are as follows:

| Year Ending June 30 | Principal | Interest |
|---|---|---|
| 2025 | $ 1,050,000 | $ 542,095 |
| 2026 | 1,090,000 | 508,595 |
| 2027 | 1,120,000 | 473,745 |
| 2028 | 1,155,000 | 436,875 |
| 2029 | 1,190,000 | 401,100 |
| 2030-2034 | 5,755,000 | 1,425,100 |
| 2035-2037 | 3,890,000 | 317,050 |
| | $ 15,250,000 | $ 4,104,560 |

**B. Lease Payable**

The District is a lessee for noncancellable leases of buildings and equipment. The value of the lease liability was $503,407 as of June 30, 2024. The value of the right-to-use lease asset was $891,942 at the end of the fiscal year and had accumulated amortization of $402,229. The leases the District has as of June 30, 2024, are as follows:

The District has entered into a lease commencing on June 15, 2019 and ending on June 30, 2027 for use of the arena. The annual lease payment will be $112,584. The District has also entered into a lease commencing on July 1, 2019 and ending on June 30, 2027 for pool use. The annual lease payment will be $30,000. Finally, the District has entered into a lease commencing on July 1, 2024 and ending on January 31, 2027 with for the use of copiers. The monthly lease payment will be $1,632 for the equipment.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2024, are as follows:

| **Maturity Analysis** | Principal | Interest | Total Payments |
|---|---|---|---|
| 2025 | $ 153,267 | $ 15,361 | $ 168,628 |
| 2026 | 157,932 | 10,696 | 168,628 |
| 2027 | 162,750 | 5,878 | 168,628 |
| 2028 | 25,143 | 902 | 26,045 |
| 2029 | 4,315 | 27 | 4,342 |
| | $ 503,407 | $ 32,864 | $ 536,271 |

## NOTE 9 CONSTRUCTION COMMITMENTS

As of the year ended June 30, 2024, the District had approximately $1,150,000 of construction commitments relating to a multi-use facility project.

## NOTE 10 DEFICIT FUND BALANCE

As of the year ended June 30, 2024, the Community Service Fund had a deficit fund balance of $62,836. The deficit is expected to be eliminated through future revenues or a transfer from the General Fund.

## NOTE 11 CLASSIFICATION OF FUND BALANCE FOR GOVERNMENTAL FUND TYPES

At June 30, 2024, a summary of the governmental fund balance classifications are as follows:

| | General | Food Service | Community Service | Debt Service | Capital Projects | Total |
|---|---|---|---|---|---|---|
| Nonspendable for: | | | | | | |
| Inventory | $ | $ 24,678 | $ | $ | $ | $ 24,678 |
| Total Nonspendable | | 24,678 | | | | 24,678 |
| Restricted for: | | | | | | |
| Student Activity | 34,962 | | | | | 34,962 |
| Scholarships | 323,883 | | | | | 323,883 |
| American Indian Ed | 36,574 | | | | | 36,574 |
| Staff Development | 130,254 | | | | | 130,254 |
| Literacy Incentive | 40,198 | | | | | 40,198 |
| Operating Capital | 695,553 | | | | | 695,553 |
| Disabled Access | 33,003 | | | | | 33,003 |
| Gifted and Talented | 87,477 | | | | | 87,477 |
| Library Aid | 27,834 | | | | | 27,834 |
| Safe Schools | 4,289 | | | | | 4,289 |
| Long Term Facilities Maint. | 975,788 | | | | | 975,788 |
| Medical Assistance | 14,607 | | | | | 14,607 |
| Building Repairs & Maintenance | 70,810 | | | | | 70,810 |
| Food Service | | 425,193 | | | | 425,193 |
| School Readiness | | | 603 | | | 603 |
| Community Service | | | 2,460 | | | 2,460 |
| Debt Service | | | | 359,851 | | 359,851 |
| Capital Projects | | | | | 3,507,142 | 3,507,142 |
| Total Restricted | 2,475,232 | 425,193 | 3,063 | 359,851 | 3,507,142 | 6,770,481 |
| Committed for Retirement Benefits | 200,000 | | | | | 200,000 |
| Assigned | | | | | | |
| Buses / Equipment | 43,802 | | | | | 43,802 |
| Technology | 133,385 | | | | | 133,385 |
| Drivold | 4,169 | | | | | 4,169 |
| Greenhouse / Itasca | 15,848 | | | | | 15,848 |
| Grounds Improvement | 4,978 | | | | | 4,978 |
| Jr High Trip | 1,427 | | | | | 1,427 |
| Activites | 92,404 | | | | | 92,404 |
| Agriculture | 2,260 | | | | | 2,260 |
| School Readiness | 122,151 | | | | | 122,151 |
| School Construction | 165,062 | | | | | 165,062 |
| Total Assigned | 585,486 | | | | | 585,486 |
| Unassigned | 1,380,361 | | (65,899) | | | 1,314,462 |
| Total Unassigned | 1,380,361 | | (65,899) | | | 1,314,462 |
| Total Fund Balance | $ 4,641,079 | $ 449,871 | $ (62,836) | $ 359,851 | $ 3,507,142 | $ 8,895,107 |

## NOTE 12 CONTINGENCIES

The District receives significant financial assistance from numerous federal, state, and local governmental agencies in the form of grants and aids. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2024.

## NOTE 13 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and workers compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District’s insurance coverage in fiscal year ended June 30, 2024.

## NOTE 14 NEW PRONOUNCEMENTS

GASB Statement No. 101, *Compensated Absences,* updates the recognition and measurement guidance for compensated absences through aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The statement is effective for fiscal years beginning after December 15, 2023.

GASB Statement No. 102, *Certain Risk Disclosures*, requires entities to disclose critical information about their exposure to risks due to certain concentrations or limitations that could lead to financial distress or operational challenges. This statement is effective for fiscal years beginning after June 15, 2024.

