Independent School District No. 883
Rockford, Minnesota

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2025

SCHLENNER WENNER & CO.
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INDEPENDENT SCHOOL DISTRICT NO. 883
ROCKFORD, MINNESOTA
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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 883
BOARD OF EDUCATION AND ADMINISTRATION
FOR THE YEAR ENDED JUNE 30, 2025

BOARD OF EDUCATION

Name	Title	Term Expires
Eric Gordee	Chair	December 31, 2026
Jessica Johnson	Vice Chair	December 31, 2028
Chris Morgan	Treasurer	December 31, 2028
Jamie Hillstrom	Clerk	December 31, 2026
Beth Praska	Director	December 31, 2026
Kevin Sjodin	Director	December 31, 2028

ADMINISTRATION

Name	Title
Dr. Jeff Ridlehoover	Superintendent
Mike McNulty	Director of Business Operations
Bridget Peterson	CFO / Business Manager

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 883
Rockford, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 883, Rockford, Minnesota (the District), 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, each major fund, and the aggregate remaining fund information of Independent School District No. 883, Rockford, Minnesota, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our 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.

Emphasis of Matter

As discussed in Note 1.G. to the financial statements, during the year ended June 30, 2025, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule, Schedule of Changes in District's Net OPEB Liability, Schedule of Money-Weighted Rate of Return on OPEB Plan Assets, Schedule of District's Proportionate Share of Net Pension Liability, and Schedule of District Pension Contributions 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 Independent School District No. 883's basic financial statements. The accompanying introductory section, combining nonmajor fund financial statements, Uniform Financial Accounting and Reporting Standards Compliance Table, 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*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, Uniform Financial Accounting and Reporting Standards Compliance Table, and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 nonmajor fund financial statements, Uniform Financial Accounting and Reporting Standards Compliance Table, and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2025, on our consideration of Independent School District No. 883's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Independent School District No. 883's internal control over financial reporting and compliance.

Schlenner Wenner & Co.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota
December 9, 2025

REQUIRED SUPPLEMENTARY INFORMATION

As management of Independent School District No. 883 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $11,644,168 (net position). Of this amount, negative $8,707,765 is considered unrestricted.

- The District's total net position increased $3,516,129 as a result of current year operations.

- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $9,512,402, a decrease of $376,751 in comparison with the prior year. Approximately 52 percent of this amount, $4,953,008, is available for spending at the District's discretion.

- At the end of the current fiscal year, unassigned fund balance for the General Fund is $4,238,209, or 19 percent of total General Fund expenditures.

- The District's total debt decreased by $4,597,275 (16 percent) in the current fiscal year, excluding the change in the net pension liability and compensated absences.

- During the year ended June 30, 2025, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. As a result of adopting this new accounting standard, the opening net position of the District's governmental activities was restated. See additional information at Note 5.D. to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

The major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain, are summarized in the table on the following page. The remainder of the overview section of the Management Discussion and Analysis highlights the structure and contents of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

	Government-Wide	Fund Financial Statements	
		Governmental Funds	**Fiduciary Funds**
Scope	Entire District, except fiduciary activities	The activities of the District such as regular instruction, special education, support services, building maintenance, food service, community education, and administration	Activities the District operates in trust or for which the District is a fiscal agent
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows/liability/deferred inflows information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; deferred inflows of resources recorded to defer unavailable assets; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of outflow/inflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid

Government-Wide Financial Statements
The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the net difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and accrued but unpaid interest).

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include administration, district support services, regular instruction, vocational instruction, exceptional instruction, community education and services, instructional support services, pupil support services, sites and buildings, fiscal and other fixed cost programs, and interest and other fiscal charges. The District currently does not report any business-type activities.

The government-wide financial statements start on page 20 of this report.

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains two individual major governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and Debt Service Fund, both of which are considered to be major funds. Data from any remaining governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 22 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the district-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for the district-wide financial statements.

The basic fiduciary fund financial statements start on page 26 of this report.

Notes to the Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements start on page 28 of this report.

Supplementary Information

The combining statements referred to earlier in connection with nonmajor governmental funds are presented as supplementary information. Combining fund statements start on page 76 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources, for a net balance of $11,644,168 at the close of the most recent fiscal year.

A significant portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, improvements, vehicles, equipment, and leased equipment), less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Position
Table 1

	Governmental Activities		
	2025	2024	Increase (Decrease)
Assets			
Current and Other Assets	$ 22,508,625	$ 22,841,151	$ (332,526)
Capital Assets	40,676,238	41,825,597	(1,149,359)
Total Assets	63,184,863	64,666,748	(1,481,885)
Deferred Outflows of Resources	2,846,070	3,482,806	(636,736)
Liabilities			
Current and Other Liabilities	3,386,624	3,170,565	216,059
Noncurrent Liabilities	38,284,154	43,294,483	(5,010,329)
Total Liabilities	41,670,778	46,465,048	(4,794,270)
Deferred Inflows of Resources	12,715,987	10,132,519	2,583,468
Net Position			
Net Investment in Capital Assets	15,634,938	14,685,636	949,302
Restricted	4,716,995	3,208,008	1,508,987
Unrestricted	(8,707,765)	(6,341,657)	(2,366,108)
Total Net Position	$ 11,644,168	$ 11,551,987	$ 92,181

An additional portion of the District's net position ($4,716,995) represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted balance of net position was negative $8,707,765 at year end. This unrestricted balance has been reduced by a total of $11,352,684 as a result of recording the District's proportionate share of the net pension liability and related balances for the statewide pension plans in which the District employees participate.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position
The District's net position increased $3,516,129 during the most recent fiscal year. Key elements of this increase are as follows:

Changes in Net Position
Table 2

	Governmental Activities		
	2025	2024	Increase (Decrease)
Revenues			
Program Revenues			
Charges for Services	$ 1,864,550	$ 1,744,560	$ 119,990
Operating Grants and Contributions	6,117,763	7,031,766	(914,003)
Capital Grants and Contributions	173,964	171,446	2,518
General Revenues			
Property Taxes	8,723,033	8,453,275	269,758
State Aid Not Restricted to Specific Programs	14,330,731	13,828,489	502,242
Earnings on Investments	583,279	628,399	(45,120)
Gifts and Donations	104,202	171,951	(67,749)
Gain (Loss) on Sale of Assets	-	15,982	(15,982)
Miscellaneous	261,860	116,446	145,414
Total Revenues	32,159,382	32,162,314	(2,932)
Expenses			
Administration	1,195,498	1,113,121	82,377
District Support Services	1,466,192	1,474,909	(8,717)
Regular Instruction	10,693,836	10,531,892	161,944
Vocational Instruction	261,592	286,929	(25,337)
Exceptional Instruction	3,712,994	3,182,782	530,212
Community Education and Services	1,627,146	1,473,624	153,522
Instructional Support Services	1,375,461	988,642	386,819
Pupil Support Services	5,189,343	4,360,244	829,099
Sites and Buildings	2,461,987	2,606,890	(144,903)
Fiscal and Other Fixed Cost Programs	232,133	177,754	54,379
Interest and Other Fiscal Charges	427,071	526,057	(98,986)
Total Expenses	28,643,253	26,722,844	1,920,409
Change in Net Position	3,516,129	5,439,470	(1,923,341)
Net Position - Beginning of Year (6/30/24 Restated)	8,128,039	6,112,517	2,015,522
Net Position - End of Year	$ 11,644,168	$ 11,551,987	$ 92,181

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Some significant items to note include the following:

- The current year increase in net position was $3,516,129, compared to an increase of $5,439,470 in the prior year. This is the result of a 0.01 percent decrease in revenues and a 7.19 percent increase in expenses during fiscal year 2025.

- Operating Grants and Contributions decreased $914,003 due largely to decreases in desegregation transportation aid and special education funding received from the State in the current year.

- Revenues from state aid not restricted to specific programs increased $502,242, primarily due to an increase in general education aid. This aid fluctuates year to year based on changes in pupil units and state aid funding formulas.

- Expenses related to pupil support increased $829,099, primarily due an increase in transportation and food service costs incurred during the current year.

- Expenses related to exceptional instruction increased $530,212 and instructional support services increased $386,819, primarily due to increases in personnel costs in comparison to the prior year.

Total and Net Cost of Governmental Activities

The net cost of governmental activities is their total costs less program revenues applicable to each category. The following table presents these total and net costs.

Total and Net Costs of Services
Table 3

	Total Cost of Services			Net Cost of Services		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Administration	$ 1,195,498	$ 1,113,121	$ 82,377	$ 1,158,548	$ 1,094,267	$ 64,281
District Support Services	1,466,192	1,474,909	(8,717)	1,462,826	1,474,909	(12,083)
Regular Instruction	10,693,836	10,531,892	161,944	9,153,957	9,043,549	110,408
Vocational Instruction	261,592	286,929	(25,337)	256,521	285,603	(29,082)
Exceptional Instruction	3,712,994	3,182,782	530,212	1,265,476	304,926	960,550
Community Education and Services	1,627,146	1,473,624	153,522	224,766	203,276	21,490
Instructional Support Services	1,375,461	988,642	386,819	1,365,002	978,021	386,981
Pupil Support Services	5,189,343	4,360,244	829,099	2,652,653	1,265,100	1,387,553
Sites and Buildings	2,461,987	2,606,890	(144,903)	2,288,023	2,421,610	(133,587)
Fiscal and Other Fixed Cost Programs	232,133	177,754	54,379	232,133	177,754	54,379
Interest and Other Fiscal Charges	427,071	526,057	(98,986)	427,071	526,057	(98,986)
Totals	$ 28,643,253	$ 26,722,844	$ 1,920,409	$ 20,486,976	$ 17,775,072	$ 2,711,904

Some significant items to note include the following:

- The net costs related to exceptional instruction increased $960,550 (315.0 percent), due to the factors previously discussed in conjunction with a decrease in operating grants and contributions applied to these program costs.

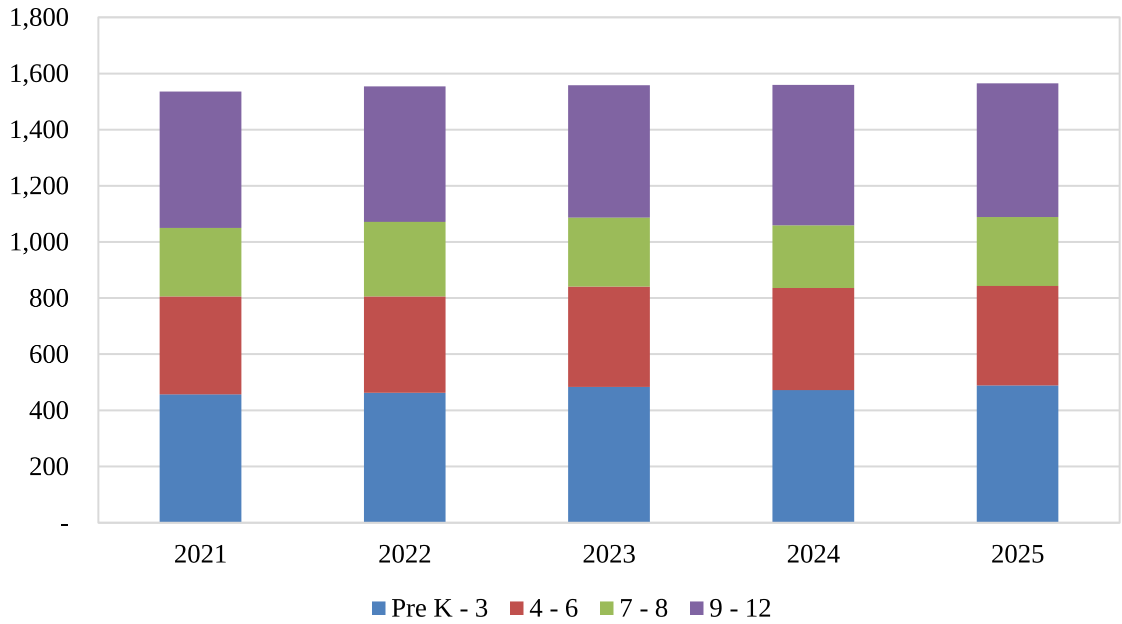
- The net costs related to pupil support services increased $1,387,553 (109.7 percent), primarily due to the decrease in the corresponding desegregation transportation aid previously discussed, as well as an increase transportation and food service costs.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The majority of the financial aid received by the District is determined based on the number of students enrolled during the year. Therefore, fluctuations in enrollment have a significant impact on the financial health of the District. The following graphs show the trend in student enrollment counts over the past five years:

	Student Enrollment (Average Daily Membership)				
	2021	2022	2023	2024	2025
Pre K - 3	457	463	484	472	489
4 - 6	349	343	357	364	355
7 - 8	244	266	246	223	244
9 - 12	486	482	471	500	477
Total Student for Aid	1,536	1,554	1,558	1,559	1,565
Percentage Change	-6.85%	1.17%	0.26%	0.06%	0.38%

Student Enrollment (in ADM's)



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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

