

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2024



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**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2024**

INTRODUCTORY SECTION

BOARD OF EDUCATION AND ADMINISTRATION	1
--	----------

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	2
-------------------------------------	----------

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS	6
---	----------

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION	16
----------------------------------	-----------

STATEMENT OF ACTIVITIES	17
--------------------------------	-----------

BALANCE SHEET – GOVERNMENTAL FUNDS	18
---	-----------

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	19
---	-----------

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	20
---	-----------

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	21
---	-----------

NOTES TO FINANCIAL STATEMENTS	22
--------------------------------------	-----------

OTHER REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND	52
---	-----------

BUDGETARY COMPARISON SCHEDULE – FOOD SERVICE FUND	53
--	-----------

BUDGETARY COMPARISON SCHEDULE – COMMUNITY SERVICE FUND	54
---	-----------

SCHEDULE OF CHANGES IN THE DISTRICT'S OPEB LIABILITY AND RELATED RATIOS	55
--	-----------

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	56
--	-----------

SCHEDULE OF DISTRICT CONTRIBUTIONS	57
---	-----------

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	58
--	-----------

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2024**

SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND	69
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE	70

INTRODUCTORY SECTION

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
BOARD OF EDUCATION AND ADMINISTRATION
JUNE 30, 2024**

<u>Officer</u>	<u>Title</u>	<u>Term Expires</u>
Chad Barsness	Chairperson	December 31, 2024
Ted Reichmann	Vice-Chairperson	December 31, 2026
Angie Reichmann	Clerk	December 31, 2024
Zach Lagred	Director	December 31, 2026
Jeff Holtberg	Director	December 31, 2024
Amanda Ogdahl	Treasurer	December 31, 2026
Justin Zavadil	Director	December 31, 2024

ADMINISTRATION

Chip Rankin	Superintendent of Schools
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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Education
Minnewaska Area Schools
Independent School District No. 2149
Glenwood, 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 information of Independent School District No. 2149 (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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.

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, budgetary comparison schedule – Food Service Fund, budgetary comparison schedule – Community Service Fund, schedule of changes in the District's OPEB liability and related ratios, schedule of the District's proportionate share of the net pension liability, schedule of District contributions, and notes to the required supplementary information, as listed on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 budgetary comparison schedule – Debt Service Fund and the uniform financial accounting and reporting standards compliance table are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the budgetary comparison schedule – Debt Service Fund and the uniform financial accounting and reporting standards compliance table are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

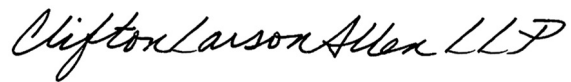
Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, 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.

Board of Education
Minnewaska Area Schools
Independent School District No. 2149

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 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.



CliftonLarsonAllen LLP

Alexandria, Minnesota
October 25, 2024

REQUIRED SUPPLEMENTARY INFORMATION

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

This section of Minnewaska Area Schools – Independent School District No. 2149's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2024.

FINANCIAL HIGHLIGHTS

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

- Net position increased \$1,136,250, due to increased state aids.
- Overall revenues in the statement of activities were \$26,852,023 and expenses were \$25,715,773.
- The General Fund balance decreased \$794,272 due to increases in salaries and benefits and purchased services.
- The Food Service Fund balance increased \$197,410 due to an increase in state aid and grants.
- The Community Service Fund balance decreased by \$25,351 due to increases in salaries and benefits.
- The Debt Service Fund balance increased by \$90,020.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include 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.

District-Wide Statements

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, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

District-Wide Statements (Continued)

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

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional 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* – Most of the District's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds* – focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific 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 (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The District has one type of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's *combined* net position was \$9,380,412 on June 30, 2024. There was a net increase of \$1,136,250 over the net position of \$8,244,162 at June 30, 2023 primarily due to an increase in state and federal aid.

**Table A-1
Net Position**

	Governmental Activities		Percentage Change
	2024	2023	
Current and Other Assets	\$ 10,519,319	\$ 10,941,682	(3.86)%
Capital and Noncurrent Assets	27,145,749	27,635,981	(1.77)
Total Assets	<u>37,665,068</u>	<u>38,577,663</u>	(2.37)
Deferred Outflows of Resources	4,472,645	5,462,896	(18.13)
Current Liabilities	3,843,500	3,778,054	1.73
Long-Term Liabilities	23,050,666	24,861,903	(7.29)
Total Liabilities	<u>26,894,166</u>	<u>28,639,957</u>	(6.10)
Deferred Inflows of Resources	<u>5,863,135</u>	<u>7,156,440</u>	(18.07)
Net Position:			
Net Investment in Capital Assets	18,237,888	17,324,075	5.27
Restricted	1,550,181	1,180,510	31.31
Unrestricted	<u>(10,407,657)</u>	<u>(10,260,423)</u>	1.43
Total Net Position	<u>\$ 9,380,412</u>	<u>\$ 8,244,162</u>	13.78

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position

A summary of the revenues and expenses is presented below and described in more detail following the table.

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

	Governmental Activities for the Fiscal Year Ended June 30,		Total Percent Change
	<u>2024</u>	<u>2023</u>	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 1,830,978	\$ 1,501,681	21.93 %
Operating Grants and Contributions	9,170,553	7,944,384	15.43
Capital Grants and Contributions	131,420	131,231	0.14
<u>General Revenues</u>			
Property Taxes	4,225,274	4,146,460	1.90
Unrestricted State Aid	11,032,561	10,594,965	4.13
Investment Earnings	106,686	63,579	67.80
Other	354,551	357,125	(0.72)
Total Revenues	<u>26,852,023</u>	<u>24,739,425</u>	8.54
Expenses			
Administration	998,916	813,012	22.87
District Support Services	767,435	634,995	20.86
Regular Instruction	10,015,285	7,748,783	29.25
Vocational Education Instruction	291,362	275,956	5.58
Special Education Instruction	6,678,589	5,825,024	14.65
Instructional Support Services	718,351	1,027,591	(30.09)
Pupil Support Services	1,993,433	1,724,227	15.61
Sites and Buildings	1,741,304	2,066,635	(15.74)
Fiscal and Other Fixed Cost Programs	160,496	121,367	32.24
Food Service	1,236,619	1,138,939	8.58
Community Service	931,314	727,015	28.10
Interest and Fiscal Charges on Long-Term Liabilities	182,669	171,641	6.43
Total Expenses	<u>25,715,773</u>	<u>22,275,185</u>	15.45
Change in Net Position	1,136,250	2,464,240	
Net Position - Beginning	<u>8,244,162</u>	<u>5,779,922</u>	
Net Position - Ending	<u>\$ 9,380,412</u>	<u>\$ 8,244,162</u>	

The increase in expenses is primarily due to an increase in salaries and benefits.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The cost of all *governmental* activities this year was \$25,715,773.

- Some of the cost was paid by the users of the District's programs (\$1,830,978).
- The federal and state governments subsidized certain programs with grants and contributions (\$9,301,973).
- Most of the District's costs, however, were paid for by District taxpayers and the taxpayers of our state.
- This portion of governmental activities was paid for with \$4,225,274 in property taxes, \$11,032,561 of state and federal aid and \$461,237 in investment earnings and other general revenues.

Figure A-1 Sources of District Revenues for Fiscal 2024

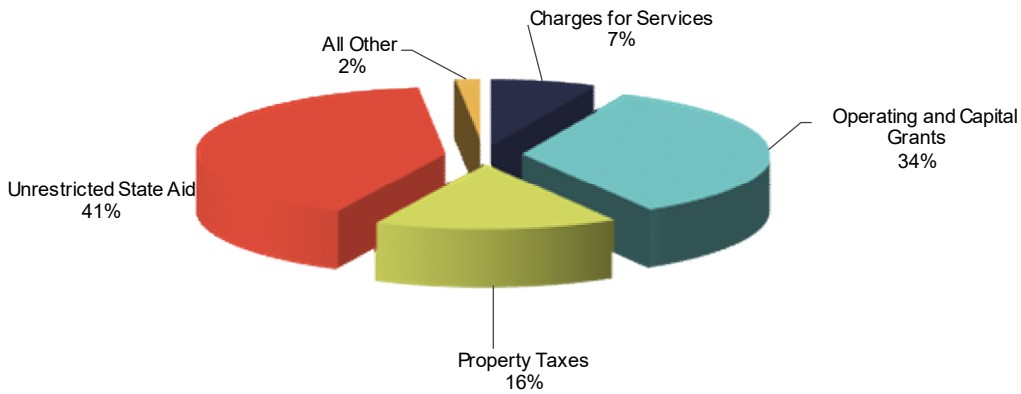
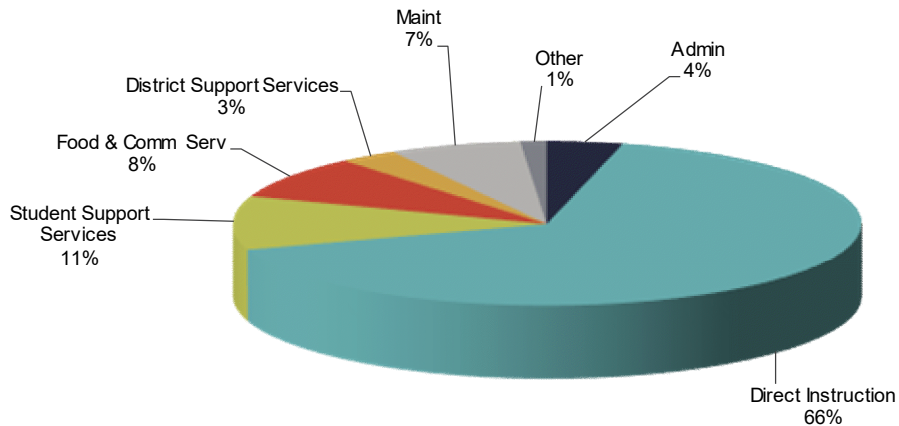


Figure A-2 District Expenses for Fiscal 2024



**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Typically, the District does not include in an analysis of all governmental activities a breakout of expenses as depicted in Figure A-2. To do so distorts the latitude available to the District to allocate resources to instruction. All governmental funds include not only funds received for the general operation of the district, which are used for classroom instruction, but also includes resources from the entrepreneurial-type funds of Food Service and Community Education, and from resources for fiscal service transactions. Funding for the general operation of the District is controlled by the state and the District does not have the latitude to allocate money received in Food Service or Community Education or for fiscal services to enhance classroom instruction resources. The District cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction. The above graph, by pooling all expenditures, implies that the District does have equal access to all funds to impact classroom instruction. In Minnesota, that is simply not an option. Therefore, a more accurate analysis of resources allocated to instruction should be limited to an analysis of resources received for the general operation of the District and that analysis would show that 66% of those resources are spent on instruction.

