

FINANCIAL STATEMENTS

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

FOR THE YEAR ENDING JUNE 30, 2025

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

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

BOARD OF EDUCATION AND ADMINISTRATIVE PERSONNEL
JUNE 30, 2025

BOARD OF EDUCATION

Brad Carson	Chairman	01/01/23 – 12/31/26
Lance Oye	Vice Chairman	01/01/21 – 12/31/24
Katie Wiese		01/01/25 – 12/31/28
Katie Wiese	Clerk	01/01/21 – 12/31/24
Chrissy DeBates		01/01/25 – 12/31/28
Chrissy DeBates	Treasurer	01/01/21 – 12/31/24
Mark Hiniker		01/01/25 – 12/31/26
Daphne Likness	Director	01/01/23 – 12/31/26
Mark Hiniker	Director	01/01/23 – 12/31/24
Tyler Fruechte	Director	01/01/25 – 12/31/28
Tami Taubert	Director	01/01/25 – 12/31/28

ADMINISTRATIVE PERSONNEL

Dr. Klint Willert	Superintendent
Jacque Kennedy	Business Manager

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David W. Friedrichsen, CPA
Daryl J. Kanthak, CPA
Blake R. Klinsing, CPA
Amy L. Mollberg, CPA

WITH THE FIRM

Kirk W. Morgan, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Independent School District No. 2689, Pipestone Area Schools, Pipestone, Minnesota, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Independent School District No. 2689, Pipestone Area Schools, Pipestone, Minnesota as of June 30, 2025, and the respective changes in financial position, and the respective budgetary comparison for General Fund and Major Special Revenue Funds (Food Service Fund and Community Service Fund), for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Independent School District No. 2689, Pipestone Area Schools, Pipestone, Minnesota, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Independent School District No. 2689, Pipestone Area Schools, Pipestone, Minnesota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Independent School District 2689, Pipestone Area Schools, Pipestone, Minnesota's ability to continue as a going concern for a reasonable period of time.

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

The Financial statements include partial prior-year comparative information, which does not include all of the information required in a presentation in conformity with accounting principles generally accepted in the United States of America. The prior year partial comparative information has been derived from the District's financial statements for the year ended June 30, 2024, and in our report dated November 19, 2024, we expressed unqualified opinions on the respective financial statements of the governmental activities and each major fund. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2024, from which it was derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Required Supplementary Information other than MD&A as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District No. 2689, Pipestone Area Schools, Pipestone, Minnesota's basic financial statements. The accompanying combining and individual fund statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Uniform Financial Accounting and Reporting Standards Compliance Table are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2025, on our consideration of the Independent School District No. 2689's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Independent School District No. 2689's internal control over financial reporting and compliance.



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

November 14, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2025

This section of the Independent School District No. 2689's annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2025. Please read it in conjunction with the other components of the District's annual financial report.

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

Financial Highlights

Key financial highlights for the 2024-2025 fiscal year include the following:

- Net position increased by \$1,084,769, or 6.5% over June 30, 2024 due primarily to the GASB 68 required adjustment for TRA and PERA obligations.
- General fund balance decreased by \$232,549, Food Service fund balance increased by \$59,637, Community Service fund balance increased by \$16,766 and the Capital Projects fund balance decreased by \$1,302,914 due to roofing project expenditures in 2025 and revenue reported in 2024. Debt Service fund balance increased by \$61,558. Overall fund balance decreased by \$1,397,502, or 11.4% over June 30, 2024.
- Total governmental revenues increased by \$766,351 or 3.8% in comparison to fiscal year 2024, and governmental expenditures increased by \$2,411,595 or 12.1% in comparison to fiscal year 2024.

Overview of the Financial Statements

The financial section of the annual report consists of four parts -- Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include District-wide financial statements and fund financial statements and the notes to the financial statements.

Government-Wide Statements

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

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

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

Fund Financial Statements

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

The District maintains the following funds:

Governmental Funds - The District's services are included in this type of fund, which generally focuses on 1) how cash and other financial assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's activities. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

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

Financial Analysis of the District As A Whole

As noted, net position may serve over time as a useful indicator of a government's financial position. In the case of the Independent School District No. 2689, assets exceeded liabilities by \$17,854,330 at the close of the most recent fiscal year. This was an increase of \$1,084,769 or 6.5% from the previous year total of \$16,769,561.

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

Table 1 Statement of Net Position As of June 30, 2025		
Assets	2025	2024
Current and other assets	17,250,174	18,382,682
Capital assets, net of depreciation	41,461,526	40,754,319
Total Assets	58,711,700	59,137,001
Deferred Outflows of Resources		
Related to OPEB	43,184	41,977
Related to Pensions	1,898,223	2,426,897
Total Deferred Outflows of Resources	1,941,407	2,468,874
Total Assets and Deferred Outflows of Resources	60,653,107	61,605,875
Liabilities		
Current and other liabilities	2,547,246	2,713,472
Long-term liabilities, including due within one year	33,687,886	37,194,165
Total Liabilities	36,235,132	39,907,637
Deferred Inflows of Resources		
Property Taxes Levied for Subsequent Year	4,167,932	3,822,428
Related to OPEB	138,552	172,223
Related to Pensions	2,257,161	934,026
Total Deferred Inflows of Resources	6,563,645	4,928,677
Net Position		
Net Investment in capital assets	14,783,135	12,581,726
Restricted	5,049,954	6,167,968
Unrestricted	(1,978,759)	(1,980,133)
Net Position	17,854,330	16,769,561
Total Liabilities, Deferred Inflows of Resources & Net Position	60,653,107	61,605,875

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

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

Table 2
Change in Net Position
For the year ended June 30, 2025

Revenues	2025	2024
Program Revenues		
Charges for Services	304,973	356,992
Operating Grants and Contributions	5,849,069	4,435,348
General Revenues		
Property Taxes	2,752,786	2,633,265
Unrestricted Federal and State Aid	11,233,492	11,302,851
Federal Aid Restricted to Specific Purposes	64,540	743,421
Earnings on Investments	475,489	449,232
Bond Premium	161,876	161,876
Other	279,193	276,529
Total revenues	21,121,418	20,359,514
Expenses		
District and School Administration	1,221,006	992,127
District Support Services	448,393	442,859
Regular Instruction	7,718,522	7,302,747
Vocational Instruction	468,127	450,200
Exceptional Instruction	2,363,853	2,262,631
Instructional Support Services	894,698	883,259
Pupil Support Services	1,790,658	1,616,166
Site, Buildings, and Equipment	2,694,721	3,050,906
Fiscal and Other Fixed Cost Programs	177,812	148,610
Food Service	1,041,035	996,799
Community Service	275,198	359,827
Interest and Fiscal Charges on Long-term Liabilities	942,626	985,368
Total expenses	20,036,649	19,491,499
Change in net position	1,084,769	868,015
Beginning net position	<u>16,769,561</u>	<u>15,901,546</u>
Ending net position	<u>17,854,330</u>	<u>16,769,561</u>

The district's total revenue consisted of program revenues of \$6,154,042, property taxes of \$2,752,786, federal and state aid not restricted to specific purposes of \$11,233,492, federal aid restricted to specific purposes of \$64,540, unrestricted investment earnings of \$475,489, bond premium of \$161,876, and other revenues of \$279,193.

The cost of all governmental activities this year was \$20,036,649.

- The users of the district programs paid for \$304,973 or 1.5% of the total costs.
- Operating grants and contributions consisting of federal and state aids restricted for specific purposes and donations totaled \$5,849,069 or 29.2% of total costs.
- The state government subsidized certain programs with aid not restricted for specific purposes. This totaled \$11,233,492 or 56.1% of total costs.

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

**Figure A - Sources of Revenue for Fiscal Year
2025**

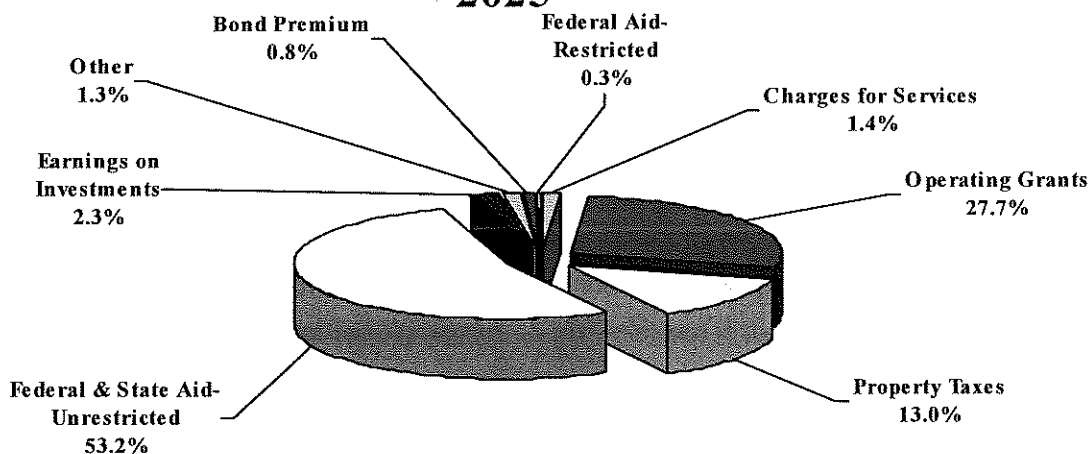
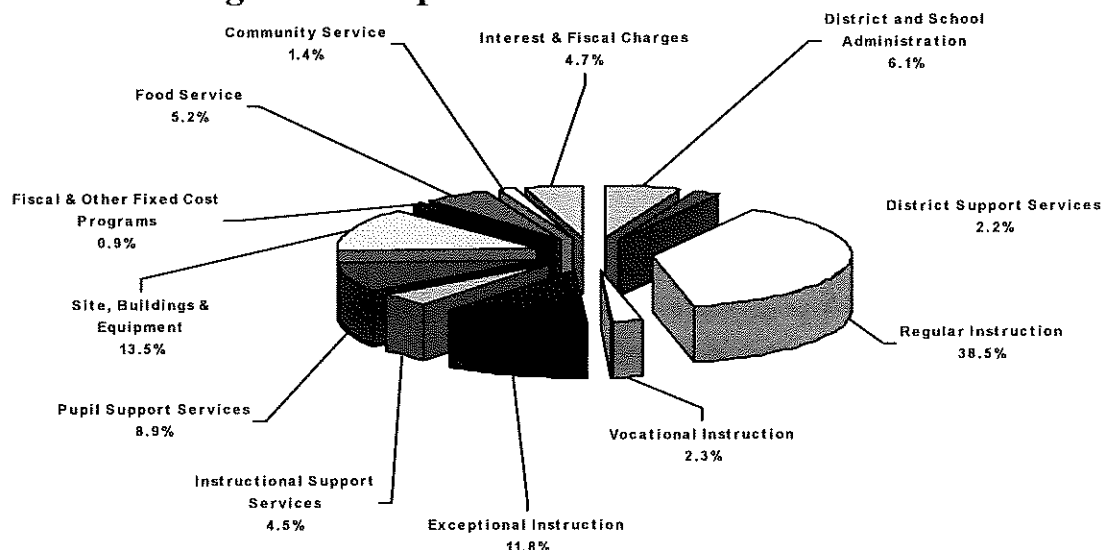


Figure B - Expenses for Fiscal Year 2025



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

Fund Balance

The financial performance of the district as a whole is reflected in its governmental funds as well. As the district completed the year, the governmental funds reported a combined fund balance of \$10,885,366, which is a decrease of \$1,397,502 over the prior year fund balance of \$12,282,868. The General Fund had a decrease of \$232,549. The Food Service Fund had an increase of \$59,637. The Community Service Fund had an increase of \$16,766. The Capital Projects Fund had a decrease of \$1,302,914, due to the roofing project. The Debt Service Fund had an increase of \$61,558.