GASB Statement No. 103, *Financial Reporting Model Improvements*, revises the requirements for management’s discussion and analysis with the goal of making it more readable and understandable, requires unusual or infrequent items to be presented separately, defines operating and nonoperating revenues, includes a new section for noncapital subsidies for proprietary funds’ statement of revenues, expenses and changes in net position, removes the option to disclose major component information in the notes and requires them to be shown individually or in combine financial statements following the fund financial statements and requires budgetary comparisons to be presented as RSI with new columns for variances between original-to-final budget and final budget-to-actual results. This statement is effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note. These items include disclosing separately lease assets, intangible right-to-use assets, subscription assets and intangible assets. In addition, additional disclosures will be required for capital assets held for sale. This statement is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

Management has not yet determined what effect these statements will have on the district’s financial statements.

## NOTE 15 SUBSEQUENT EVENT

On July 18, 2024, the District issued General Obligation Tax Abatement, Capital Facilities and Refunding Bonds in the amount of $4,995,000. The interest rate on the note is 5.00% and the maturity date is 2034.

**INDEPENDENT SCHOOL DISTRICT NO. 593**
**CROOKSTON, MINNESOTA**
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**
**For the Year Ended June 30, 2024**

| | Budgeted Amounts | | | Over (Under) |
|---|---|---|---|---|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Local Property Tax Levies & County Revenues | $ 2,165,574 | $ 2,165,574 | $ 2,150,760 | $ (14,814) |
| Other Local Revenues | 421,373 | 421,373 | 790,681 | 369,308 |
| Revenue From State Sources | 13,764,367 | 13,764,367 | 14,549,171 | 784,804 |
| Revenue From Federal Sources | 885,636 | 885,636 | 3,982,684 | 3,097,048 |
| Sale/Other Conversion of Asset | 59,335 | 59,335 | 66,625 | 7,290 |
| TOTAL REVENUES | 17,296,285 | 17,296,285 | 21,539,921 | 4,243,636 |
| EXPENDITURES | | | | |
| Current | | | | |
| Administration | 1,245,387 | 1,236,605 | 1,165,012 | (71,593) |
| District Support Services | 470,087 | 551,660 | 594,677 | 43,017 |
| Regular Instruction | 7,248,486 | 7,822,963 | 8,172,804 | 349,841 |
| Vocational Education Instruction | 203,847 | 203,847 | 193,792 | (10,055) |
| Special Education Instruction | 4,229,969 | 4,284,701 | 3,921,062 | (363,639) |
| Instructional Support Services | 613,308 | 613,308 | 498,014 | (115,294) |
| Pupil Support Services | 925,975 | 927,975 | 1,091,904 | 163,929 |
| Sites and Buildings | 1,794,077 | 1,794,077 | 1,668,320 | (125,757) |
| Fixed Costs | 136,400 | 136,400 | 144,815 | 8,415 |
| Debt Service | | | | |
| Principal | | | 148,627 | 148,627 |
| Interest and Fiscal Charges | | | 14,529 | 14,529 |
| Capital Outlay | 314,520 | 315,969 | 5,987,178 | 5,671,209 |
| TOTAL EXPENDITURES | 17,182,056 | 17,887,505 | 23,600,734 | 5,713,229 |
| Revenues Under Expenditures | 114,229 | (591,220) | (2,060,813) | (1,469,593) |
| OTHER FINANCING SOURCES | | | | |
| Debt Issued | | | 106,926 | 106,926 |
| Insurance Recovery | | | 35,995 | 35,995 |
| TOTAL OTHER FINANCING SOURCES | | | 142,921 | 142,921 |
| Net Change in Fund Balances | 114,229 | (591,220) | (1,917,892) | (1,326,672) |
| Fund Balances - Beginning | 6,558,971 | 6,558,971 | 6,558,971 | |
| Fund Balances - Ending | $ 6,673,200 | $ 5,967,751 | $ 4,641,079 | $ (1,326,672) |

See Notes to the Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 593**
**CROOKSTON, MINNESOTA**
**BUDGETARY COMPARISON SCHEDULE FOR THE FOOD SERVICE FUND**
**For the Year Ended June 30, 2024**

| | Budgeted Amounts | | | Over (Under) |
|---|---|---|---|---|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Other Local Revenues | $ 6,450 | $ 6,450 | $ 29,442 | $ 22,992 |
| Revenue From State Sources | 50,100 | 50,100 | 367,286 | 317,186 |
| Revenue From Federal Sources | 791,822 | 791,822 | 690,290 | (101,532) |
| Sale/Other Conversion of Asset | 82,000 | 82,000 | 56,642 | (25,358) |
| TOTAL REVENUES | 930,372 | 930,372 | 1,143,660 | 213,288 |
| EXPENDITURES | | | | |
| Current | | | | |
| Pupil Support Services | 977,441 | 1,027,778 | 1,083,081 | 55,303 |
| Capital Outlay | 5,000 | 5,000 | 15,298 | 10,298 |
| TOTAL EXPENDITURES | 982,441 | 1,032,778 | 1,098,379 | 65,601 |
| Net Change in Fund Balances | (52,069) | (102,406) | 45,281 | 147,687 |
| Fund Balances - Beginning | 404,590 | 404,590 | 404,590 | |
| Fund Balances - Ending | $ 352,521 | $ 302,184 | $ 449,871 | $ 147,687 |

See Notes to the Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 593**
**CROOKSTON, MINNESOTA**
**BUDGETARY COMPARISON SCHEDULE FOR THE COMMUNITY SERVICE FUND**
**For the Year Ended June 30, 2024**

| | Budgeted Amounts | | | Over (Under) |
|---|---|---|---|---|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Local Property Tax Levies & County Revenues | $ 138,640 | $ 138,640 | $ 138,398 | $ (242) |
| Other Local Revenues | 102,350 | 102,350 | 116,734 | 14,384 |
| Revenue From State Sources | 187,288 | 187,288 | 138,150 | (49,138) |
| TOTAL REVENUES | 428,278 | 428,278 | 393,282 | (34,996) |
| EXPENDITURES | | | | |
| Current | | | | |
| Community Education and Services | 427,666 | 432,820 | 481,378 | 48,558 |
| Pupil Support Services | 7,700 | 7,700 | 1,422 | (6,278) |
| TOTAL EXPENDITURES | 435,366 | 440,520 | 482,800 | 42,280 |
| Net Change in Fund Balances | (7,088) | (12,242) | (89,518) | (77,276) |
| Fund Balances - Beginning | 26,682 | 26,682 | 26,682 | |
| Fund Balances - Ending | $ 19,594 | $ 14,440 | $ (62,836) | $ (77,276) |