**Table A-3
Cost and Net Cost of Services**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2024	2023		2024	2023	
Administration	\$ 998,916	\$ 813,012	22.87 %	\$ 421,987	\$ 813,012	(48.10)%
District Support Services	767,435	634,995	20.86	741,324	630,019	17.67
Regular Instruction	10,015,285	7,748,783	29.25	8,120,601	5,799,601	40.02
Vocational Education Instruction	291,362	275,956	5.58	288,542	275,956	4.56
Special Education Instruction	6,678,589	5,825,024	14.65	259,777	(64,712)	(501.44)
Instructional Support Services	718,351	1,027,591	(30.09)	658,619	958,631	(31.30)
Pupil Support Services	1,993,433	1,724,227	15.61	1,980,217	1,705,029	16.14
Sites and Buildings	1,741,304	2,066,635	(15.74)	1,706,740	2,043,073	(16.46)
Fiscal and Other Fixed						
Cost Programs	160,496	121,367	32.24	160,496	121,367	32.24
Food Service	1,236,619	1,138,939	8.58	(183,333)	82,615	(321.91)
Community Service	931,314	727,015	28.10	245,183	161,657	51.67
Interest and Fiscal Charges on						
Long-Term Liabilities	182,669	171,641	6.43	182,669	171,641	6.43
Total	<u>\$ 25,715,773</u>	<u>\$ 22,275,185</u>	15.45	<u>\$ 14,582,822</u>	<u>\$ 12,697,889</u>	14.84

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of \$3,833,750. This is a decrease of \$532,193 or approximately 12.2% of last year's ending fund balance of \$4,365,943.

Revenues for the District's governmental funds were \$26,980,897 while total expenditures were \$27,526,130.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

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.

Approximately 89% of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model providing approximately 56% of personnel expenditures. Other state formulas then determine what portion of the revenue will be provided by property taxes and what portion will come from state aid.

Enrollment is a critical factor in determining revenue with approximately 76% of General Fund revenue being determined by enrollment. The following chart shows the average daily membership (ADM) over the last five years, with a slight increase from the prior year to the current year.

**Table A-4
Five-Year Enrollment Trend
Average Daily Membership (ADM)**

Grade	2020	2021	2022	2023	2024
Early Childhood	20	17	18	24	19
Kdgt.	88	83	82	94	81
1-3	290	265	273	261	261
4-6	302	297	290	297	302
7-12	576	597	626	621	627
Total K-12 ADM	1,276	1,259	1,289	1,297	1,290
ADM Change	28	(17)	30	8	(7)
Percent Change	2.2%	-1.3%	2.4%	0.6%	-0.5%

The following schedule presents a summary of General Fund revenues.

**Table A-5
General Fund Revenues**

	Year Ended		Change	
	June 30, 2024	June 30, 2023	Increase (Decrease)	Percent
Local Sources:				
Property Taxes	\$ 2,879,003	\$ 2,855,241	\$ 23,762	0.8 %
Earnings on Investments	67,682	43,747	23,935	54.7
Other	1,356,309	876,508	479,801	54.7
State Sources	17,594,694	16,383,004	1,211,690	7.4
Federal Sources	1,148,276	1,483,018	(334,742)	(22.6)
Total General Fund Revenue	<u>\$ 23,045,964</u>	<u>\$ 21,641,518</u>	<u>\$ 1,404,446</u>	6.5

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

GENERAL FUND (CONTINUED)

Total General Fund revenues increased by \$1,404,446 or 6.5% over the previous year. Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of an equalized mix of property tax and state aid revenue. Other state-authorized revenue including operating levy referendum and the property tax shift also involve an equalized mix of property tax and state aid revenue.

The following schedule presents a summary of General Fund expenditures.

**Table A-6
General Fund Expenditures**

	Year Ended		Change	
	June 30, 2024	June 30, 2023	Increase (Decrease)	Percent
Salaries	\$ 13,412,583	\$ 12,528,117	\$ 884,466	7.1 %
Employee Benefits	3,747,221	3,407,298	339,923	10.0
Purchased Services	3,933,935	3,546,303	387,632	10.9
Supplies and Materials	1,161,621	1,008,556	153,065	15.2
Capital Expenditures	1,333,076	1,440,539	(107,463)	(7.5)
Other Expenditures	264,840	417,061	(152,221)	(36.5)
Total Expenditures	<u>\$ 23,853,276</u>	<u>\$ 22,347,874</u>	<u>\$ 1,505,402</u>	6.7

Total General Fund expenditures increased \$1,505,402 or 6.7% from the previous year. The increase is due to an increase in salaries and benefits costs due to the cost of living adjustments along with an increase in transportation costs.

General Fund Budgetary Highlights

Actual results differed from budget as follows:

- The District's final budget for the General Fund anticipated that expenditures would exceed revenues by \$904,853, actual expenditures exceeded actual revenues by \$807,312.
- Overall, actual revenues were \$49,052 more than budgeted, representing approximately a 0.2% variation from budgeted revenues.
- The actual expenditures for the current year were \$48,489 less than budgeted, representing a 0.2% variation from budgeted expenditures.
- The General Fund's unassigned fund balance decreased \$519,014 from the prior year.

DEBT SERVICE FUNDS

The Debt Service Fund expenditures were less than revenues by \$90,020. The remaining fund balance of \$399,365 at June 30, 2024 is restricted for future debt service obligations.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

OTHER MAJOR FUNDS

The Food Service Fund had fund balance of \$624,091, a decrease of \$197,410, which was due to an increase in state aid and grants.

The Community Service Fund had fund balance of \$294,179, an increase of \$25,351, which was due to an increase in program costs which were more than the increase in program revenues.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Through 2024, the District has invested \$56,482,380 in a broad range of capital assets, including: various construction on roofing, doors, lighting, copiers, and servers. (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation/amortization expense for the year was \$1,596,974.

**Table A-7
The District's Capital Assets**

	2024	2023	Percentage Change
Land	\$ 403,002	\$ 347,137	16.1 %
Construction In Progress	143,035	107,562	33.0
Land Improvements	6,839,982	6,781,584	0.9
Buildings and Improvements	44,960,002	44,189,809	1.7
Equipment	3,930,512	3,761,806	4.5
Right-to-Use Assets	51,775	51,775	-
Subscription-Based Information Technology	154,072	140,032	10.0
Less: Accumulated Depreciation/Amortization	(29,336,631)	(27,743,724)	5.7
Total	<u>\$ 27,145,749</u>	<u>\$ 27,635,981</u>	(1.8)

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Liabilities

At year-end, the District had \$8,410,000 in general obligation bonds outstanding – a decrease of 12.9% from last year – as shown in Note 6 to the financial statements.

**Table A-8
The District's Long-Term Liabilities**

	2024	2023	Percentage Change
General Obligation Bonds	\$ 8,410,000	\$ 9,660,000	(12.94)%
Net Bond Premium and Discount	154,287	194,679	(20.75)
Finance Purchase Agreements	305,261	384,113	(20.53)
Lease/SBITA Liability	38,313	36,898	3.83
Vacation Payable	4,635	2,326	99.27
Compensated Absences	47,196	75,607	(37.58)
Total	<u>\$ 8,959,692</u>	<u>\$ 10,353,623</u>	(13.46)
Long-Term Liabilities:			
Due Within One Year	\$ 1,387,797	\$ 1,340,478	
Due in More Than One Year	7,571,895	9,013,145	
Total	<u>\$ 8,959,692</u>	<u>\$ 10,353,623</u>	

FACTORS BEARING ON THE DISTRICT'S FUTURE

Historically, the District has had stable and consistent enrollment trends. In the annual operating budget, the majority of the District's revenue comes from the state of Minnesota, giving the District \$7,138 per student for general education aid. The District supplements as needed from its local taxpayers. Both revenue bases have been consistent and appropriate for growing and maintaining a healthy fund balance.

The District budgets appropriately to its revenue projections and can rely on its fund balance to handle unplanned expenses, fast increases in expenditures, or temporary hold backs/reductions in aid. The District has capacity, if needed, to pursue referendum options to make long-term improvements in the District and the District's operating budget. The District is committed to being fiscally responsible in its planning to provide the students and community with the educational opportunities they need to unlock their potential.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District #2149, 25122 State Highway 28, Glenwood, MN 56334.

BASIC FINANCIAL STATEMENTS

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
STATEMENT OF NET POSITION
JUNE 30, 2024**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 5,120,598
Receivables:	
Property Taxes	2,336,936
Other Governments	2,468,677
Lease	143,260
Other	428,020
Prepaid Items	12,473
Inventory	9,355
Capital Assets:	
Land and Construction in Progress	546,037
Other Capital Assets, Net of Depreciation/Amortization	26,599,712
Total Assets	37,665,068
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related	4,297,373
Other Postemployment Benefits Related	175,272
Total Deferred Outflows of Resources	4,472,645
LIABILITIES	
Salaries and Payroll Deductions Payable	1,991,093
Accounts and Contracts Payable	184,153
Accrued Interest	85,790
Due to Other Governmental Units	76,435
Unearned Revenue	17,138
Long-Term Liabilities:	
Portion Due Within One Year	1,387,797
Portion Due in More Than One Year	7,571,895
Other Postemployment Benefit Liability Due Within One Year	101,094
Other Postemployment Benefit Liability	1,428,772
Net Pension Liability	14,049,999
Total Liabilities	26,894,166
DEFERRED INFLOWS OF RESOURCES	
Pension Related	1,118,635
Other Postemployment Benefits Related	353,255
Property Taxes Levied for Subsequent Year	4,254,266
Leases	136,979
Total Deferred Inflows of Resources	5,863,135
NET POSITION	
Net Investment in Capital Assets	18,237,888
Restricted for:	
Operating Capital Purposes	29,664
State-Mandates Restrictions	279,049
Food Service	624,091
Community Service	295,101
Debt Service	322,276
Unrestricted	(10,407,657)
Total Net Position	\$ 9,380,412

See accompanying Notes to Financial Statements.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024**

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Total Governmental Activities
GOVERNMENTAL ACTIVITIES					
Administration	\$ 998,916	\$ -	\$ 576,929	\$ -	\$ (421,987)
District Support Services	767,435	-	-	26,111	(741,324)
Regular Instruction	10,015,285	625,279	1,221,040	48,365	(8,120,601)
Vocational Education Instruction	291,362	-	2,820	-	(288,542)
Special Education Instruction	6,678,589	399,939	6,018,176	697	(259,777)
Instructional Support Services	718,351	-	7,669	52,063	(658,619)
Pupil Support Services	1,993,433	-	9,032	4,184	(1,980,217)
Sites and Buildings	1,741,304	34,564	-	-	(1,706,740)
Fiscal and Other Fixed Cost Programs	160,496	-	-	-	(160,496)
Food Service	1,236,619	168,599	1,251,353	-	183,333
Community Service	931,314	602,597	83,534	-	(245,183)
Interest and Fiscal Charges on Long-Term Liabilities	182,669	-	-	-	(182,669)
Total School District	<u>\$ 25,715,773</u>	<u>\$ 1,830,978</u>	<u>\$ 9,170,553</u>	<u>\$ 131,420</u>	<u>(14,582,822)</u>
GENERAL REVENUES					
Property Taxes Levied for:					
General Purposes					2,872,759
Community Service					166,028
Debt Service					1,186,487
State Aid Not Restricted to Specific Purposes					11,032,561
Earnings on Investments					106,686
Miscellaneous					354,551
Total General Revenues					<u>15,719,072</u>
CHANGE IN NET POSITION					1,136,250
Net Position - Beginning of Year					<u>8,244,162</u>
NET POSITION - END OF YEAR					<u>\$ 9,380,412</u>