Governmental Funds

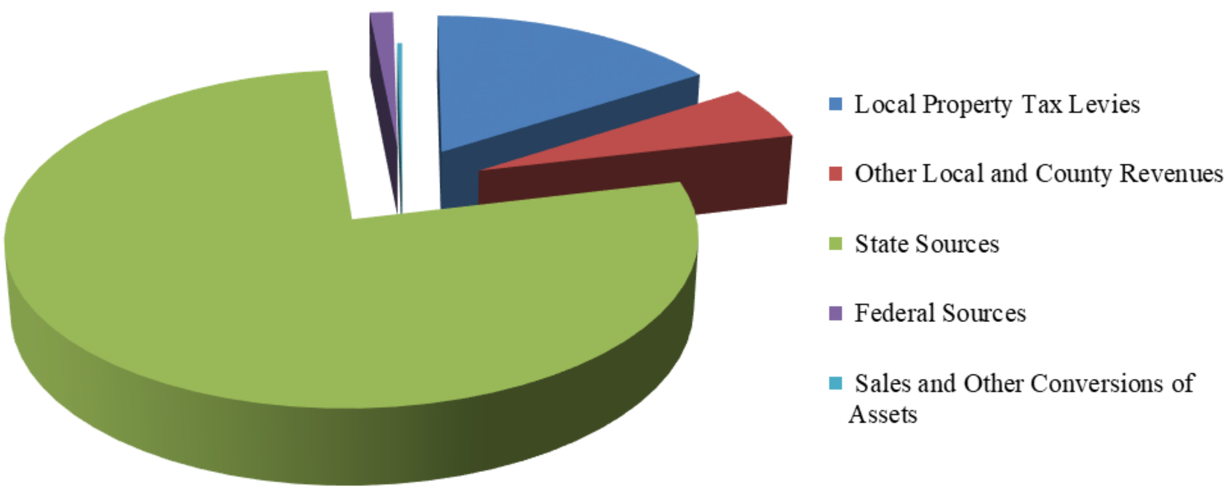
The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $9,512,402, a decrease of $376,751 in comparison with the prior year. The following is a summary of the District's major funds:

	Fund Balance June 30,		Increase
Major Funds	2025	2024	(Decrease)
General	$ 6,792,658	$ 5,974,195	$ 818,463

The fund balance of the General Fund increased by $818,463 (14 percent). Revenues decreased approximately 1.61 percent from the prior year, while expenditures increased approximately 2.53 percent. Operations were generally consistent with the prior year.

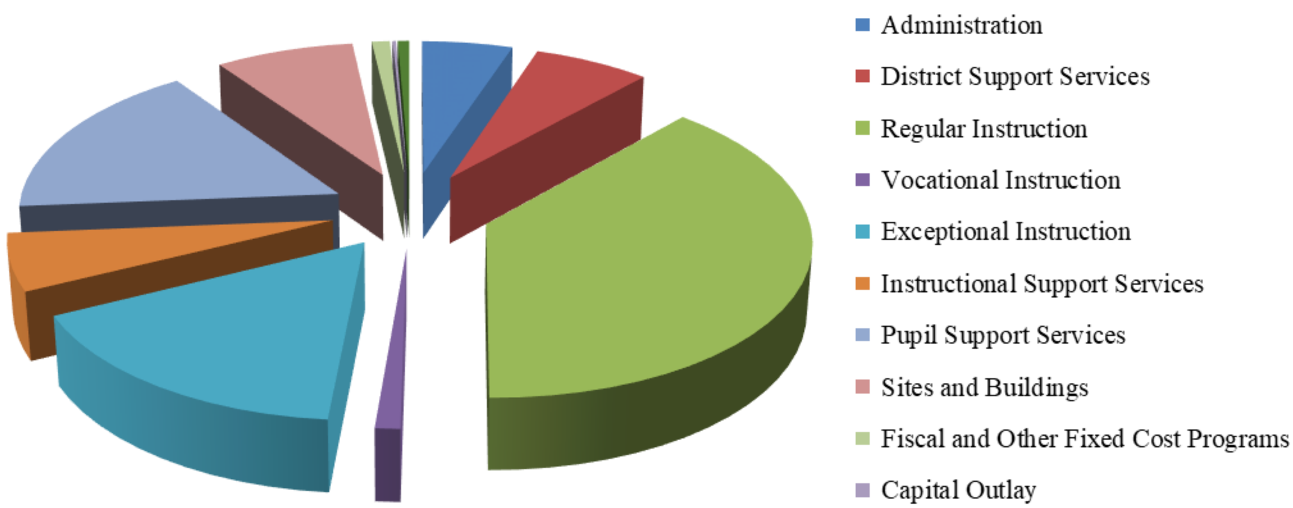
General Fund Revenues



The District receives the vast majority of its funding in the General Fund from the State of Minnesota (77 percent), which is subject to fluctuation based on the number of pupils served by the District and changes in State legislation. In addition, the District receives approximately 16 percent of its General Fund revenues from local property tax levies and 5 percent from other local and county revenues.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

General Fund Expenditures



A significant portion of the District's General Fund expenditures are used for regular, vocational, and exceptional instruction (56 percent). Expenditures for various support services total 29 percent, and the remaining 15 percent consists of expenditures for administration, sites and buildings, and other items.

Major Funds	Fund Balance June 30, 2025	Fund Balance June 30, 2024	Increase (Decrease)
Debt Service	$ 452,595	$ 253,267	$ 199,328

The Debt Service Fund balance increased $199,328 (79 percent) during the year. Operations in this fund were comparable to that of the prior year.

General Fund Budgetary Highlights

The District's General Fund budget was amended during the year. The revenues budget was increased by $933,349, and the expenditures budget was changed in several functions for an overall increase of $220,676 from the original to final. The final budget called for expenditures of $22,345,739, and an overall increase in fund balance of $535,050. Actual revenues recognized during the year were above budgeted amounts by $836,346. Expenditures were more than those budgeted by $552,933. Therefore, the current year change in fund balance was $283,413 more than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2025 amounts to $40,676,238 (net of accumulated depreciation and amortization). This investment in capital assets includes land, construction in progress, site improvements, buildings and improvements, equipment, vehicles, and leased equipment. The total decrease in the District's investment in capital assets for the current fiscal year was approximately 2.7 percent.

Major capital asset events during the current fiscal year included the following:

- Completion of the roofing project - $1,276,172
- Carpet replacement - $187,060
- Track resurfacing - $172,880

Capital Assets Net of Depreciation and Amortization
Table 4

	Governmental Activities		
	2025	2024	Increase (Decrease)
Land	$ 1,224,853	$ 1,224,853	$ -
Construction in Progress	434,615	990,927	(556,312)
Land Improvements	8,919,748	7,675,053	1,244,695
Buildings and Improvements	29,156,456	30,896,415	(1,739,959)
Equipment and Vehicles	790,053	834,713	(44,660)
Leased Equipment	150,513	203,636	(53,123)
Total	$ 40,676,238	$ 41,825,597	$ (1,149,359)

Additional information on the District's capital assets can be found in Note 2.B. on page 38 of this report.

Long-Term Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of $24,606,685 excluding the District's long-term net pension liability of $10,145,944 and compensated absences liability of $3,531,525. A summary of long-term debt activity for the year ended June 30, 2025 follows:

Long-Term Debt
Table 5

	Governmental Activities		
	2025	2024	Increase (Decrease)
General Obligation Bonds	$ 22,760,000	$ 26,958,000	$ (4,198,000)
Unamortized Premium	1,202,963	1,483,418	(280,455)
Financing Arrangements	480,364	549,791	(69,427)
Lease Liabilities	163,358	212,751	(49,393)
Total	$ 24,606,685	$ 29,203,960	$ (4,597,275)

The District's total debt decreased by $4,597,275 (16 percent) during the current fiscal year. Additional information on the District's long-term debt can be found in Note 2.D. on page 39 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's appointed and elected officials considered many factors when setting the fiscal year 2026 budget. These factors included the following:

- The District's enrollment has been stable in recent years and is projected to decline slightly in future years.

- For State aid funding, the District will be receiving an additional 2.74 percent in general aid funding in FY26. Funding increases in FY27, will be 2.0 percent in general education aid and an increase of $547 per adjusted daily membership in English Learner aid.

- Budgets include normal inflationary increases in expenditures, with more significant increases expected in utility, transportation, insurance, and food costs, especially due to inflationary increases in all goods and services.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with 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, please contact the business office of Independent School District No. 883 at 6051 Ash Street, Rockford, MN 55373.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF NET POSITION
JUNE 30, 2025

	Governmental Activities
ASSETS	
Cash and Temporary Investments	$ 13,045,399
Property Taxes Receivable	5,095,240
Accounts Receivable	43,280
Interest Receivable	7,594
Lease Receivable	88,772
Due from Fiduciary Funds	25,800
Due from Other Minnesota School Districts	115,972
Due from Minnesota Department of Education	3,164,707
Due from Federal Government through Minnesota Department of Education	185,596
Net OPEB Asset	736,265
Capital Assets not Being Depreciated or Amortized	1,659,468
Capital Assets Being Depreciated or Amortized (Net)	39,016,770
TOTAL ASSETS	63,184,863
DEFERRED OUTFLOWS OF RESOURCES	
OPEB	70,108
Pensions	2,775,962
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,846,070
LIABILITIES	
Accounts Payable	627,503
Salaries Payable	942,469
Accrued Interest Payable	271,633
Construction Contract Payable	434,615
Payroll Deductions and Employer Contributions	925,673
Unearned Revenue	184,731
Noncurrent Liabilities:	
Amount Due Within One Year	4,322,964
Amount Due After One Year	23,815,246
Net Pension Liability	10,145,944
TOTAL LIABILITIES	41,670,778
DEFERRED INFLOWS OF RESOURCES	
Property Taxes Levied for Subsequent Years	8,382,732
Lease Deferrals	82,226
OPEB	268,327
Pensions	3,982,702
TOTAL DEFERRED INFLOWS OF RESOURCES	12,715,987
NET POSITION	
Net Investment in Capital Assets	15,634,938
Restricted:	
General Fund Operating Capital	256,172
General Fund State-Mandated Restrictions	1,576,932
Debt Service	182,127
Building Construction	1,929,217
Food Service	548,811
Community Service	223,736
Unrestricted	(8,707,765)
TOTAL NET POSITION	$ 11,644,168

INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense)/ Revenue
Governmental Activities:					
Administration	$ 1,195,498	$ 36,950	$ -	$ -	$ (1,158,548)
District Support Services	1,466,192	3,366	-	-	(1,462,826)
Regular Instruction	10,693,836	405,314	1,134,565	-	(9,153,957)
Vocational Instruction	261,592	-	5,071	-	(256,521)
Exceptional Instruction	3,712,994	52,253	2,395,265	-	(1,265,476)
Community Education and Services	1,627,146	1,189,398	212,982	-	(224,766)
Instructional Support Services	1,375,461	10,459	-	-	(1,365,002)
Pupil Support Services	5,189,343	166,810	2,369,880	-	(2,652,653)
Sites and Buildings	2,461,987	-	-	173,964	(2,288,023)
Fiscal and Other Fixed Cost Programs	232,133	-	-	-	(232,133)
Interest and Other Fiscal Charges	427,071	-	-	-	(427,071)
Total Governmental Activities	$ 28,643,253	$ 1,864,550	$ 6,117,763	$ 173,964	(20,486,976)
	General Revenues:				
	Property Taxes				8,723,033
	State Aid Not Restricted to Specific Programs				14,330,731
	Earnings on Investments				583,279
	Gifts and Donations				104,202
	Miscellaneous				261,860
	Total General Revenues				24,003,105
	CHANGE IN NET POSITION				3,516,129
	NET POSITION - BEGINNING OF YEAR (As Previously Reported)				11,551,987
	ADJUSTMENTS AND RESTATEMENTS				
	Restatement - Change in Accounting Principle				(3,423,948)
	NET POSITION - BEGINNING OF YEAR (As Adjusted or Restated)				8,128,039
	NET POSITION - END OF YEAR				$ 11,644,168

See Accompanying Notes.