See Notes to the Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 593**
**CROOKSTON, MINNESOTA**
**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL SUPPLEMENTAL PENSION LIABILITY AND RELATED RATIOS**
**June 30, 2024**

| Fiscal Year | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|
| Total Supplemental Pension Liability | | | | | | | | |
| Service Cost | $ 17,408 | $ 16,414 | $ 10,241 | $ 11,312 | $ 11,225 | $ 12,147 | $ 8,356 | $ 8,458 |
| Interest Cost | 11,236 | 10,425 | 11,224 | 10,717 | 9,523 | 6,929 | 5,883 | 9,831 |
| Assumption Changes | | (9,527) | (2,901) | 6,122 | (268) | 3,744 | (23,421) | (1,119) |
| Plan Changes | | | (17,613) | | | | | |
| Differences Between Expected and Actual Experience | | | (969) | | (9,765) | | 16,660 | - |
| Benefit Payments | (60,133) | (51,046) | (29,875) | (19,934) | (34,316) | (25,791) | (29,449) | (28,682) |
| Net Change in Total Supplemental Pension Liability | (31,489) | (33,734) | (29,893) | 8,217 | (23,601) | (2,971) | (21,971) | (11,512) |
| Total Supplemental Pension Liability - Beginning | 399,898 | 368,409 | 334,675 | 304,782 | 312,999 | 289,398 | 286,427 | 264,456 |
| Total Supplemental Pension Liability - Ending | $ 368,409 | $ 334,675 | $ 304,782 | $ 312,999 | $ 289,398 | $ 286,427 | $ 264,456 | $ 252,944 |
| Covered Payroll | $ 5,298,756 | Not available | $ 3,165,825 | Not available | $ 2,773,752 | $ 2,856,965 | $ 2,616,747 | $ 2,695,249 |
| District's Total Supplemental Pension Liability as a Percentage of a Covered Payroll | 6.95% | | 9.63% | | 10.43% | 10.03% | 10.11% | 9.38% |

Notes:
This schedule is built prospectively until it contains ten years of data.

See Notes to the Required Supplementary Information

## INDEPENDENT SCHOOL DISTRICT NO. 593
## CROOKSTON, MINNESOTA
## SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
## June 30, 2024

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|
| Total OPEB Liability | | | | | | | |
| Service Cost | $ 210,725 | $ 149,626 | $ 165,171 | $ 174,892 | $ 188,884 | $ 145,480 | $ 147,361 |
| Interest | 133,532 | 131,176 | 103,777 | 94,933 | 70,995 | 62,594 | 107,062 |
| Assumption Changes | | (38,322) | 61,411 | (15,389) | 38,670 | (225,969) | (13,727) |
| Plan Changes | | (17,613) | | | | | |
| Differences Between Expected and Actual Experience | | (861,735) | | (118,694) | | 68,583 | |
| Benefit Payments | (383,602) | (320,779) | (221,915) | (263,747) | (243,609) | (221,297) | (211,143) |
| Net Change in Total OPEB Liability | (39,345) | (957,647) | 108,444 | (128,005) | 54,940 | (170,609) | 29,553 |
| Total OPEB Liability - Beginning | 3,906,875 | 3,867,530 | 2,909,883 | 3,018,327 | 2,890,322 | 2,945,262 | 2,774,653 |
| Total OPEB Liability - Ending | $ 3,867,530 | $ 2,909,883 | $ 3,018,327 | $ 2,890,322 | $ 2,945,262 | $ 2,774,653 | $ 2,804,206 |
| Covered Payroll | $ 7,895,913 | $ 7,876,572 | $ 8,112,869 | $ 8,050,303 | $ 8,291,812 | $ 8,814,305 | $ 9,078,734 |
| District's Total OPEB Liability as a Percentage of a Covered Payroll | 48.98% | 36.94% | 37.20% | 35.90% | 35.52% | 31.48% | 30.89% |

See Notes to the Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 593**
**CROOKSTON, MINNESOTA**
**SCHEDULE OF DISTRICT SHARE OF CONTRIBUTIONS**
**Last 10 Years**

| Fiscal Year Ended June 30 | Statutorily Required Contribution | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | District's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| **PERA** | | | | | |
| 2015 | $ 161,447 | $ 161,447 | $ | $ 2,158,000 | 7.48 % |
| 2016 | 181,911 | 181,911 | | 2,426,468 | 7.50 |
| 2017 | 189,822 | 189,822 | | 2,528,407 | 7.51 |
| 2018 | 199,607 | 199,607 | | 2,677,776 | 7.45 |
| 2019 | 202,943 | 202,943 | | 2,705,907 | 7.50 |
| 2020 | 199,610 | 199,610 | | 2,789,283 | 7.16 |
| 2021 | 207,008 | 207,008 | | 2,760,105 | 7.50 |
| 2022 | 226,718 | 226,718 | | 3,022,895 | 7.50 |
| 2023 | 232,107 | 232,107 | | 3,094,764 | 7.50 |
| 2024 | 252,090 | 252,090 | | 3,361,198 | 7.50 |
| **TRA** | | | | | |
| 2015 | $ 385,168 | $ 385,168 | $ | $ 5,152,406 | 7.48 % |
| 2016 | 438,163 | 438,163 | | 5,844,341 | 7.50 |
| 2017 | 454,828 | 454,828 | | 6,069,541 | 7.49 |
| 2018 | 461,894 | 461,894 | | 6,153,369 | 7.51 |
| 2019 | 472,728 | 472,728 | | 6,140,674 | 7.70 |
| 2020 | 477,609 | 477,609 | | 6,047,187 | 7.90 |
| 2021 | 508,341 | 508,341 | | 6,230,731 | 8.16 |
| 2022 | 555,691 | 555,691 | | 6,640,511 | 8.37 |
| 2023 | 551,321 | 551,321 | | 6,431,665 | 8.57 |
| 2024 | 664,642 | 664,642 | | 7,595,743 | 8.75 |

The amounts presented for each fiscal year were determined as of the District's year end which is June 30th.