See accompanying Notes to Financial Statements.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2024**

	Major Funds				Total Governmental Funds
	General	Food Service	Community Service	Debt Service	
ASSETS					
Cash and Investments	\$ 3,148,507	\$ 610,572	\$ 436,355	\$ 925,164	\$ 5,120,598
Receivables:					
Current Property Taxes	1,429,254	-	75,001	807,176	2,311,431
Delinquent Property Taxes	15,882	-	922	8,701	25,505
Due from Minnesota Department of Education	2,086,005	-	9,827	37,943	2,133,775
Due from Federal through Minnesota Department of Education	334,902	-	-	-	334,902
Other Receivables	380,332	24,713	22,975	-	428,020
Leases	143,260	-	-	-	143,260
Prepaid Items	12,473	-	-	-	12,473
Inventory	-	9,355	-	-	9,355
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 7,550,615</u>	<u>\$ 644,640</u>	<u>\$ 545,080</u>	<u>\$ 1,778,984</u>	<u>\$ 10,519,319</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Salaries and Payroll Deductions Payable	\$ 1,879,589	\$ 3,035	\$ 80,107	\$ -	\$ 1,962,731
Accounts Payable	171,389	376	12,388	-	184,153
Due to Other Governmental Units	104,484	-	313	-	104,797
Unearned Revenue	-	17,138	-	-	17,138
Total Liabilities	<u>2,155,462</u>	<u>20,549</u>	<u>92,808</u>	<u>-</u>	<u>2,268,819</u>
DEFERRED INFLOWS OF RESOURCES					
Property Taxes Levied for Subsequent Year	2,726,177	-	157,171	1,370,918	4,254,266
Unavailable Revenue - Delinquent Taxes	15,882	-	922	8,701	25,505
Leases	136,979	-	-	-	136,979
Total Deferred Inflows of Resources	<u>2,879,038</u>	<u>-</u>	<u>158,093</u>	<u>1,379,619</u>	<u>4,416,750</u>
FUND BALANCE					
Nonspendable:					
Prepaid Items	12,473	-	-	-	12,473
Inventory	-	9,355	-	-	9,355
Restricted:					
Community Education	-	-	183,920	-	183,920
Operating Capital	29,664	-	-	-	29,664
Literacy Incentive Aid	67,166	-	-	-	67,166
Safe Schools - Crime	16,910	-	-	-	16,910
Early Childhood and Family Educations Programs	-	-	11,881	-	11,881
School Readiness	-	-	73,994	-	73,994
Gifted and Talented	363	-	-	-	363
Student Activities	91,722	-	-	-	91,722
Staff Development	8,756	-	-	-	8,756
Capital Projects Levy	3,103	-	-	-	3,103
Unfunded Severance	51,029	-	-	-	51,029
Student Support Personnel	40,000	-	-	-	40,000
Other Restricted	-	614,736	24,384	399,365	1,038,485
Assigned					
Other Assigned	35,572	-	-	-	35,572
Unassigned	2,159,357	-	-	-	2,159,357
Total Fund Balances	<u>2,516,115</u>	<u>624,091</u>	<u>294,179</u>	<u>399,365</u>	<u>3,833,750</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,550,615</u>	<u>\$ 644,640</u>	<u>\$ 545,080</u>	<u>\$ 1,778,984</u>	<u>\$ 10,519,319</u>

See accompanying Notes to Financial Statements.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2024**

Total Fund Balance for Governmental Funds \$ 3,833,750

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	403,002
Construction in Progress	143,035
Land Improvements, Net of Accumulated Depreciation	3,809,551
Buildings and Improvements, Net of Accumulated Depreciation	21,305,844
Equipment, Net of Accumulated Depreciation	1,343,353
Right-to-Use Asset, Net of Accumulated Amortization	23,371
Subscription Asset, Net of Accumulated Amortization	117,593

The District's OPEB liability and related deferred inflows and outflows are recorded only on the statement of net position.

Balances at year-end are:

OPEB Liability	(1,529,866)
Deferred Inflows of Resources - OPEB Related	(353,255)
Deferred Outflows of Resources - OPEB Related	175,272

Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the funds.

25,505

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

(85,790)

The District's net pension liability and related deferred inflows and outflows are recorded only on the statement of net position.

Balances at year-end are:

Net Pension Liability	(14,049,999)
Deferred Inflows of Resources - Pension Related	(1,118,635)
Deferred Outflows of Resources - Pension Related	4,297,373

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position.

Balances at year-end are:

Bonds Payable	(8,410,000)
Unamortized Discounts (Premiums)	(154,287)
Obligations Under Lease/SBITA Liability	(38,313)
Finance Purchase Agreement	(305,261)
Compensated Absences	(47,196)
Severance Payable	(4,635)

Total Net Position of Governmental Activities

\$ 9,380,412

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2024**

	Major Funds				Total Governmental Funds
	General	Food Service	Community Service	Debt Service	
REVENUES					
Local Sources:					
Property Taxes	\$ 2,879,003	\$ -	\$ 166,028	\$ 1,186,487	\$ 4,231,518
Earnings on Investments	67,682	10,457	9,850	18,697	106,686
Other	1,356,309	172,219	657,001	-	2,185,529
State Sources	17,594,694	647,330	92,130	370,711	18,704,865
Federal Sources	1,148,276	604,023	-	-	1,752,299
Total Revenues	<u>23,045,964</u>	<u>1,434,029</u>	<u>925,009</u>	<u>1,575,895</u>	<u>26,980,897</u>
EXPENDITURES					
Current:					
Administration	1,055,996	-	-	-	1,055,996
District Support Services	691,503	-	-	-	691,503
Regular Instruction	9,226,074	-	-	-	9,226,074
Vocational Education Instruction	308,952	-	-	-	308,952
Special Education Instruction	6,900,881	-	-	-	6,900,881
Instructional Support Services	420,107	-	-	-	420,107
Pupil Support Services	1,995,642	-	-	-	1,995,642
Sites and Buildings	1,749,967	-	-	-	1,749,967
Fiscal and Other Fixed Cost Programs	160,496	-	-	-	160,496
Food Service	-	1,169,692	-	-	1,169,692
Community Service	-	-	950,360	-	950,360
Capital Outlay	1,235,395	66,927	-	-	1,302,322
Debt Service:					
Principal	90,477	-	-	1,250,000	1,340,477
Interest and Fiscal Charges	17,786	-	-	234,925	252,711
Paying Agent Fees and Other	-	-	-	950	950
Total Expenditures	<u>23,853,276</u>	<u>1,236,619</u>	<u>950,360</u>	<u>1,485,875</u>	<u>27,526,130</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(807,312)	197,410	(25,351)	90,020	(545,233)
OTHER FINANCING SOURCES					
Lease/SBITA Liability Proceeds	13,040	-	-	-	13,040
NET CHANGE IN FUND BALANCES	(794,272)	197,410	(25,351)	90,020	(532,193)
Fund Balances - Beginning of Year	<u>3,310,387</u>	<u>426,681</u>	<u>319,530</u>	<u>309,345</u>	<u>4,365,943</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,516,115</u>	<u>\$ 624,091</u>	<u>\$ 294,179</u>	<u>\$ 399,365</u>	<u>\$ 3,833,750</u>

See accompanying Notes to Financial Statements.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024**

Net Change in Fund Balance-Total Governmental Funds \$ (532,193)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation/amortization expense.

Capital Outlays	1,106,742
Depreciation/Amortization Expense	(1,596,974)

Some capital asset additions are financed through finance purchase agreements. In governmental funds, a finance purchase arrangement is considered a source of financing, but in the statement of net position, the finance obligation is reported as a liability. Repayment of finance purchase principal is an expenditure in the governmental funds, but repayment reduces the finance obligation in the statement of net position.

Principal Payments - Finance Purchase Agreement	78,852
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Pension expenditures on the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in net pension liability and the related deferred inflows and outflows of resources.

768,594

Payment of OPEB benefits are recognized as expenditures on the fund level while the change in the OPEB liability and related deferred inflows and outflows of resources are recognized in the statement of net position.

(10,420)

In the statement of activities, compensated absences and severance payable are measured on the accrual basis. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

26,102

The governmental funds report bond proceeds and other long-term liabilities as financing sources, while repayment of principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and repayment of principal reduces the liability.

Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items as follows:

Repayment of Bond Principal	1,250,000
Change in Accrued Interest Expense - General Obligation Bonds	12,814
Amortization of Bond Premium and Discount	40,392
Repayment of Lease/SBITA Liability	11,625
Lease/SBITA Liability Proceeds	(13,040)

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

(6,244)

Change in Net Position of Governmental Activities	<u>\$ 1,136,250</u>
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**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 2149 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Financial Reporting Entity

The District is an instrumentality of the state of Minnesota established to function as an education institution. The elected School Board (the Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

U.S. GAAP require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separate from the District. In addition, the District's financial statements are to include all component units – entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities, or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. These financial statements include all funds of the District. There are no other entities for which the District is financially accountable.

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 reporting government as a whole.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and 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 purpose for which both restricted and unrestricted net position is available. Depreciation/amortization expense that can be specifically identified by function are included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material interfund activity has been removed from the district-wide financial statements.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation (Continued)

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported as 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 government-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 of the related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amount advance recognized in accordance with a statutory "tax shift" described later in these notes. Grant and similar items are recognized when all eligibility requirements imposed by the provider have been met.

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

1. Revenue Recognition – Revenue is recognized when it becomes measurable and available. "Measurable" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end.

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

2. Recording of Expenditures – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds

The existence of the various district funds has been established by the state of Minnesota, Department of Education. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. A description of each fund included in this report is 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 Special Revenue Fund – The Food Service Fund is used to account for food service revenues and expenditures. Revenues for the Food Service Fund are generated from user fees, federal reimbursements and state aids.

Community Service Special Revenue Fund – The Community Service Fund is used to account for service provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs or other similar services. Revenues for the Community Service Fund are generated primarily from user fees, local property taxes and state credits.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for and payment of general long-term obligation bond principal, interest, and related costs.

E. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper by November 30 or within one week of the acceptance of the final audit by the Board each year. Reported budgeted amounts represent the amended budget as adopted by the Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by Board action. Revisions to budgeted amounts must be approved by the Board.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting (Continued)

Total fund expenditures in excess of the budget require approval of the Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels. Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

F. Cash and Investments

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

G. Accounts Receivable

Represents amounts receivable from individuals, other governments, and firms. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivable not expected to be collected within one year are current property taxes receivable.

