



**Independent School District No. 51
Foley, Minnesota**

Basic Financial Statements

June 30, 2025

**Independent School District No. 51
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**Independent School District No. 51
Board of Education and Administration
As of June 30, 2025**

<u>Board of Education</u>	<u>Position</u>	<u>Term Expires</u>
Patric Lewandowski	Chairperson	December 31, 2028
Sharon Kipka	Vice-Chairperson	December 31, 2028
Wayne Wilson	Clerk	December 31, 2026
Nathan Anderson	Treasurer	December 31, 2026
Alyssa Schumacher	Director	December 31, 2028
Pamela Vizenor	Director	December 31, 2028
Stephanie Rudnitski	Director	December 31, 2026
 <u>Administration</u>		
Trish Perry	Superintendent	

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Independent Auditor's Report

To the School Board
Independent School District No. 51
Foley, Minnesota

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 51, Foley, Minnesota, as of and for the year ended June 30, 2025, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements 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. 51, Foley, Minnesota, as of June 30, 2025, and the respective changes in financial position, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 51 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

The District has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The management of Independent School District No. 51 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which 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, which follows this report letter, and Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BerganKDV, Ltd.

St. Cloud, Minnesota
December 8, 2025

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Independent School District No. 51 Management's Discussion and Analysis

This section of the District's annual financial report presents the District's Management's Discussion and Analysis (MD&A) of the District's financial performance during the year that ended on June 30, 2025. Please read it in conjunction with this report and the District's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2024-25 year include the following:

- The District experienced a slight decrease in the unassigned General Fund Balance from \$2,688,421 on June 30, 2024, to \$2,578,720 on June 30, 2025. The fund balance was approximately 9.85% of 2025 expenditures or approximately one month of expenditures based on 2025 spending levels.
- The District had Adjusted Average Daily Membership of 1,839 in Fiscal Year 2025, which is a decrease of 19 students compared to the prior year.
- The government's total net position decreased by \$1,339,420, primarily due to the implementation of GASB 101 and recording additional compensated absences.

Independent School District No. 51 Management's Discussion and Analysis

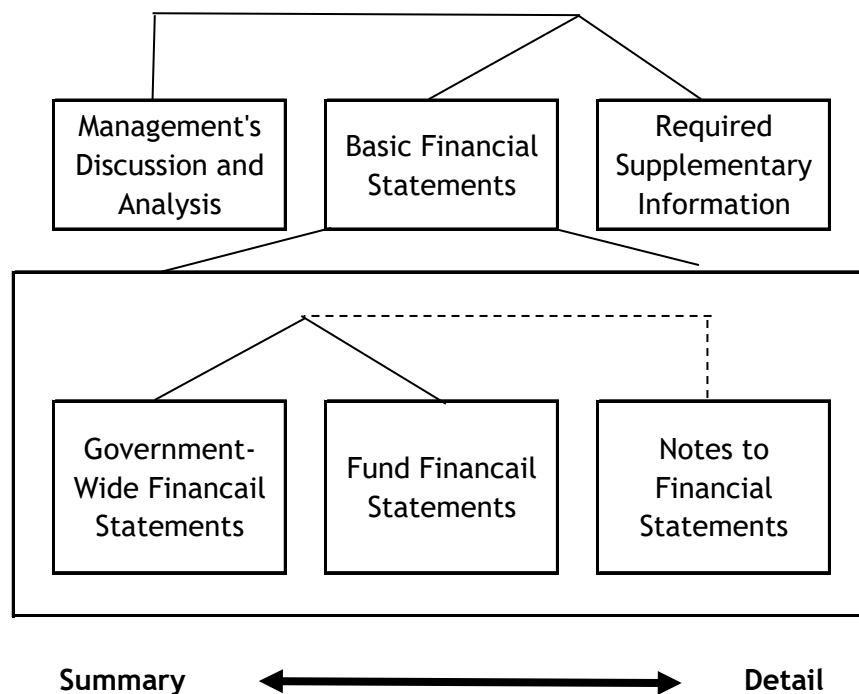
OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1



**Independent School District No. 51
Management's Discussion and Analysis**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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 below. The remainder of the overview section of the MD&A highlights the structure and content of each of the statements.