See Notes to the Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 593**
**CROOKSTON, MINNESOTA**
**SCHEDULE OF DISTRICT SHARE OF NET PENSION LIABILITY**
**Last 10 Years**

| | Fiscal Year Ended June 30 | District's Proportion of the Net Pension Liability | District's Proportionate Share of the Net Pension Liability | State's Proportionate Share of the Net Pension Liability Associated with the District (if Applicable) | Total | District's Covered Payroll | District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll | Plan Fiduciary Net Postion as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|---|---|---|
| **PERA** | | | | | | | | |
| | 2014 | 0.0424 % | $ 1,991,740 | $ | $ 1,991,740 | $ 2,483,000 | 80.22 % | 78.70 % |
| | 2015 | 0.0393 | 2,036,730 | | 2,036,730 | 2,158,000 | 94.38 | 78.19 |
| | 2016 | 0.0391 | 3,174,726 | 41,452 | 3,216,178 | 2,426,468 | 130.84 | 68.90 |
| | 2017 | 0.0393 | 2,508,886 | 31,550 | 2,540,436 | 2,528,407 | 99.23 | 75.90 |
| | 2018 | 0.0396 | 2,196,846 | 72,062 | 2,268,908 | 2,677,776 | 82.04 | 79.53 |
| | 2019 | 0.0384 | 2,123,050 | 65,997 | 2,189,047 | 2,705,907 | 78.46 | 80.23 |
| | 2020 | 0.0374 | 2,242,301 | 69,228 | 2,311,529 | 2,789,283 | 80.39 | 79.06 |
| | 2021 | 0.0383 | 1,635,582 | 49,859 | 1,685,441 | 2,760,105 | 59.26 | 87.00 |
| | 2022 | 0.0403 | 3,191,773 | 93,615 | 3,285,388 | 3,022,895 | 105.59 | 76.67 |
| | 2023 | 0.0390 | 2,180,836 | 60,155 | 2,240,991 | 3,094,764 | 70.47 | 83.10 |
| **TRA** | | | | | | | | |
| | 2014 | 0.1205 % | $ 5,552,553 | $ 390,684 | $ 5,943,237 | $ 5,502,406 | 100.91 % | 81.50 % |
| | 2015 | 0.1128 | 6,977,796 | 855,650 | 7,833,446 | 5,152,406 | 135.43 | 76.80 |
| | 2016 | 0.1109 | 26,452,296 | 2,654,436 | 29,106,732 | 5,844,341 | 452.61 | 44.88 |
| | 2017 | 0.1128 | 22,516,926 | 2,176,568 | 24,693,494 | 6,069,541 | 370.98 | 51.57 |
| | 2018 | 0.1114 | 6,996,693 | 657,567 | 7,654,260 | 6,153,369 | 113.71 | 78.07 |
| | 2019 | 0.1075 | 6,852,073 | 606,318 | 7,458,391 | 6,140,674 | 111.59 | 78.21 |
| | 2020 | 0.1041 | 7,691,047 | 644,396 | 8,335,443 | 6,047,187 | 127.18 | 75.48 |
| | 2021 | 0.1036 | 4,533,846 | 382,251 | 4,916,097 | 6,230,731 | 72.77 | 86.63 |
| | 2022 | 0.1067 | 8,543,972 | 633,541 | 9,177,513 | 6,640,511 | 128.66 | 76.17 |
| | 2023 | 0.1041 | 8,594,729 | 602,096 | 9,196,825 | 6,431,665 | 133.63 | 76.42 |

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous fiscal year.

See Notes to the Required Supplementary Information

## NOTE 1 BUDGETARY DATA

Budgets are prepared for District funds on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. All appropriations lapse at year-end. Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting is not utilized in the governmental funds of the District.

The budget is adopted through the passage of a resolution. Administration can authorize the transfer of budgeted amounts within any fund. Any revisions that alter the total expenditures of any fund must be approved by the governing board. The legal level of budgetary control is the fund level. The annual appropriated budget is not legally binding on the District unless the District has a deficit fund balance which exceeds 2.5% of expenditures.

## NOTE 2 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2024,expenditures exceeded appropriations in the general fund by $5,713,229. Expenditures exceeded appropriations in the food service fund by $65,601. Expenditures exceeded appropriations in the community service fund by $42,280.

## NOTE 3 DEFINED BENEFIT PLANS

### General Employees Fund

<u>Changes in Actuarial Assumptions:</u>

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

<u>Changes in Plan Provisions:</u>

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

### TRA

<u>Changes in actuarial assumptions since the 2022 valuation:</u>

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

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

The 2024 Omnibus Pensions and Retirement Bill:

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

## NOTE 4 SUPPLEMENTAL PENSION

Changes since prior valuation:

- Benefit Changes: None
- Assumption changes: The discount rate was changed from 3.8% to 3.9%.

## NOTE 5 OTHER POSTEMPLOYMENT BENEFITS

Changes since prior valuation:

- The discount rate was changed from 3.8% to 3.90%.