H. Property Taxes

Property tax levies are established by the Board in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes and are responsible for spreading all levies over taxable property. Such taxes become a lien on January 1. Taxes are generally due on May 15 and October 15 and counties generally remit taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid through various state tax credits which are included in revenue from state sources in the 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 a deferred inflow of resources (property taxes levied for subsequent year). The majority of District revenue in the General Fund (and to a lesser extent in the District's Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift."

In accordance with state law, the current tax shift consists of an amount equal to 31% of the operating referendum levy (frozen at \$105,652) advance recognized as revenue each year with no corresponding state aid adjustment. Certain other portions of the District's 2023 Pay 2024 levy, normally revenue for the 2024-25 fiscal year, are also advance recognized as June 30, 2024, as required by state statute to match revenue with the same fiscal year as the related expenditures.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Property Taxes (Continued)

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2024, are included in "Property Taxes Levied for Subsequent Years" to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

I. Capital Assets

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

Capital assets are 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 15 years for equipment.

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

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

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Asset (Continued)

Subscription-based information technology arrangements (SBITA) assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets.

J. Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period. The District will not recognize the related outflow until a future event occurs.

K. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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 issuance are reported as other financing uses.

L. Accrued Employee Benefits

Vacation Pay

Certain employees are allowed to accrue vacation days at varying amounts each year and accumulate within limits. In the event of termination, the employees are eligible for reimbursement of any unused accumulated leave. Vacation pay is charged to operations when taken by the employee of the District. Outstanding vacation pay is recorded as a liability in the district-wide financial statements.

Compensated Absences Payable

The District provides a payment for unused sick leave to certain eligible employees. All of the benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contributions or funding requirements. There are no new participants to the plan and the plan will phase out after time. This liability is recorded on the district-wide financial statements.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Other Postemployment Benefits Liability

Under the terms of certain collectively bargained employment contracts, including the teachers' contract, the District is required to pay the health insurance premiums for retired employees until they reach the age of 65. For employees meeting certain length of service experience requirements, the amount to be paid is equal to the same insurance premium benefit as a full-time employee. See Note 10 for further information.

N. Deferred Inflows of Resources

In addition to liabilities, the financial statements 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

O. Pensions

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

P. Unearned Revenue

Unearned revenues are those in which resources are received by the District before it has legal claim to them.

Q. Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaids, inventories, long term receivables, and corpus on any permanent fund. Nonspendable portions of fund balance are related to prepaid items. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education.

The Board of Education passed a resolution authorizing the Superintendent and Board of Education to assign fund balances and its intended uses. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance.

When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Fund Balance (Continued)

It is also the District's policy to strive to maintain a minimum unassigned general fund balance of three months of operating expenditures.

R. Net Position

Net position represents the difference between assets, deferred outflows of resources and liabilities and deferred inflows of resources in the district-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balance of any debt used to build or acquire the capital assets. Net position is reported as restricted in the district-wide financial statement when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, it is the District's policy to use restricted first, then unrestricted net position.

S. Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reporting amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following funds:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Food Service Fund	\$ 1,224,305	\$ 1,236,619	\$ 12,314
Community Service Fund	903,525	950,360	46,835

These overages were considered by District management to be the result of necessary expenditures critical to operations.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 3 CASH AND CASH EQUIVALENTS

A. Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned in full. The District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

The District maintains a cash and investment pool that is available for use by all funds. Each fund type’s portion of this pool is displayed on the combined balance sheet as “Cash and Investments.” In accordance with Minnesota Statutes the District maintains deposits at financial institutions which are authorized by the School District’s Board.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

The District’s deposits in banks at June 30, 2024 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

B. Investments

The District may invest idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency and all of the investments have a final maturity of 13 months or less.
- General obligations rated “A” or better, revenue obligations rated “AA” or better.
- General obligations of the Minnesota Housing Finance Agency rate “A” or better.
- Bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies and maturing in 270 days or less.
- Guaranteed investment contracts 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.

The District has no investments meeting the descriptions above.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 4 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 347,137	\$ 55,865	\$ -	\$ 403,002
Construction in Progress	107,562	143,035	(107,562)	143,035
Total Capital Assets, Not Being Depreciated	454,699	198,900	(107,562)	546,037
Capital Assets, Being Depreciated				
Land Improvements	6,781,584	58,398	-	6,839,982
Buildings and Improvements	44,189,809	770,193	-	44,960,002
Equipment	3,761,806	172,773	(4,067)	3,930,512
Total Capital Assets, Being Depreciated	54,733,199	1,001,364	(4,067)	55,730,496
Accumulated Depreciation for				
Land Improvements	(2,743,196)	(287,235)	-	(3,030,431)
Buildings and Improvements	(22,610,187)	(1,043,971)	-	(23,654,158)
Equipment	(2,362,649)	(228,577)	4,067	(2,587,159)
Total Accumulated Depreciation	(27,716,032)	(1,559,783)	4,067	(29,271,748)
Total Capital Assets, Being Depreciated, Net	27,017,167	(558,419)	-	26,458,748
Right-to-Use Assets				
Equipment	51,775	-	-	51,775
Less: Accumulated Amortization				
Equipment	(16,502)	(11,902)	-	(28,404)
Total Right-to-use Assets, Net	35,273	(11,902)	-	23,371
Subscription Based Information Technology				
Subscription Asset	140,032	14,040	-	154,072
Less: Accumulated Amortization				
Subscription Asset	(11,190)	(25,289)	-	(36,479)
Total Subscription Based Information Technology, Net	128,842	(11,249)	-	117,593
Governmental Activities Capital Assets, Net	\$ 27,635,981	\$ (382,670)	\$ (107,562)	\$ 27,145,749

Depreciation/amortization expense was charged to functions of the District as follows:

Governmental Activities	
District Support Services	\$ 723
Regular Instruction	1,399,709
Vocational Education Instruction	1,246
Instructional Support Services	28,027
Pupil Support Services	52,399
Sites and Buildings	114,432
Community Service	438
Total Depreciation/Amortization Expense, Governmental Activities	<u>\$ 1,596,974</u>

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 5 LONG-TERM LEASE RECEIVABLES

The District, acting as a lessor, leases space to a company for their antenna placement under long-term, non-cancelable lease agreements. The lease is set to expire in fiscal year 2043. During the year ended June 30, 2024, the District recognized \$5,290 and \$4,911 in lease revenue and interest revenue, respectively, pursuant to this contract.

Total future principal and interest payments to be received under the lease agreement are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 5,471	\$ 4,729
2026	5,659	4,541
2027	5,853	4,347
2028	6,054	4,146
2029	6,262	3,938
2030 - 2034	34,684	16,316
2035 - 2039	41,060	9,940
2040 - 2043	38,217	2,581
Total	<u>\$ 143,260</u>	<u>\$ 50,538</u>

Changes in lease receivable for the year is as follows:

	<u>June 30,</u> <u>2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30,</u> <u>2024</u>
Antenna Lease	<u>\$ 148,550</u>	<u>\$ -</u>	<u>\$ (5,290)</u>	<u>\$ 143,260</u>

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 6 LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

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

Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding	
				Due Within One Year	Total
2/11/2015	2.00 - 3.00	\$ 8,470,000	2/1/2035	\$ 555,000	\$ 5,415,000
4/28/2016	2.00	7,020,000	2/1/2028	725,000	2,995,000
Total General Obligation Bonds				1,280,000	8,410,000
Bond (Discounts) Premiums				-	154,287
Finance Purchase Agreement				82,433	305,261
Lease/SBITA Liability				25,364	38,313
Vacation Payable				-	4,635
Compensated Absences				-	47,196
Total				<u>\$ 1,387,797</u>	<u>\$ 8,959,692</u>

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term debt, are as follows:

Year Ending June 30,	General Obligation Bonds Payable		Refunding Bonds Payable	
	Principal	Interest	Principal	Interest
2025	\$ 555,000	\$ 144,625	\$ 725,000	\$ 59,900
2026	565,000	133,525	740,000	45,400
2027	580,000	120,813	755,000	30,600
2028	590,000	107,763	775,000	15,500
2029	415,000	93,013	-	-
2030 - 2034	2,225,000	287,788	-	-
2035	485,000	15,763	-	-
Total	<u>\$ 5,415,000</u>	<u>\$ 903,290</u>	<u>\$ 2,995,000</u>	<u>\$ 151,400</u>

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

B. Minimum Debt Payments (Continued)

<u>Year Ending June 30,</u>	<u>Finance Purchase Agreement</u>		<u>Lease/SBITA Liability</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 82,433	\$ 12,791	\$ 25,364	\$ 717
2026	86,175	9,048	5,803	188
2027	90,088	5,136	3,537	104
2028	46,565	1,045	3,609	33
Total	<u>\$ 305,261</u>	<u>\$ 28,020</u>	<u>\$ 38,313</u>	<u>\$ 1,042</u>

C. Description of Long-Term Debt

General Obligation School Building Bonds

In February 2015, the District issued \$8,470,000 General Obligation School Building Bonds to finance security and lighting improvements, mechanical repairs, roof repairs and other deferred maintenance at the District. Assets of the debt service fund, together with scheduled future ad valorem tax levies are dedicated for the retirement of these bonds. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota Statutes.

General Obligation School Refunding Bonds

In April 2016, the District issued \$7,020,000 General Obligation Alternative Facilities Refunding Bonds and repaid the 2019 through 2028 maturities of the District's General Obligation Building Bonds of 2008.

Finance Purchase Agreements

On December 21, 2007, the District entered into a finance purchase agreement with CitiCapital Municipal Finance in the amount of \$1,248,197, bearing interest at 4.49% to finance the roof and window replacement. Repayment of the agreement will occur with annual payments of \$47,612 beginning July 2018.

Lease/SBITA Liabilities

On August 20, 2020, the District entered into a five-year lease agreement with Marco Technologies, LLC in the amount of \$32,151 bearing interest at 7.78% to finance its copiers and printers across the District. Repayment of the lease will occur in monthly installments of \$730 commencing October 2020.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt (Continued)

Lease/SBITA Liabilities (Continued)

On April 1, 2023, the District entered into a five-year lease agreement with Pitney Bowes in the amount of \$17,343 bearing interest at 1.99% to finance a postage machine. Repayment of the lease will occur in quarterly installments of \$910 commencing July 2023.

On September 21, 2020, the District entered into a five-year lease agreement with Pitney Bowes in the amount of \$3,191 bearing interest at 1.92% to finance a postage machine. Repayment of the lease will occur in monthly installments of \$53 commencing October 2020.

On February 1, 2024, the District entered into a 3 year subscription based-information technology arrangement with Classwize in the amount of \$13,040 bearing interest at 0% to utilize cloud managed classroom management suite software. Repayment will occur in one annual installment of \$13,040 in July 2024.