Revenues and Expenditures

Revenues of the district's governmental funds totaled \$20,957,704 while total expenditures were \$22,356,654. A summary of the revenues and expenditures reported on the governmental financial statements is as follows:

	Revenue	Expenditures	Other Financing Sources (Uses)	Fund Balance Increase (Decrease)
General Fund	17,169,479	17,403,476	1,448	(232,549)
Food Service Fund	1,113,859	1,054,222	-0-	59,637
Community Service Fund	291,964	275,198	-0-	16,766
Capital Projects Fund	127,892	1,430,806	-0-	(1,302,914)
Debt Service Fund	<u>2,254,510</u>	<u>2,192,952</u>	<u>-0-</u>	<u>61,558</u>
Total	<u>20,957,704</u>	<u>22,356,654</u>	<u>1,448</u>	<u>(1,397,502)</u>

General Fund Budgetary Analysis

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to as the original budget. During the year, the District might amend that budget for known changes in circumstances such as legislative funding. For fiscal year 2025, the District did revise the budget. The district's budget anticipated that expenditures would exceed revenues and other financing sources (uses) by \$853,050. The actual results for the year showed expenditures exceeding revenues by \$232,549.

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

- Actual general fund revenues were more than the budget by \$547,723 primarily due to differences in state and other local and county aids.
- Actual general fund expenditures were less than budget by \$72,778 primarily due to over budgeting expenditures for various items, including salaries, employee benefits, supplies, and travel.

Capital Assets

Table 3 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal year ending June 30, 2025. More detailed information about the district's capital assets is presented in Note 6.

Table 3
Capital Assets

	<u>2025</u>	<u>2024</u>	<u>Increase (Decrease)</u>
Construction in Progress	1,343,975		1,343,975
Land	209,572	209,572	
Land Improvements	3,224,417	3,308,673	(84,256)
Buildings and Improvements	46,141,374	45,605,323	536,051
Equipment	4,944,472	4,792,820	151,652
Pupil Transportation Vehicles	389,376	389,376	
Less: Accumulated Depreciation	(14,791,660)	(13,551,445)	(1,240,215)
Total	<u>41,461,526</u>	<u>40,754,319</u>	<u>707,207</u>
Depreciation Expense	<u>1,283,375</u>	<u>1,261,324</u>	<u>22,051</u>

Capital asset activity for the current fiscal year includes a batting cage, track maintenance, gymnastics floor, turf tank, gym air handler, two convection ovens, library door, auditorium lighting and the roofing project.

Long-Term Liabilities

In fiscal year 2025, long-term debt obligations were repaid in the amount of \$1,165,000, lease payments were paid in the amount of \$82,000, the net severance liability decreased by \$14,146, the net OPEB liability increased by \$24,614, and the net pension liability decreased by \$2,107,871. Pension benefits payable total \$6,978,553 at June 30, 2025. More detailed information about the district's long-term liabilities is presented in Note 9.

Factors Bearing on the District's Future

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

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

Contacting the District's Management

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Independent School District No. 2689 at 1401 7th St. SW, Pipestone, Minnesota 56164.

STATEMENT OF NET POSITION
JUNE 30, 2025

	<u>2025</u>	<u>2024</u>
<u>Assets</u>		
Cash and Investments	11,819,449	13,088,997
Receivables:		
Property Taxes	2,715,258	2,469,281
Governmental Units	2,379,518	2,500,969
Other	247,675	193,295
Prepaid Expenses	88,274	130,140
Capital Assets:		
Non Depreciable	1,553,547	209,572
Depreciable - net of accumulated depreciation	39,907,979	40,544,747
Total Assets	58,711,700	59,137,001
<u>Deferred Outflows of Resources</u>		
Related to OPEB	43,184	41,977
Related to Pensions	1,898,223	2,426,897
Total Deferred Outflows of Resources	1,941,407	2,468,874
Total Assets and Deferred Outflows of Resources	60,653,107	61,605,875
<u>Liabilities</u>		
Salaries Payable	836,681	765,750
Accounts Payable	894,552	1,085,285
Accrued Interest	375,713	461,039
Due to Other Governmental Units	391,059	380,879
Unearned Revenue	49,241	20,519
Long Term Liabilities:		
Portion Due Within One Year	1,525,900	1,422,900
Portion Due in More Than One Year	24,811,541	26,337,563
Pension Benefit Payable	6,978,553	9,086,424
Net OPEB Liability	371,892	347,278
Total Liabilities	36,235,132	39,907,637
<u>Deferred Inflows of Resources</u>		
Property Taxes Levied for Subsequent Years	4,167,932	3,822,428
Related to OPEB	138,552	172,223
Related to Pensions	2,257,161	934,026
Total Deferred Inflows of Resources	6,563,645	4,928,677
<u>Net Position</u>		
Net Investment in Capital Assets	14,783,135	12,581,726
Restricted for:		
General Fund State Mandated Purposes	1,497,968	1,451,030
Food Service	1,010,326	950,689
Community Service	568,979	552,213
Capital Projects	1,487,883	2,790,797
Debt Service	484,797	423,239
Unrestricted	(1,978,758)	(1,980,133)
Total Net Position	17,854,330	16,769,561
Total Liabilities, Deferred Inflows of Resources and Net Position	60,653,107	61,605,875

See accompanying notes to the financial statements.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Functions	2025				2024
	Expenses	Charges For Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
<u>Governmental Activities</u>					
District and School Administration	1,221,006				(1,221,006)
District Support Services	448,393				(448,393)
Regular Instruction	7,718,522	85,132	2,325,752		(5,307,638)
Vocational Instruction	468,127				(468,127)
Exceptional Instruction	2,363,853	71,558	2,411,063		118,768
Instructional Support Services	894,698				(894,698)
Pupil Support Services	1,790,658		32,153		(1,758,505)
Site, Buildings and Equipment	2,694,721				(2,694,721)
Fiscal and Other Fixed Cost Programs	177,812				(177,812)
Food Service	1,041,035	72,754	1,011,413		43,132
Community Service	275,198	75,529	68,688		(130,981)
Interest and Fiscal Charges on Long-term Liabilities	942,626				(942,626)
Total	20,036,649	304,973	5,849,069	-0-	(13,882,607)
<u>General Revenues</u>					
Property Taxes Levied for:					
General Purposes					1,674,849
Community Service					111,386
Debt Service					966,551
Federal and State Aid Not Restricted to Specific Purposes					11,233,492
Federal Aid Restricted to Specific Purposes					64,540
Earnings on Investments					475,489
Bond Premium					161,876
Miscellaneous					279,193
Total General Revenues					14,967,376
Change in Net Position					1,084,769
Net Position - Beginning					16,769,561
Net Position - Ending					17,854,330

See accompanying notes to the financial statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

	2025					2024
	Major Funds					Total
	General	Food Service	Community Service	Capital Projects	Debt Service	Governmental Funds
<u>Assets</u>						
Cash and Investments	8,048,567	743,985	653,546	1,487,883	885,468	11,819,449
Current Property Taxes Receivable	971,855		60,429		1,657,631	2,689,915
Delinquent Property Taxes Receivable	20,875		861		3,607	25,343
Accounts Receivable	7,639	91,295				98,934
Interest Receivable	148,741					148,741
Due From Department of Education	1,667,859		6,406		125,181	1,799,446
Due From Federal Government Through the Department of Education	208,136	235,090				443,226
Due From Other Governmental Units	136,846					136,846
Prepaid Expenses	88,274					88,274
Total Assets	11,298,792	1,070,370	721,242	1,487,883	2,671,887	17,250,174
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>						
<u>Liabilities</u>						
Salaries Payable	811,604		25,077			836,681
Accounts Payable	306,011	40,883	297			347,191
Due to Other Governmental Units	391,059					391,059
Payroll Deductions	547,361					547,361
Unearned Revenue	30,080	19,161				49,241
Total Liabilities	2,086,115	60,044	25,374	-0-	-0-	2,171,533
<u>Deferred Inflows of Resources</u>						
Unavailable Revenue-Delinquent Taxes	20,875		861		3,607	25,343
Property Taxes Levied for Subsequent Years	1,858,421		126,028		2,183,483	4,167,932
Total Deferred Inflows of Resources	1,879,296	-0-	126,889	-0-	2,187,090	4,193,275
<u>Fund Balances</u>						
Fund Balance-Nonspendable	88,274					88,274
Fund Balance-Restricted	1,562,857	1,010,326	568,979	1,487,883	484,797	5,114,842
Fund Balance-Committed	34,763					34,763
Fund Balance-Assigned	157,288					157,288
Fund Balance-Unassigned	5,490,199					5,490,199
Total Fund Balances	7,333,381	1,010,326	568,979	1,487,883	484,797	10,885,366
Total Liabilities, Deferred Inflows of Resources and Fund Balances	11,298,792	1,070,370	721,242	1,487,883	2,671,887	17,250,174

See accompanying notes to the financial statements.

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2025

	<u>2025</u>	<u>2024</u>
Total Governmental Fund Balances	10,885,366	12,282,868
Amounts reported in governmental activities in the statement of net position are different because:		
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds		
Cost of Capital Assets	56,253,186	54,305,764
Less: Accumulated Depreciation	<u>(14,791,660)</u>	<u>(13,551,445)</u>
	41,461,526	40,754,319
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue.	25,343	24,953
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(375,713)	(461,039)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources related to Pensions	1,898,223	2,426,897
Deferred Outflows of Resources - OPEB	43,184	41,977
Deferred Inflows of Resources related to Pensions	(2,257,161)	(934,026)
Deferred Inflows of Resources - OPEB	<u>(138,552)</u>	<u>(172,223)</u>
	(454,306)	1,362,625
Long-term liabilities that pertain to governmental funds are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at year-end are:		
Severance Payable	(34,763)	(48,909)
Bonds Payable	(24,109,000)	(25,356,000)
Bond Premium	(2,193,678)	(2,355,554)
Pension Benefits Payable	(6,978,553)	(9,086,424)
Net OPEB Liability	<u>(371,892)</u>	<u>(347,278)</u>
	(33,687,886)	(37,194,165)
Net Position of Governmental Activities	<u>17,854,330</u>	<u>16,769,561</u>

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	2025					2024
	Major Funds					Total
	General	Food Service	Community Service	Capital Projects	Debt Service	Governmental Funds
<u>Revenues</u>						
Local Property Tax Levies	1,674,459		111,386		966,551	2,752,396
Other Local and County Revenues	675,479	29,692	111,890	127,892	36,146	981,099
Revenue from State Sources	14,341,495	434,366	68,688		1,251,813	16,096,362
Revenue from Federal Sources	473,692	577,047				1,050,739
Sales and Other Conversion of Assets	4,354	72,754				77,108
Total Revenues	17,169,479	1,113,859	291,964	127,892	2,254,510	20,957,704
<u>Expenditures</u>						
Current:						
District and School Administration	1,221,006					1,221,006
District Support Services	448,393					448,393
Regular Instruction	8,006,540					8,006,540
Vocational Instruction	468,127					468,127
Exceptional Instruction	2,363,853					2,363,853
Community Education and Services			275,198			275,198
Instructional Support Services	892,478					892,478
Pupil Support Services	1,752,959	1,054,222				2,807,181
Site, Buildings and Equipment	2,072,308			1,430,806		3,503,114
Fiscal and Other Fixed Cost Programs	177,812					177,812
Debt Service:						
Principal					1,165,000	1,165,000
Interest and Fiscal Charges					1,027,952	1,027,952
Total Expenditures	17,403,476	1,054,222	275,198	1,430,806	2,192,952	22,356,654
Excess Revenues (Expenditures)						
Before Other Financing Sources (Uses)	(233,997)	59,637	16,766	(1,302,914)	61,558	(1,398,950)
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	1,448					1,448
Transfer In	30,704					30,704
Transfer Out	(30,704)					(30,704)
Bond Premium						
Bond Proceeds						198,220
Total Other Financing Sources (Uses)	1,448	-0-	-0-	-0-	-0-	1,448
Net Change in Fund Balance	(232,549)	59,637	16,766	(1,302,914)	61,558	(1,397,502)
Fund Balance-Beginning	7,565,930	950,689	552,213	2,790,797	423,239	12,282,868
Fund Balance-Ending	7,333,381	1,010,326	568,979	1,487,883	484,797	10,885,366