Fund Financial Statements				
	District-Wide Statements	Governmental Funds	Fiduciary Funds	Proprietary Fund
Scope	Entire District (except fiduciary funds)	The activities of the District that is not fiduciary, such as special education and building maintenance.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs.	The activities the District operates like a business, such as retiree severance funds and self-insurance funds.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Position • Statement of Changes in Fiduciary Net Position 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses, and Changes in Fund Net Position • Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of Assets/Liability Information	All assets and liabilities, 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; no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.	All assets and liabilities, both financial and capital, and short-term and long-term.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues 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 additions and deductions during the year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

Independent School District No. 51 Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Statements

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

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

- Over time, increases, or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

- Governmental Activities - Most of the District's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of these activities.

Financial Fund Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

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

**Independent School District No. 51
Management's Discussion and Analysis**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Fund Statements (Continued)

The District has three kinds of funds:

- **Governmental Funds** - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- **Proprietary Fund** - The District uses Internal Service Funds to account for operations of the District's OPEB benefits and dental self insurance. The activities of these funds are reported in a separate Statement of Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position, and Statement of Cash Flows. This activity is also included in the Government-Wide Statement of Net Position and Statement of Activities.
- **Fiduciary Funds** - The District is the trustee, or fiduciary, for assets that belong to others, such as certain scholarship funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

**Independent School District No. 51
Management's Discussion and Analysis**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

	Net Position		
	<u>2025</u>	<u>2024</u>	<u>Change</u>
Current assets	\$ 29,296,266	\$ 15,097,269	94.1%
Capital assets, net of depreciation	<u>37,065,187</u>	<u>34,369,382</u>	<u>7.8%</u>
Total assets	<u>\$ 66,361,453</u>	<u>\$ 49,466,651</u>	<u>34.2%</u>
Deferred outflows related to OPEB	\$ 1,117,161	\$ 764,282	46.2%
Deferred outflows related to pensions	<u>3,660,639</u>	<u>3,845,181</u>	<u>-4.8%</u>
Total deferred outflows	<u>\$ 4,777,800</u>	<u>\$ 4,609,463</u>	<u>3.7%</u>
Current liabilities	\$ 6,083,610	\$ 2,987,235	103.7%
Noncurrent liabilities	<u>38,101,839</u>	<u>26,490,254</u>	<u>43.8%</u>
Total liabilities	<u>\$ 44,185,449</u>	<u>\$ 29,477,489</u>	<u>49.9%</u>
Deferred inflows related to OPEB	\$ 1,264,064	\$ 1,494,789	-15.4%
Deferred inflows related to pensions	4,559,204	1,567,851	190.8%
Property taxes levied for subsequent year's expenditures	<u>4,743,311</u>	<u>3,809,340</u>	<u>24.5%</u>
Total deferred inflows	<u>\$ 10,566,579</u>	<u>\$ 6,871,980</u>	<u>53.8%</u>
Net investment in capital assets	\$ 26,403,769	\$ 26,124,199	1.1%
Restricted	3,807,762	3,600,692	5.8%
Unrestricted	<u>(13,824,306)</u>	<u>(11,998,246)</u>	<u>-15.2%</u>
Total net position	<u>\$ 16,387,225</u>	<u>\$ 17,726,645</u>	<u>-7.6%</u>

**Independent School District No. 51
Management's Discussion and Analysis**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