D. Changes in Long-Term Debt

	June 30, 2023	Additions	Retirements	June 30, 2024
Bonds Payable	\$ 9,660,000	\$ -	\$ 1,250,000	\$ 8,410,000
Bond (Discounts) Premiums	194,679	-	40,392	154,287
Finance Purchase Agreement	384,113	-	78,852	305,261
Lease/SBITA Liability	36,898	13,040	11,625	38,313
Vacation Payable	2,326	2,309	-	4,635
Compensated Absences	75,607	-	28,411	47,196
Total	<u>\$ 10,353,623</u>	<u>\$ 15,349</u>	<u>\$ 1,409,280</u>	<u>\$ 8,959,692</u>

NOTE 7 RESTRICTED FUND BALANCES

Fund Equity

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

A. Community Education

Represents the resources available to provide programming such as: nonvocational, recreational, and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, early childhood family education, and extended day programs.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 7 RESTRICTED FUND BALANCES (CONTINUED)

B. Restricted for Operating Capital

Represents tax levies and state aid in the General Fund to be used for purchases of equipment and facilities.

C. Restricted for Safe Schools – Crime

Restriction for Safe Schools – crime represents available resources to be used only to provide for safe schools – crime projects.

D. Restricted for Literacy Incentive Aid

Represents available resources to support implementation of evidence-based reading instruction.

E. Restricted for School Readiness

Represents the resources available to provide for School Readiness Program.

F. Restricted for Gifted and Talented

Represents the amount restricted for gifted and talented children educational programs.

G. Restricted for Early Childhood and Family Education Programs

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

H. Restricted for Student Activities

Represents available resources to be used for extracurricular activity funds raised by students.

I. Restricted for Staff Development

Represents the cumulated amount of unspent staff development dollars.

J. Restricted for Capital Projects Levy

Represents unspent proceeds from a special down payment levy.

K. Unfunded Severance and Retirement Levy

Represents resources from the unfunded severance and retirement levy.

L. Restricted for Student Support Personnel

Represents available resources for student support personnel expenditures.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 7 RESTRICTED FUND BALANCES (CONTINUED)

M. Restricted for Other Purposes

The fund balance restriction represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Other Restricted:	
Restricted for Food Service	\$ 614,736
Restricted for Community Service	24,384
Restricted for Bond Payments	<u>399,365</u>
Total Other Restricted	<u><u>\$ 1,038,485</u></u>

NOTE 8 ASSIGNED FUND BALANCES

Other assigned fund balances are listed below:

Other Assigned:	
Music Department	\$ 2,445
Parking Lot Improvements	<u>33,127</u>
Total	<u><u>\$ 35,572</u></u>

NOTE 9 PENSION PLANS

A. Plan Description

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

1. General Employees Retirement Plan (General Employees Plan)

Certain full time and part-time employees of the district, other than teachers are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Teachers Retirement Fund (TRA)

The Teacher's 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.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9 PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

2. Teachers Retirement Fund (TRA) (Continued)

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 Minnesota State.

B. Benefits Provided

PERA and TRA 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.

1. General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefit

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 1	Step Rate Formula	Percentage
Basic	First Ten Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First Ten Years of Service are Up to July 1, 2006	1.2% per Year
	First Ten Years, If Service Years are July 1, 2006 or After	1.4% per Year
	All Other Years of Service If Service Years are Up to July 1, 2006	1.7% per Year
	All Other Years of Service If Service Years are July 1, 2006 or After	1.9% per Year

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) 3% per year early retirement reduction factor 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% per year for coordinated members and 2.7% per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefit (Continued)

Tier II Benefits

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

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans 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 provisions in effect at the time they last terminated their public service.

C. Contributions

1. General Employees Plan 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 \$303,557. The District's contributions were equal to the required contributions as set by state statute.

2. TRA Contributions

Per *Minnesota Statutes*, Chapter 354 rates for the fiscal year for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2024 were \$838,069. The District's contributions were equal to the required contributions for each year as set by state statute.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9 PENSION PLANS (CONTINUED)

D. Pension Costs

1. General Employees Plan Pension Costs

At June 30, 2024, the District reported a liability of \$2,672,922 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 nonemployer 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 \$73,657 for a total net pension liability of \$2,746,579 associated with the District.

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 .0478% at the end of the measurement period and .0468% at the beginning of the period.

For the year ended June 30, 2024, the District recognized pension expense of \$424,870 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$331 as pension expense (and 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 from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 87,780	\$ 18,413
Changes in Actuarial Assumptions	432,709	732,626
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	99,958
Changes in Proportion	187,094	27,370
District Contributions Subsequent to the Measurement Date	303,557	-
Total	<u>\$ 1,011,140</u>	<u>\$ 878,367</u>

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employee Plan Pension Costs (Continued)

The \$303,557 reported as deferred outflows of resources related to pensions resulting from District's 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 deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2025	\$ 124,301
2026	(314,609)
2027	77,509
2028	(57,985)

2. TRA Pension Costs

At June 30, 2024, the District reported a liability of \$11,377,077 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the state of Minnesota, City of Minneapolis, and Minneapolis School District. The District's proportionate share was .1378% at the end of the measurement period and .1331% at the beginning of the period.

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

<u>Description</u>	<u>Amount</u>
District's Proportionate Share of the TRA Net Pension Liability	\$ 11,377,077
State's Proportionate Share of TRA's Net Pension Liability Associated with the District	796,948
Total	<u>\$ 12,174,025</u>

For the year ended June 30, 2024, the District recognized pension expense of \$31,906. It also recognized (\$78,782) as an increase to pension expense and grant revenue for the support provided by direct aid.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 112,788	\$ 165,692
Changes in Actuarial Assumptions	1,325,365	-
Net Difference Between Projected and Actual Investment Earnings	-	42,199
Changes in Proportion	1,010,011	32,377
District Contributions Subsequent to the Measurement Date	838,069	-
Total	<u>\$ 3,286,233</u>	<u>\$ 240,268</u>

\$838,069 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 will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2025	\$ 412,731
2026	185,205
2027	1,495,230
2028	71,715
2029	43,015

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Summary

The aggregate amount of net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense for the District's defined benefit pension plans are summarized below. These liabilities are typically liquidated by the individual activity in which the employee's costs are associated.

	General Employees Fund	Teachers Retirement Fund	Total
Net Pension Liability	\$ 2,672,922	\$ 11,377,077	\$ 14,049,999
Deferred Outflows of Resources	1,011,140	3,286,233	4,297,373
Deferred Inflows of Resources	878,367	240,268	1,118,635
Pension Expense	425,201	(46,876)	378,325

E. Long-Term Expected Return on Investment

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

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

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9 PENSION PLANS (CONTINUED)

E. Long-Term Expected Return on Investment (Continued)

The long-term expected rate of return on TRA 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 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	33.5 %	5.10%
International Equity	16.5	5.30%
Private Markets	25.0	5.90%
Fixed Income	25.0	0.75%
Total	100.0 %	

F. Actuarial Methods and Assumptions

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

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

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

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

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

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9 PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

TRA pre-retirement mortality rates were based on the RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection used the MP-2015 scale. Postretirement mortality rates were based on the RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale. Post-disability mortality rates were based on the RP-2014 disabled retiree mortality table, without adjustment.

Inflation is assumed to be 2.5% for TRA. TRA cost of living benefit increases 1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Salary growth assumptions for TRA range in annual increments from 2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028.

The following changes in actuarial assumption for PERA occurred in 2023:

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.50% to 7.00%.

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 retirement on or after January 1, 2024, was eliminated.
- A one-time, noncompounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

The following changes in actuarial assumption for TRA occurred in 2023:

- There have been no changes since the prior valuation.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9 PENSION PLANS (CONTINUED)

G. Discount Rates

The discount rate used to measure the PERA General Employees Plan liability in 2023 was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate used to measure the TRA pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contribution will be made at the fiscal year 2023 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

H. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding 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:

	PERA		TRA	
1% Lower	6.00%	\$ 4,728,615	6.00%	\$ 18,145,600
Current Discount Rate	7.00%	2,672,922	7.00%	11,377,077
1% Higher	8.00%	982,038	8.00%	5,836,216

I. Pension Plan Fiduciary Net Position

Detailed information about the General Employees Plan's fiduciary's net position is available in a separately issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org.

Detailed information about TRA'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 #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-657-3669.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 10 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District operates a single-employer retiree benefit plan (the Plan) that provides health insurance to eligible employees and their spouses through the District's health insurance plan. There are 240 active participants, 17 retired participants, and 0 spouses receiving payments. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are negotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

B. Funding Policy

The District does not have assets accumulated in a trust to pay for OPEB related costs. Contribution requirements are negotiated between District and union representatives. For fiscal year 2024, the District paid benefits of \$101,094.

C. Actuarial Methods and Assumptions

The District's OPEB liability was measured as of July 1, 2023, and the total OPEB liability was determined by an actuarial valuation as of July 1, 2023.

The total OPEB liability was determined by an actuarial valuation as of July 1, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	Service Graded Table
Health Care Trend Rates	6.50% Decreasing to 5.00% Over 6 Years

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

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

The discount rate used to measure the total OPEB liability was 3.90%. The discount rate is based on the estimated yield of a 20-year AA-rated municipal bond.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 10 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Actuarial Methods and Assumptions (Continued)

Since the most recent valuation the following assumption changes have been made:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The discount rate was changed from 3.80% to 3.90%.

D. Changes in the OPEB Liability

Balances - June 30, 2023		\$ 1,610,538
Changes for the Year:		
Service Cost		105,661
Interest Cost		62,838
Assumption Changes		16,010
Differences between Expected and Actual Experience		(138,882)
Benefit Payments		(126,299)
Net Changes		<u>(80,672)</u>
Balances - June 30, 2024		<u>\$ 1,529,866</u>

The following presents the OPEB liability of the District, as well as what the District's OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (2.90%)	Discount Rate (3.90%)	1% Increase (4.90%)
OPEB Liability	<u>\$ 1,625,733</u>	<u>\$ 1,529,866</u>	<u>\$ 1,437,360</u>

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 10 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Changes in the OPEB Liability (Continued)

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

	1% Decrease (5.50%) Decreasing to 4.00% then 3.00%)	Current Trend Rates (6.50%) Decreasing to 5.00% then 4.00%)	1% Increase (7.50%) Decreasing to 6.00% then 5.00%)
OPEB Liability	<u>\$ 1,410,770</u>	<u>\$ 1,529,866</u>	<u>\$ 1,670,134</u>

For June 30, 2024, the District reported its proportionate share of the OPEB's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ -	\$ 251,680
Change of Assumptions	74,178	101,575
District Benefit Payments Made Subsequent to the Measurement Date	101,094	-
Total	<u>\$ 175,272</u>	<u>\$ 353,255</u>

The \$101,094 reported as deferred outflows of resources related to OPEB resulting from District benefit payments made subsequent to the measurement date and will be recognized as a reduction of the OPEB 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 OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>OPEB Expense</u>
2025	\$ (56,985)
2026	(56,985)
2027	(56,976)
2028	(43,359)
2029	(34,054)
Thereafter	(30,718)
Total	<u>\$ (279,077)</u>

For the year ended June 30, 2024, the District recognized OPEB expense of \$111,514.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 11 COMMITMENTS AND CONTINGENCIES

Federal and State Receivables

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

Claims and Litigation

The District, in connection with the normal conduct of its affairs, is involved in various claims, judgements, and litigations. It is unknown at this time, if the potential claims resulting from such litigation and not covered by insurance would materially affect the financial statements of the District. No liability or provision for loss has been recorded in the June 30, 2024 financial statements in relation to any of these matters.