INDEPENDENT SCHOOL DISTRICT NO. 883
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Temporary Investments	$ 7,243,503	$ 2,836,805	$ 2,965,091	$ 13,045,399
Property Taxes Receivable:				
Current	1,718,592	2,597,232	61,802	4,377,626
Delinquent	309,360	396,909	11,345	717,614
Accounts Receivable	40,879	-	2,401	43,280
Interest Receivable	7,594	-	-	7,594
Due from Other Funds	25,800	-	-	25,800
Due from Other Minnesota School Districts	115,972	-	-	115,972
Due from Minnesota Department of Education	3,049,549	28,541	86,617	3,164,707
Due from Federal Government through Minnesota Department of Education	123,849	-	61,747	185,596
Lease Receivable	88,772	-	-	88,772
TOTAL ASSETS	$ 12,723,870	$ 5,859,487	$ 3,189,003	$ 21,772,360
LIABILITIES				
Accounts Payable	$ 398,370	$ -	$ 229,133	$ 627,503
Salaries Payable	895,305	-	47,164	942,469
Construction Contracts Payable	-	-	434,615	434,615
Payroll Deductions and Employer Contributions	925,673	-	-	925,673
Unearned Revenue	107,966	-	76,765	184,731
Total Liabilities	2,327,314	-	787,677	3,114,991
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue:				
Delinquent Property Taxes	293,581	375,636	10,792	680,009
Property Taxes Levied for Subsequent Years	3,228,091	5,031,256	123,385	8,382,732
Lease Deferrals	82,226	-	-	82,226
Total Deferred Inflows of Resources	3,603,898	5,406,892	134,177	9,144,967
FUND BALANCES				
Nonspendable	6,546	-	-	6,546
Restricted	1,833,104	452,595	2,267,149	4,552,848
Assigned	714,799	-	-	714,799
Unassigned	4,238,209	-	-	4,238,209
Total Fund Balances	6,792,658	452,595	2,267,149	9,512,402
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 12,723,870	$ 5,859,487	$ 3,189,003	$ 21,772,360

INDEPENDENT SCHOOL DISTRICT NO. 883
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Total Fund Balances - Governmental Funds		$ 9,512,402
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds:		
Capital Assets	$ 87,534,212	
Accumulated Depreciation and Amortization	(46,857,974)	
Capital Assets (Net)		40,676,238
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds:		
Bond Principal Payable	(22,760,000)	
Unamortized Premium	(1,202,963)	
Compensated Absences	(3,531,525)	
Financing Arrangements	(480,364)	
Lease Liabilities	(163,358)	
		(28,138,210)
The net OPEB asset represents assets held for postemployment benefits other than pensions, reduced by the present value of projected future liabilities for such benefits as determined by an actuary as of the most recent measurement date. Such asset and related balances do not represent the impending use of current financial resources and, therefore, are not reported in the governmental funds:		
Net OPEB Asset	736,265	
Deferred Outflows - OPEB	70,108	
Deferred Inflows - OPEB	(268,327)	
		538,046
The net pension liability and related deferred outflows/inflows represent the allocation of the pension obligations of the statewide plans to the District. Such balances are not reported in the governmental funds:		
Net Pension Liability	(10,145,944)	
Deferred Outflows - Pensions	2,775,962	
Deferred Inflows - Pensions	(3,982,702)	
		(11,352,684)
Interest on long-term debt is recognized as an expenditure when due and payable in the governmental funds. Therefore, interest is not accrued in the governmental funds Balance Sheet, but is accrued in the Statement of Net Position:		(271,633)
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds:		680,009
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 11,644,168

INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	Debt Service Fund	Formerly Major Fund: Building Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Local Property Tax Levies	$ 3,770,273	$ 4,830,447		$ 125,809	$ 8,726,529
Other Local and County Revenues	1,279,087	-		1,332,486	2,611,573
State Sources	18,301,747	285,421		879,309	19,466,477
Federal Sources	303,085	-		512,775	815,860
Sales and Other Conversions of Assets	62,943	-		139,375	202,318
TOTAL REVENUES	23,717,135	5,115,868		2,989,754	31,822,757
EXPENDITURES					
Current:					
Administration	1,173,088	-		-	1,173,088
District Support Services	1,509,455	-		-	1,509,455
Regular Instruction	8,822,381	-		-	8,822,381
Vocational Instruction	256,141	-		-	256,141
Exceptional Instruction	3,747,606	-		-	3,747,606
Community Education and Services	-	-		1,587,601	1,587,601
Instructional Support Services	1,370,591	-		-	1,370,591
Pupil Support Services	3,801,091	-		1,356,041	5,157,132
Sites and Buildings	1,794,948	-		8,575	1,803,523
Fiscal and Other Fixed Cost Programs	232,133	-		-	232,133
Capital Outlay	43,777	-		1,432,079	1,475,856
Debt Service:					
Principal	118,820	4,173,000		-	4,291,820
Interest and Other Charges	28,641	743,540		-	772,181
TOTAL EXPENDITURES	22,898,672	4,916,540		4,384,296	32,199,508
NET CHANGE IN FUND BALANCES	818,463	199,328		(1,394,542)	(376,751)
FUND BALANCES - BEGINNING (As Previously Reported)	5,974,195	253,267	$ 2,731,107	930,584	9,889,153
ADJUSTMENTS AND RESTATEMENTS					
Adjustment - Change in Major Funds	-	-	(2,731,107)	2,731,107	-
FUND BALANCES - BEGINNING (As Adjusted)	5,974,195	253,267	-	3,661,691	9,889,153
FUND BALANCES - ENDING	$ 6,792,658	$ 452,595	$ -	$ 2,267,149	$ 9,512,402

INDEPENDENT SCHOOL DISTRICT NO. 883
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Net Change in Fund Balances - Total Governmental Funds		$ (376,751)
Amounts reported for governmental activities in the Statement of Activities are different due to the following:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation and amortization expense:		
Capital Outlay Capitalized	$ 1,184,295	
Depreciation and Amortization Expense	(2,333,654)	
		(1,149,359)
The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The amounts below detail the effects of these differences in the treatment of long-term debt and related items:		
Bond Principal Repayments	4,173,000	
Bond Principal Adjustment	25,000	
Amortization of Bond Premiums	280,455	
Lease Principal Repayments	49,393	
Financing Arrangement Principal Repayments	69,427	
		4,597,275
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due:		39,655
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period:		
Property Taxes		(3,496)
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 the governmental funds:		
Compensated Absences Payable		(107,577)
Certain liabilities do not represent the impending use of current resources. Therefore, the change in such liabilities and related deferrals are not reported in the governmental funds:		
Net OPEB Asset and Deferred Outflows/Inflows of Resources	31,384	
Net Pension Liability and Deferred Outflows/Inflows of Resources	484,998	
		516,382
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 3,516,129

See Accompanying Notes.

INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2025

	Postemployment Benefits Irrevocable Trust Fund
ASSETS	
Cash and Temporary Investments	$ 1,158,559
Interest Receivable	21,808
TOTAL ASSETS	1,180,367
LIABILITIES	
Due to Primary Government	25,800
FIDUCIARY NET POSITION	
Restricted for Other Postemployment Benefits	$ 1,154,567

See Accompanying Notes.

INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Postemployment Benefits Irrevocable Trust Fund
ADDITIONS	
Investment Interest	$ 47,862
DEDUCTIONS	
Fees for Services	292
CHANGE IN FIDUCIARY NET POSITION	47,570
FIDUCIARY NET POSITION - BEGINNING	1,106,997
FIDUCIARY NET POSITION - ENDING	$ 1,154,567

See Accompanying Notes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.A. FINANCIAL REPORTING ENTITY

Independent School District No. 883 (the District) is an educational entity established by the State of Minnesota. The government of the District is directed by an elected six-member Board of Education (the Board). The Board exercises legislative authority and determines all matters of policy. The Board appoints personnel responsible for the proper administration of all affairs relating to the District. The accompanying financial statements present the government entities for which the District is considered to be financially accountable.

The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Based on these criteria, there are currently no entities considered to be component units of the District.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. However, the Board does have administrative control over student activity funds, as well as responsibility for establishing broad policies and ensuring that appropriate financial records are maintained for student activities. Accordingly, the student activity accounts are included in the basic financial statements as part of the General Fund.

Joint Ventures

<u>Meeker and Wright Special Education Cooperative</u>
The Meeker and Wright Special Education Cooperative (MAWSECO) is consortium of seven school districts collaborating to provide certain low incidence and at-risk services that would likely be difficult to obtain on an individual basis. Through a Joint Powers agreement executed by the districts of Annandale, Dassel-Cokato, Delano, Howard Lake-Waverly-Winsted, Litchfield, Maple Lake, and Rockford, the MAWSECO uses a combination of local, state, and federal funding to provide teachers, specialists, administrative assistance, and support personnel. In addition, collaborative funding is used to ensure access to joint staff development opportunities and various data management systems.

During the year ended June 30, 2025, the District incurred expenditures of $275,251 for services rendered by the MAWSECO, of which $24,036 was still due from the District at year-end. Additionally, the District recognized revenues for flow-through Federal aids from the MAWSECO in the amount of $100,972, of which $100,972 was still due to the District at year-end.

1.B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all nonfiduciary activities of the primary government. For the most part, interfund activities have been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operations 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*.

Separate financial statements are provided for governmental funds and fiduciary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The financial statements of Independent School District No. 883 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accountin*g, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenses are classified by function for governmental activities.

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. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character	Current (further classified by function)
	Capital Outlay
	Debt Service

Property taxes, intergovernmental revenue, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

The District reports the following major governmental funds:

The G*eneral Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The District reports the following nonmajor governmental funds:

The *Nonmajor Special Revenue Funds* account for the proceeds of specific revenue sources (other than expendable trust and major capital projects) that are legally restricted to expenditures for specified purposes.

The *Building Construction Fund* is a capital project fund used to account for the District's building projects, as well as the proceeds from debt issued to finance such projects.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

The District reports the following fiduciary fund:

> The *Postemployment Benefits Irrevocable Trust Fund* is used to account for an irrevocable trust established to fund postemployment benefits (other than pension benefits) accrued by the employees of the District to be paid as they come due.

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

Changes in the Financial Reporting Entity
The Building Construction Fund was reported as a major fund in the prior year but shifted to a nonmajor fund presentation during the year ended June 30, 2025.

1.D. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. The appropriated budgets are prepared by fund, function, and department. Independent School District No. 883's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is not employed by the District because it is at present not considered necessary to assure effective budgetary control or to facilitate effective cash management.

1.E. USE OF ESTIMATES

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

1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY

Deposits and Investments

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable participation by each of the funds. Temporary cash investments are stated at cost which approximates fair value. Investments in external investment pools are valued at the pool's share price.

See Note 2.A. for additional information related to Deposits and Investments.

Property Taxes Receivable

The majority of District revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between property taxes and state aids by the Legislature based on education funding priorities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the State budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District.

Property tax levies are certified to the County in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become an enforceable lien on property on the following January 1. The County generally remits taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred in the fund financial statements because it is not known to be available to finance the operation of the District in the current year. For government-wide financial statements, no allowance for uncollectible taxes is considered necessary.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. No substantial losses are anticipated from present receivable balances; therefore, no allowance for uncollectible accounts is deemed necessary.

Due from Other Governments

Amounts due from the Minnesota Department of Education, from the federal government through the Department of Education and from other governmental units for general education aids and reimbursements under various specific programs are reported at the estimated amounts to be received based on available information at the date of this report. In some instances, adjustments and proration by these agencies, which are dependent upon the amount of funds available for distribution, and may result in differing amounts actually being received. Any such differences will be absorbed into operations as of the subsequent period.

Prepaids

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Inventories

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

Lease Receivable

Lease receivables are determined based on future lease payments to be received under each corresponding lease agreement over the lease term, discounted using the interest rate applied to the leasing arrangement. If not defined in the lease agreement, implicit interest rates are determined based on the estimated incremental borrowing rate. Collections under the leasing arrangements are recorded as a reduction to the corresponding lease receivable, as well as lease interest revenues.

Upon initial execution of a lease, a corresponding deferred inflow of resources balance is recorded. This balance is amortized on a straight-line basis over the term of the lease, resulting in the recognition of lease revenues.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District maintains a threshold level of $5,000 for capitalizing capital assets. The system for accumulation of fixed asset cost data does not provide the means for determining the percentage of assets valued at actual and those valued at estimated cost.

Capital assets are recorded in the district-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated or amortized using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the District, no salvage value is taken into consideration for depreciation/amortization purposes. Useful lives vary from twenty to fifty years for land improvements and buildings, and five to fifteen years for equipment and vehicles. Leased assets are amortized over the term of the corresponding lease agreement.

Capital assets not being depreciated or amortized include land and construction in progress, if any.

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

Accrued Payroll Liabilities

Salaries pertaining to the school year ended June 30, 2025, which are payable in July and August 2025, are accrued as of June 30, 2025, and are shown as a liability on the accompanying financial statements. Liabilities for payroll taxes, amounts withheld from payroll checks and benefits accrued are also included.

Unearned Revenue

Unearned revenue consists of local revenue received but not yet earned. Such amounts typically consist of grants and entitlements received before eligibility requirements are met, receipts that are applicable to the subsequent year's programs, and prepaid pupil lunch balances.

Compensated Absences Payable

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (paid) during or upon separation from employment. Based on the criteria, the PTO balances accumulated by District employees qualify for liability recognition as compensated absences. The liability for compensated absences is reported as incurred in the government-wide financial statements. The liability for compensated absences includes salary-related benefits, where applicable.

Long-Term Obligations

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Postemployment Benefits Other Than Pensions (OPEB)

Under the provisions of the various employee and union contracts, the District provides health insurance coverage for varying lengths of time if certain age and minimum years of service requirements are met.

Pensions

The net pension liability represents the District's allocation of its pro-rata share of the Statewide Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) net pension liabilities.