## INDEPENDENT SCHOOL DISTRICT NO. 593
## CROOKSTON, MINNESOTA
## SCHEDULE OF CHANGES IN FUND BALANCES
## For the Year Ended June 30, 2024

| | Balance Beginning of Year | Revenues | Expenditures | Transfers | Insurance Recovery/ Debt Issued | UFARS Balance End of Year | Reclass | Financial Statement Balance End of Year |
|---|---|---|---|---|---|---|---|---|
| Governmental Funds | | | | | | | | |
| General Fund | | | | | | | | |
| Nonspendable for Inventory | $ 69,901 | $ | $ | $ (69,901) | $ | $ | $ | $ |
| Restricted for: | | | | | | | | |
| Student Activity | 33,723 | 16,595 | 15,356 | | | 34,962 | | 34,962 |
| Scholarships | 309,650 | 30,717 | 16,484 | | | 323,883 | | 323,883 |
| Staff Development | 299,564 | 177,112 | 346,422 | | | 130,254 | | 130,254 |
| Literacty Incentive | | 40,198 | | | | 40,198 | | 40,198 |
| American Indian Ed | | 96,000 | 59,426 | | | 36,574 | | 36,574 |
| Operating Capital | 595,145 | 227,079 | 233,597 | | 106,926 | 695,553 | | 695,553 |
| Disabled Access | 33,003 | | | | | 33,003 | | 33,003 |
| Gifted and Talented | 72,723 | 16,128 | 1,374 | | | 87,477 | | 87,477 |
| Basic Skills | | 1,753,953 | 1,753,953 | | | | | |
| Library Aid | | 40,000 | 12,166 | | | 27,834 | | 27,834 |
| Achievement and Integration | 12,707 | 168,725 | 181,432 | | | | | |
| Safe Schools | 16,723 | 43,251 | 55,685 | | | 4,289 | | 4,289 |
| Long Term Facilities Maint. | 1,407,583 | 453,545 | 885,340 | | | 975,788 | | 975,788 |
| Medical Assistance | 16,317 | 2,277 | 3,987 | | | 14,607 | | 14,607 |
| Building Repairs & Maintenance | 70,810 | | | | | 70,810 | | 70,810 |
| Committed for Retirement Benefits | 229,249 | | 116,662 | 87,413 | | 200,000 | | 200,000 |
| Assigned | | | | | | | | |
| Buses / Equipment | 190,899 | | 147,097 | | | 43,802 | | 43,802 |
| Technology | 140,001 | | 6,616 | | | 133,385 | | 133,385 |
| Curriculum | 14,081 | | 75,472 | | 61,391 | | | |
| Donated Funds | 65,882 | | 8,579 | (58,858) | 1,555 | | | |
| Drivold | 5,127 | | 958 | | | 4,169 | | 4,169 |
| Greenhouse / Itasca | 8,296 | 7,552 | | | | 15,848 | | 15,848 |
| Grounds Improvement | 4,978 | | | | | 4,978 | | 4,978 |
| Jr High Trip | 2,504 | 112 | 1,189 | | | 1,427 | | 1,427 |
| Activities | | 47,068 | 20,556 | 65,892 | | 92,404 | | 92,404 |
| Scoreboard | | 20,000 | 386,843 | | 366,843 | | | |
| Agriculture | 2,260 | | | | | 2,260 | | 2,260 |
| School Readiness | 122,151 | | | | | 122,151 | | 122,151 |
| School Construction | 165,062 | | | | | 165,062 | | 165,062 |
| Unassigned | | | | | | | | |
| General | 2,670,632 | 18,399,609 | 19,271,540 | (24,546) | (393,794) | 1,380,361 | | 1,380,361 |
| Food Service Fund | | | | | | | | |
| Nonspendable for Inventory | 12,198 | | | 12,480 | | 24,678 | | 24,678 |
| Restricted for Food Service | 392,392 | 1,143,661 | 1,098,380 | (12,480) | | 425,193 | | 425,193 |
| Community Service Fund | | | | | | | | |
| Restricted for: | | | | | | | | |
| Community Education | (26,192) | 168,556 | 167,177 | | | (24,813) | 24,813 | |
| ECFE | 28,419 | 80,312 | 146,487 | | | (37,756) | 37,756 | |
| School Readiness | 27,785 | 121,205 | 148,387 | | | 603 | | 603 |
| Community Service | | 23,209 | 20,749 | | | 2,460 | | 2,460 |
| Unassigned | (3,330) | | | | | (3,330) | (62,569) | (65,899) |
| Debt Service Fund | | | | | | | | |
| Restricted for Debt Service | 494,186 | 1,403,446 | 1,537,781 | | | 359,851 | | 359,851 |
| Capital Projects Fund | | | | | | | | |
| Restricted for Building Project | 5,044,717 | 272,345 | 1,809,920 | | | 3,507,142 | | 3,507,142 |

BradyMartz

# INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Education
Independent School District No. 593
Crookston, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Independent School District No. 593 as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 21, 2024.

**Legal Compliance**

In connection with our audit, we noted that the District failed to comply with the provisions of the claims and disbursements section 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 as described in the schedule of findings and questioned costs as item 2024-003. Also, 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 contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts* promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

**Purpose of the Report**

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.

Brady Martz

**BRADY, MARTZ & ASSOCIATES, P.C.**
**THIEF RIVER FALLS, MINNESOTA**

November 21, 2024

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

To the Board of Education
Independent School District No. 593
Crookston, 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 and each major fund of Independent School District No. 593, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 21, 2024.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002 that we consider to be material weaknesses.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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.*

 

**The District's Response to Findings**

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

**Purpose of this Report**

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

Brady Martz

**BRADY, MARTZ & ASSOCIATES, P.C.**
**THIEF RIVER FALLS, MINNESOTA**

November 21, 2024

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

To the Board of Education
Independent School District No. 593
Crookston, Minnesota

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Independent School District No. 593's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2024. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

***Basis for Opinion on Each Major Federal Program***

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

We are required to be independent of Independent School District No. 593 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