See accompanying notes to the financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>2025</u>	<u>2024</u>
Net Change in Governmental Fund Balances	(1,397,502)	3,133,614
Amounts reported for the governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures, however, in statement of activities, assets with an initial, individual cost of more than \$10,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period		
Capital Outlay	2,055,322	332,407
Disposal of Assets	(64,740)	
Depreciation Expense	<u>(1,283,375)</u>	<u>(1,261,324)</u>
	707,207	(928,917)
Governmental funds report long-term debt proceeds as financing sources, while repayment of long-term debt principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues. The net effect of these differences is as follows:		
Bond Proceeds		(2,685,000)
Bond Premium		(198,220)
Amortization of Bond Premium	161,876	161,876
Lease Payments	82,000	80,000
Repayment of Bond Principal	1,165,000	940,000
Interest Expense - General Obligation Bonds	85,326	(93,518)
Severance Payments	<u>14,024</u>	<u>14,024</u>
	1,508,226	(1,780,838)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for current period's expenditures, and therefore deferred in the funds.		
	390	2,185
In the statement of activities, severance benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		
Severance	122	(3,784)
OPEB	34,878	(166,058)
Pension Benefits	<u>(1,851,809)</u>	<u>(179,436)</u>
	(1,816,809)	(349,278)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in Pension Benefits	2,107,871	616,546
Change in Net OPEB liability	<u>(24,614)</u>	<u>174,703</u>
	2,083,257	791,249
Change in Net Position of Governmental Activities	<u><u>1,084,769</u></u>	<u><u>868,015</u></u>

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
<u>Revenues</u>				
Local Property Tax Levies	1,646,183	1,646,183	1,674,459	28,276
Other Local and County Revenues	465,155	459,595	675,479	215,884
Revenue from State Sources	13,095,154	14,039,058	14,341,495	302,437
Revenue from Federal Sources	387,217	476,170	473,692	(2,478)
Sales and Other Conversion of Assets	750	750	4,354	3,604
Total Revenues	15,594,459	16,621,756	17,169,479	547,723
<u>Expenditures</u>				
District and School Administration	1,149,534	1,073,626	1,221,006	147,380
District Support Services	441,962	473,325	448,393	(24,932)
Regular Instruction	7,817,283	8,033,312	8,006,540	(26,772)
Vocational Instruction	446,974	456,275	468,127	11,852
Exceptional Instruction	2,533,886	2,504,687	2,363,853	(140,834)
Instructional Support Services	926,421	949,612	892,478	(57,134)
Pupil Support Services	1,709,050	1,713,650	1,752,959	39,309
Site, Building and Equipment	1,894,423	2,086,367	2,072,308	(14,059)
Fiscal and Other Fixed Cost Programs	185,400	185,400	177,812	(7,588)
Total Expenditures	17,104,933	17,476,254	17,403,476	(72,778)
Excess Revenues (Expenditures)	(1,510,474)	(854,498)	(233,997)	620,501
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery		1,448	1,448	
Transfer In			30,704	
Transfer Out			(30,704)	
Total Other Financing Sources (Uses)	-0-	1,448	1,448	-0-
Excess Revenues and Other Financing				
Sources Over Expenditures and Other Uses	(1,510,474)	(853,050)	(232,549)	620,501
Fund Balance-Beginning			7,565,930	
Fund Balance-Ending			7,333,381	

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
<u>Revenues</u>				
Other Local and County Revenues	23,360	23,360	29,692	6,332
Revenue from State Sources	447,284	447,284	434,366	(12,918)
Revenue from Federal Sources	597,543	597,543	577,047	(20,496)
Sales and Other Conversion of Assets	78,500	78,500	72,754	(5,746)
Total Revenues	<u>1,146,687</u>	<u>1,146,687</u>	<u>1,113,859</u>	<u>(32,828)</u>
<u>Expenditures</u>				
Pupil Support Services	<u>1,112,796</u>	<u>1,112,796</u>	<u>1,054,222</u>	<u>(58,574)</u>
Total Expenditures	<u>1,112,796</u>	<u>1,112,796</u>	<u>1,054,222</u>	<u>(58,574)</u>
Net Change in Fund Balance	<u>33,891</u>	<u>33,891</u>	59,637	<u>25,746</u>
Fund Balance-Beginning			950,689	
Fund Balance-Ending			<u>1,010,326</u>	

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR COMMUNITY SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
<u>Revenues</u>				
Local Property Tax Levies	110,251	110,251	111,386	1,135
Other Local and County Revenues	155,722	93,111	111,890	18,779
Revenue from State Sources	64,927	64,927	68,688	3,761
Total Revenues	330,900	268,289	291,964	23,675
<u>Expenditures</u>				
Community Education and Services	376,812	232,783	275,198	42,415
Total Expenditures	376,812	232,783	275,198	42,415
Net Change in Fund Balance	<u>(45,912)</u>	<u>35,506</u>	16,766	<u>(18,740)</u>
Fund Balance-Beginning			552,213	
Fund Balance-Ending			<u>568,979</u>	

See accompanying notes to the financial statements.

STATEMENT OF FIDUCIARY ASSETS
AGENCY FUND
JUNE 30, 2025

<u>Assets</u>	<u>2025</u>	<u>2024</u>
Cash and Investments	<u>345</u>	<u>345</u>
 <u>Liabilities and Net Position</u>		
<u>Liabilities</u>		
Unearned Revenue	345	345
 <u>Net Position</u>	 <u>-0-</u>	 <u>-0-</u>
Total Liabilities and Net Position	<u>345</u>	<u>345</u>

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 1 Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of Independent School District No. 2689 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Financial Reporting Entity

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

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

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

C. Basic Financial Statements Presentation

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 1 Summary of Significant Accounting Policies - continued

C. Basic Financial Statements Presentation - continued

contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

D. Basis of Accounting and Measurement Focus

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 1 Summary of Significant Accounting Policies - continued

D. Basis of Accounting and Measurement Focus - continued

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

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

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

Description of Funds

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

Governmental Funds

General Fund

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 1 Summary of Significant Accounting Policies - continued

D. Basis of Accounting and Measurement Focus - continued

Special Revenue Funds

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

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

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

Capital Projects Fund

The Capital Projects Fund is used to record all operations of the District's capital projects.

Debt Service Fund

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

Agency Fund

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

E. Budgets and Budgetary Accounting

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

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 1 Summary of Significant Accounting Policies – continued

F. Cash and Temporary Investments

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

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

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

G. Accounts Receivable

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

H. Inventories

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

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as expenditure at the time of consumption.

J. Property Tax Recognition

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

Current taxes receivable includes the amount of Homestead Market Value Credit Aid, Disparity Reduction Aid, and School Building Bond Ag Credit to be received after July 1, 2025, and will be recognized as revenue during the fiscal year ending June 30, 2026. The delinquent taxes receivable are reserved as 100% uncollectible except for the amount received during the first sixty days of the subsequent fiscal year.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 1 Summary of Significant Accounting Policies - continued

K. Capital Assets

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

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

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

L. Long-Term Obligations

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

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

M. Deferred Outflows/Inflows of Resources

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 1 Summary of Significant Accounting Policies - continued

M. Deferred Outflows/Inflows of Resources - continued

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

N. Fund Equity

Fund balance is divided into five classifications based primarily on the extent to which the district is bound to observe constraints imposed upon the use of the resources in the governmental funds. The following are the five fund balance categories used by the district:

Non-Spendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

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

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

Assigned Fund Balance

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

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 1 Summary of Significant Accounting Policies - continued

N. Fund Equity - continued

Unassigned Fund Balance

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

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

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

O. Net Position

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

P. Pensions

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 1 Summary of Significant Accounting Policies - continued

Q. Certain Comparative Data and Reclassifications

Certain comparative total data for the prior year have been presented in the District-wide and fund financial statements in order to provide an understanding of the changes in the financial position and operations. Such comparative total data does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2024, from which the summarized information was derived.

R. Estimates

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

S. Subsequent Events

Subsequent events have been evaluated through December 8, 2025, which is the date the financial statements were available to be issued.

Note 2 Cash and Investments

A. Deposits

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

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 2 Cash and Investments - continued

A. Deposits - continued

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2025, none of the District's bank balance of \$4,904,575 (includes student activity fund account) was exposed to custodial credit risk because it was insured and properly collateralized with securities held by the pledging financial institution's trust department or agent in the district's name.

B. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minnesota Stat. 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 2 Cash and Investments - continued

B. Investments - continued

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

Custodial Credit Risk

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

Credit Risk

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

Concentration of Credit Risk

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

Interest Rate Risk

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

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

	<u>Credit Risk</u>		<u>Concentration</u> <u>Risk</u>	<u>Interest</u> <u>Rate Risk</u>	
	<u>Credit</u> <u>Rating</u>	<u>Rating</u> <u>Agency</u>	<u>Over 5%</u> <u>of Portfolio</u>	<u>Maturity</u> <u>Date</u>	<u>Carrying</u> <u>Value</u>
Investment Pools:					
MN Trust					
Investment Shares Portfolio	AAA	S & P	3.90%	N/A	265,191
LTD	AAA	S & P	15.71%	N/A	1,068,728
Term Series	AAA	S & P	11.02%	11/18/25	750,000
CD	AAA	S & P	69.37%	7/7/25-4/8/27	4,718,800
Total Investments					6,802,719
MN Trust-2023A Bonds					1,487,883
Checking & Money Market Accounts (not including Agency Funds)					3,525,092
Petty Cash					3,410
Total Cash and Investments					<u>11,819,104</u>

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 3 Due From Department of Education

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

	<u>June 30</u>	
<u>General Fund</u>	<u>2025</u>	<u>2024</u>
General Education Aid	1,033,394	1,421,642
Other State Aids	83,858	39,293
Special Education	<u>550,607</u>	<u>205,237</u>
Total General Fund	1,667,859	1,666,172
 <u>Special Revenue Funds</u>		
<u>Community Service Fund</u>		
Other State Credits	6,406	6,725
 <u>Debt Service Fund</u>		
Other State Credits	<u>125,181</u>	<u>99,301</u>
Total All Funds	<u>1,799,446</u>	<u>1,772,198</u>

Note 4 Due From Federal Government Through the Department of Education

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

	<u>June 30</u>	
<u>General Fund</u>	<u>2025</u>	<u>2024</u>
Title I	182,092	142,658
Title II	15,497	8,209
Title III	9,691	372
Title IV	856	
ESSER III		<u>496,681</u>
Total General Fund	208,136	647,920
 <u>Special Revenue Funds</u>		
<u>Food Service Fund</u>		
Lunch	166,197	
Breakfast	54,312	
Milk	206	
Summer Food Program	<u>14,375</u>	<u>16,817</u>
Total Special Revenue Funds	<u>235,090</u>	<u>16,817</u>
Total All funds	<u>443,226</u>	<u>664,737</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 5 Due From Other Governmental Units

Amounts due from Other Governmental Units are as follows:

	<u>June 30</u>	
<u>General Fund</u>	<u>2025</u>	<u>2024</u>
CEM	1,428	
City of Pipestone	16,424	16,635
ISD 581 – Edgerton		16,190
Pipestone County	84,221	
Rock County		1,265
State of MN		665
SW Health & Human Services	14,000	13,400
SW/WC Service Coop	20,448	11,911
Third Party	<u>325</u>	<u>3,968</u>
Total General Fund	<u>136,846</u>	<u>64,034</u>
Total All Funds	<u>136,846</u>	<u>64,034</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 6 Capital Assets

Capital asset activity for the year ended June 30, 2025 was as follows:

	<u>Balance</u> <u>7/01/24</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/25</u>
Capital assets not depreciated				
Construction in Progress		1,343,975		1,343,975
Land	<u>209,572</u>			<u>209,572</u>
Total capital assets not deprec.	209,572	1,343,975	-0-	1,553,547
Capital assets depreciated				
Land Improvements	3,308,673	23,644	(107,900)	3,224,417
Buildings	45,605,323	536,051		46,141,374
Equipment	4,792,820	151,652		4,944,472
Pupil Transportation Vehicles	<u>389,376</u>			<u>389,376</u>
Total Capital assets depreciated	54,096,192	711,347	(107,900)	54,699,639
Less accumulated depreciation for				
Land Improvements	1,673,148	114,340	(43,160)	1,744,328
Buildings	9,211,978	936,166		10,148,144
Equipment	2,471,939	195,170		2,667,109
Pupil Transportation Vehicles	<u>194,380</u>	<u>37,699</u>		<u>232,079</u>
Total accum depreciation	<u>13,551,445</u>	<u>1,283,375</u>	<u>(43,160)</u>	<u>14,791,660</u>
Total capital assets depreciated-net	<u>40,544,747</u>	<u>(572,028)</u>	<u>(64,740)</u>	<u>39,907,979</u>
Net Capital Assets	<u>40,754,319</u>	<u>771,947</u>	<u>(64,740)</u>	<u>41,461,526</u>

Depreciation expense of \$1,283,375 for the year ended June 30, 2025 was charged to the following governmental functions:

Regular Instruction	5,535
Instructional Support	2,220
Pupil Support Services	37,699
Sites, Buildings, and Equipment	1,217,031
Food Service	<u>20,890</u>
Total	<u>1,283,375</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 7 Due to Other Governmental Units

Amounts due to Other Governmental Units are as follows:

	<u>June 30</u>	
<u>General Fund</u>	<u>2025</u>	<u>2024</u>
ISD 777 – Benson	3,042	1,618
Intermediate District 287		512
ISD 991 - SW/WC Service Coop	256,509	294,865
MN Dept of Labor and Industry	580	460
MN West – Canby	254	20,000
MN Department of Education	99,272	40,000
MN Dept of Employment	14,540	8,603
Pipestone County Medical Center	1,559	1,696
Pipestone County Sheriff's Office	<u>15,303</u>	<u>13,125</u>
Total General Fund	<u>391,059</u>	<u>380,879</u>

Note 8 Unearned Revenue

Unearned revenues are as follows:

	<u>June 30</u>	
	<u>2025</u>	<u>2024</u>
<u>General Fund</u>	30,080	
<u>Special Revenue Funds</u>		
<u>Food Service Fund</u>		
Lunch Sales	<u>19,161</u>	<u>20,519</u>
Total All Funds	<u>49,241</u>	<u>20,519</u>

Note 9 Long-Term Liabilities

A. Severance Payable

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 9 Long-Term Liabilities – continued

A. Severance Payable - continued

The District estimates its vested severance pay obligations to be \$34,763 and \$48,909 at June 30, 2025 and 2024, respectively and the amount is designated in the fund balance of the General fund at those dates.

B. General Obligation School Building Bond, Series 2019A

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

The following is a summary of the bond transactions of the District for the year ending June 30, 2025:

Bonds Payable at July 1	22,325,000
Net Bonds Issued (Redeemed)	<u>(990,000)</u>
Bonds Payable at June 30	<u>21,335,000</u>

The annual requirements to amortize the bonds outstanding as of June 30, 2025 including interest payments, are listed below:

<u>Year Ended</u>			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	1,040,000	795,350	1,835,350
2027	1,090,000	743,350	1,833,350
2028	1,145,000	688,850	1,833,850
2029	1,205,000	631,600	1,836,600
2030	1,265,000	571,350	1,836,350
2031-2035	7,190,000	1,977,000	9,167,000
2036-2040	8,400,000	771,000	9,171,000
Total	<u>21,335,000</u>	<u>6,178,500</u>	<u>27,513,500</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 9 Long-Term Liabilities – continued

C. Lease-Purchase Agreement

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

\$790,000 Lease-Purchase Agreement, due in
 semi-annual payments of \$91,814 to \$93,867
 from February 2, 2018 to August 1, 2027,
 interest rate of 3.15%. \$264,000

The annual requirements to amortize the Lease-Purchase Agreement outstanding as of June 30, 2025, including interest payments, are listed below.

<u>Year Ended</u>			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	85,000	6,977	91,977
2027	88,000	4,253	92,253
2028	91,000	1,433	92,433
Total	<u>264,000</u>	<u>12,663</u>	<u>276,663</u>

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

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

The following is a summary of the bond transactions of the District for the year ending June 30, 2025:

Bonds Payable at July 1	2,685,000
Net Bonds Issued (Redeemed)	<u>(175,000)</u>
Bonds Payable at June 30	<u>2,510,000</u>

The annual requirements to amortize the bonds outstanding as of June 30, 2025 including interest payments, are listed below:

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 9 Long-Term Liabilities – continued

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

<u>Year Ended</u>			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	225,000	125,500	350,500
2027	240,000	114,250	354,250
2028	250,000	102,250	352,250
2029	265,000	89,750	354,750
2030	280,000	76,500	356,500
2031-2034	<u>1,250,000</u>	<u>160,000</u>	<u>1,410,000</u>
Total	<u>2,510,000</u>	<u>668,250</u>	<u>3,178,250</u>

E. Changes in Long-Term Liabilities

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>7/01/24</u>	<u>Additions</u>	<u>Retirements</u>	<u>6/30/25</u>	<u>One Year</u>
GO School Bldg Bonds					
Series 2019A	22,325,000		990,000	21,335,000	1,040,000
Lease-Purchase					
Agreement	346,000		82,000	264,000	85,000
GO School Bldg Bonds					
Series 2023A	2,685,000		175,000	2,510,000	225,000
Bond Premium	2,355,554		161,876	2,193,678	161,876
Severance	48,909		14,146	34,763	14,024
Total	<u>27,760,463</u>	<u>-0-</u>	<u>1,423,022</u>	<u>26,337,441</u>	<u>1,525,900</u>

Note 10 Fund Balances

Non-Spendable Fund Balance

The District has the following non-spendable fund balances as of June 30, 2025:

General Fund

Prepaid Items	<u>88,274</u>
Total Funds	<u>88,274</u>

Restricted Fund Balance

The District has various restricted fund balances that are based on state requirements to track certain program funding, to provide funding for long-term debt requirements, or for other requirements. The District has the following restricted fund balances as of June 30, 2025:

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 10 Fund Balances – continued
Restricted Fund Balance – continued

General Fund

Student Activities	134,360
Staff Development	325,520
Literacy Incentive	108,049
Operating Capital	401,537
Learning and Development	41,499
Gifted and Talented	289,762
Basic Skills	86,884
Literacy Aid	43,208
Teacher Comp Read Act	21,681
Long Term Facility Maintenance	44,268
Medical Assistance	<u>66,089</u>
Total General Fund	1,562,857

Special Revenue Funds

Food Service Fund

Restricted	1,010,326
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Community Service Fund

Community Education	276,300
Early Childhood and Family Education	311,028
Learning Readiness	(19,007)
Restricted	<u>658</u>
Total Community Service Fund	<u>568,979</u>
Total Special Revenue funds	1,579,305

Capital Projects Fund

Restricted	1,487,883
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Debt Service Fund

Restricted	<u>484,797</u>
Total All Funds	<u>5,114,842</u>

Committed Fund Balance

The District has the following committed fund balances as of June 30, 2025:

General Fund

Severance	<u>34,763</u>
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 10 Fund Balances – continued

Assigned Fund Balance

The District has the following assigned fund balances as of June 30, 2025:

General Fund

Athletic Help Fund	12,376
Help Fund	5,306
Elem Help	7,872
Arrow Way	1,258
VPK	<u>130,476</u>
Total General Fund	<u>157,288</u>

Unassigned Fund Balance

The District has the following unassigned fund balances as of June 30, 2025:

<u>General Fund</u>	<u>5,490,199</u>
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Stabilization Amounts

Amounts formally set aside by the governmental unit for use in emergency situations such as revenue shortages or budgetary imbalances.

The District has no stabilization amounts as of June 30, 2025.

Note 11 Defined Benefit Pension Plans

A. Public Employees Retirement Association (PERA)

1. Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G and 356. Minnesota Statutes chapter 356 defines each plan’s financial reporting requirements. PERA’s defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

General Employees Retirement Plan (GERF)

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 11 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA)-continued

2. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is “vested”, they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employees Plan Benefits

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. The 2024 annual increase was 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 11 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA)-continued

3. Contributions

Minnesota Statutes Chapters 353, 353E, 353G, and 356 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

General Employees Fund Contributions

General Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2025 and the District was required to contribute 7.5% for General Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2025, were \$152,147. The District's contributions were equal to the required contributions as set by state statute.

4. Pension Costs

At June 30, 2025, the District reported a liability of \$802,153 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$20,742.

District's proportionate share of the net pension liability	802,153
State of Minnesota's proportionate share of the net pension liability associated with the District	<u>20,742</u>
Total	<u>822,895</u>

The net pension liability was measured as of June 30, 2024, 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, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0217 percent at the end of the measurement period and 0.0209 percent for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of (\$90,128) for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized \$556 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 11 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA)-continued

4. Pension Costs - continued

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$36,906 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$74,461	
Changes in actuarial assumptions	\$3,736	\$295,449
Difference between projected and actual investment earnings		\$239,307
Changes in proportion	\$41,380	\$5,338
Contributions paid to PERA subsequent to the measurement date	\$152,147	
Total	\$271,724	\$540,094

The \$152,147 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2025	(\$241,884)
2026	(\$30,993)
2027	(\$86,160)
2028	(\$61,480)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 11 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA) - continued

5. Long-Term Expected Return of Investment

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

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

6. Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7.0%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7.0% is within that range.

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

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

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

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

The following changes in actuarial assumptions and plan provisions occurred in 2024:

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 11 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA) - continued

6. Actuarial Methods and Assumptions – continued

General Employees Fund

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

7. Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

8. Pension Liability Sensitivity

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 11 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA) - continued

8. Pension Liability Sensitivity – continued

Sensitivity Analysis (In Thousands)		
<i>Net Pension Liability (Asset) at Different Discount Rates</i>		
	General Employees Fund	
1% Lower	6.00%	1,752,032
Current Discount Rate	7.00%	802,153
1% Higher	8.00%	20,792

9. Pension Plan Fiduciary Net Position

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

B. Teachers Retirement Association

1. Plan Description

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

Educators employed in Minnesota's public elementary and secondary school, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul schools or Minnesota State colleges and universities). Educators first hired by Minnesota State may elect either TRA coverage within one year of eligible employment or elect coverage through the Define Contribution Retirement Plan (DCR) administered by Minnesota State. A teacher employed by Minnesota State and electing DCR plan is not a member of TRA except for purposes of social security coverage.