	Changes in Net Position		
	2025	2024	Change
Revenues			
Program revenues			
Charges for services	\$ 1,704,258	\$ 1,445,070	17.9%
Operating grants and contributions	9,091,410	8,485,247	7.1%
Capital grants and contributions	788,445	773,911	1.9%
General revenues			
Property taxes	3,718,246	3,347,442	11.1%
State aid-formula grants	15,831,783	15,727,682	0.7%
Other and investment income	974,409	882,602	-10.4%
Total revenues	<u>32,108,551</u>	<u>30,661,954</u>	<u>4.7%</u>
Expenses			
Administration	\$ 1,223,733	\$ 1,151,481	6.3%
District support services	684,607	576,473	18.8%
Elementary/secondary regular instruction	11,471,072	11,170,454	2.7%
Vocational education instruction	188,189	155,296	21.2%
Special education instruction	5,166,454	4,852,502	6.5%
Instructional support services	1,564,713	1,604,217	-2.5%
Pupil support services	2,283,715	2,174,578	5.0%
Sites and buildings	3,052,871	3,513,502	-13.1%
Fiscal and other fixed cost programs	165,461	170,730	-3.1%
Food service	1,908,885	1,895,398	0.7%
Community service	1,149,138	1,018,415	12.8%
Unallocated depreciation	728,067	623,166	16.8%
Interest and fiscal charges on long-term debt	520,795	154,609	236.8%
Total expenses	<u>30,107,700</u>	<u>29,060,821</u>	<u>3.6%</u>
Change in net position	2,000,851	1,601,133	25.0%
Beginning of the year net position	17,726,645	15,470,764	14.6%
Change in accounting principle	(3,340,271)	654,748	-610.2%
Beginning of the year net position, restated	<u>14,386,374</u>	<u>16,125,512</u>	<u>10.8%</u>
End of year net position	<u>\$ 16,387,225</u>	<u>\$ 17,726,645</u>	<u>-7.6%</u>

**Independent School District No. 51
Management's Discussion and Analysis**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position

The District's total revenues were \$32,108,551 for the year ended June 30, 2025. Property taxes, state formula aid, and other general revenues accounted for 64% of total revenue for the year and 36% came from program revenues.

The total cost of all programs and services was \$30,107,700. The District's expenses are predominantly related to educating and caring for students (81%). The purely administrative activities of the District accounted for 4% of total cost.

GENERAL FUND

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

General Fund Revenue

Revenues from the State of Minnesota make up a vast majority of the General Fund operating dollars. The primary factors in calculating the amount of "state aid" each year are student enrollment and the General Education Aid Formula Allowance.

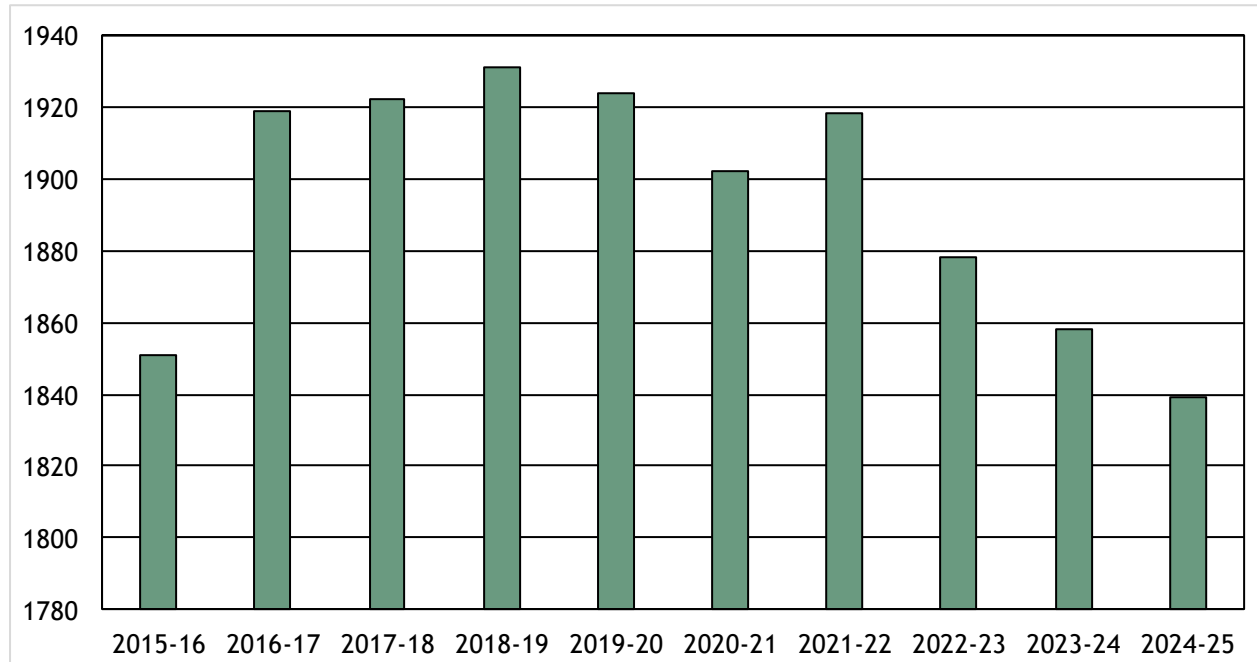
The General Education Aid Formula Allowance has increased in recent years, reflecting the robust state economy, from \$6,567 per "Weighted Average Daily Membership" in FY21 to \$6,728 in FY22, to \$6,863 in FY23, to \$7,138 in FY24 with a further 2% increase in FY25 to \$7,281.