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

***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

**Report on Internal Control over Compliance**

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

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

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

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

Brady Martz

**BRADY, MARTZ & ASSOCIATES, P.C.**
**THIEF RIVER FALLS, MINNESOTA**

November 21, 2024

## INDEPENDENT SCHOOL DISTRICT NO. 593
## CROOKSTON, MINNESOTA
## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## For the Year Ended June 30, 2024

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal AL Number | Amount |
|---|---|---|
| U.S. Department of Education | | |
| Direct Programs: | | |
| P.L. 100-297 Indian Education | 84.060 | $ 17,473 |
| Passed-Through Minnesota Department of Education: | | |
| Title I, Part D | 84.010 | 71,733 |
| Title I | 84.010 | 401,652 |
| Total AL 84.010 | | 473,385 |
| Title II, Part A | 84.367 | 77,644 |
| COVID-19 Education Stabilization Fund Under the Coronavirus Aid Relief, and Economic Security Act | 84.425D | 705,756 |
| COVID-19 Education Stabilization Fund Under the Coronavirus Aid Relief, and Economic Security Act | 84.425U | 2,337,619 |
| COVID-19 Education Stabilization Fund Under the Coronavirus Aid Relief, and Economic Security Act | 84.425W | 7,352 |
| Total AL 84.425 | | 3,050,727 |
| Special Education - Infants and Toddlers | 84.181 | 11,417 |
| *Special Education Cluster:* | | |
| COVID-19 - Special Education Grants to States | 84.027 | 6,027 |
| Special Education Grants to States | 84.027 | 318,996 |
| Passed-Through Bemidji Regional Interdistrict Council: | | |
| Special Education Grants to States | 84.027 | 6,352 |
| Total AL 84.027 | | 331,375 |
| Passed-Through Minnesota Department of Education: | | |
| Special Education Preschool Grants | 84.173 | 5,275 |
| Total AL 84.173 | | 5,275 |
| *Total Special Education Cluster* | | 336,650 |
| Total U.S. Department of Education | | 3,967,296 |
| U.S. Department of Treasury | | |
| Passed-Through Minnesota Department of Education: | | |
| *Coronavirus State and Local Fiscal Recovery Funds Cluster:* | | |
| COVID-19 - Coronavirus State and Local Fiscal Recovery Funds | 21.027 | 14,735 |
| *Total Coronavirus State and Local Fiscal Recovery Funds Cluster* | | 14,735 |
| Total U.S. Department of Treasury | | 14,735 |
| U.S. Department of Agriculture | | |
| Passed-Through Minnesota Department of Education: | | |
| COVID-19 State Pandemic Electronic Benefit Transfer Administrative Costs Grant | 10.649 | 653 |
| *Child Nutrition Cluster:* | | |
| Fresh Fruit and Vegetable Program | 10.582 | 14,965 |
| School Breakfast Program | 10.553 | 167,070 |
| National School Lunch Program | 10.555 | 386,373 |
| National School Lunch Program (Commodities) | 10.555 | 71,636 |
| COVID-19 - National School Lunch Program (Supply Chain) | 10.555 | 32,638 |
| Total AL 10.555 | | 490,647 |
| COVID-19 Summer Food Service Program for Children | 10.559 | 17,608 |
| *Total Child Nutrition Cluster* | | 690,290 |
| Total U.S. Department of Agriculture | | 690,943 |
| TOTAL FEDERAL AWARDS | | $ 4,672,974 |

See Notes to the Schedule of Expenditures of Federal Awards

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

## NOTE 2 INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

## NOTE 3 BASIS OF PRESENTATION

The Schedule includes the federal award activity of Independent School District No. 593 under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Independent School District No. 593, it is not intended to be and does not present the financial position or changes in net position of Independent School District No. 593.

## NOTE 4 COMMODITY DISTRIBUTION

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

## NOTE 5 PASS-THROUGH ENTITIES

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

## NOTE 6 SUBRECIPIENTS

During the year ended June 30, 2024, the District did not pass any federal money to subrecipients.

**Section I-Summary of Auditor's Results**

Financial Statements

| | |
|---|---|
| Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | _x_ yes ___no |
| Significant deficiency(ies) identified? | ___ yes _x__ none reported |
| Noncompliance material to financial statements noted? | ___ yes _x_ no |

Federal Awards

| | |
|---|---|
| Internal Control over major programs: | |
| Material weakness(es) identified? | ___ yes _x__ no |
| Significant deficiency(ies) identified? | ___ yes _x_ none reported |
| Type of auditor's report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | __ yes _x__ no |

Identification of major programs:

| AL Number(s) | Name of Federal Program or Cluster |
|---|---|
| 84.425 | Education Stabilization Fund |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | $750,000 |
| Auditee qualified as low-risk auditee? | __ yes __x_ no |

**Section II-Financial Statement Findings**

**2024-001 FINDING**

Criteria
An appropriate system of internal control requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition
The District's personnel prepare periodic financial information for internal use that meets the needs of management and the Board of Education. However, the District currently does not prepare the financial statements, including the accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause
The District elected to have the auditors assist with the preparation of the financial statements for efficiency.

Effect
There is an increased risk of material misstatement to the District's financial statements.

Recommendation
We recommend the District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control, the District should establish an internal control policy to document the annual review of the financial statement and to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions
The District agrees with the recommendation and will review on an annual basis.

**2024-002 FINDING**

Criteria
An appropriate system of internal control over the general ledger requires the District to have procedures in place to reconcile balance sheet accounts in a timely manner and source documentation for journal entries.

Condition
The District's payroll liability accounts were not reconciled during the year.

Cause
Oversight by the District.

Effect
There is an increased risk of material misstatement to the District's financial statements.

Recommendation
The District should establish procedures to ensure payroll liability accounts are reviewed and reconciled.

Views of Responsible Officials and Planned Corrective Actions
The District agrees with the recommendation and will reconcile in a timely manner and retain source documentation.

**Minnesota Legal Compliance Finding**

**2024-003 FINDING**

<u>Criteria</u>
MN Statute 471.425 subd. 2 requires local governments to pay bills 35 days from receipt of invoices.