2. Benefits Provided

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota Statute and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any consecutive 60 months of formula service, age, and years of formula service credit at termination of service. TRA members belong to either the Basic or Coordinated Plan.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 11 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association - continued

2. Benefits Provided - continued

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

Tier 1 Benefits

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

With these provisions:

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

or

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated members and 2.7 for Basic members applies. An early retirement reduction is applied to members retiring prior to age 65. Members who reach age 62 with 30 years of service have a lower (more favorable to the member) reduction rate applied.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 11 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association - continued

2. Benefits Provided - continued

Tier II Benefits

Members first employed **after June 30, 1989**, receive only the Tier II benefit calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66. After July 1, 2024, the age will change to not to exceed 65. An early retirement reduction is applied to members retiring before age 66, but will be age 65 after July 1, 2024. Members who reach age 62 with 30 years of service have a lower (more favorable to the member) early retirement reduction rate applied.

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

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

3. Contributions

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employers and employees. Rates for the fiscal year 2025 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, 2025 were \$598,603. The District's contributions were equal to the required contributions for each year as set by state statute.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 11 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association - continued

4. Actuarial Assumptions

The total pension liability in the July 1, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Experience Studies	August 2, 2023 (demographic and economic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected Salary Increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 20, 2028
Cost of living adjustment	1.00% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Mortality Assumptions	
Pre-Retirement:	PubT-2010(A) Employee Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Healthy Retirees:	PubT-2010(A) Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Beneficiaries:	Pub-2010(A) Contingent Survivor Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Disabled Retirees:	PubNS-2010 Disabled Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 11 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association - continued

4. Actuarial Assumptions – continued

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

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

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

Changes in actuarial assumptions since the 2022 valuation:

- Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub2010 family.
- Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint & Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

5. Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 11 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association - continued

5. Discount Rate – continued

contributions will be made at the fiscal year 2024 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. 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.

6. Net Pension Liability

On June 30, 2025, the District reported a liability of \$6,176,400 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.1036% at the end of the measurement period and 0.1026% for the beginning of the year.

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

District's proportionate share of net pension liability	\$6,176,400
State's proportionate share of the net pension Liability associated with the District	\$404,128

For the year ended June 30, 2025, the District recognized pension expense of \$47,706. It also recognized \$4,944 as an increase to pension expense for the support provided by direct aid.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$176 million to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the \$176 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$171,234 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Fund.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 11 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association - continued

6. Net Pension Liability - continued

On June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$289,848	\$75,125
Net difference between projected and actual earnings on plan inv.		\$598,609
Change in assumptions	\$502,000	\$736,552
Changes in proportion	\$236,048	\$306,781
Contributions paid to TRA subsequent to measurement date	\$598,603	
Total	\$1,626,499	\$1,717,067

\$598,603 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

2025	(\$240,309)
2026	\$507,540
2027	(\$455,100)
2028	(\$421,717)
2029	(\$79,585)

7. Pension Liability Sensitivity

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

Sensitivity of Net Pension Liability (NPL) to changes in the discount rate		
1 percent decrease (6.00%)	Current (7.00%)	1 percent increase (8.00%)
\$10,877,002	\$6,176,400	\$2,307,693

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 11 Defined Benefit Pension Plans – continued

B. Teachers Retirement Association - continued

8. Pension Plan Fiduciary Net Position

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

Note 12 Other Postemployment Benefits

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

General Information about the OPEB Plan

Plan Description

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

Benefits Provided

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

Employees covered by benefit terms

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

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

Contributions

The contribution requirements of the plan members and the District are established and may be amended by the Board of Education. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2025, the District contributed \$29,056 to the plan.

Net OPEB Liability

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 12 Other Postemployment Benefits – continued

Actuarial Assumptions

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

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at 7/1/2024	347,278	-0-	347,278
Changes for the year:			
Service cost	33,355		33,355
Interest cost	14,398		14,398
Benefit Payment	<u>(23,139)</u>	-0-	<u>(23,139)</u>
Net changes	<u>24,614</u>		<u>24,614</u>
Balances at 6/30/2025	<u><u>371,892</u></u>	-0-	<u><u>371,892</u></u>

Sensitivity of the net OPEB liability to changes in discount rate

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

	1% Decrease (2.9%)	Discount Rate (3.9%)	1% Increase (4.9%)
Net OPEB liability	\$395,203	\$371,892	\$349,624

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

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.25 percent decreasing to 4.0 percent) or 1-percentage-point higher (7.25 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 12 Other Postemployment Benefits – continued

	Healthcare Cost		
	1% Decrease (5.25% decreasing To 4.0%)	Trend Rates (6.25% decreasing to 5.0%)	1% Increase (7.25% decreasing to 6.0%)
Net OPEB Liability	\$333,562	\$371,892	\$417,599

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025, the District recognized OPEB expense of \$18,792. At June 30, 2025, the District reported deferred outflow of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Gains		\$116,882
Assumption Changes	\$14,128	\$21,670
Contributions paid to plan subsequent to measurement date	\$29,056	
	<u>\$43,184</u>	<u>\$138,552</u>

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

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

Note 13 Compensated Absences

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

Substantially all District employees are entitled to Earned Sick and Safe Time (ESST) at various rates. Upon termination or retirement, employees are not entitled to receive compensation for their accrued sick leave. Since the employees' accumulating rights to receive compensation for future absences are contingent upon the absences being caused by

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 13 **Vacation and Sick Leave/Compensated Absences** – continued
future illnesses and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences, was effective for fiscal years beginning after December 15, 2023. This statement provides guidance on the recognition measurement and disclosure requirements for compensated absences. The District did not have an applicable accrual for compensated absences for fiscal years 2024 and 2025.

Note 14 **Risk Management**

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

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

Note 15 **Excess Expenditures over Budget Appropriations**

The following governmental funds had excess expenditures over budget appropriations:

Community Service Fund	\$42,415
Capital Projects Fund	\$1,255,806

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD & A

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
DEFINED BENEFIT PENSION PLANS
JUNE 30, 2025

Actuarial Valuation Date	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (if Applicable) (b)	Total (a+b)	District's Covered- Employee Payroll (c)	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA							
June 30, 2015	0.0318%	1,648,041		1,648,041	1,887,731	87.3%	78.2%
June 30, 2016	0.0297%	2,411,493	31,508	2,443,001	1,887,731	129.4%	68.9%
June 30, 2017	0.0243%	1,551,296	19,509	1,570,805	1,923,321	81.7%	75.9%
June 30, 2018	0.0237%	1,314,779	43,167	1,357,946	1,487,907	91.3%	79.5%
June 30, 2019	0.0228%	1,260,561	39,165	1,299,726	1,616,067	80.4%	80.2%
June 30, 2020	0.0224%	1,342,982	41,250	1,384,232	1,594,533	86.8%	79.0%
June 30, 2021	0.0212%	905,335	27,714	933,049	1,528,840	61.0%	87.0%
June 30, 2022	0.0207%	1,639,447	48,048	1,687,495	1,552,867	108.7%	76.7%
June 30, 2023	0.0209%	1,168,705	32,253	1,200,958	1,649,027	72.8%	83.1%
June 30, 2024	0.0217%	802,153	20,742	822,895	1,836,400	44.8%	89.1%
TRA							
June 30, 2015	0.0103%	6,346,825		6,346,825	5,238,958	121.1%	76.8%
June 30, 2016	0.0996%	23,756,976	2,384,641	26,141,617	5,182,320	504.4%	44.9%
June 30, 2017	0.0981%	19,582,540	1,893,280	21,475,820	5,281,646	406.6%	51.6%
June 30, 2018	0.0990%	6,218,127	584,205	6,802,332	5,469,213	124.4%	78.1%
June 30, 2019	0.0976%	6,221,044	550,350	6,771,394	5,542,101	112.3%	78.1%
June 30, 2020	0.0956%	7,063,056	591,839	7,654,895	5,556,326	127.1%	75.5%
June 30, 2021	0.0940%	4,113,721	346,851	4,460,572	5,622,140	73.2%	86.6%
June 30, 2022	0.1082%	8,063,523	598,160	8,661,683	6,221,487	129.6%	76.2%
June 30, 2023	0.1026%	7,917,719	554,530	8,472,249	6,097,798	129.8%	76.4%
June 30, 2024	0.1036%	6,176,400	404,128	6,580,528	6,439,442	95.9%	82.1%

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

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

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
DEFINED BENEFIT PENSION PLANS
JUNE 30, 2025

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a - b)	Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (b/d)
<u>Pensions</u>					
PERA					
June 30, 2016	138,002	138,094	(92)	1,887,731	7.3%
June 30, 2017	138,146	138,146	-0-	1,887,731	7.3%
June 30, 2018	111,593	111,593	-0-	1,487,907	7.5%
June 30, 2019	121,205	121,205	-0-	1,616,067	7.5%
June 30, 2020	119,590	119,590	-0-	1,594,533	7.5%
June 30, 2021	114,663	114,663	-0-	1,528,840	7.5%
June 30, 2022	116,465	116,465	-0-	1,552,867	7.5%
June 30, 2023	123,677	123,677	-0-	1,649,027	7.5%
June 30, 2024	137,730	137,730	-0-	1,836,400	7.5%
June 30, 2025	152,147	152,147	-0-	2,028,627	7.5%
TRA					
June 30, 2016	388,674	388,674	-0-	5,182,320	7.5%
June 30, 2017	396,123	396,123	-0-	5,281,646	7.5%
June 30, 2018	410,191	410,191	-0-	5,469,213	7.5%
June 30, 2019	427,296	427,296	-0-	5,542,101	7.7%
June 30, 2020	440,061	440,061	-0-	5,556,326	7.9%
June 30, 2021	457,080	457,080	-0-	5,622,140	8.1%
June 30, 2022	518,872	518,872	-0-	6,221,487	8.3%
June 30, 2023	521,362	521,362	-0-	6,097,798	8.6%
June 30, 2024	563,451	563,451	-0-	6,439,442	8.7%
June 30, 2025	598,603	598,603	-0-	6,802,307	8.8%

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

REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S
NET OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability								
Service Cost	33,355	32,383	49,136	47,705	36,159	35,106	36,384	35,324
Interest Cost	14,398	11,075	11,315	16,989	16,650	18,430	17,881	16,992
Assumption Changes		(30,338)		32,968		(7,560)		
Differences between Expected and Actual Experience		(133,547)		(50,153)		(11,013)		
Benefit Payments	(23,139)	(54,276)	(55,962)	(60,197)	(46,797)	(35,200)	(38,460)	(16,183)
Net change in total OPEB liability	24,614	(174,703)	4,489	(12,688)	6,012	(237)	15,805	36,133
Total OPEB liability - beginning	347,278	521,981	517,492	530,180	524,168	524,405	508,600	472,467
Total OPEB liability - ending	371,892	347,278	521,981	517,492	530,180	524,168	524,405	508,600
Covered-employee payroll	7,336,122	7,122,449	7,118,944	6,911,596	6,764,797	6,567,764	6,614,006	6,421,365
District's Net OPEB liability as a percentage of covered-employee payroll	5.07%	4.88%	7.33%	7.49%	7.84%	7.98%	7.93%	7.92%

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

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

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
JUNE 30, 2025

General Employees Fund

2024 Changes

Changes in Actuarial Assumptions

The following changes in assumptions are effective with the July 1, 2024 valuation, as recommended in the most recent experience study (dated June 29, 2023):

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

2023 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
JUNE 30, 2025

General Employees Fund – continued

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2020 Changes

Changes in Actuarial Assumptions

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
JUNE 30, 2025

General Employees Fund - continued

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
JUNE 30, 2025

General Employees Fund - continued

2017 Changes – 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:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions:

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
JUNE 30, 2025

TRA Retirement Funds

2024 Changes

Changes in Actuarial Assumptions

- Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub2010 family.
- Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint & Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

2023 Changes

Changes in Actuarial Assumptions

- The 2023 Tax Finance and Policy Bill, effective July 1, 2025:
 - The employer contribution rate will increase from 8.75% to 9.5% on July 1, 2025.
 - The employee contribution rate will increase from 7.75% to 8% on July 1, 2025.
 - The pension adjustment rate for school districts and the base budgets for Minnesota State, Perpich Center for Arts Education, and Minnesota Academics will increase to reflect the 0.75% employer contribution rate increase.
- The 2024 Omnibus Pensions and Retirement Bill:
 - The Normal Retirement Age (NRA) for active and eligible deferred Tier II members will be 65 effective July 1, 2024.
 - TRA's amortization date will remain the same at 2048.