PERA
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 additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TRA
For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Teachers Retirement Association (TRA) and additions to/deductions from TRA's fiduciary net position have been determined on the same basis as they are reported by TRA.

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

Interfund Transactions and Balances

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. If short-term in nature or incurred through goods and service type transactions, such interfund balances are reported as "due to/from other funds." Long-term interfund loans are reported as "advances to/from other funds." Interfund transactions and balances between governmental funds are eliminated in the Statement of Net Position. See additional information at Note 2.F.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods and, therefore, will not be recognized as an outflow of resources (expense) until that time. The District reports deferred outflows of resources in the government-wide Statement of Net Position in relation to the activity of the pension funds and OPEB plan in which District employees participate.

In addition to liabilities, the Statement of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position or fund balance that applies to future periods and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The District reports property taxes levied for subsequent years and lease receivables as deferred inflows of resources in both the government-wide and governmental fund financial statements. The District reports delinquent property tax receivables as deferred inflows of resources in the governmental funds, in accordance with the modified accrual basis of accounting. In addition, the District reports deferred inflows of resources in the government-wide Statement of Net Position in relation to the activity of the pension funds and OPEB plan in which District employees participate.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

See Notes 3 and 4 for additional information pertaining to the deferred outflows and deferred inflows recorded to account for OPEB and pension activities, respectively.

Fund Balance

In the fund financial statements, 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 resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or they are legally or contractually required to be maintained intact. The nonspendable fund balances at June 30, 2025 consist of lease receivables (net).

Restricted – Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed – Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the Board of Education (the Board), which is the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board modifies or rescinds the commitment by resolution. The District has no committed fund balances at June 30, 2025.

Assigned – Amounts that are neither restricted nor committed but are constrained by the District's intent to be used for specific purposes. The Board currently has the authority to assign fund balances, and it has delegated this ability to the Superintendent and Business Manager. The District has assigned fund balances at June 30, 2025, as noted at Note 2.E.

Unassigned – The residual classification for the General Fund and also negative residual amounts in other funds, if any. The District has formally adopted a policy under which it strives to maintain a minimum unassigned General Fund balance of 12-15 percent of the annual budget.

When both restricted and unrestricted resources are available for use, it is the District's practice to first use restricted resources, and then use unrestricted resources as they are needed. If resources from more than one fund balance classification could be spent, the District will spend the resources from fund balance classifications in the following order: committed, assigned, and unassigned.

See Note. 2.E. for additional disclosures.

Net Position

Net position represents the difference between the sum of assets and deferred outflows of resources and the sum of liabilities and deferred inflows of resources. Net position is displayed in three components:

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation/amortization, reduced by any outstanding debt attributable to acquiring the capital assets.

Restricted Net Position – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

Unrestricted Net Position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.G. RECENTLY ISSUED ACCOUNTING STANDARD

During the current fiscal year, the District adopted Governmental Accounting Standard Board (GASB) Statement No. 101, *Compensated Absences*. This standard provides updated recognition and measurement guidance for recording compensated absences. For additional information regarding the impact of adopting this standard, see Note 5.D.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS

2.A. DEPOSITS AND INVESTMENTS

Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits in financial institutions designated by the School Board. Minnesota Statutes require that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (100 percent if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). The District complies with such laws.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated “A” or better;
- A revenue obligation of a state or local government, with taxing powers, rated “AA” or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank’s public debt is rated “AA” or better by Moody’s or Standard and Poor’s; or
- Time deposits insured by any federal agency.

Minnesota Statutes require that all collateral shall be placed in safekeeping in a restricted account at a 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. The selection should be approved by the District.

At June 30, 2025, the District's deposits were not exposed to custodial credit risk. The District’s deposits were sufficiently covered by federal depository insurance or by collateral held by the District’s agent in the District’s name.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.A. DEPOSITS AND INVESTMENTS (Continued)

Investments

The District may also invest idle funds as authorized by Minnesota Statutes as follows: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A: or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The District does not have any investment policies that would further limit investment choices. Under Minnesota Statutes, the District has expanded investment options for its fiduciary trust fund.

Investment balances at June 30, 2025 are as follows:

Investment Type	S & P's Credit Rating	Fair Value Level	Fair Value	Investment Maturities (in Years) Less Than 1	1 - 5	6 - 10
Pooled Investments:						
MNTrust Investment Shares	AAAm	N/A	$ 9,069,910	$ 9,069,910	$ -	$ -
MNTrust Limited Term Duration	N/A	N/A	597,900	597,900	-	-
Non-Pooled Investments:						
MN Trust Money Market Accounts	N/A	Level 1	2,686,978	2,686,978	-	-
MNTrust Certificates of Deposit	N/A	Level 2	2,203,600	2,203,600	-	-
Totals			$ 14,558,388	$ 14,558,388	$ -	$ -

The investments of the District are subject to the following risks:

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota Statutes limit the District’s investments.

- Custodial credit risk is the risk that in the event of a failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District does not have a formal investment policy to address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.

- Concentration of Credit Risk is the risk associated with the magnitude of the District’s investments (considered five percent or more) in the investments of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District has no formal policy limiting the amounts that may be invested in any one issuer. At June 30, 2025, the District does not have a significant concentration of credit risk.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.A. DEPOSITS AND INVESTMENTS (Continued)

- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District has no formal policy to address interest rate risk.

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's fair value measurements at June 30, 2025 are presented in the table on the previous page.

The *MNTrust Investment Shares* and *MNTrust Limited Term Duration* holdings are external investment pools not registered with the Securities Exchange Commission (SEC) that follow the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pools is the same as the value of the pool shares. The investment in the MNTrust pooled funds is not subject to the credit risk classifications as noted in GASB Statement No. 72 and, therefore, are not subject to the fair value measurement noted in the previous paragraph.

The *MNTrust Investment Shares* seek to maintain a constant net value per share of $1.00, whereas the net asset value of the *Limited Term Duration Series* will fluctuate as the value of securities held by that portfolio fluctuates.

The *MNTrust Investment Shares* is managed to maintain an average dollar-weighted portfolio maturity of no greater than 60 to 90 days. Withdrawals from the *MNTrust Limited Term Duration* investment pool may only be made as of the third Wednesday of each month upon advance written notice.

Deposits and Temporary Investments Summary

The following is a summary of total deposits and temporary investments:

Carrying Amount of Deposits	$ (354,430)
Investments	14,558,388
Total	$ 14,203,958

Cash and temporary investments are included on the basic financial statements as follows:

District-wide	
Cash, Cash Equivalents, and Investments	$ 13,045,399
Fiduciary	
OPEB Trust Cash and Temporary Investments	1,158,559
Total	$ 14,203,958

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.B. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, not Being Depreciated or Amortized					
Land	$ 1,224,853	$ -	$ -	$ -	$ 1,224,853
Construction in Progress	990,927	719,860	-	(1,276,172)	434,615
Total Capital Assets Not Being Depreciated or Amortized	2,215,780	719,860	-	(1,276,172)	1,659,468
Capital Assets, Being Depreciated or Amortized					
Land Improvements	12,823,132	172,880	-	1,588,294	14,584,306
Buildings and Improvements	64,483,970	197,510	-	(304,069)	64,377,411
Equipment and Vehicles	6,561,422	94,045	-	(8,053)	6,647,414
Leased Equipment	265,613	-	-	-	265,613
Total Capital Assets Being Depreciated or Amortized	84,134,137	464,435	-	1,276,172	85,874,744
Less Accumulated Depreciation for					
Land Improvements	(5,148,079)	(516,479)	-	-	(5,664,558)
Buildings and Improvements	(33,587,555)	(1,633,400)	-	-	(35,220,955)
Equipment and Vehicles	(5,726,709)	(130,652)	-	-	(5,857,361)
Less Accumulated Amortization for Leased Equipment	(61,977)	(53,123)	-	-	(115,100)
Total Accumulated Depreciation and Amortization	(44,524,320)	(2,333,654)	-	-	(46,857,974)
Total Capital Assets Being Depreciated or Amortized, Net	39,609,817	(1,869,219)	-	1,276,172	39,016,770
Governmental Activities Capital Assets, Net	$ 41,825,597	$ (1,149,359)	$ -	$ -	$ 40,676,238

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

Governmental Activities	
Regular Instruction	$ 1,919,037
Community Education	1,473
Sites and Buildings	413,144
Total Depreciation and Amortization Expense - Governmental Activities	$ 2,333,654

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. LEASE RECEIVABLE

The District has entered into an agreement to lease the transportation facility to 4 Point O School Services of Rockford, Inc. as part of their transportation contract. A summary of the pertinent terms for the leasing arrangement, as well as the corresponding lease receivable, is presented below.

Governmental Activities

Description	Original Amount	Total Annual Lease Payment	Interest Rate(s)	Maturity Date	Remaining Amount
Transportation Facility Lease	$ 123,338	$ 25,000	8.25%	6/30/2029	$ 88,772

During the year ended June 30, 2025, the District recognized revenues from leasing activities under the arrangement above within governmental activities in the amount of $27,563.

2.D. NONCURRENT LIABILITIES

General Obligation (G.O.) Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Assets of the Debt Service Fund, together with scheduled future tax levies, are dedicated for the retirement of these obligations. The annual future debt service levies authorized are equal to 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

There are a number of limitations and restrictions contained in the general obligation bond indentures.

The interest rates are fixed rates that may increase by a predetermined amount each year. District-wide interest and other fiscal charges for the year ended June 30, 2025 total $732,526 on the Statement of Activities. Fund financial statement interest and other charges for the year ended June 30, 2025 total $772,181. Interest expenses included in direct program expenses total $0; all bond interest and fees are included in interest and other charges.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds currently outstanding are as follows:

Description	Original Issue Amount	Interest Rate	Final Maturity Date	Balance Outstanding
Governmental Activities				
G.O. School Building Refunding Bonds, Series 2021B	$ 22,860,000	1.50-3.00%	2/1/2029	$ 15,465,000
G.O. Facilities Maintenance and Tax Abatement Bonds, Series 2022A	6,915,000	3.00-5.00%	2/1/2038	5,935,000
G.O. Capital Facilities Bonds, Series 2023A	1,360,000	4.00-5.00%	2/1/2038	1,360,000
	$ 31,135,000			$ 22,760,000

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.D. NONCURRENT LIABILITIES (Continued)

Financing Arrangements

The District occasionally enters into financing arrangements as a means for financing the acquisition of new equipment. Collateral pledged under these arrangements consists of the equipment acquired by the District through the financing arrangement. Additional information, including the outstanding balance on the financing arrangement at June 30, 2025, is as follows:

Description	Original Issue Amount	Interest Rate	Final Maturity Date	Balance Outstanding
Governmental Activities				
LED Lighting Financing	$ 789,123	2.91%	2/15/2031	$ 480,364

At June 30, 2025, the assets acquired under the LED Lighting Financing cannot be individually identified. The net book value of these assets is assumed to be approximate the remaining principal balance outstanding on the financing arrangement at year-end.

Lease Liability

The District currently has a lease agreement for the rent of the District's copiers. Because of the nature of the terms of the lease, a long-term lease liability has been recorded in an amount equal to the present value to the future lease payments. Additionally, a corresponding right-of-use asset has been recorded and incorporated into the District's capital asset records. Terms of this lease are detailed below.