NOTE 12 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; error and omissions; injuries to employees; natural disasters and workers' compensation. The District purchases commercial insurance coverage for such risks.

The District continues to carry commercial insurance for all other risk of loss. There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. In addition, there have been no settlements in excess of the District's insurance coverage in any of the prior three years.

NOTE 13 DEFINED CONTRIBUTION PLAN

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the Plan). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a 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 collective bargaining agreements. Contributions are invested in tax-deferred annuities selected and owned by Plan participants. The District contributions for the year ended June 30, 2024 was \$237,598.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Property Taxes	\$ 2,834,205	\$ 2,903,140	\$ 2,879,003	\$ (24,137)
Earnings on Investments	50,000	70,000	67,682	(2,318)
Other	883,563	1,233,132	1,356,309	123,177
State Sources	17,104,529	17,626,765	17,594,694	(32,071)
Federal Sources	1,163,919	1,163,875	1,148,276	(15,599)
Total Revenues	<u>22,036,216</u>	<u>22,996,912</u>	<u>23,045,964</u>	<u>49,052</u>
EXPENDITURES				
Current:				
Administration	1,056,516	1,043,635	1,055,996	12,361
District Support Services	611,806	692,975	691,503	(1,472)
Regular Instruction	8,655,982	9,175,267	9,226,074	50,807
Vocational Education Instruction	263,657	312,852	308,952	(3,900)
Special Education Instruction	6,717,037	6,809,861	6,900,881	91,020
Instructional Support Services	466,605	524,469	420,107	(104,362)
Pupil Support Services	1,921,550	2,051,235	1,995,642	(55,593)
Sites and Buildings	1,597,134	1,797,804	1,749,967	(47,837)
Fiscal and Other Fixed Cost Programs	119,500	154,949	160,496	5,547
Capital Outlay	834,438	1,234,733	1,235,395	662
Debt Service:				
Principal	84,748	86,479	90,477	3,998
Interest and Fiscal Charges	17,506	17,506	17,786	280
Total Expenditures	<u>22,346,479</u>	<u>23,901,765</u>	<u>23,853,276</u>	<u>(48,489)</u>
EXCESS OF REVENUES OVER EXPENDITURES	(310,263)	(904,853)	(807,312)	97,541
OTHER FINANCING SOURCES				
Lease/SBITA Liability Proceeds	-	-	13,040	13,040
NET CHANGE IN FUND BALANCE	<u>\$ (310,263)</u>	<u>\$ (904,853)</u>	(794,272)	<u>\$ 110,581</u>
Fund Balance - Beginning of Year			<u>3,310,387</u>	
FUND BALANCE - END OF YEAR			<u>\$ 2,516,115</u>	

See accompanying Notes to Required Supplementary Information.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
BUDGETARY COMPARISON SCHEDULE – FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Other - Primarily Meal Sales	\$ 117,500	\$ 153,676	\$ 172,219	\$ 18,543
Earnings on Investments	-	-	10,457	10,457
State Sources	750,000	665,766	647,330	(18,436)
Federal Sources	273,400	576,272	604,023	27,751
Total Revenues	<u>1,140,900</u>	<u>1,395,714</u>	<u>1,434,029</u>	<u>38,315</u>
EXPENDITURES				
Current:				
Food Service	1,099,654	1,157,378	1,169,692	12,314
Capital Outlay	15,000	66,927	66,927	-
Total Expenditures	<u>1,114,654</u>	<u>1,224,305</u>	<u>1,236,619</u>	<u>12,314</u>
NET CHANGE IN FUND BALANCE	<u>\$ 26,246</u>	<u>\$ 171,409</u>	197,410	<u>\$ 26,001</u>
Fund Balance - Beginning of Year			<u>426,681</u>	
FUND BALANCE - END OF YEAR			<u>\$ 624,091</u>	

See accompanying Notes to Required Supplementary Information.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
BUDGETARY COMPARISON SCHEDULE – COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Property Taxes	\$ 166,209	\$ 165,836	\$ 166,028	\$ 192
Earnings on Investments	-	-	9,850	9,850
Other - Primarily Tuition and Fees	429,000	620,785	657,001	36,216
State Sources	94,716	92,723	92,130	(593)
Total Revenues	<u>689,925</u>	<u>879,344</u>	<u>925,009</u>	<u>45,665</u>
EXPENDITURES				
Current				
Community Service	<u>734,053</u>	<u>903,525</u>	<u>950,360</u>	<u>46,835</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (44,128)</u></u>	<u><u>\$ (24,181)</u></u>	(25,351)	<u><u>\$ (1,170)</u></u>
Fund Balance - Beginning of Year			<u>319,530</u>	
FUND BALANCE - END OF YEAR			<u><u>\$ 294,179</u></u>	

See accompanying Notes to Required Supplementary Information.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
SCHEDULE OF CHANGES IN THE DISTRICT'S OPEB LIABILITY AND RELATED RATIOS
LAST TEN MEASUREMENT DATES**

Measurement Date	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability							
Service Cost	\$ 105,661	\$ 95,392	\$ 119,003	\$ 111,573	\$ 97,260	\$ 103,726	\$ 100,705
Interest Cost	62,838	37,584	46,459	58,291	68,593	70,267	71,810
Differences Between Expected and Actual Experience	(138,882)	-	(170,350)	-	(87,517)	-	-
Assumption Changes	16,010	(130,901)	54,660	57,881	(21,546)	-	-
Benefit Payments	(126,299)	(170,847)	(173,465)	(185,629)	(230,239)	(203,485)	(238,107)
Net Change in Total OPEB Liability	<u>(80,672)</u>	<u>(168,772)</u>	<u>(123,693)</u>	<u>42,116</u>	<u>(173,449)</u>	<u>(29,492)</u>	<u>(65,592)</u>
Total OPEB Liability - Beginning	<u>1,610,538</u>	<u>1,779,310</u>	<u>1,903,003</u>	<u>1,860,887</u>	<u>2,034,336</u>	<u>2,063,828</u>	<u>2,129,420</u>
Total OPEB Liability - Ending (a)	<u><u>\$ 1,529,866</u></u>	<u><u>\$ 1,610,538</u></u>	<u><u>\$ 1,779,310</u></u>	<u><u>\$ 1,903,003</u></u>	<u><u>\$ 1,860,887</u></u>	<u><u>\$ 2,034,336</u></u>	<u><u>\$ 2,063,828</u></u>
Covered-Employee Payroll	\$ 11,731,807	\$ 10,948,973	\$ 10,630,071	\$ 10,472,650	\$ 10,167,621	\$ 9,176,892	\$ 8,909,604
District's Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll	13.04%	14.71%	16.74%	18.17%	18.30%	22.17%	23.16%

Note 1: The District implemented GASB Statement No. 75 in fiscal year 2017 and the above table will be expanded to 10 years of information as the information becomes available.

Note 2: No assets are accumulated in a trust.

See accompanying Notes to Required Supplementary Information.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN MEASUREMENT DATES**

Measurement Date: June 30	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General Employees Fund										
District's Proportion of the Net Pension Liability	0.0478%	0.0468%	0.0417%	0.0457%	0.0196%	0.0224%	0.0245%	0.0245%	0.0261%	0.0279%
District's Proportionate Share of the Net Pension Liability	\$ 2,672,922	\$ 3,706,575	\$ 1,780,777	\$ 2,608,024	\$ 2,526,651	\$ 2,490,868	\$ 2,783,395	\$ 3,320,877	\$ 2,285,493	\$ 2,179,640
State's Proportionate Share of the Net Pension Liability Associated with District	73,657	108,729	54,415	80,257	78,497	81,753	72,994	43,441	-	-
Total of District's and State's Proportionate Share of the Net Pension Liability	2,746,579	3,815,304	1,835,192	2,688,281	2,605,148	2,572,621	2,856,389	3,364,318	2,285,493	2,179,640
District's Employee Payroll	4,047,427	3,274,787	3,001,853	3,104,907	3,244,360	3,020,573	2,815,040	2,557,505	2,622,477	2,462,836
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Employee Payroll	66.04%	113.19%	59.32%	84.00%	77.88%	82.46%	98.88%	129.85%	87.15%	88.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.10%	76.70%	87.00%	79.06%	80.20%	79.50%	75.90%	68.91%	78.20%	78.70%
TRA										
District's Proportion of the Net Pension Liability	0.1378%	0.1331%	0.1246%	0.1252%	0.0687%	0.0686%	0.0672%	0.0683%	0.0687%	0.0719%
District's Proportionate Share of the Net Pension Liability	\$ 11,377,077	\$ 10,657,944	\$ 5,452,869	\$ 9,249,944	\$ 7,865,542	\$ 7,587,371	\$ 23,195,628	\$ 28,193,520	\$ 7,460,303	\$ 5,488,042
State's Proportionate Share of the Net Pension Liability Associated with District	796,948	790,381	459,859	775,217	387,524	404,967	1,296,791	1,636,177	521,095	233,199
Total Proportionate Share of the Net Pension Liability Associated with District	12,174,025	11,448,325	5,912,728	10,025,161	8,253,066	7,992,338	24,492,419	29,829,697	7,981,398	5,721,241
District's Payroll	8,259,076	7,271,115	7,458,930	7,274,167	7,004,617	6,671,333	6,317,747	6,263,526	6,118,707	6,051,472
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Payroll	137.75%	146.58%	73.11%	127.16%	112.29%	113.73%	367.15%	450.12%	121.93%	90.69%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.42%	76.17%	86.63%	75.48%	78.07%	78.07%	51.57%	44.88%	76.80%	81.50%