The District experienced a decrease in Average Daily Membership in FY25 of about 1% to 1,839.

Independent School District No. 51
Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Historical Adjusted Average Daily Membership (ADM = 1.0)



Source: Minnesota Dept. of Education, Minnesota Funding Reports

The last MARSS run available reports 1,839.12 Average Daily Membership for 2024-2025.

**Independent School District No. 51
Management's Discussion and Analysis**

GENERAL FUND (CONTINUED)

The unassigned fund balance of \$2,578,720 as of June 30, 2025, represents 9.85% of the FY25 General Fund expenditures. The District closely monitors its fund balance as the District fund balance policy requires 12%, or about one- and one-half months' worth of expenditures as the fund balance amount.

General Fund Revenue			
	2025	2024	Amount of Increase/ (Decrease)
			Change
Property taxes	\$ 2,280,253	\$ 1,910,263	\$ 369,990
Other local and county revenues	1,137,270	958,914	178,356
State sources	22,285,516	21,751,023	534,493
Federal sources	557,971	668,763	(110,792)
Sales and other	53,621	29,379	24,242
Total general fund revenue	<u>\$ 26,314,631</u>	<u>\$ 25,318,342</u>	<u>\$ 996,289</u>
			3.9%
General Fund Expenditures			
	2025	2024	Amount of Increase/ (Decrease)
			Change
Administration	\$ 1,316,382	\$ 1,211,373	\$ 105,009
District support services	667,369	570,023	97,346
Elementary/secondary regular instruction	11,855,524	11,808,305	47,219
Vocational education instruction	184,252	170,562	13,690
Special education instruction	5,272,799	5,005,985	266,814
Instructional support services	1,444,397	1,611,526	(167,129)
Pupil support services	2,268,518	2,207,714	60,804
Sites and buildings	2,267,269	2,698,715	(431,446)
Fiscal and other fixed cost programs	165,461	170,730	(5,269)
Community education and services	3,214	7,347	(4,133)
Debt service	348,202	293,482	54,720
Capital outlay	664,718	443,805	220,913
Total general fund expenditures	<u>\$ 26,458,105</u>	<u>\$ 26,199,567</u>	<u>\$ 258,538</u>
			1.0%

NONMAJOR FUNDS

The Food Service Fund balance increased from \$1,120,358 on June 30, 2024, to \$1,158,877 on June 30, 2025. The \$38,519 increase is primarily attributable to a change in the state funding program.

The Community Service Fund experienced a decrease in fund balance in the amount of \$120,311, which is attributable to Community Education, Early Childhood Family Education and School Readiness which combined for a decrease of \$131,084.

**Independent School District No. 51
Management's Discussion and Analysis**

CAPITAL ASSETS

Capital Assets			
	2025	2024	Change
Land and construction in progress	\$ 4,133,662	\$ 150,325	2649.8%
Land improvements	3,258,103	3,266,386	-0.3%
Buildings	55,490,001	55,539,269	-0.1%
Machinery and equipment	9,345,469	10,265,927	-9.0%
Leased assets	99,453	99,453	0.0%
Less accumulated depreciation	(35,261,501)	(34,951,978)	-0.9%
Total	\$ 37,065,187	\$ 34,369,382	7.8%

Net capital assets increased by 7.8% from June 30, 2024 to June 30, 2025, as seen in the above table. See Note 4 for further information on capital assets.