As of June 30, 2025, lease liabilities of the District's governmental activities consist of the following:

Description	Original Issue Amount	Interest Rate	Final Maturity Date	Balance Outstanding
Governmental Activities				
Copier Lease	$ 265,613	8.00%	4/30/2028	$ 163,358

Debt Service Requirements

At June 30, 2025, estimated annual debt service requirements to maturity for the general obligation bonds are as follows:

	Governmental Activities		
Years Ending	G.O. Bonds		
June 30,	Principal	Interest	Total
2026	$ 4,185,000	$ 649,125	$ 4,834,125
2027	4,280,000	555,375	4,835,375
2028	4,420,000	421,325	4,841,325
2029	4,560,000	287,025	4,847,025
2030	540,000	188,775	728,775
2031 - 2035	3,030,000	618,960	3,648,960
2036 - 2038	1,745,000	108,880	1,853,880
Total	$ 22,760,000	$ 2,829,465	$ 25,589,465

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.D. NONCURRENT LIABILITIES (Continued)

At June 30, 2025, estimated annual debt service requirements to maturity for financing arrangements are as follows:

Governmental Activities			
Years Ending	Financing Arrangements		
June 30,	Principal	Interest	Total
2026	$ 84,472	$ 13,927	$ 98,399
2027	80,371	10,458	90,829
2028	82,743	8,087	90,830
2029	85,184	5,646	90,830
2030	87,697	3,133	90,830
2031	59,897	654	60,551
Total	$ 480,364	$ 41,905	$ 522,269

At June 30, 2025, estimated annual debt service requirements to maturity for lease liabilities are as follows:

Governmental Activities			
Years Ending	Lease Liabilities		
June 30,	Principal	Interest	Total
2026	$ 53,492	$ 10,708	$ 64,200
2027	57,932	6,268	64,200
2028	51,934	1,566	53,500
Total	$ 163,358	$ 18,542	$ 181,900

Changes in Noncurrent Liabilities

Noncurrent liability activity (excluding the net pension liability) for the year ended June 30, 2025 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bonds	$ 26,958,000	$ -	$ (4,198,000)	$ 22,760,000	$ 4,185,000
Unamortized Premium	1,483,418	-	(280,455)	1,202,963	-
Financing Arrangements	549,791	-	(69,427)	480,364	84,472
Lease Liabilities	212,751	-	(49,393)	163,358	53,492
Compensated Absences*	3,423,948	107,577	-	3,531,525	-
Long-Term Liabilities	$ 32,627,908	$ 107,577	$ (4,597,275)	$ 28,138,210	$ 4,322,964

**The opening balance for compensated absences has been revised to reflect the impact of the adoption of GASB 101. See additional information at Note 5.D.*

Bonds payable are typically funded through the Debt Service Fund. Financing arrangements and lease liabilities are typically funded through the General Fund. The aggregate change in compensated absences has been presented on a net basis.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.E. FUND BALANCE CLASSIFICATIONS

At June 30, 2025, governmental fund equity includes the following:

	Nonspendable	Restricted	Assigned	Unassigned
General Fund				
Nonspendable - Lease Receivables (Net)	$ 6,546	$ -	$ -	$ -
Restricted for Student Activities	-	158,117	-	-
Restricted for Staff Development	-	374,459	-	-
Restricted for Literacy Incentive Aid	-	45,528	-	-
Restricted for American Indian Education Aid	-	1,708	-	-
Restricted for Operating Capital	-	256,172	-	-
Restricted for Q-Comp	-	12,557	-	-
Restricted for English Learner	-	97,603	-	-
Restricted for Basic Skills Programs	-	580,861	-	-
Restricted for School Library Aid	-	2,966	-	-
Restricted for Teacher Comp READ Act	-	45,642	-	-
Restricted for Long-Term Facility Maintenance	-	129,756	-	-
Restricted for Medical Assistance	-	127,735	-	-
Assigned for Future Capital Projects	-	-	700,840	-
Assigned for Scholarships	-	-	13,959	-
Unassigned	-	-	-	4,238,209
Total General Fund Balance	$ 6,546	$ 1,833,104	$ 714,799	$ 4,238,209
Debt Service Fund				
Restricted for Debt Service	$ -	$ 452,595	$ -	$ -
Nonmajor Governmental Funds				
Restricted for Food Service	$ -	$ 548,811	$ -	$ -
Restricted for Community Education	-	35,790	-	-
Restricted for Early Childhood and Family Education	-	7,020	-	-
Restricted for School Readiness	-	30,167	-	-
Restricted for Adult Basic Education	-	17	-	-
Restricted for Community Service	-	150,742	-	-
Restricted for Building Construction	-	1,494,602	-	-
Total Nonmajor Governmental Funds Balance	$ -	$ 2,267,149	$ -	$ -

Restricted for Student Activities - This amount represents resources available for extracurricular student activities, from funds raised by students.

Restricted for Staff Development - This amount represents available resources restricted for professional growth of instructional staff members during their service to the school district.

Restricted for Literacy Incentive Aid - This amount represents resources available to support implementation of evidence-based reading instruction.

Restricted for American Indian Education Aid - This amount represents resources available for American Indian Education funds.

Restricted for Operating Capital - This amount represents funds to be used for the purchase, lease and maintenance of school facilities and equipment.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.E. FUND BALANCE CLASSIFICATIONS (Continued)

Restricted for Q-Comp - This amount represents available resources to be used for Quality Compensation.

Restricted for English Learner - This amount represents resources available for English Learner students.

Restricted for Basic Skills Programs - This amount represents available resources for basic skills uses.

Restricted for School Library Aid - This amount represents resources available for school library aid uses.

Restricted for Teacher Comp READ Act - This amount represents resources available for teacher compensation for Read Act training.

Restricted for Long-Term Facility Maintenance - This amount represents available resources for long-term facility maintenance stipulated by the District's long-term facility maintenance plan.

Restricted for Medical Assistance - This amount represents available resources to be used for medical assistance expenditures.

Assigned for Capital Projects - This amount represents resources the District has elected to set aside for future capital projects.

Assigned for Scholarships - This amount represents resources the District has elected to set aside for scholarships for students.

Restricted for Debt Service - This amount represents restricted resources for debt service stipulated by constitution, external resource providers, or through enabling legislation.

Restricted for Food Service - This amount represents restricted resources for food service stipulated by constitution, external resource providers, or through enabling legislation.

Restricted for Community Education - This amount represents available resources for community education programs. Revenues are derived from tax levies and state aids and expenditures are for salaries, benefits, and supplies. Any deficits can be eliminated by future tax levies and state aids.

Restricted for Early Childhood and Family Education (ECFE) - This amount represents available resources for ECFE classes. Revenues are derived from local tax levies and state aids and expenditures are for salaries, benefits, and supplies. Any deficits can be eliminated by future tax levies, state aids and program revenues.

Restricted for School Readiness - This amount represents the resources available to provide for services for school readiness programs, which includes aids, fees, grants and all other revenues received by the District for the program. Deficits can be eliminated through future state aids and program revenues.

Restricted for Adult Basic Education - This amount represents the balance of carryover monies for all activity involving Adult Basic Education, which includes state aid, grants, and local funding received by the District for the program.

Restricted for Community Service - This amount represents restricted resources for community service stipulated by construction, external resource providers, or through enabling legislation.

Restricted for Building Construction - This amount represents restricted resources that must be used to finance building construction costs.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.F. INTERFUND TRANSACTIONS AND BALANCES

Interfund balances at June 30, 2025 are as follows:

Due To Fund	Due From Fund	Amount	Reason
General	OPEB Trust	$ 25,800	Reimbursement for costs paid by the District

The balance due from the OPEB Trust will be paid via a withdrawal from the trust, to be deposited into the General Fund.

NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The District administers a single-employer retiree benefit plan (the Plan) through which the District provides postretirement benefits to eligible retirees and their families. An irrevocable trust, established and operated under the provisions of *Minnesota Statute* 471.6175, is used to finance benefit obligations incurred by the plan. The assets of such trust are managed in accordance with *Minnesota Statute* 118A. The Plan does not issue a publicly available financial report.

Benefits Provided

The District offers continuing group health insurance coverage after retirement for qualifying District employees. Teachers and certain other District personnel who retire from active employment may continue their single or family coverage, at their expense, through the District plan if they retire and have also met the eligibility requirements of either a Public Employees Retirement Association plan or the Teachers Retirement Association of Minnesota plan. Benefit and eligibility provisions are established through negotiations between the District and the union representing the District's teachers and are renegotiated each two-year bargaining period. As of the most recent valuation date, there are 97 active employees electing coverage, 84 active employees waiving coverage, and 1 retiree electing coverage.

The District is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees until the retiree reaches Medicare eligibility, regardless of whether the premiums are paid by the District or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit arises from the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the District's younger and statistically healthier active employees.

Contributions

The District did not have any contractually required or actuarially determined contributions to the Plan as of June 30, 2025. The District has established an irrevocable trust to fund all future benefits paid under the Plan, and it is generally assumed that the District will make no further contributions to the trust. Accordingly, the District did not make any direct contributions to the Plan or Trust during the year ended June 30, 2025. However, implicit contributions of $18,710 were calculated and have been disclosed as an addition to the Plan Fiduciary Net Position. As discussed in the previous section, this implicit subsidy is included in the overall premiums paid by the District for active employees, from the District's General Fund.

Net OPEB Assets, OPEB Expense, and Deferred Outflows/Inflows of Resources

At June 30, 2025, the District reported a net OPEB asset of $736,265 for the District's plan. The net OPEB asset was measured as of June 30, 2024, as determined by an actuarial valuation as of June 30, 2023.

NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

For the year ended June 30, 2025, the District recognized OPEB expense of negative $31,384. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 45,942	$ 119,521
Changes in actuarial assumptions	971	148,806
Differences between projected and actual investment earnings	4,485	-
Contributions paid to PERA subsequent to the measurement date	18,710	-
Total Deferred Outflows/Inflows	$ 70,108	$ 268,327

Deferred outflows and inflows of resources related to the Plan will be recognized in the District's OPEB expense as follows:

Year Ended June 30,	OPEB Expense
2026	$ (36,355)
2027	$ (42,189)
2028	$ (42,855)
2029	$ (41,831)
2030	$ (33,952)
Thereafter	$ (19,747)

NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Changes in the Net OPEB Liability

The following table summarizes changes in the net OPEB asset for the year ended June 30, 2025:

Changes in Total OPEB Liability (TOL)		
Balance at July 1st	$	336,309
Service Cost		33,612
Interest Cost		11,843
Benefit Payments		(11,032)
Balance at June 30th	$	370,732
Plan Fiduciary Net Position (FNP)		
Balance at July 1st	$	1,068,059
Net Investment Income		50,011
Benefit Payments		(11,032)
Administrative Expenses		(41)
Total Reductions		(11,073)
Balance at June 30th	$	1,106,997
Net OPEB Liability (Asset) - June 30th	$	(736,265)
Fiduciary Net Position as a percentage of the total OPEB Liability		298.60%
Covered Payroll	$	9,944,070
Net OPEB Liability (Asset) / Covered Payroll		-7.40%

NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Actuarial Assumptions

The following is a summary of pertinent actuarial assumptions and methods utilized, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information:	
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Reporting Date	June 30, 2025
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	3.25%
Inflation Rate	2.50%
Investment Rate of Return	3.25%
Bond Yield	3.97% (Fidelity 20-Year Municipal GO AA Index)
Healthcare Trend Rate	14.0% for FY2024 then 5.8% for FY2025, gradually decreasing over several decades to an ultimate rate of 3.9% in FY2076 and later years.

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

The long-term expected rate of return on the Plan's investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) 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	Long-Term Expected Nominal Rate of Return
Cash and Equivalents	100%	0.77 %	3.27%

Significant changes in assumptions, benefit terms, and other inputs since the prior measurement date include:

Changes in Actuarial Assumptions

- The index rate for 20-year, tax-exempt municipal bonds was changed from 3.86 percent to 3.97 percent.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Net OPEB Liability (Asset) Sensitivity

The following presents the net OPEB liability (asset), calculated using the discount rate disclosed in the preceding section, as well as what the District's net OPEB liability (asset) would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity of Net OPEB Liability (Asset) at Current Single Discount Rate	Rates	Amounts
1% Increase in Discount Rate	4.25%	$(758,204)
Current Discount Rate	3.25%	$(736,265)
1% Decrease in Discount Rate	2.25%	$(713,677)

The following presents the net OPEB liability (asset), calculated using the healthcare cost trend rates disclosed in the preceding section, as well as what the District's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

Sensitivity of Net OPEB Liability (Asset) at Current Healthcare Trend Rates	Amounts
1% Increase in Healthcare Trend Rates	$(688,241)
Current Healthcare Trend Rates	$(736,265)
1% Decrease in Healthcare Trend Rates	$(776,929)

Concentrations

At June 30, 2025, the District's OPEB plan held the following investments, which represented more than 5 percent of the Plan's Fiduciary Net Position:

Type of Investment	Maturity Date	Credit Rating	Fair Value
Goldman Sachs Government Money Market Account	N/A	N/A	$ 933,459
Great Midwest Bank, SSB Certificate of Deposit	10/15/2025	N/A	225,100
Totals			$ 1,158,559

Rate of Return

For the measurement period ended June 30, 2024, the annual money-weighted rate of return on plan investments, net of investment expense, approximated 4.68 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plan 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 (General Plan)
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.

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 1.20 percent of the highest average salary for each of the first 10 years of service and 1.70 percent for each additional year. Under the Level formula, General Plan members receive 1.70 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 1.50 percent. The 2024 annual increase was 1.50 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 prorated increase.

Contributions

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2025, and the District was required to contribute 7.50 percent for the General Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2025 were $257,225. The District's contributions were equal to the required contributions as set by State Statute.

Pension Costs

General Employees Fund Pension Costs

At June 30, 2025, the District reported a liability of $1,453,233 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 $37,578.

District's proportionate share of the net pension liability	$1,453,233
State of Minnesota's proportionate share of the net pension liability associated with the District	37,578
Total	$1,490,811

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 proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid date 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 0.0393 percent at the end of the measurement period and 0.0438 percent percent for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of $11,516 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized $1,007 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual $16 million contribution.

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 $66,865 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.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

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	$ 141,457	$ -
Changes in actuarial assumptions	7,617	595,911
Differences between projected and actual investment earnings	-	416,012
Changes in proportion	74,037	188,341
Contributions paid to PERA subsequent to the measurement date	257,225	-
Total	$ 480,336	$ 1,200,264

The $257,225 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
2026	$ (503,748)
2027	$ (115,744)
2028	$ (246,281)
2029	$ (111,380)

Long-Term Expected Return on Investment

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

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%	

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

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 7.00 percent. The 7.00 percent 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 7.00 percent is within that range.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.00 percent after 27 years of service.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last 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:

<u>General Employees Fund</u>
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 payments 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.

Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.00 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 Plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

Pension Liability Sensitivity

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

Sensitivity Analysis
Net Pension Liability (Asset) at Different Discount Rates

	Rates	Amounts
1% Lower	6.00%	$3,174,094
Current Discount Rate	7.00%	$1,453,233
1% Higher	8.00%	$37,667

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.

4.B. TEACHERS RETIREMENT ASSOCIATION

Plan Description

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

Educators employed in Minnesota’s public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage within one year of eligible employment or elect coverage through the Defined 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.

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.

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 on the following page.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

Tier I Benefits

Tier I	Step Rate Formula	Percentage
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 factor for all years under normal retirement age.

(c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

Or

For years of service prior to July 1, 2006, a level formula of 1.70 percent per year for coordinated members and 2.70 percent per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.90 percent per year for coordinated members and 2.70 percent per year 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.

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

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

Contributions

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2025 for coordinated were 7.75 percent for the employee and 8.75 percent for the employer. Basic rates were 11.25 percent for the employee and 12.75 percent for the employer. The District’s contributions to TRA for the plan’s fiscal year ended June 30, 2025 were $821,514. The District’s contributions were equal to the required contributions for each year as set by State Statute.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 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 30, 2028
Cost of living adjustment	1.00% for January 2019 through January 2023, then increasing by 0.10% each year up to 1.50% 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 females 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.

**The assumptions prescribed are based on the experience study dated August 2, 2023. For GASB 67 purposes, the long-term rate of return assumptions is selected by TRA management in consultation with actuary.*

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Geometric Mean)
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	25.00%	5.90%
Total	100%	

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

Changes in actuarial assumptions since the 2023 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 percent 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 percent to reflect the continued lower than expected observations.

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 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.

Net Pension Liability

At June 30, 2025, the District reported a liability of $8,692,711 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. The District’s proportionate share was 0.1368 percent at the end of the measurement period and 0.1410 percent for the beginning of the period.

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

District’s proportionate share of net pension liability	$8,692,711
State’s proportionate share of the net pension liability associated with the District	$568,539
Total	$9,261,250

For the year ended June 30, 2025, the District recognized pension expense of $544,973. It also recognized $31,253 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 $240,996 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.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (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 experience	$ 416,601	$ 116,484
Changes in assumptions	914,441	1,036,629
Differences between projected and actual investment earnings	-	1,201,561
Changes in proportion	143,070	427,764
Contributions made to TRA subsequent to the measurement date	821,514	-
Total Deferred Outflows/Inflows	$ 2,295,626	$ 2,782,438

The $821,514 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2026	$ (539,712)
2027	$ 784,884
2028	$ (736,569)
2029	$ (621,950)
2030	$ (194,979)

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%)
$15,308,373	$8,692,711	$3,247,865

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 https://minnesotatra.org, by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000; or by calling 651-296-2409 or 800-657-3669.

NOTE 5 OTHER INFORMATION

5.A. COMMITMENTS AND CONTINGENCIES

Federal and State Programs

Amounts received or receivable from Federal and State agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time. However, management of the District expects such amounts, if any, to be immaterial.

Construction Contracts

The District has entered into contracts for construction and engineering services related to a paving project. Remaining commitments under these contracts as of June 30, 2025, not including retainage accrued in these financial statements, total $651,923.

5.B. RISK MANAGEMENT

Claims and Judgements

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To manage these risks, the District purchases commercial insurance. The District retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years. The District is also self-insured for state reemployment compensation insurance.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have incurred but not reported. The District's management is not aware of any incurred but not reported claims.

5.C. OTHER EMPLOYEE BENEFITS

Flexible Payment Plan

The District has a flexible payment plan that is classified as a "cafeteria plan" under Section 125 of the Internal Revenue Code. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the plan for health care and dependent care benefits.

Before the beginning of the plan year, which is January 1 to December 31, each participant designates a total amount of pre-tax dollars to be contributed to the plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the plan, whether or not such contributions have been made.

All assets of the plan are administered by a third-party administrator. Payments are made by the third-party administrator to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the participant. Payments of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated insurance companies.

All plan property and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the plan are equal to those of general creditors of the District in an amount equal to eligible health care and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 5 OTHER INFORMATION (Continued)

5.C. OTHER EMPLOYEE BENEFITS (Continued)

Defined Contribution Plan

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the Plan). The District has contracted with a private brokerage firm to establish the Plan, and plan assets are not held in a formal trust meeting the criteria defined by GASB No. 73, par 4. The District's Board of Education acts as the plan administrator, but the District is not involved with the investment decisions for plan assets. Contributions are invested in tax deferred annuities selected and owned by Plan participants. Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. The District's contributions to the plan total $112,902 for the year ended June 30, 2025.

5.D. ADJUSTMENTS AND RESTATEMENTS

During the current year, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. This statement increases the usefulness of governmental financial statements by updating the recognition and measurement guidance for compensated absences. The effects of this change in accounting principle are summarized in the table below in the "Change in Accounting Principle" column.

	Net Position 6/30/2024 As Previously Reported	Change in Accounting Principle	Net Position 6/30/2024 As Adjusted or Restated
Government-Wide			
Governmental Activities	$ 11,551,987	$ (3,423,948)	$ 8,128,039

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 883
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Local Property Tax Levies	$ 3,615,994	$ 3,615,994	$ 3,770,273	$ 154,279
Other Local and County Revenues	494,000	839,000	1,279,087	440,087
State Sources	17,492,702	18,031,711	18,301,747	270,036
Federal Sources	319,744	369,084	303,085	(65,999)
Sales and Other Conversions of Assets	25,000	25,000	62,943	37,943
TOTAL REVENUES	21,947,440	22,880,789	23,717,135	836,346
EXPENDITURES				
Current:				
Administration	1,021,005	1,021,005	1,173,354	152,349
District Support Services	1,589,733	1,696,059	1,658,701	(37,358)
Regular Instruction	8,303,192	8,466,742	8,881,628	414,886
Vocational Instruction	249,831	249,831	256,141	6,310
Exceptional Instruction	3,468,616	3,468,616	3,747,611	278,995
Instructional Support Services	1,072,938	1,072,938	1,131,284	58,346
Pupil Support Services	3,536,067	3,536,067	3,831,925	295,858
Sites and Buildings	2,365,103	2,390,903	1,794,950	(595,953)
Fiscal and Other Fixed Cost Programs	204,750	204,750	231,840	27,090
Capital Outlay	313,828	238,828	43,777	(195,051)
Debt Service:				
Principal	-	-	118,820	118,820
Interest and Other Charges	-	-	28,641	28,641
TOTAL EXPENDITURES	22,125,063	22,345,739	22,898,672	552,933
NET CHANGE IN FUND BALANCE	$ (177,623)	$ 535,050	818,463	$ 283,413
FUND BALANCE - BEGINNING			5,974,195	
FUND BALANCE - ENDING			$ 6,792,658	

INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF CHANGES IN DISTRICT'S NET OPEB LIABILITY
LAST TEN YEARS (Presented Prospectively)

	Measurement Period Ending June 30,							
	2024	2023*	2022	2021	2020	2019	2018	2017
Changes in Total OPEB Liability (TOL)								
Balance at July 1st	$ 336,309	$ 398,675	$ 405,044	$ 679,201	$ 548,884	$ 582,434	$ 526,163	$ 493,563
Service Cost	33,612	39,838	38,887	60,824	66,414	61,718	57,124	53,517
Interest Cost	11,843	8,761	8,538	19,254	17,950	22,022	19,886	18,459
Differences between Expected and Actual Experience	-	(5,649)	(23,074)	(157,250)	107,858	(51,454)	-	-
Changes in Actuarial Assumptions	-	(91,480)	(956)	(127,465)	(4,517)	(25,247)	9,471	-
Benefit Payments	(11,032)	(13,836)	(29,764)	(69,520)	(57,388)	(40,589)	(30,210)	(39,376)
Balance at June 30th	$ 370,732	$ 336,309	$ 398,675	$ 405,044	$ 679,201	$ 548,884	$ 582,434	$ 526,163
Plan Fiduciary Net Position (FNP)								
Balance at July 1st	$ 1,068,059	$ 1,070,087	$ 1,082,532	$ 1,142,350	$ 1,172,909	$ 1,184,324	$ 1,196,480	$ 1,227,982
Employer Contributions	-	-	11,583	-	-	-	-	-
Net Investment Income	50,011	12,058	6,006	9,952	27,079	29,424	18,304	8,124
Total Additions	50,011	12,058	17,589	9,952	27,079	29,424	18,304	8,124
Benefit Payments	(11,032)	(13,836)	(29,764)	(69,520)	(57,388)	(40,589)	(30,210)	(39,376)
Administrative Expenses	(41)	(250)	(270)	(250)	(250)	(250)	(250)	(250)
Total Reductions	(11,073)	(14,086)	(30,034)	(69,770)	(57,638)	(40,839)	(30,460)	(39,626)
Balance at June 30th	$ 1,106,997	$ 1,068,059	$ 1,070,087	$ 1,082,532	$ 1,142,350	$ 1,172,909	$ 1,184,324	$ 1,196,480
Net OPEB Liability (Asset) - June 30th	$ (736,265)	$ (731,750)	$ (671,412)	$ (677,488)	$ (463,149)	$ (624,025)	$ (601,890)	$ (670,317)
Plan Fiduciary Net Position / Total OPEB Liability	298.6%	317.6%	268.4%	267.3%	168.2%	213.7%	203.3%	227.4%
Covered Payroll	$ 9,944,070	$ 9,923,947	$ 9,816,636	$ 9,417,094	$ 11,504,615	$ 9,684,811	$ 10,495,521	$ 9,958,587
Net OPEB Liability / Covered Payroll	-7.4%	-7.4%	-6.8%	-7.2%	-4.0%	-6.4%	-5.7%	-6.7%

Note: This schedule is provided prospectively beginning with the District's fiscal year ended June 30, 2018 (June 30, 2017 measurement date) and is intended to show a ten year trend. Additional years will be reported as they become available.

* Effective for the reporting period ending June 30, 2024, the District converted to the "look-back method" of accounting for the OPEB activities, under which the actuarial study from the preceding year is used for financial reporting purposes.

INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN ON OPEB PLAN ASSETS
LAST TEN YEARS (Presented Prospectively)

For the Measurement Year Ended June 30,	Annual Money-Weighted Rate of Return, Net of Investment Expense
2024	4.68%
2023	1.13%
2022	0.55%
2021	0.87%
2020	2.31%
2019	2.48%
2018	1.61%
2017	0.61%

Note: This schedule is provided prospectively beginning with the District's fiscal year ended June 30, 2018 (June 30, 2017 measurement date) and is intended to show a ten year trend. Additional years will be reported as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF DISTRICT'S PROPORTIONATE
SHARE OF NET PENSION LIABILITY
LAST TEN YEARS

For the Measurement Year Ended June 30,	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 (b)	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the District (a+b)	District's Covered 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
Public Employees Retirement Association							
2024	0.0393%	$ 1,453,233	$ 37,578	$ 1,490,811	$ 3,324,493	44.84%	89.08%
2023	0.0438%	$ 2,449,247	$ 67,506	$ 2,516,753	$ 3,389,987	74.24%	83.10%
2022	0.0422%	$ 3,342,254	$ 97,901	$ 3,440,155	$ 3,211,867	107.11%	76.70%
2021	0.0412%	$ 1,759,425	$ 53,782	$ 1,813,207	$ 2,967,947	61.09%	87.00%
2020	0.0405%	$ 2,428,160	$ 74,788	$ 2,502,948	$ 2,878,000	86.97%	79.06%
2019	0.0386%	$ 2,134,108	$ 66,330	$ 2,200,438	$ 2,735,307	80.45%	80.23%
2018	0.0398%	$ 2,207,941	$ 72,415	$ 2,280,356	$ 2,676,693	85.19%	79.50%
2017	0.0400%	$ 2,553,574	$ 32,094	$ 2,585,668	$ 2,550,173	101.39%	75.90%
2016	0.0439%	$ 3,564,462	$ 46,581	$ 3,611,043	$ 2,724,708	132.53%	68.90%
2015	0.0456%	$ 2,363,299	$ -	$ 2,363,299	$ 2,551,634	92.62%	78.20%
Teachers Retirement Association							
2024	0.1368%	$ 8,692,711	$ 568,539	$ 9,261,250	$ 9,056,571	102.26%	82.07%
2023	0.1410%	$ 11,641,276	$ 815,580	$ 12,456,856	$ 8,960,959	139.01%	76.42%
2022	0.1436%	$ 11,498,728	$ 852,460	$ 12,351,188	$ 9,014,520	137.01%	76.17%
2021	0.1427%	$ 6,244,979	$ 526,574	$ 6,771,553	$ 8,661,624	78.18%	86.63%
2020	0.1403%	$ 10,365,552	$ 868,906	$ 11,234,458	$ 8,203,712	136.94%	75.48%
2019	0.1365%	$ 8,700,539	$ 769,972	$ 9,470,511	$ 7,807,471	121.30%	78.21%
2018	0.1346%	$ 8,456,848	$ 794,544	$ 9,251,392	$ 7,483,213	123.63%	78.10%
2017	0.1319%	$ 26,329,632	$ 2,546,075	$ 28,875,707	$ 7,113,973	405.90%	51.60%
2016	0.1386%	$ 33,059,407	$ 3,318,302	$ 36,377,709	$ 7,178,669	506.75%	44.90%
2015	0.1404%	$ 8,685,129	$ 1,065,169	$ 9,750,298	$ 7,177,021	135.85%	76.80%

INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
LAST TEN YEARS

For the Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
Public Employees Retirement Association					
2025	$ 257,225	$ 257,225	$ -	$ 3,429,667	7.50%
2024	$ 249,337	$ 249,337	$ -	$ 3,324,493	7.50%
2023	$ 254,249	$ 254,249	$ -	$ 3,389,987	7.50%
2022	$ 240,890	$ 240,890	$ -	$ 3,211,867	7.50%
2021	$ 232,006	$ 232,006	$ -	$ 2,967,947	7.82%
2020	$ 215,850	$ 215,850	$ -	$ 2,878,000	7.50%
2019	$ 205,148	$ 205,148	$ -	$ 2,735,307	7.50%
2018	$ 200,752	$ 200,752	$ -	$ 2,676,693	7.50%
2017	$ 191,263	$ 191,263	$ -	$ 2,550,173	7.50%
2016	$ 204,438	$ 204,438	$ -	$ 2,724,708	7.50%
Teachers Retirement Association					
2025	$ 821,514	$ 821,514	$ -	$ 9,388,731	8.75%
2024	$ 792,450	$ 792,450	$ -	$ 9,056,571	8.75%
2023	$ 766,162	$ 766,162	$ -	$ 8,960,959	8.55%
2022	$ 751,811	$ 751,811	$ -	$ 9,014,520	8.34%
2021	$ 704,190	$ 704,190	$ -	$ 8,661,624	8.13%
2020	$ 649,734	$ 649,734	$ -	$ 8,203,712	7.92%
2019	$ 601,956	$ 601,956	$ -	$ 7,807,471	7.71%
2018	$ 561,241	$ 561,241	$ -	$ 7,483,213	7.50%
2017	$ 533,548	$ 533,548	$ -	$ 7,113,973	7.50%
2016	$ 538,361	$ 538,361	$ -	$ 7,178,669	7.50%

NOTE 1 BUDGETARY INFORMATION

Actual expenditures of $22,898,672 in the General Fund exceeded budgeted amounts by $552,933, primarily due to unbudgeted personnel costs incurred within the regular instruction, exceptional instruction, and instructional support services. The District also incurred more costs than budgeted for transportation services within the pupil support services category.

NOTE 2 OTHER POSTEMPLOYMENT BENEFIT PLAN

2024 Changes

Changes in Actuarial Assumptions

- The index rate for 20-year, tax-exempt municipal bonds was changed from 3.86 percent to 3.97 percent.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2023 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 2.03 percent to 3.25 percent based on updated investment return assumptions, 20-year municipal bond rates, and updated asset sufficiency projections.
- The long-term investment return assumption was changed from 2.00 percent to 3.25 percent based on updated capital market assumptions.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings.
- Withdrawal, retirement, mortality, disability, and salary increase rates were updated from the rates used in the 7/1/2020 PERA General Employees Plan and 7/1/2020 Teachers Retirement Association valuations to the rates used in the 7/1/2022 valuations.
- The percent of future retirees assumed to elect coverage at retirement changed from 30 percent for Teachers and 10 percent for non-Teachers to 20 percent to reflect recent plan experience.
- The percent of future retirees assumed to elect spouse coverage at retirement changed from 20 percent to 10 percent to reflect recent plan experience.
- The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings.
- The inflation assumption was changed from 2.25 percent to 2.50 percent based on an updated historical analysis of inflation rates and forward-looking market expectations.

Changes in Plan Provisions

- Retiree premiums were updated to current levels.
- The Explicit Subsidy provision was removed, as the last person eligible for s subsidy left the District and no future retirees are eligible for a subsidy.

2022 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 1.99 percent to 2.03 percent.
- Index rate for 20-year, tax-exempt municipal bonds (Fidelity 20-year Municipal GO AA Index) used in discount rate determination changed from 1.92 percent to 3.69 percent.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

NOTE 2 OTHER POSTEMPLOYMENT BENEFIT PLAN (Continued)

2021 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 2.73 percent to 1.99 percent based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates.
- The long-term expected rate of return on OPEB plan investments was changed from 3.00 percent to 2.00 percent based on updated capital market assumptions.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience, including an adjustment to reflect age/gender based risk scores published by the Society of Actuaries.
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the 7/1/2018 PERA General Employees Plan and 7/1/2018 Teachers Retirement Association valuations to the rates used in the 7/1/20 valuations.
- Participation and spousal assumption for future Superintendent retirees were removed as the explicit subsidy benefit for Superintendents are no longer offered to future Superintendent retirees. Superintendents are valued using the assumptions applicable to teachers.
- The percent of all other future Teacher retirees assumed to elect coverage at retirement changed for 40.00 percent to 30.00 percent to reflect recent plan experience.
- The percent of all other future retirees assumed to elect coverage at retirement changed from 20.00 percent to 10.00 percent to reflect recent plan experience.
- The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings.
- The inflation assumption was changed from 2.50 percent to 2.25 percent based on an updated historical analysis of inflation rates and forward-looking market expectations.
- The payroll growth assumption was changed from 3.50 percent to 3.00 percent based on the 7/1/2020 Teachers Retirement Association valuation.
- The dental increase rate was changed from 4.00 percent to 3.50 percent to reflect updated increase expectations.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.06 percent to 2.73 percent based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates.
- Index rate for 20-year, tax-exempt bonds used in discount rate determination went from 3.13 percent to 2.45 percent.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.53 percent to 3.06 percent based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates.
- The heath care trend rates were changed to reflect recent experience and new plan offerings.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings.
- Mortality and salary increase rates were updated from the rates used in the 7/1/2016 PERA General Employees Retirement Plan and 7/1/2016 Teachers Retirement Association valuations to the rates used in the 7/1/2018 valuations.
- The percent of future Teacher retirees assumed to elect coverage at retirement changed from 60.00 percent to 40.00 percent to reflect recent plan experience.
- The percent of future retirees other than the Superintendent assumed to elect spouse coverage at retirement changed from 0.00 percent to 20.00 percent based on recent plan experience.

NOTE 2 OTHER POSTEMPLOYMENT BENEFIT PLAN (Continued)

- The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience.
- The inflation assumption was changed from 2.75 percent to 2.50 percent based on an updated historical analysis of inflation rates and forward-looking market expectations.

Changes in Plan Provisions
- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions
- The discount rate was changed from 3.50 percent to 3.53 percent.
- The health care trend rates were changed to better anticipate short term and long-term medical increases.

Changes in Plan Provisions
- There have been no changes since the prior valuation.

2017 Changes

Changes in Actuarial Assumptions
- The actuarial cost method changed from using the Projected Unit Credit cost method to the Entry Age Normal level percentage of pay cost method.
- The discount rate was changed from 3.00 percent to 3.50 percent.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect the costs method change.
- The percent of future Teacher retirees assumed to elect coverage at retirement changes from 80.00 percent to 60.00 percent to reflect recent plan experience.
- The percent of future Superintendent retirees assumed to elect coverage at retirement changed from 0.00 percent to 100 percent to reflect the addition of the direct subsidy benefits.
- The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience.

Changes in Plan Provisions
- There have been no changes since the prior valuation.

NOTE 3 PUBLIC EMPLOYEES RETIREMENT PLAN – 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.

NOTE 3 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)

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 6.50 percent to 7.00 percent.

Changes in Plan Provisions:

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

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- 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.

NOTE 3 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)

- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

<u>Changes in Plan Provisions</u>

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023 and 0.00 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

<u>Changes in Actuarial Assumptions</u>

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

<u>Changes in Plan Provisions</u>

- 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

<u>Changes in Actuarial Assumptions</u>

- The mortality 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.

<u>Changes in Plan Provisions</u>

- 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.
- Annual 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

<u>Changes in Actuarial Assumptions</u>

- 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 loads 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 annual 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.

<u>Changes in Plan Provisions</u>

- The State's contribution for the Minneapolis Employees Retirement Fund equals $16,000,000 in 2017 and 2018, and $6,000,000 thereafter.

NOTE 3 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)

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

2016 Changes

Changes in Actuarial Assumptions

- The assumed annual increase rate was changed from 1.00 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 was changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed annual increase rate was changed from 1.00 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 increased the fiduciary plan net position by \$892 million. Upon consolidation, State and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

NOTE 4 TEACHERS RETIREMENT ASSOCIATION

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 percent 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 percent to reflect the continued lower than expected observations.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

NOTE 4 TEACHERS RETIREMENT ASSOCIATION (Continued)

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

The 2024 Omnibus Pension 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2022 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions

- For GASB Valuation:
    - The investment return assumption was changed from 7.50 percent to 7.00 percent.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

NOTE 4 TEACHERS RETIREMENT ASSOCIATION (Continued)

2018 Changes

Changes in Actuarial Assumptions

- The COLA was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.50 percent if the funded ratio was at least 90 percent 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 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The State provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2017 Changes

Changes in Actuarial Assumptions

- The Cost of Living Adjustment (COLA) was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.40 percent to 0.00 percent, the vested inactive load increased from 4.00 percent to 7.00 percent and the non-vested inactive load increased from 4.00 percent to 9.00 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2.00 percent for all future years.
- The price inflation assumption was lowered from 3.00 percent to 2.75 percent.
- The general wage growth and payroll growth assumptions were lowered from 3.75 percent to 3.50 percent.
- 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 6 years and female rates set back 5 years. Generational projection uses the MP-2015 scale.

NOTE 4 TEACHERS RETIREMENT ASSOCIATION (Continued)

- The post-retirement mortality assumption was changed to the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without 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.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

<u>Changes in Plan Provisions</u>

- There have been no changes since the prior valuation.

2015 Changes

<u>Changes in Actuarial Assumptions</u>

- The annual COLA for the June 30, 2015, valuation assumed 2.00 percent. The prior year valuation used 2.00 percent with an increase to 2.50 percent commencing in 2034.
- The discount rate used to measure the total pension liability was 8.00 percent. This is a decrease from the discount rate at the prior measurement date of 8.25 percent.

<u>Changes in Plan Provisions</u>

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

SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 883
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025

	Special Revenue		Capital Project	Total Nonmajor
	Food Service Fund	Community Service Fund	Building Construction Fund	Governmental Funds
ASSETS				
Cash and Temporary Investments	$ 464,256	$ 393,738	$ 2,107,097	$ 2,965,091
Property Taxes Receivable:				
Current	-	61,802	-	61,802
Delinquent	-	11,345	-	11,345
Accounts Receivable	-	2,401	-	2,401
Due from Minnesota Department of Education	74,080	12,537	-	86,617
Due from Federal through Minnesota Department of Education	61,747	-	-	61,747
TOTAL ASSETS	$ 600,083	$ 481,823	$ 2,107,097	$ 3,189,003
LIABILITIES				
Accounts Payable	$ 41,003	$ 10,250	$ 177,880	$ 229,133
Salaries Payable	-	47,164	-	47,164
Construction Contracts Payable	-	-	434,615	434,615
Unearned Revenue	10,269	66,496	-	76,765
Total Liabilities	51,272	123,910	612,495	787,677
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue:				
Delinquent Property Taxes	-	10,792	-	10,792
Property Taxes Levied for Subsequent Years	-	123,385	-	123,385
Total Deferred Inflows of Resources	-	134,177	-	134,177
FUND BALANCES				
Restricted for:				
Food Service	548,811	-	-	548,811
Community Education	-	35,790	-	35,790
Early Childhood and Family Education	-	7,020	-	7,020
School Readiness	-	30,167	-	30,167
Adult Basic Education	-	17	-	17
Community Service	-	150,742	-	150,742
Building Construction	-	-	1,494,602	1,494,602
Total Fund Balances	548,811	223,736	1,494,602	2,267,149
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 600,083	$ 481,823	$ 2,107,097	$ 3,189,003