<u>Condition</u>
During our review of invoices, we noted multiple instances where the invoice was paid after 35 days of receipt.

<u>Cause</u>
The District does not have an internal control system designed to verify prompt payment of bills.

<u>Effect</u>
The District was not in compliance with the MN statute.

<u>Recommendation</u>
The District should review controls over payment of bills.

<u>Views of Responsible Officials and Planned Corrective Actions</u>
The District agrees with the recommendation and will review their procedures.

**Section III-Federal Award Findings and Questioned Costs**

There are no findings which are required to be reported under this section.

**2023-001**

<u>Criteria</u>
An appropriate system of internal control requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

<u>Condition</u>
The District's personnel prepare periodic financial information for internal use that meets the needs of management and the Board of Education. However, the District currently does not prepare the financial statements, including the accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

<u>Cause</u>
The District elected to have the auditors assist with the preparation of the financial statements for efficiency.

<u>Effect</u>
There is an increased risk of material misstatement to the District's financial statements.

<u>Recommendation</u>
We recommend the District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control, the District should establish an internal control policy to document the annual review of the financial statement and to review a financial statement disclosure checklist.

<u>Corrective Action Taken</u>
No action taken. See current year finding 2024-001 and Corrective Action Plan.

**2023-002 FINDING**

Criteria
An appropriate system of internal control over cash requires the District to have procedures in place to reconcile bank statements in a timely manner and source documentation for journal entries.

Condition
The District's monthly bank statements were reconciled several months after the month's end and there was a journal entry affecting cash that did not have source documentation.

Cause
Oversight by the District.

Effect
There is an increased risk of material misstatement to the District's financial statements.

Recommendation
The District should reconcile their bank statements to the general ledger in a timely manner and retain all source documentation to support journal entries.

Corrective Action Taken
Bank accounts were reconciled within a month of month end.

**2023-003 FINDING**

Criteria
An appropriate system of internal control contemplates an adequate system for recording and processing entries material to the financial statements.

Condition
During the course of the audit, we proposed material adjusting entries that were not identified as a result of the District's existing internal controls, and therefore could have resulted in a material misstatement of the District's financial statements. The entries were to record accounts payable and retainage used with federal funds along with a corresponding receivable.

Cause
The District does not have an internal control system designed to identify all necessary adjustments.

Effect
There is an increased risk of material misstatement to the District's financial statements.

Recommendation
A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisor levels.

Corrective Action Taken
Accounts were reviewed by the business manger prior to audit. No material adjustments were identified during audit.

**2023-004 FINDING**

Federal Program
Education Stabilization Fund (AL 84.425)
Special Tests and Provisions – Wage Rate Requirements

Criteria
Uniform Guidance requires “all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of $2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor”. Furthermore, the Compliance requires the prevailing wage rate clauses be included in the contract or subcontract, and that the contractor or subcontractor submit the required certified payrolls weekly, for each week in any contract work is performed.

Condition
The District did not have the required wage rate requirement verbiage in the contract, and the District did not obtain the required certified payrolls from the contractor.

Questioned Costs
None

Context
We noted that the contract between this vendor and the District omitted the required wage rate requirements. We also noted that the required certified payrolls, which are required to be submitted weekly for each week of contract work, was not submitted.

Cause
Oversight by management.

Effect
The District is not in compliance with the “Wage Rate Requirements.” It is also possible that workers did not get paid the appropriate wage.

Repeat Finding
No

Recommendation
We recommend the District implement policies and procedures to ensure all construction contracts in excess of $2,000 that are paid with federal funds follow the wage rate requirements.

Corrective Action Taken
The District worked with the contactors to ensure wage rate requirements were met.

# Crookston Public Schools

*Randal Bergquist, Superintendent*
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*Crookston, Minnesota 56716*

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*EMAIL: randalbergquist@isd593.org*

**2024-001 FINDING**

Contact Person – Randal Bergquist, Superintendent

Corrective Action Plan – The District will establish a policy to document review of the financial statements and notes.

Completion Date – Ongoing

**2024-002 FINDING**

Contact Person – Randal Bergquist, Superintendent

Corrective Action Plan – The District will reconcile payroll liability accounts.

Completion Date – Immediately

**2024-003 FINDING**

Contact Person – Randal Bergquist, Superintendent

Corrective Action Plan – The District will review their internal controls over payment of bills.

Completion Date – Immediately

# INDEPENDENT SCHOOL DISTRICT NO. 593
# CROOKSTON, MINNESOTA
# UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
# June 30, 2024