See accompanying Notes to Required Supplementary Information.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
SCHEDULE OF DISTRICT CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General Employees Fund											
Contractually Required Contribution	\$ 303,557	\$ 245,609	\$ 225,139	\$ 232,868	\$ 242,672	\$ 243,327	\$ 226,543	\$ 211,128	\$ 189,121	\$ 196,632	\$ 178,740
Contributions in Relation to the Contractually Required Contribution	(303,557)	(245,609)	(225,139)	(232,868)	(242,672)	(243,327)	(226,543)	(211,128)	(189,121)	(196,632)	(178,740)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Payroll	\$ 4,047,427	\$ 3,274,787	\$ 3,001,853	\$ 3,104,907	\$ 3,235,627	\$ 3,244,360	\$ 3,020,573	\$ 2,815,040	\$ 2,557,505	\$ 2,622,477	\$ 2,462,836
Contributions as a Percentage of Employee Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.40%	7.25%
TRA											
Contractually Required Contribution	\$ 838,069	\$ 706,151	\$ 606,411	\$ 576,114	\$ 540,056	\$ 500,350	\$ 504,810	\$ 473,831	\$ 462,342	\$ 452,194	\$ 396,765
Contributions in Relation to the Contractually Required Contribution	(838,069)	(706,151)	(606,411)	(576,114)	(540,056)	(500,350)	(504,810)	(473,831)	(462,342)	(452,194)	(396,765)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Payroll	\$ 9,577,931	\$ 8,259,076	\$ 7,271,115	\$ 7,086,273	\$ 6,818,889	\$ 6,489,624	\$ 6,730,800	\$ 6,317,747	\$ 6,164,560	\$ 6,029,253	\$ 5,668,071
Contributions as a Percentage of Employee Payroll	8.75%	8.55%	8.34%	8.13%	7.92%	7.71%	7.50%	7.50%	7.50%	7.50%	7.00%

See accompanying Notes to Required Supplementary Information.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024**

NOTE 1 LEGAL COMPLIANCE – BUDGETS

The budget and the actual amounts are both prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

In the following fund, expenditures exceeded the appropriations during the year ended June 30, 2024:

	Budget	Expenditures	Excess
Food Service Fund	\$ 1,224,305	\$ 1,236,619	\$ 12,314
Community Service Fund	903,525	950,360	46,835

The overage above was considered by District management to be the result of necessary expenditures critical to operations.

NOTE 2 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFITS PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS

Since the most recent GASB 75 valuation, the following changes have been made:

2023

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The discount rate was changed from 3.80% to 3.90%

2022

- The discount rate was changed from 2.10% to 3.80%.
- The inflation rate was changed from 2.00% to 2.50%.
- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teacher) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024**

NOTE 2 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFITS PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2022 (Continued)

- The inflation rate was changed from 2.50% to 2.00%.
- The discount rate was changed from 2.40% to 2.10%.

2021

- The discount rate was changed from 3.10% to 2.40%.

2020

- The health care trend rates, mortality tables, and salary increase rates were updated.
- The discount rate was changed from 3.4% to 3.1%.

2019

- None noted.

2018

- The teachers added an early retirement incentive of \$2,500 per year for three years payable to a health reimbursement account. Teachers need to retire by June 30, 2019, to receive the benefit. Two teachers are known to elect this benefit as of June 30, 2018.
- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.
- The discount rate was changed from 3.00% to 3.40%.

NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

2023

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.50% to 7.00%.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024**

**NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2023 (Continued)

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A time-tine, noncompounding benefit increase of 2.50% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024**

**NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2020 (Continued)

Changes in Actuarial Assumptions (Continued)

- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024**

**NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2018

Changes in Actuarial Assumption

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed postretirement benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50% beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

Changes in Actuarial Assumption

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5 % per year thereafter.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024**

**NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2017 (Continued)

Changes in Plan Provisions

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

2016

Changes in Actuarial Assumptions

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

Changes in Actuarial Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024**

**NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

The following changes were reflected in the valuation performed on behalf of the Teachers Retirement Association for the year ended June 30:

2023

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2022

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021

Changes in Actuarial Assumptions

- The investment return assumption was changed from 7.50% to 7.00%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020

Changes in Actuarial Assumptions

- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 5 years and female rates set back 7 years.
- Generational projection uses the MP-2015 scale. Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024**

**NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2019

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018

Changes in Actuarial Assumptions

- The investment return assumption was changed from 8.5% to 7.5%.
- The price inflation assumption was lowered from 3.0% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for the next 10 years, and 0.75% thereafter.
- The total salary increase assumption was adjusted by the wage inflation change.
- The amortization date for the funding of the Unfunded Actuarial Accrual Liability (UAAL) was reset to June 30, 2048 (30 years).
- The mechanism in the law that provided the TRA Board with some authority is set contribution rates was eliminated.

Changes in Plan Provisions

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024**

**NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2018 (Continued)

Changes in Plan Provisions (Continued)

- The employer contribution rate is increased each July 1 over the next 4 years, (7.92% in 2019, 8.13% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017

Changes in Actuarial Assumptions

- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- Adjustment were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the nonvested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for 10 years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions

- The cost of living adjustment was not assumed to increase (it remained at 2.0% for all future years).
- The price inflation assumption was lowered from 3.0% to 2.75%.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024**

**NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2016 (Continued)

Changes in Actuarial Assumptions (Continued)

- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes at some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 6 years, and female rates set back five years. Generational projection uses the MP-2015 scale.
- The postretirement mortality assumption was changed to the RP-2014 while collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustments.
- Separate retirement assumptions for members hired before or after July 1, 1989 were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2037.
- The investment return assumption was changed from 8.25% to 8.0%.

Changes in Plan Provisions

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

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024**

**NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2014

Changes in Actuarial Assumptions

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually once the legally specified criteria was met. This was estimated to occur July 1, 2031.

Changes in Plan Provisions

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

SUPPLEMENTARY INFORMATION

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources				
Property Tax	\$ 1,485,238	\$ 1,183,591	\$ 1,186,487	\$ 2,896
Earnings on Investments	-	-	18,697	18,697
State Sources	60,395	377,258	370,711	(6,547)
Total Revenues	<u>1,545,633</u>	<u>1,560,849</u>	<u>1,575,895</u>	<u>15,046</u>
EXPENDITURES				
Debt Service:				
Bond Principal	1,250,000	1,250,000	1,250,000	-
Bond Interest	236,925	235,875	234,925	(950)
Paying Agent Fees and Other	-	-	950	950
Total Expenditures	<u>1,486,925</u>	<u>1,485,875</u>	<u>1,485,875</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ 58,708</u>	<u>\$ 74,974</u>	90,020	<u>\$ 15,046</u>
Fund Balance - Beginning of Year			<u>309,345</u>	
FUND BALANCE - END OF YEAR			<u>\$ 399,365</u>	

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2024**

	Audit	UFARS	Audit- UFARS		Audit	UFARS	Audit- UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenues	\$ 23,045,964	\$ 23,045,961	\$ 3	Total Revenues	\$ -	\$ -	\$ -
Total Expenditures	\$ 23,853,276	\$ 23,853,278	\$ (2)	Total Expenditures	\$ -	\$ -	\$ -
<i>Non Spendable:</i>				<i>Non Spendable</i>			
460 Non Spendable Fund Balance	\$ 12,473	\$ 12,473	\$ -	460 Non Spendable Fund Balance	\$ -	\$ -	\$ -
<i>Restricted/Reserved:</i>				<i>Restricted/Reserved:</i>			
401 Student Activities	\$ 91,722	\$ 91,721	\$ 1	407 Capital Projects Levy	\$ -	\$ -	\$ -
402 Scholarships	\$ -	\$ -	\$ -	409 Alternative Fac. Program	\$ -	\$ -	\$ -
403 Staff Development	\$ 8,756	\$ 8,756	\$ -	413 Projects Funded by COP/LP	\$ -	\$ -	\$ -
407 Capital Project Levy	\$ 3,103	\$ 3,103	\$ -	<i>Restricted:</i>			
408 Cooperative Programs	\$ -	\$ -	\$ -	464 Restricted Fund Balance	\$ -	\$ -	\$ -
409 Alternative Facilities	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
412 Literacy Incentive Aid	\$ 67,166	\$ 67,165	\$ 1	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
413 Projects Funded by COP/LP	\$ -	\$ -	\$ -	07 DEBT SERVICE			
414 Operating Debt	\$ -	\$ -	\$ -	Total Revenues	\$ 1,575,895	\$ 1,575,895	\$ -
416 Levy Reduction	\$ -	\$ -	\$ -	Total Expenditures	\$ 1,485,875	\$ 1,485,875	\$ -
417 Excess Taconite Building Maint. Funds	\$ -	\$ -	\$ -	<i>Non Spendable:</i>			
423 Certain Teacher Programs	\$ -	\$ -	\$ -	460 Non Spendable Fund Balance	\$ -	\$ -	\$ -
424 Operating Capital	\$ 29,664	\$ 29,665	\$ (1)	<i>Restricted/Reserved:</i>			
426 \$25 Taconite	\$ -	\$ -	\$ -	425 Bond Refundings	\$ -	\$ -	\$ -
427 Disabled Accessibility	\$ -	\$ -	\$ -	451 QZAB Payments	\$ -	\$ -	\$ -
428 Learning & Development	\$ -	\$ -	\$ -	<i>Restricted:</i>			
434 Area Learning Center	\$ -	\$ -	\$ -	464 Restricted Fund Balance	\$ 399,365	\$ 399,366	\$ (1)
435 Contracted Alt. Programs	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
436 St. Approved Alt. Prog.	\$ -	\$ -	\$ -	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
438 Gifted & Talented	\$ 363	\$ 363	\$ -	20 INTERNAL SERVICE			
440 Teacher Development & Eval	\$ -	\$ -	\$ -	Total Revenues	\$ -	\$ -	\$ -
441 Basic Skills	\$ -	\$ -	\$ -	Total Expenditures	\$ -	\$ -	\$ -
445 Career and Technical Programs	\$ -	\$ -	\$ -	422 Net Assets	\$ -	\$ -	\$ -
448 Achievement and Integration	\$ -	\$ -	\$ -	25 OPEB REVOCABLE TRUST			
449 Safe Schools Levy	\$ 16,910	\$ 16,910	\$ -	Total Revenues	\$ -	\$ -	\$ -
450 Pre-Kindergarten	\$ -	\$ -	\$ -	Total Expenditures	\$ -	\$ -	\$ -
451 QZAB and QSCB Payments	\$ -	\$ -	\$ -	422 Net Assets	\$ -	\$ -	\$ -
453 Restricted for Unfunded Severance	\$ 51,029	\$ 51,029	\$ -	45 OPEB IRREVOCABLE TRUST			
467 LTFM	\$ (366,506)	\$ (366,506)	\$ -	Total Revenues	\$ -	\$ -	\$ -
471 Student Support Personnel	\$ 40,000	\$ 40,000	\$ -	Total Expenditures	\$ -	\$ -	\$ -
<i>Restricted:</i>				<i>422 Net Assets</i>			
464 Restricted Fund Balance	\$ -	\$ -	\$ -	47 OPEB DEBT SERVICE			
<i>Committed</i>				Total Revenues	\$ -	\$ -	\$ -
418 Committed for Separation	\$ -	\$ -	\$ -	Total Expenditures	\$ -	\$ -	\$ -
461 Committed Fund Balance	\$ -	\$ -	\$ -	422 Net Assets	\$ -	\$ -	\$ -
<i>Assigned:</i>				<i>Non Spendable:</i>			
462 Assigned Fund Balance	\$ 35,572	\$ 35,572	\$ -	460 Non Spendable Fund Balance	\$ -	\$ -	\$ -
<i>Unassigned</i>				<i>Restricted:</i>			
422 Unassigned	\$ 2,525,863	\$ 2,525,862	\$ 1	425 Bond Refundings	\$ -	\$ -	\$ -
02 FOOD SERVICE				464 Restricted Fund Balance	\$ -	\$ -	\$ -
Total Revenues	\$ 1,434,029	\$ 1,434,028	\$ 1	<i>Unassigned:</i>			
Total Expenditures	\$ 1,236,619	\$ 1,236,618	\$ 1	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
<i>Non Spendable:</i>				04 COMMUNITY SERVICE			
460 Non Spendable Fund Balance	\$ 9,355	\$ 9,355	\$ -	Total Revenues	\$ 925,009	\$ 925,010	\$ (1)
<i>Restricted:</i>				Total Expenditures	\$ 950,360	\$ 950,360	\$ -
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -	<i>Restricted/Reserved:</i>			
464 Restricted Fund Balance	\$ 614,736	\$ 614,735	\$ 1	426 \$25 Taconite	\$ -	\$ -	\$ -
<i>Unassigned:</i>				431 Community Education	\$ 183,920	\$ 183,920	\$ -
463 Unassigned	\$ -	\$ -	\$ -	432 E.C.F.E.	\$ 11,881	\$ 11,881	\$ -
04 COMMUNITY SERVICE				444 School Readiness	\$ 73,994	\$ 73,994	\$ -
Total Revenues	\$ 925,009	\$ 925,010	\$ (1)	447 Adult Basic Education	\$ -	\$ -	\$ -
Total Expenditures	\$ 950,360	\$ 950,360	\$ -	452 OPEB Liab. Not in Trust	\$ -	\$ -	\$ -
<i>Restricted/Reserved:</i>				<i>Restricted:</i>			
426 \$25 Taconite	\$ -	\$ -	\$ -	464 Restricted Fund Balance	\$ 24,384	\$ 24,386	\$ (2)
431 Community Education	\$ 183,920	\$ 183,920	\$ -	<i>Unassigned:</i>			
432 E.C.F.E.	\$ 11,881	\$ 11,881	\$ -	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
444 School Readiness	\$ 73,994	\$ 73,994	\$ -				
447 Adult Basic Education	\$ -	\$ -	\$ -				
452 OPEB Liab. Not in Trust	\$ -	\$ -	\$ -				
<i>Restricted:</i>							
464 Restricted Fund Balance	\$ 24,384	\$ 24,386	\$ (2)				
<i>Unassigned:</i>							
463 Unassigned Fund Balance	\$ -	\$ -	\$ -				