2022 Changes

Changes in Actuarial Assumptions

- None

2021 Changes

Changes in Actuarial Assumptions

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
JUNE 30, 2025

TRA Retirement Funds – continued

2020 Changes

Changes in Actuarial Assumptions

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

2019 Changes

Changes in Actuarial Assumptions

- None

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
JUNE 30, 2025

TRA Retirement Funds – continued

2017 Changes

Changes in Actuarial Assumptions

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

2016 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66 to 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price of inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
JUNE 30, 2025

TRA Retirement Funds – continued

2016 Changes – continued

Changes in Actuarial Assumptions – continued

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

2015 Changes

Changes of Benefit Terms

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

Changes in Actuarial Assumptions

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

Post Employment Health Care Plan

2025 Changes

Assumption Changes

- None

2024 Changes

Assumption changes

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

2023 Changes

Assumption changes

- None

2022 Changes

Assumption changes

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
JUNE 30, 2025

Post Employment Health Care Plan – continued

2021 Changes

Assumption changes

- None

2020 Changes

Assumption changes

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate changed from 3.40% to 3.10%.

2019 Changes

Assumption changes

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

Method Changes

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

GENERAL FUND
BALANCE SHEET
JUNE 30, 2025

<u>Assets</u>	2025	2024
Cash	3,643,435	2,474,318
Investments	4,405,132	5,390,950
Current Property Taxes Receivable	971,855	720,115
Delinquent Property Taxes Receivable	20,875	16,979
Accounts Receivable	7,639	6,003
Interest Receivable	148,741	79,160
Due From Department of Education	1,667,859	1,666,172
Due From Federal Government Through the Department of Education	208,136	647,920
Due From Other Governmental Units	136,846	64,034
Prepaid Expenses	88,274	130,140
Total Assets	<u>11,298,792</u>	<u>11,195,791</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>		
<u>Liabilities</u>		
Salaries Payable	811,604	712,805
Accounts Payable	306,011	510,167
Due to Other Governmental Units	391,059	380,879
Accrued Payroll Liabilities	547,361	529,495
Unearned Revenues	30,080	
Total Liabilities	<u>2,086,115</u>	<u>2,133,346</u>
<u>Deferred Inflows of Resources</u>		
Unavailable Revenue-Delinquent Taxes	20,875	16,979
Property Taxes Levied for Subsequent Years	<u>1,858,421</u>	<u>1,479,536</u>
Total Deferred Inflows of Resources	<u>1,879,296</u>	<u>1,496,515</u>
<u>Fund Balances</u>		
Fund Balance-Nonspendable	88,274	130,140
Fund Balance-Restricted	1,562,857	1,451,030
Fund Balance-Committed	34,763	48,909
Fund Balance-Assigned	157,288	25,298
Fund Balance-Unassigned	<u>5,490,199</u>	<u>5,910,553</u>
Total Fund Balances	<u>7,333,381</u>	<u>7,565,930</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>11,298,792</u>	<u>11,195,791</u>

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2025

	Year Ended June 30			2024
	2025			
	Budget	Actual	Variance with Final Budget	Actual
Revenues				
<u>Local Property Tax Levy</u>				
County Apportionment	33,000	30,596	(2,404)	32,136
Local Tax Levy	1,554,360	1,575,744	21,384	1,598,163
Miscellaneous Tax Revenue	58,823	68,119	9,296	57,715
Total Local Property Tax Levy	1,646,183	1,674,459	28,276	1,688,014
<u>Other Local and County Revenues</u>				
Admissions	45,600	54,456	8,856	51,959
Fees	1,850	866	(984)	2,381
Gifts and Bequests	7,950	55,359	47,409	38,120
Interest Income	157,080	259,951	102,871	252,656
Medical Assistance Revenue	41,521	86,106	44,585	66,665
Other Miscellaneous Income	198,689	207,833	9,144	228,264
Rent of Facilities	6,185	5,400	(785)	7,535
Tuition from Other Minnesota School Districts	720	5,508	4,788	26,290
Total Other Local and County Revenues	459,595	675,479	215,884	673,870
<u>Revenue From State Sources</u>				
Disparity	16,000	11,737	(4,263)	14,664
Education Homestead Credit	12,000	7,223	(4,777)	8,592
Endowment Fund Apportionment	65,996	76,972	10,976	68,654
General Education Aid	11,240,875	11,358,710	117,835	11,255,219
Other State Aids	489,187	508,164	18,977	349,470
Special Education	2,215,000	2,378,689	163,689	1,533,688
Total Revenue From State Sources	14,039,058	14,341,495	302,437	13,230,287
<u>Revenue From Federal Sources</u>				
Title Programs	371,596	368,978	(2,618)	353,877
CARES				653
ESSER	64,540	64,540		742,768
Federal Aid Programs	40,034	40,174	140	12,598
Total Revenue From Federal Sources	476,170	473,692	(2,478)	1,109,896
<u>Sales and Other Conversion of Assets</u>				
Sales of Material	750	4,354	3,604	683
Total Sales and Other				
Conversion of Assets	750	4,354	3,604	683
Total Revenues	16,621,756	17,169,479	547,723	16,702,750

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2025

	Year Ended June 30			2024
	2025		Variance with	
<u>Expenditures</u>	<u>Budget</u>	<u>Actual</u>	<u>Final Budget</u>	<u>Actual</u>
<u>District and School Administration</u>				
<u>Administration</u>				
Dues and Membership	15,360	10,861	(4,499)	11,284
Equipment	10,000	9,500	(500)	9,500
Fixed Charges and Employee Benefits	255,709	270,621	14,912	209,784
Instructional Supplies		372	372	37
Other	1,085		(1,085)	
Professional Services	57,300	112,227	54,927	85,151
Salaries	681,116	758,725	77,609	618,687
Supplies	31,800	40,894	9,094	51,602
Travel and Transportation	19,756	16,806	(2,950)	4,790
Utilities	1,500	1,000	(500)	1,292
Total Administration	1,073,626	1,221,006	147,380	992,127
<u>District Support Services</u>				
Dues and Membership	960	468	(492)	679
Equipment	7,127	7,726	599	24,053
Fixed Charges and Employee Benefits	61,837	71,500	9,663	65,352
Other	23,631	13,556	(10,075)	10,549
Professional Services	62,673	60,941	(1,732)	63,476
Rentals and Leases	111,904	85,079	(26,825)	84,964
Salaries	200,493	203,545	3,052	192,044
Supplies	4,700	5,578	878	1,742
Total District Support Services	473,325	448,393	(24,932)	442,859
<u>Regular Instruction</u>				
<u>District Wide</u>				
Equipment	3,000	5,991	2,991	
Fixed Charges and Employee Benefits	91,999	117,401	25,402	113,903
Instructional Supplies	18,377	1,579	(16,798)	5,052
Professional Services	3,500	2,976	(524)	25,613
Salaries	401,810	434,853	33,043	368,339
Supplies	132,528	151,842	19,314	147,981
Travel and Transportation	15,428	3,538	(11,890)	3,259
Total District Wide	666,642	718,180	51,538	664,147
<u>Elementary School</u>				
Fixed Charges and Employee Benefits	696,490	636,842	(59,648)	635,587
Instructional Supplies	145,548	146,413	865	189,536
Professional Services	6,750	6,818	68	3,391
Reimbursements to Other MN Districts		246	246	
Salaries	2,324,256	2,367,143	42,887	2,307,589
Supplies	27,103	18,547	(8,556)	4,759
Travel and Transportation	22,853	52,429	29,576	21,640
Total Elementary School	3,223,000	3,228,438	5,438	3,162,502

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2025

	Year Ended June 30			2024
	2025		Variance with	
	Budget	Actual	Final Budget	Actual
<u>Expenditures - continued</u>				
<u>Regular Instruction - continued</u>				
<u>Middle School</u>				
Fixed Charges and Employee Benefits	269,155	202,377	(66,778)	234,783
Instructional Supplies	34,337	31,453	(2,884)	30,688
Salaries	868,377	710,676	(157,701)	766,632
Supplies	593	880	287	1,501
Travel and Transportation	12,920	5,179	(7,741)	12,288
Total Middle School	1,185,382	950,565	(234,817)	1,045,892
<u>Secondary School</u>				
Dues and Memberships	3,361	3,432	71	3,238
Equipment	45,378	56,625	11,247	53,245
Fixed Charges and Employee Benefits	479,621	480,722	1,101	411,344
Instructional Supplies	112,470	111,774	(696)	98,129
Professional Services	67,360	78,031	10,671	57,840
Reimbursements to Other Agencies/Districts	370,875	362,320	(8,555)	380,637
Reimbursements to Other MN Districts		3,042	3,042	1,618
Rentals and Leases	13,500	12,940	(560)	13,130
Repair and Maintenance	8,000	10,499	2,499	22,990
Salaries	1,647,423	1,778,900	131,477	1,637,423
Supplies	68,705	103,597	34,892	83,922
Travel and Transportation	141,595	107,475	(34,120)	117,804
Total Secondary School	2,958,288	3,109,357	151,069	2,881,320
Total Regular Instruction	8,033,312	8,006,540	(26,772)	7,753,861
<u>Vocational Instruction</u>				
Fixed Charges and Employee Benefits	80,686	82,535	1,849	78,885
Instructional Supplies	41,121	44,253	3,132	38,823
Reimbursements to Other Agencies/Districts		5,603	5,603	2,974
Rentals and Leases	7,500	7,200	(300)	7,200
Salaries	317,022	320,713	3,691	312,517
Supplies	446	315	(131)	398
Travel and Transportation	9,500	7,508	(1,992)	9,403
Total Vocational Instruction	456,275	468,127	11,852	450,200

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2025

	Year Ended June 30			2024
	2025		Variance with	
	Budget	Actual	Final Budget	Actual
<u>Expenditures - continued</u>				
<u>Exceptional Instruction</u>				
Fixed Charges and Employee Benefits	269,939	251,796	(18,143)	223,024
Instructional Supplies	5,493	7,817	2,324	14,037
Professional Services	387,963	407,814	19,851	451,128
Reimbursements to Other Agencies/Districts	74,828	74,672	(156)	63,435
Reimbursements to Other MN Districts	375,581	394,562	18,981	380,429
Salaries	1,373,357	1,185,378	(187,979)	1,105,000
Supplies	4,440	6,374	1,934	3,941
Travel and Transportation	13,086	35,440	22,354	21,637
Total Exceptional Instruction	2,504,687	2,363,853	(140,834)	2,262,631
<u>Instructional Support Services</u>				
Dues		3,633	3,633	4,468
Equipment	40,820	36,120	(4,700)	44,320
Fixed Charges and Employee Benefits	112,520	111,633	(887)	81,187
Instructional Supplies	29,973	28,651	(1,322)	12,713
Professional Services	185,005	131,324	(53,681)	133,261
Repair and Maintenance	35,700	33,546	(2,154)	20,103
Salaries	369,004	382,934	13,930	408,550
Supplies	106,443	116,101	9,658	142,062
Travel and Transportation	69,647	47,536	(22,111)	46,293
Utilities	500	1,000	500	292
Total Instructional Support	949,612	892,478	(57,134)	893,249
<u>Pupil Support Services</u>				
Fixed Charges and Employee Benefits	109,271	108,536	(735)	93,549
Insurance	5,361		(5,361)	
Instructional Supplies	1,755	524	(1,231)	290
Professional Services	52,000	60,699	8,699	55,332
Reimbursements to Other MN Districts				50,653
Repair and Maintenance	835	459	(376)	
Salaries	418,901	395,251	(23,650)	323,724
Supplies	24,504	35,335	10,831	27,545
Travel and Transportation	1,101,023	1,152,155	51,132	1,027,374
Total Pupil Support Services	1,713,650	1,752,959	39,309	1,578,467