**District Name:** INDEPENDENT SCHOOL DISTRICT NO. 593 **District Number:** 593

| | Audit | UFARS | Variance |
|---|---|---|---|
| **01 GENERAL FUND** | | | |
| Total Revenue | 21,539,921 | 21,539,921 | |
| Total Expenditures | 23,600,734 | 23,600,734 | |
| *Non Spendable:* | | | |
| 460 Non Spendable Fund Balance | | | |
| *Restricted/Reserve:* | | | |
| 401 Student Activities | 34,962 | 34,963 | (1) |
| 402 Scholarships | 323,883 | 323,884 | (1) |
| 403 Staff Development | 130,254 | 130,255 | (1) |
| 407 Capital Projects Levy | | | |
| 408 Cooperative Revenue | | | |
| 412 Literacy Incentive Aid | 40,198 | 40,198 | |
| 414 Operating Debt | | | |
| 416 Levy Reduction | | | |
| 417 Taconite Building Maintenance | | | |
| 420 American Indian Ed | 36,574 | 36,574 | |
| 424 Operating Capital | 695,553 | 695,553 | |
| 426 $25 Taconite | | | |
| 427 Disabled Accessibility | 33,003 | 33,003 | |
| 428 Learning & Development | | | |
| 434 Area Learning Center | | | |
| 435 Contracted Alt Programs | | | |
| 436 State Approved Alt Program | | | |
| 438 Gifted & Talented | 87,477 | 87,477 | |
| 440 Teacher Development and Eval | | | |
| 441 Basic Skills Programs | | | |
| 443 School Library Aid | 27,834 | 27,834 | |
| 448 Achievement and Integration | | | |
| 449 Safe Schools Levy | 4,289 | 4,288 | 1 |
| 451 QZAB Payments | | | |
| 452 OPEB Liab Not In Trust | | | |
| 453 Unfnded Sev & Retirement Levy | | | |
| 459 Basic Skills Ext Time | | | |
| 467 LTFM | 975,788 | 975,787 | 1 |
| 472 Medical Assistance | 14,607 | 14,603 | 4 |
| 473 PPP Loans | | | |
| 474 EIDL Loans | | | |
| *Restricted:* | | | |
| 464 Restricted Fund Balance | 70,810 | 70,810 | |
| 475 Title VII - Impact Aid | | | |
| 476 PILT | | | |
| *Committed:* | | | |
| 418 Committed for Separation | 200,000 | 200,000 | |
| 461 Committed Fund Balance | | | |
| *Assigned:* | | | |
| 462 Assigned Fund Balance | 585,486 | 585,487 | (1) |
| *Unassigned:* | | | |
| 422 Unassigned Fund Balance | 1,380,361 | 1,380,363 | (2) |
| Reconciliation of General | 49,781,734 | 49,781,734 | |
| **02 FOOD SERVICE** | | | |
| Total Revenue | 1,143,660 | 1,143,661 | (1) |
| Total Expenditures | 1,098,379 | 1,098,380 | (1) |
| *Non Spendable:* | | | |
| 460 Non Spendable Fund Balance | 24,678 | 24,678 | |
| *Restricted:* | | | |
| 452 OPEB Liab Not In Trust | | | |
| 464 Restricted Fund Balance | 425,193 | 425,192 | 1 |
| 474 EIDL Loans | | | |
| *Unassigned:* | | | |
| 463 Unassigned Fund Balance | | | |
| Reconciliation of Food Service | 2,691,910 | 2,691,911 | (1) |
| **04 COMMUNITY SERVICE** | | | |
| Total Revenue | 393,282 | 393,282 | |
| Total Expenditures | 482,800 | 482,800 | |
| *Non Spendable:* | | | |
| 460 Non Spendable Fund Balance | | | |
| *Restricted/Reserve:* | | | |
| 426 $25 Taconite | | | |
| 431 Community Education | (24,813) | (24,814) | 1 |
| 432 E.C.F.E. | (37,756) | (37,755) | (1) |
| 440 Teacher Development and Eval | | | |
| 444 School Readiness | 603 | 604 | (1) |
| 447 Adult Basic Education | | | |
| 452 OPEB Liab Not In Trust | | | |

| | Audit | UFARS | Variance |
|---|---|---|---|
| **04 COMMUNITY SERVICE (continued)** | | | |
| *Restricted:* | | | |
| 464 Restricted Fund Balance | 2,460 | 2,460 | |
| *Unassigned:* | | | |
| 463 Unassigned Fund Balance | (3,330) | (3,332) | 2 |
| Reconciliation of Community Service | 813,246 | 813,245 | 1 |
| **06 BUILDING CONSTRUCTION** | | | |
| Total Revenue | 272,345 | 272,345 | |
| Total Expenditures | 1,809,920 | 1,809,920 | |
| *Non Spendable:* | | | |
| 460 Non Spendable Fund Balance | | | |
| *Restricted/Reserve:* | | | |
| 407 Capital Projects Levy | | | |
| 413 Projects Funded By COP | | | |
| 467 LTFM | | | |
| *Restricted:* | | | |
| 464 Restricted Fund Balance | 3,507,142 | 3,507,142 | |
| *Unassigned:* | | | |
| 463 Unassigned Fund Balance | | | |
| Reconciliation of Building Construction | 5,589,407 | 5,589,407 | |
| **07 DEBT SERVICE** | | | |
| Total Revenue | 1,403,446 | 1,403,446 | |
| Total Expenditures | 1,537,781 | 1,537,781 | |
| *Non Spendable:* | | | |
| 460 Non Spendable Fund Balance | | | |
| *Restricted/Reserve:* | | | |
| 425 Bond Refundings | | | |
| 433 Max Effort Loan | | | |
| 451 QZAB Payments | | | |
| 467 LTFM | | | |
| *Restricted:* | | | |
| 464 Restricted Fund Balance | 359,851 | 359,851 | |
| *Unassigned:* | | | |
| 463 Unassigned Fund Balance | | | |
| Reconciliation of Debt Service | 3,301,078 | 3,301,078 | |
| **08 TRUST** | | | |
| Total Revenue | | | |
| Total Expenditures | | | |
| 422 Unassigned Fund Balance | | | |
| Reconciliation of Trust | | | |
| **20 INTERNAL SERVICE** | | | |
| Total Revenue | | | |
| Total Expenditures | | | |
| 422 Unassigned Fund Balance | | | |
| Reconciliation of Internal Service | | | |
| **25 OPEB REVOCABLE TRUST FUND** | | | |
| Total Revenue | | | |
| Total Expenditures | | | |
| 422 Unassigned Fund Balance | | | |
| Reconciliation of OPEB Revocable Trust | | | |
| **45 OPEB IRREVOCABLE TRUST FUND** | | | |
| Total Revenue | | | |
| Total Expenditures | | | |
| 422 Unassigned Fund Balance | | | |
| Reconciliation of OPEB Irrevocable Trust | | | |
| **47 OPEB DEBT SERVICE FUND** | | | |
| Total Revenue | | | |
| Total Expenditures | | | |
| *Non Spendable:* | | | |
| 460 Non Spendable Fund Balance | | | |
| *Restricted:* | | | |
| 464 Restriced Fund Balance | | | |
| *Unassigned:* | | | |
| 463 Unassigned Fund Balance | | | |
| Reconciliation of OPEB Debt Service | | | |