INDEPENDENT SCHOOL DISTRICT NO. 883
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Special Revenue		Capital Project	
	Food Service Fund	Community Service Fund	Building Construction Fund	Total Nonmajor Governmental Funds
REVENUES				
Local Property Tax Levies	$ -	$ 125,809	$ -	$ 125,809
Other Local and County Revenues	1,009	1,228,473	103,004	1,332,486
State Sources	665,655	213,654	-	879,309
Federal Sources	512,775	-	-	512,775
Sales and Other Conversions of Assets	136,798	2,577	-	139,375
TOTAL REVENUES	1,316,237	1,570,513	103,004	2,989,754
EXPENDITURES				
Current:				
Community Education and Services	-	1,587,601	-	1,587,601
Pupil Support Services	1,356,041	-	-	1,356,041
Sites and Buildings	-	-	8,575	8,575
Capital Outlay	93,222	7,923	1,330,934	1,432,079
TOTAL EXPENDITURES	1,449,263	1,595,524	1,339,509	4,384,296
NET CHANGE IN FUND BALANCES	(133,026)	(25,011)	(1,236,505)	(1,394,542)
FUND BALANCES - BEGINNING (As Previously Reported)	681,837	248,747	-	930,584
ADJUSTMENTS AND RESTATEMENTS				
Adjustment - Change in Major Funds	-	-	2,731,107	2,731,107
FUND BALANCE - BEGINNING (As Adjusted)	681,837	248,747	2,731,107	3,661,691
FUND BALANCES - ENDING	$ 548,811	$ 223,736	$ 1,494,602	$ 2,267,149

INDEPENDENT SCHOOL DISTRICT NO. 883
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
FOR THE YEAR ENDED JUNE 30, 2025

01 GENERAL FUND	Audited	UFARS	Difference
Total Revenue	23,717,135	23,717,135	-
Total Expenditures	22,898,672	22,898,670	2
460 Non Spendable Fund Balance	6,546	6,546	-
Restricted/Reserve:			
401 Student Activities	158,117	158,117	-
402 Scholarships	-	-	-
403 Staff Development	374,459	374,459	-
407 Capital Projects Levy	-	-	-
408 Cooperative Revenue	-	-	-
412 Literacy Incentive Aid	45,528	45,528	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maint	-	-	-
420 American Indian Ed Aid	1,708	1,708	-
424 Operating Capital	256,172	256,172	-
426 $25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning & Development	-	-	-
434 Area Learning Center	-	-	-
435 Contracted Alt. Programs	-	-	-
436 St. Approved Alt. Program	-	-	-
437 Q Comp	12,557	12,557	-
438 Gifted & Talented	-	-	-
439 English Learner	97,603	97,603	-
440 Teacher Development & Eval	-	-	-
441 Basic Skills Programs	580,861	580,861	-
443 School Library Aid	2,966	2,966	-
448 Achievement & Integration	-	-	-
449 Safe Schools Levy	-	-	-
451 QZAB Payments	-	-	-
452 OPEB Liab Not in Trust	-	-	-
453 Unfunded Sev. & Retirement	-	-	-
459 Basic Skills Ext Time	-	-	-
456 Literacy Aid	-	-	-
457 Teacher Comp READ Act	45,642	45,642	-
467 LTFM	129,756	129,756	-
471 Student Support Personnel	-	-	-
472 Medical Assistance	127,735	127,735	-
Restricted:			
464 Restricted Fund Balance	-	-	-
475 Title VII - Impact Aid	-	-	-
476 PILT	-	-	-
Committed:			
418 Committed for Separation	-	-	-
461 Committed Fund Balance	-	-	-
Assigned:			
462 Assigned Fund Balance	714,799	714,799	-
Unassigned:			
422 Unassigned Fund Balance	4,238,209	4,238,212	(3)
02 FOOD SERVICE			
Total Revenue	1,316,237	1,316,236	1
Total Expenditures	1,449,263	1,449,263	-
460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
452 OPEB Liab. Not in Trust	-	-	-
Reserve:			
464 Restricted Fund Balance	548,811	548,810	1
Unassigned:			
463 Unassigned Fund Balance	-	-	-
04 COMMUNITY SERVICE			
Total Revenue	1,570,513	1,570,511	2
Total Expenditures	1,595,524	1,595,523	1
460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
426 $25 Taconite	-	-	-
431 Community Education	35,790	35,790	-
432 E.C.F.E.	7,020	7,020	-
437 Q Comp	-	-	-
440 Teacher Development & Eval	-	-	-
444 School Readiness	30,167	30,167	-

04 COMMUNITY SERVICE	Audited	UFARS	Difference
447 Adult Basic Education	17	17	-
452 OPEB Liab Not In Trust	-	-	-
456 Literacy Aid	-	-	-
457 Teacher Comp Read Act	-	-	-
Restricted:			
464 Restricted Fund Balance	150,742	150,742	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-
06 BUILDING CONSTRUCTION			
Total Revenue	103,004	103,004	-
Total Expenditures	1,339,509	1,339,509	-
460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
407 Capital Projects Levy	-	-	-
413 Projects Funded by COP	-	-	-
467 LTFM	-	-	-
Restricted:			
464 Restricted Fund Balance	1,494,602	1,494,602	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-
07 DEBT SERVICE			
Total Revenue	5,115,868	5,115,870	(2)
Total Expenditures	4,916,540	4,916,541	(1)
460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
425 Bond Refundings	-	-	-
433 Max Effor Loan	-	-	-
451 QZAB Payments	-	-	-
467 LTFM	-	-	-
Restricted:			
464 Restricted Fund Balance	452,595	452,595	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-
08 TRUST			
Total Revenue	-	-	-
Total Expenditures	-	-	-
401 Student Activities	-	-	-
402 Scholarships	-	-	-
422 Net Assets	-	-	-
18 CUSTODIAL FUND			
Total Revenue	-	-	-
Total Expenditures	-	-	-
401 Student Activities	-	-	-
402 Scholarships	-	-	-
448 Achievement & Integration	-	-	-
464 Restricted Fund Balance	-	-	-
20 INTERNAL SERVICE			
Total Revenue	-	-	-
Total Expenditures	-	-	-
422 Net Assets	-	-	-
25 OPEB REVOCABLE TRUST FUND			
Total Revenue	-	-	-
Total Expenditures	-	-	-
422 Net Assets	-	-	-
45 OPEB IRREVOCABLE TRUST FUND			
Total Revenue	47,862	47,862	-
Total Expenditures	292	292	-
422 Net Assets	1,154,567	1,154,567	-
47 OPEB DEBT SERVICE FUND			
Total Revenue	-	-	-
Total Expenditures	-	-	-
460 Non Spendable Fund Balance	-	-	-
Restricted:			
425 Bond Refundings	-	-	-
464 Restricted Fund Balance	-	-	-

INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal ALN(s)	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
Pass-through Programs from Minnesota Department of Education		
Child Nutrition Cluster:		
National School Breakfast Program	10.553	
Cash Assistance		$ 107,660
National School Lunch Program	10.555	
Cash Assistance		327,567
Non-Cash Assistance (Commodities)		77,548
		405,115
Child Nutrition Cluster Subtotal - 10.553, 10.555		512,775
Total U.S. DEPARTMENT OF AGRICULTURE		$ 512,775
U.S. DEPARTMENT OF EDUCATION		
Pass-through Programs from Minnesota Department of Education		
Title I, Part A - Grants to Local Educational Agencies	84.010	$ 164,036
Title II, Part A - Supporting Effective Instruction State Grants	84.367	30,001
Title III, Part A - English Language Acquisition	84.365	8,075
Pass-through Programs from Meeker and Wright Special Education Cooperative		
Special Education Cluster:		
Grants to States (IDEA, Part B)	84.027	83,648
Preschool Grants (IDEA Preschool)	84.173	12,254
Special Education Cluster Subtotal - 84.027, 84.173		95,902
Pass-through Programs from Wright Technical Center		
Career and Technical Education - Basic Grants to States (Perkins V)	84.048	5,071
Total U.S. DEPARTMENT OF EDUCATION		$ 303,085
TOTAL FEDERAL EXPENDITURES		$ 815,860

INDEPENDENT SCHOOL DISTRICT NO. 883
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 (the Schedule) includes the federal award activity of Independent School District No. 883 (the District) under programs of the federal government for the year ended June 30, 2025. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a select portion of the operations of Independent School District No. 883, it is not intended to and does not present the financial position, or changes in financial position of Independent School District No. 883.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 INVENTORY

Nonmonetary assistance is reported in the Schedule at the fair market value of commodities received and disbursed for the USDA National School Lunch Program Commodities (ALN # 10.555). Revenues and expenditures are recorded when commodities are received.

NOTE 4 SUBRECIPIENTS

The District did not pass any federal funds to subrecipients during the year ended June 30, 2025.

NOTE 5 PASS-THROUGH IDENTIFIER

The District's pass-through identifying numbers assigned by each pass-through entity above are unknown.

NOTE 6 INDIRECT COST RATE

The District did not use an indirect cost rate when calculating federal expenditures.

**OTHER REQUIRED
REPORTS AND SCHEDULES**

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*

Members of the School Board
Independent School District No. 883
Rockford, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 883 (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Independent School District No. 883's basic financial statements, and have issued our report thereon dated December 9, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Independent School District No. 883's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

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

Report on Compliance and Other Matters

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

Minnesota Legal Compliance

In connection with our audit, we noted that Independent School District No. 883 failed to comply with provisions of the contracting – bid laws section of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters as described in the *Schedule of Findings and Questioned Costs* as items 2025-001 and 2025-002. Also, in connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for Minnesota school districts (UFARS) sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Independent School District No. 883's response to the findings identified in our audit and described in the accompanying *Schedule of Findings and Questioned Costs* and *Corrective Action Plans*. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Schlenner Wenner & Co.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota
December 9, 2025

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

Members of the School Board
Independent School District No. 883
Rockford, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Independent School District No. 883's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

In our opinion, Independent School District No. 883 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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; 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 Independent School District No. 883 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Independent School District No. 883'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 Independent School District No. 883'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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Schlenner Wenner & Co.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota
December 9, 2025

INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

* Material weakness(es) identified?		Yes	X	No
* Significant deficiencies identified that are not considered to be material weaknesses?		Yes	X	No
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:

* Material weakness(es) identified?		Yes	X	No
* Significant deficiencies identified that are not considered to be material weakness(es)?		Yes	X	No

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?		Yes	X	No

Identification of major programs:

ALN(s)	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?		Yes	X	No

SECTION II: FINANCIAL STATEMENT FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

None identified.

SECTION III: FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None identified.

SECTION IV: MINNESOTA LEGAL COMPLIANCE FINDINGS

Finding 2025-001 Sealed Bidding Process for Contracts over $175,000

Condition: The District did not complete the sealed bidding process for a contract that exceeded $175,000.

Criteria: In accordance with Minnesota Statute 471.345, for all contracts estimated to exceed $175,000, sealed bids shall be solicited by public notice. Contracts must not be intentionally disaggregated to avoid exceeding this threshold.

Cause: The District obtained quoted prices from vendors for the contract. However, this did not satisfy the requirements referenced above, to solicit bids by public notice.

Effect: The failure to solicit bids by public notice resulted in the District's noncompliance with Minnesota Statutes.

Recommendation: We recommend that the District implement additional procedures to ensure that the sealed bidding process is completed for all future contracts exceeding $175,000.

Views of Responsible Officials and Planned Corrective Action: Management agrees with the recommendation. See corresponding Corrective Action Plan.

Finding 2025-002 Performance and Payment Bonds for Contractors

Condition: The District failed to obtain documentation from contractors showing proof of performance and payment bonds for a contract exceeding $175,000.

Criteria: Under Minnesota Statute 574.26, for all contracts greater than $175,000, a contract with a public body for the doing of any public work is not valid unless the contractor provides performance and payment bonds in an amount not less than the contract price.

Cause: Performance and payment bonds were not provided to the District prior to the contract being approved.

Effect: The failure to obtain such documentation resulted in the District's noncompliance with Minnesota Statutes.

Recommendation: We recommend management adopt a policy under which it requires contractors to provide performance and payment bonds for all contracts over $175,000.

Views of Responsible Officials And Planned Corrective Action: Management agrees with the recommendation. See corresponding Corrective Action Plan.

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CORRECTIVE ACTION PLANS
FOR THE YEAR ENDED JUNE 30, 2025

MINNESOTA LEGAL COMPLIANCE FINDINGS

Finding 2025-001 Sealed Bidding Process for Contracts over $175,000

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

2. Actions Planned in Response to the Finding
   The District will establish procedures to ensure that the sealed bidding process is completed for all contracts exceeding $175,000.

3. Office Responsible
   Dr. Jeff Ridlehoover, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date
   June 30, 2026.

5. Plan to Monitor Completion
   The Board of Education will monitor the Corrective Action Plan.

Finding 2025-002 Performance and Payment Bonds for Contractors

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
   The District will ensure that the required documentation is obtained for all contracts greater than $175,000, as required by Minnesota Statutes.

3. Official Responsible
   Dr. Jeff Ridlehoover, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date
   June 30, 2026.

5. Plan to Monitor Completion
   The Board of Education will be monitoring this Corrective Action Plan.

Rockford Area Schools ISD 883

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

PRIOR YEAR FEDERAL AWARD FINDINGS

No federal awards findings were reported in the prior year.

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

None identified.

PRIOR YEAR MINNESOTA LEGAL COMPLIANCE FINDINGS

Minnesota Legal Compliance findings 2024-001 and 2024-002 were reported during the prior period but have been corrected during the current year.