* Amounts differ from those reported on the fund level balance sheet due to the need to reclassify negative restricted fund balance to unassigned fund balance.



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**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149**

**SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND OTHER REQUIRED REPORTS**

JUNE 30, 2024



CPAs | CONSULTANTS | WEALTH ADVISORS

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**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
TABLE OF CONTENTS
JUNE 30, 2024**

SINGLE AUDIT AND OTHER REQUIRED REPORTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	1
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	6
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	7
INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE	8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	10

SINGLE AUDIT AND OTHER REQUIRED REPORTS



**INDEPENDENT AUDITORS' 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**

Board of Education
Minnewaska Area Schools
Independent School District No. 2149
Glenwood, 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. 2149 (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 25, 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

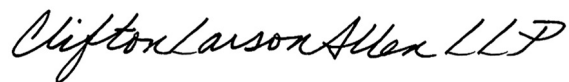
As part of obtaining reasonable assurance about whether District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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



CliftonLarsonAllen LLP

Alexandria, Minnesota
October 25, 2024



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER
COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Education
Minnewaska Area Schools
Independent School District No. 2149
Glenwood, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Independent School District No. 2149 (the District)'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 auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' 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 a 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 Auditors' 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities and each major fund of the District as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We have issued our report thereon, dated October 25, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Alexandria, Minnesota
October 25, 2024

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Pass-Through Minnesota Department of Education				
Noncash Assistance (Commodities):				
National School Lunch Program	10.555	# 1-2149-000	\$ 98,739	
Total Noncash Assistance			\$ 98,739	\$ -
Cash Assistance:				
Local Food for Schools Cooperative Agreement Program	10.185	Not Provided	11,543	
National School Lunch Program	10.555	# 1-2149-000	309,201	
School Breakfast Program	10.553	# 1-2149-000	118,484	
COVID-19 - Supply Chain Assistance Funding	10.555	# 1-2149-000	37,800	
COVID-19 - Pandemic EBT Administrative Costs	10.649	Not Provided	3,256	
Child Nutrition Discretionary Grants Limited Availability	10.579	1-2149-000	25,000	
Total Cash Assistance			505,284	-
Total U.S. Department of Agriculture			604,023	-
U.S. Department of the Treasury				
Pass-Through Minnesota Department of Education				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Summer Academic Enrichment and Mental Health	21.027	Not Provided	13,416	-
Pass-Through Pope County, Minnesota				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Pandemic Enrollment Loss	21.027	Not Provided	75,000	-
Total U.S. Department of Treasury			88,416	-
U.S. Department of Education				
Pass-Through Minnesota Department of Education				
Title I - Grants to Local Education Agencies (Title I, Part A Cluster)	84.010	S010A220023A	193,568	-
Title IV, Part A - Student Support and Academic Enrichment	84.424	S424A220024	9,984	-
Title II, Part A - Supporting Effective Instruction State Grants	84.367	S367A220022	18,460	-
COVID-19 - ARP Individuals with Disabilities Education Act (IDEA) Part C, Ages Birth to 2	84.181	H181A220029	2,305	-
COVID-19 - 90% Elementary and Secondary School Emergency Relief Fund III (ESSER III)	84.425U	* S425C220015	268,648	
COVID-19 - Education Stabilization Fund - Learning Loss	84.425U	* S425C22045	119,801	
COVID-19 - Education Stabilization Fund - Expanded Summer Learning	84.425D	* S425C22045	9,792	
Total Education Stabilization Fund			398,241	-
Total Minnesota Department of Education			622,558	-
Pass-Through Runestone Area Education District				
Special Education Infants and Families Grants	84.027	@ H027A220087	335,893	
COVID-19 - ARP Individuals with Disabilities Education Act (IDEA) Part B, Section 611	84.027C	@ H027A220087	61,135	
Preschool Incentive	84.173	@ H173A220086	9,000	
COVID-19 - ARP Preschool Grants for Children With Disabilities Part B, Section 619	84.173X	@ Not Provided	5,715	
Total Special Education Cluster			411,743	-
Individuals with Disabilities Education Act Part C				
Regional IECIC Grant for Children Ages Birth to 2	84.181	H181A220029	21,248	-
Total Runestone Area Education District			432,991	-
Pass-Through Alexandria Technical & Community College				
Carl Perkins Vocational Education	84.048	Not Provided	4,311	-
Total U.S. Department of Education			1,059,860	-
Total Expenditures of Federal Awards			\$ 1,752,299	\$ -

The total of Assistance Listing 10.555 is \$445,740

The total of Assistance Listing 84.181 is \$23,553

Child Nutrition Cluster - total \$564,224

* Education Stabilization Fund

@ Special Education Cluster

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2024**

NOTE 1 GENERAL

The accompanying schedule of expenditures of federal awards presents the expenditures of all federal financial assistance programs of Independent School District No. 2149 (the District) for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule presents only a select portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance. Under these principles certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COST RATE

The District has not elected to use the 10% de minimis in direct costs rate as allowed under Uniform Guidance.



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education
Minnewaska Area Schools
Independent School District No. 2149
Glenwood, 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. 2149 (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 25, 2024.

In connection with our audit, we noted that the District failed to comply with provisions of the contracting – bid laws section of *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, in so far 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 the depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and report 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 findings identified in our audit and described in the schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Board of Education
Minnewaska Area Schools
Independent School District No. 2149

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

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

CliftonLarsonAllen LLP

Alexandria, Minnesota
October 25, 2024

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *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 federal programs:

<u>Assistance Listing</u>	<u>Name of Federal Program or Cluster</u>
10.553 and 10.555	Child Nutrition Cluster
84.425D and 84.425U	COVID-19 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

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

B. FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT

Finding: 2024-001 **Annual Financial Reporting Under Generally Accepted Accounting Principles (GAAP)**

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Condition: The board and management share the ultimate responsibility for the District's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced.

The District engages CLA to assist in preparing the financial statements and accompanying disclosures. However, as independent auditors, CLA cannot be considered part of the District's internal control system. As part of its internal control over the preparation of its financial statements, including disclosures, the District has implemented a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of U.S. generally accepted accounting principles (GAAP) and knowledge of the District's activities and operations.

Criteria or Specific Requirement: Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements including the related disclosures, in conformity with U.S GAAP.

Effect: The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the District's internal controls.

Cause: The District personnel have not monitored recent accounting developments to the extent necessary to enable them to prepare the District's financial statements and related disclosures. However, management has reviewed and approved the financial statements and related disclosures.

Repeat Finding: Yes – Finding 2023-001

Recommendation: Management should continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

Views of Responsible Officials: There is no disagreement with the audit finding.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

B. FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT (CONTINUED)

Finding: 2024-002 Limited Segregation of Duties

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Condition: Due to the limited size of the District’s business office staff, the District has limited segregation of duties.

Criteria or Specific Requirement: Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.

Effect: The District is unable to maintain segregation of incompatible duties.

Cause: There is a limited number of staff in the business office.

Repeat Finding: Yes – Finding 2023-002

Recommendation: While we recognize that the District staff may not be large enough to permit complete segregation of duties in all material respects for an effective system of internal control, the functions should be reviewed to determine if additional segregation of duties is feasible and to improve efficiency and effectiveness of financial management of the District.

Views of Responsible Officials: There is no disagreement with the audit finding.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

D. FINDINGS – MINNESOTA LEGAL COMPLIANCE

Finding: 2024-003 Responsible Contractor Requirement

Condition: During the audit of the District, it was noted that for a construction contract, the contractor did not submit a verification of responsible contractor.

Criteria or Specific Requirement: For each construction contract in excess of \$50,000, awarded pursuant to a lowest responsible bidder or best value process, the successful contractor must submit a verification of compliance signed under oath by an owner or officer verifying compliance with the minimum criteria set forth in Minn. Stat. § 16C.285, subdivision 3.

Effect: The District was not in compliance with this statute.

Cause: The district was unaware of the statute.

Repeat Finding: No

Recommendation: We recommend that the District require each contractor to provide a verification of compliance before entering into the contract.

Views of Responsible Officials: There is no disagreement with the audit finding.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.