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2025

	Year Ended June 30			2024
	2025			
	Budget	Actual	Variance with Final Budget	Actual
<u>Expenditures - continued</u>				
<u>Site, Building and Equipment</u>				
Building Improvements	297,393	310,099	12,706	441,055
Dues and Memberships	1,000	407	(593)	349
Equipment	61,602	61,683	81	36,108
Fixed Charges and Employee Benefits	244,970	189,614	(55,356)	140,663
Fuel	85,200	62,585	(22,615)	44,130
Lease Interest	9,608	9,608		14,124
Lease Principle	82,000	82,000		96,153
Professional Services	21,243	28,347	7,104	30,989
Rentals and Leases	9,000	35,954	26,954	3,500
Repair and Maintenance	253,073	267,673	14,600	217,949
Salaries	507,564	523,558	15,994	404,696
Site and Ground Acquisition	10,904	6,752	(4,152)	61,650
Supplies	143,677	133,652	(10,025)	179,195
Travel and Transportation		251	251	20
Utilities	359,133	360,125	992	326,357
Total Site, Building and Equipment	2,086,367	2,072,308	(14,059)	1,996,938
<u>Fixed Cost Programs</u>				
Property Insurance	185,400	177,812	(7,588)	148,610
Total Fixed Cost Programs	185,400	177,812	(7,588)	148,610
Total Expenditures	17,476,254	17,403,476	(72,778)	16,518,942
Excess Revenues (Expenditures)	(854,498)	(233,997)	620,501	183,808
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	1,448	1,448		4,100
Transfer In		30,704	30,704	
Transfer Out		(30,704)	(30,704)	
Total Other Financing Sources (Uses)	1,448	1,448	-0-	4,100
Excess Revenues and Other Financing Sources Over Expenditures and Other Uses	(853,050)	(232,549)	620,501	187,908
Fund Balance-July 1		7,565,930		7,378,022
Fund Balance-June 30		7,333,381		7,565,930

ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2025

	Food	Community	Total	
	Service	Service	(Memo Only)	
<u>Assets</u>			2025	2024
Cash and Investments	743,985	653,546	1,397,531	1,553,546
Current Property Taxes Receivable		60,429	60,429	51,520
Delinquent Property Taxes Receivable		861	861	899
Accounts Receivable	91,295		91,295	108,132
Due from Department of Education		6,406	6,406	6,725
Due from Federal Government Through the Department of Education	235,090		235,090	16,817
Total Assets	<u>1,070,370</u>	<u>721,242</u>	<u>1,791,612</u>	<u>1,737,639</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>				
<u>Liabilities</u>				
Salaries Payable		25,077	25,077	52,945
Accounts Payable	40,883	297	41,180	45,623
Unearned Revenue	19,161		19,161	20,519
Total Liabilities	<u>60,044</u>	<u>25,374</u>	<u>85,418</u>	<u>119,087</u>
<u>Deferred Inflows of Resources</u>				
Unavailable Revenue-Delinquent Taxes		861	861	899
Property Taxes Levied for Subsequent Years Expenditures		126,028	126,028	114,751
Total Deferred Inflows of Resources	<u>-0-</u>	<u>126,889</u>	<u>126,889</u>	<u>115,650</u>
<u>Fund Balances</u>				
Fund Balance-Restricted	1,010,326	568,979	1,579,305	1,502,902
Total Fund Balances	<u>1,010,326</u>	<u>568,979</u>	<u>1,579,305</u>	<u>1,502,902</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>1,070,370</u>	<u>721,242</u>	<u>1,791,612</u>	<u>1,737,639</u>

SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2025

	Food	Community	Total	
	Service	Service	(Memo Only)	
<u>Revenues</u>			2025	2024
Local Property Tax Levy		111,386	111,386	108,076
Other Local and County Revenues	29,692	111,890	141,582	176,927
Revenue from State Sources	434,366	68,688	503,054	499,782
Revenue from Federal Sources	577,047		577,047	648,642
Other	72,754		72,754	80,877
Total Revenues	<u>1,113,859</u>	<u>291,964</u>	<u>1,405,823</u>	<u>1,514,304</u>
<u>Expenditures</u>				
Community Education and Services		275,198	275,198	359,827
Pupil Support Services	1,054,222		1,054,222	1,025,367
Total Expenditures	<u>1,054,222</u>	<u>275,198</u>	<u>1,329,420</u>	<u>1,385,194</u>
Excess Revenues (Expenditures)	59,637	16,766	76,403	129,110
Fund Balance-July 1	950,689	552,213	1,502,902	1,373,792
Fund Balance-June 30	<u>1,010,326</u>	<u>568,979</u>	<u>1,579,305</u>	<u>1,502,902</u>

FOOD SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2025

	Year Ended June 30			2024
	2025			
	Budget	Actual	Variance with Final Budget	Actual
<u>Revenues</u>				
<u>Other Local and County Revenues</u>				
Interest Income	18,360	29,692	11,332	27,192
Miscellaneous	5,000		(5,000)	
Total Other Local and County Revenues	23,360	29,692	6,332	27,192
<u>Revenue From State Sources</u>				
Breakfast Reimbursement	116,525	91,042	(25,483)	108,885
Lunch Reimbursement	330,759	343,013	12,254	321,649
Summer Food Service Program		311	311	419
Total Revenue From State Sources	447,284	434,366	(12,918)	430,953
<u>Revenue From Federal Sources</u>				
Breakfast Reimbursement	151,550	115,733	(35,817)	143,052
Commodities	60,000	66,557	6,557	84,759
Lunch Reimbursement	355,688	365,382	9,694	388,361
Special Milk Program				239
Summer Food Service Program	30,305	29,375	(930)	32,231
Total Revenue From Federal Sources	597,543	577,047	(20,496)	648,642
<u>Sales and Other Conversion of Assets</u>				
Lunch and Breakfast Sales	78,500	72,754	(5,746)	80,877
Total Revenues	1,146,687	1,113,859	(32,828)	1,187,664
<u>Expenditures</u>				
<u>Pupil Support Services</u>				
Commodities	60,000	66,557	6,557	84,759
Equipment	20,000	65,395	45,395	74,469
Milk				31,907
Other		6,047	6,047	6,979
Professional Services	985,896	880,012	(105,884)	747,036
Repairs and Maintenance	10,000	12,955	2,955	29,039
Supplies	36,750	23,203	(13,547)	51,072
Travel and Transportation	150	53	(97)	106
Total Expenditures	1,112,796	1,054,222	(58,574)	1,025,367
Excess Revenues (Expenditures)	33,891	59,637	25,746	162,297
Fund Balance-July 1		950,689		788,392
Fund Balance-June 30		1,010,326		950,689

COMMUNITY SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2025

	Year Ended June 30			2024
	2025		Variance with	
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>	<u>Final Budget</u>	<u>Actual</u>
<u>Local Property Tax Levy</u>				
Local Tax Levy	110,251	111,386	1,135	108,076
Total Local Property Tax Levy	110,251	111,386	1,135	108,076
<u>Other Local and County Revenues</u>				
Fees	37,507	39,305	1,798	33,990
Gifts and Bequests	2,000	6,450	4,450	3,750
Interest Income	12,240	21,808	9,568	23,088
Other Miscellaneous Income	2,000	8,103	6,103	2,295
Tuition from Patrons	39,364	36,224	(3,140)	86,612
Total Other Local and County Revenues	93,111	111,890	18,779	149,735
<u>Revenue From State Sources</u>				
Disparity	2,500	2,083	(417)	2,413
Market Value Credits	2,000	1,282	(718)	1,414
Other State Aids	60,427	65,323	4,896	65,002
Total Revenue From State Sources	64,927	68,688	3,761	68,829
Total Revenues	268,289	291,964	23,675	326,640
<u>Expenditures</u>				
<u>Community Education and Services</u>				
Dues and Memberships	960	935	(25)	1,665
Equipment		5,991	5,991	
Fixed Charges	28,726	33,571	4,845	57,917
Instructional Supplies	25,268	29,959	4,691	31,634
Other Non-Education Agencies	21,213	21,213		21,212
Professional Services	7,380	12,609	5,229	254
Rentals and Leases	1,620	2,493	873	2,395
Repair and Maintenance	250		(250)	396
Salaries	117,581	130,826	13,245	141,573
Supplies	8,915	17,403	8,488	15,841
Travel and Transportation	20,870	20,198	(672)	86,940
Total Expenditures	232,783	275,198	42,415	359,827
Excess Revenues (Expenditures)	35,506	16,766	(18,740)	(33,187)
Fund Balance-July 1		552,213		585,400
Fund Balance-June 30		568,979		552,213

CAPITAL PROJECTS FUND
BALANCE SHEET
JUNE 30, 2025

	<u>2025</u>	<u>2024</u>
<u>Assets</u>		
Cash	1,487,883	2,790,797
Total Assets	<u>1,487,883</u>	<u>2,790,797</u>
 <u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>		
<u>Liabilities</u>		
Total Liabilities	<u>-0-</u>	<u>-0-</u>
 <u>Fund Balances</u>		
Fund Balance-Restricted	1,487,883	2,790,797
Total Fund Balances	<u>1,487,883</u>	<u>2,790,797</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>1,487,883</u>	<u>2,790,797</u>

CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2025

	Year Ended June 30			
	2025			2024
	Budget	Actual	Variance with Final Budget	Actual
<u>Revenues</u>				
<u>Other Local and County Revenues</u>				
Interest Income	132,000	127,892	(4,108)	116,650
Total Other Local and County Revenues	132,000	127,892	(4,108)	116,650
<u>Expenditures</u>				
<u>Site, Building and Equipment</u>				
Building	175,000	1,415,550	1,240,550	
Insurance		15,256	15,256	
Professional Services				209,073
Total Expenditures	175,000	1,430,806	1,255,806	209,073
Excess Revenues (Expenditures)	(175,000)	(1,302,914)	(1,259,914)	(92,423)
<u>Other Financing Sources (Uses)</u>				
Bond Premium				198,220
Bond Proceeds				2,685,000
Total Other Financing Sources (Uses)	-0-	-0-	-0-	2,883,220
Excess Revenues and Other Financing Sources Over Expenditures and Other Uses	(43,000)	(1,302,914)	(1,259,914)	2,790,797
Fund Balance-July 1		2,790,797		-0-
Fund Balance-June 30		1,487,883		2,790,797

DEBT SERVICE FUND
BALANCE SHEET
JUNE 30, 2025

<u>Assets</u>	<u>2025</u>	<u>2024</u>
Cash	885,468	879,386
Current Property Taxes Receivable	1,657,631	1,672,693
Delinquent Property Taxes Receivable	3,607	7,075
Due from Department of Education	125,181	99,301
Total Assets	<u>2,671,887</u>	<u>2,658,455</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>		
<u>Deferred Inflows of Resources</u>		
Unavailable Revenue-Delinquent Taxes	3,607	7,075
Property Taxes Levied for Subsequent Years	2,183,483	2,228,141
Total Liabilities	<u>2,187,090</u>	<u>2,235,216</u>
<u>Fund Balances</u>		
Fund Balance-Restricted	484,797	423,239
Total Fund Balances	<u>484,797</u>	<u>423,239</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>2,671,887</u>	<u>2,658,455</u>

DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2025

	Year Ended June 30			2024
	2025		Variance with	
	Budget	Actual	Final Budget	Actual
<u>Revenues</u>				
<u>Local Property Tax Levy</u>				
Local Tax Levy	1,140,196	966,551	(173,645)	834,990
Total Local Property Tax Levy	1,140,196	966,551	(173,645)	834,990
 <u>Other Local and County Revenues</u>				
Interest Income	16,320	36,146	19,826	29,646
Total Other Local and County Revenues	16,320	36,146	19,826	29,646
 <u>Revenue From State Sources</u>				
Disparity Reduction	38,000	40,368	2,368	39,360
Market Value Credits	25,000	24,844	(156)	23,063
School Building Bond Ag Credit	1,024,945	1,186,601	161,656	930,590
Total Revenue From State Sources	1,087,945	1,251,813	163,868	993,013
Total Revenue	2,244,461	2,254,510	10,049	1,857,649
 <u>Expenditures</u>				
<u>Fiscal and Other Fixed Cost Programs</u>				
Interest and Fiscal Charges	1,027,952	1,027,952		891,850
Principal	1,165,000	1,165,000		940,000
Total Expenditures	2,192,952	2,192,952	-0-	1,831,850
 Excess Revenues (Expenditures)	51,509	61,558	10,049	25,799
Fund Balance-July 1		423,239		397,440
Fund Balance-June 30		484,797		423,239

UNIFORM FINANCIAL ACCOUNTING & REPORTING STANDARDS
COMPLIANCE TABLE
FOR THE YEAR ENDED JUNE 30, 2025

	Audit	UFARS	Audit - UFARS
<u>01 GENERAL FUND</u>			
Total Revenues	17,169,479	17,169,479	0
Total Expenditures	17,403,476	17,403,476	0
Nonspendable:			
460 Non Spendable Fund Balance	88,274	88,274	0
Restricted/Reserve:			
401 Student Activities	134,360	134,360	0
403 Staff Development	325,520	325,520	0
412 Literacy Incentive Aid	108,049	108,049	0
424 Operating Capital	401,537	401,537	0
428 Learning & Development	41,499	41,500	-1
438 Gifted & Talented	289,762	289,762	0
441 Basic Skills Programs	86,884	86,884	0
456 Literacy Aid	43,208	43,208	0
457 Teacher Comp Read Act	21,681	21,681	0
467 Long Term Facility Maintenance	44,268	44,268	0
472 Medical Assistance	66,089	66,089	0
Committed:			
418 Committed for Separation	34,763	34,763	0
Assigned:			
462 Assigned Fund Balance	157,288	157,288	0
Unassigned:			
422 Unassigned Fund Balance	5,490,199	5,490,199	0
<u>02 FOOD SERVICE</u>			
Total Revenues	1,113,859	1,113,860	-1
Total Expenditures	1,054,222	1,054,222	0
Restricted:			
464 Restricted Fund Balance	1,010,326	1,010,326	0
<u>04 COMMUNITY SERVICE</u>			
Total Revenues	291,964	291,964	0
Total Expenditures	275,198	275,198	0
Restricted/Reserve:			
431 Community Education	276,300	276,300	0
432 Early Childhood and Family Education	311,028	311,029	-1
444 Learning Readiness	(19,007)	(19,007)	0
464 Restricted Fund Balance	658	658	0
<u>06 BUILDING CONSTRUCTION</u>			
Total Revenues	127,892	127,892	0
Total Expenditures	1,430,806	1,430,807	1
Restricted/Reserve:			
464 Restricted Fund Balance	1,487,883	1,487,883	0
<u>07 DEBT SERVICE</u>			
Total Revenues	2,254,510	2,254,510	0
Total Expenditures	2,192,952	2,192,952	0
Restricted:			
464 Restricted Fund Balance	484,797	484,797	0

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

Pass Through Grantor/ Program Title	Assistance Listing Number	Federal Expenditures	Expenditures to Subrecipients	Federal Funding Source	Loan Award
Through Minnesota Department of Education					
Child Nutrition Cluster:					
School Breakfast Program	10.553	115,733	None	USDOA	No
National School Lunch Program	10.555	351,973	None	USDOA	No
Summer Food Service Program for Children	10.559	42,784	None	USDOA	No
Total Child Nutrition Cluster		510,490			
Food Distribution Cluster:					
Commodity Supplemental Food Program	10.565	66,557	None	USDOA	No
Title I	84.010	295,228	None	USDOED	No
Title II	84.367	30,957	None	USDOED	No
Title III	84.365	22,126	None	USDOED	No
Title IV	84.424	20,667	None	USDOED	No
Education Stabilization Cluster:					
COVID-ESSER-III	84.425UC	64,540	None	USDOED	No
Through SW/WC Coop					
Special Education Cluster:					
Special Education	84.027	32,374	None	USDOED	No
Perkins	84.048	7,800	None	USDOED	No
Total Federal Expenditures		<u>1,050,739</u>			

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

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – PASS-THROUGH GRANT NUMBERS

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

NOTE 3 – INDIRECT COST RATE

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

NOTE 4 – LOAN BALANCES

None

NOTE 5 – SUBRECIPIENTS

None

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CERTIFIED PUBLIC ACCOUNTANTS

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PARTNERS

Matthew A. Taubert, CPA
David W. Friedrichsen, CPA
Daryl J. Kanthak, CPA
Blake R. Klinsing, CPA
Amy L. Mollberg, CPA

WITH THE FIRM
Kirk W. Morgan, CPA

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Independent School District No. 2689, Pipestone Area Schools, Pipestone, Minnesota, as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise the Independent School District No. 2689's basic financial statements and have issued our report thereon dated November 14, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Independent School District No. 2689's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Independent School District No. 2689's internal control. Accordingly, we do not express an opinion on the effectiveness of the Independent School District No. 2689's internal control over.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2025-001 and 2025-002, that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that the Independent School District No. 2689 failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School District's*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Independent School District No. 2689's noncompliance with the above referenced provisions.

Independent School District No. 2689's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Independent School District No. 2689's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



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

November 14, 2025

MEULEBROECK, TAUBERT & CO., PLLP
CERTIFIED PUBLIC ACCOUNTANTS

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Kirk W. Morgan, CPA

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Independent School District No. 2869, Pipestone Area Schools, Pipestone, Minnesota's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Independent School District No. 2869's major federal programs for the year ended June 30, 2025. Independent School District No. 2689's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we

have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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



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

November 14, 2025

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE
FOR THE YEAR ENDED JUNE 30, 2025

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes, Audit Finding 2025-001
• Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted:	No

Federal Awards

Type of auditor’s report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	No
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No
Identification of Major Programs	
Assistance Listing No:	10.553
Name of Federal Program or Cluster:	School Breakfast Program - Child Nutrition Cluster
Assistance Listing No:	10.555
Name of Federal Program or Cluster:	National School Lunch Program - Child Nutrition Cluster
Assistance Listing No:	10.559
Name of Federal Program or Cluster:	Summer food Service Program for Children – Child Nutrition Cluster
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low risk auditee?	No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE
FOR THE YEAR ENDED JUNE 30, 2025

SECTION II – FINANCIAL STATEMENT FINDINGS

2025-001 Internal Accounting Controls

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

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

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

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

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

Corrective Action Plan (CAP)

Evaluation of disagreement with audit findings:

There is no disagreement with the audit findings.

Actions planned in response to the finding:

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

Official responsible for Ensuring CAP:

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

Planned completion date for CAP:

December 31, 2025

Plan to monitor completion of CAP:

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE
FOR THE YEAR ENDED JUNE 30, 2025

SECTION II – FINANCIAL STATEMENT FINDINGS – CONTINUED

2025-002 GAAP Financial Statements

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

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

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

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

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

Corrective Action Plan (CAP):

Evaluation of disagreement with audit findings:

There is no disagreement with the audit findings.

Actions planned in response to the finding:

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

Official Responsible for Ensuring CAP:

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

Planned Completion Date for CAP:

December 31, 2025

Plan to Monitor Completion of CAP:

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE
FOR THE YEAR ENDED JUNE 30, 2025

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

2024-001 Internal Accounting Controls

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

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

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

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

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

Corrective Action Plan (CAP)

Evaluation of disagreement with audit findings:

There is no disagreement with the audit findings.

Actions planned in response to the finding:

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

Official responsible for Ensuring CAP:

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

Planned completion date for CAP:

December 31, 2025

Plan to monitor completion of CAP:

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE
FOR THE YEAR ENDED JUNE 30, 2025

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS - CONTINUED

2024-002 GAAP Financial Statements

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

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

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

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

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

Corrective Action Plan (CAP):

Evaluation of disagreement with audit findings:

There is no disagreement with the audit findings.

Actions planned in response to the finding:

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

Official Responsible for Ensuring CAP:

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

Planned Completion Date for CAP:

December 31, 2025

Plan to Monitor Completion of CAP:

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



Dr. Klint W. Willert, Superintendent
Sonja Ortman, MS/HS Principal
Jennifer Moravetz, Elementary Principal
Len Burzynski, Maintenance Director
Lisa Pease, Coordinator of Curriculum, Teaching & Learning, and Continuous Improvement

Jacque Kennedy, Business Manager
Rick Zollner, Activities Director
Josh Stukel, Technology Director
Kim Tuin, Food Service Director

CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2025

Independent School District No. 2689, Pipestone Area Schools, respectfully submits the following corrective action plan for the year ended June 30, 2025.

Audit period: July 1, 2024-June 30, 2025

The findings from the June 30, 2025 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

2025-001 Internal Accounting Controls

Recommendation: We recommend management be aware to the lack of segregation of duties within the accounting functions and provide oversight to ensure the internal control policies and procedures are being implemented by organization staff.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

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

Name of the contact person responsible for corrective action: Dr. Klint W. Willert, Superintendent and Jacque Kennedy, Business Manager

Planned completion date for corrective action plan: December 31, 2025.

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

MATERIAL WEAKNESS

2025-002 Annual Financial Reporting Under Generally Accepted Accounting Principles

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

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

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

Name of the contact person responsible for corrective action: Dr. Klint W. Willert, Superintendent and Jacque Kennedy, Business Manager

Planned completion date for corrective action plan: December 31, 2025.



Dr. Klint W. Willert, Superintendent
Sonja Ortman, MS/HS Principal
Jennifer Moravetz, Elementary Principal
Len Burzynski, Maintenance Director
Lisa Pease, Coordinator of Curriculum, Teaching & Learning, and Continuous Improvement

Jacque Kennedy, Business Manager
Rick Zollner, Activities Director
Josh Stukel, Technology Director
Kim Tuin, Food Service Director

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED JUNE 30, 2025

Independent School District No. 2689, Pipestone Area Schools, respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2024.

Audit period: July 1, 2023-June 30, 2024

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS – FINANCIAL STATEMENT

Prior Year Reference Number: 2024-001 Internal Accounting Controls

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

Status: Continuing

Reason for Finding's Recurrence: Limited number of personnel makes it difficult to resolve this finding. Management is aware of the lack of segregation of the accounting functions and will implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff and encourage additional controls as they become available due to changes in staff, etc.

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

Prior Year Reference Number: 2024-002 Annual Financial Reporting Under Generally Accepted Accounting Principles

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

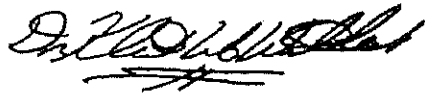
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Status: Continuing

Reason for Finding's Recurrence: The district relies on the audit firm to prepare annual financial statements and related note disclosures.

Corrective Action: The district understands this is required communications for the preparation of the financial statements and will continue to work at this area to achieve the overall goal.

If involved agencies have any questions regarding this plan, please call Dr. Klint W. Willert at 507-562-6068.

A handwritten signature in black ink, appearing to read "Dr. K. Willert", with a horizontal line drawn underneath.

Dr. Klint W. Willert, Superintendent
Independent School District No. 2689
Pipestone, Minnesota