LONG-TERM LIABILITIES

Outstanding Long-Term Liabilities			
	2025	2024	Change
Bond principal, net of premium	\$ 19,645,456	\$ 6,413,250	206.3%
Financed purchase agreements	1,837,868	1,831,892	0.3%
Lease liability	53,049	72,359	-26.7%
Special assessment liability	63,816	70,313	-9.2%
Compensated absences	3,223,628	559,130	476.5%
Net pension liability	12,734,439	16,483,909	-22.7%
Total OPEB liability	3,610,297	3,055,745	18.1%
Total	\$ 41,168,553	\$ 28,486,598	44.5%

At year-end, the District had \$41,168,553 in long-term liabilities. See Note 5 for additional information on long-term liabilities.

FACTORS BEARING ON THE DISTRICT'S FUTURE

Minnesota's political and economic climate could significantly impact school district finances. State legislators determine aid and levy revenues; the per pupil general education formula for 2026 will be set in the upcoming legislative session. Historically, revenue increases have not kept pace with needs and inflation. Without additional state funding next biennium, the district's fund balance could decline.

We maintain a conservative budget amid uncertain funding and will adjust based on ongoing enrollment monitoring.

**Independent School District No. 51
Management's Discussion and Analysis**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office, Independent School District 51, 840 Norman Avenue North, Foley, Minnesota 56329.

BASIC FINANCIAL STATEMENTS

Independent School District No. 51
Statement of Net Position
June 30, 2025

	Governmental Activities
Assets	
Cash and investments	\$ 23,588,214
Current property taxes receivable	2,484,393
Delinquent property taxes receivable	76,529
Accounts receivable	31,573
Due from Department of Education	2,385,648
Due from Federal Government through Department of Education	91,676
Due from other governmental units	65,190
Due from other Minnesota school districts	513,550
Inventory	37,728
Prepaid items	21,765
Capital assets not being depreciated	
Land	150,325
Construction in progress	3,983,337
Capital assets, net of accumulated depreciation/amortization	
Buildings	29,173,937
Improvements other than buildings	1,084,354
Machinery and equipment	2,623,508
Lease equipment	49,726
Total assets	<u>66,361,453</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to OPEB	1,117,161
Deferred outflows of resources related to pensions	<u>3,660,639</u>
Total deferred outflows of resources	<u>4,777,800</u>
 Total assets and deferred outflows of resources	 <u><u>\$ 71,139,253</u></u>
Liabilities	
Accounts payable	\$ 598,121
Contracts payable	1,734,189
Salaries and benefits payable	375,650
Interest payable	306,984
Unearned revenue	1,952
Bond principal payable, net of premiums	
Payable within one year	1,585,000
Payable after one year	18,060,456
Financed purchase agreements payable	
Payable within one year	266,260
Payable after one year	1,571,608
Lease liability	
Payable within one year	20,372
Payable after one year	32,677
Special assessment liability	
Payable within one year	6,694
Payable after one year	57,122
Compensated absences payable	
Payable within one year	899,895
Payable after one year	2,323,733
OPEB liability	
Payable within one year	288,493
Payable after one year	3,321,804
Net pension liability	<u>12,734,439</u>
Total liabilities	<u>44,185,449</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	1,264,064
Deferred inflows of resources related to pensions	4,559,204
Property taxes levied for subsequent year's expenditures	<u>4,743,311</u>
Total deferred inflows of resources	<u>10,566,579</u>
Net Position	
Net investment in capital assets	26,403,769
Restricted for	
Debt service	1,111,331
Other purposes	2,696,431
Unrestricted	<u>(13,824,306)</u>
Total net position	<u>16,387,225</u>
 Total liabilities, deferred inflows of resources, and net position	 <u><u>\$ 71,139,253</u></u>

See notes to basic financial statements.

Independent School District No. 51
Statement of Activities
Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Administration	\$ 1,223,733	\$ -	\$ -	\$ -	\$ (1,223,733)
District support services	684,607	-	-	-	(684,607)
Elementary and secondary regular instruction	11,471,072	784,773	1,607,941	-	(9,078,358)
Vocational education instruction	188,189	-	11,408	-	(176,781)
Special education instruction	5,166,454	-	4,831,742	-	(334,712)
Instructional support services	1,564,713	430	589,881	-	(974,402)
Pupil support services	2,283,715	2,566	105,136	-	(2,176,013)
Sites and buildings	3,052,871	560	-	788,445	(2,263,866)
Fiscal and other fixed cost programs	165,461	-	-	-	(165,461)
Food service	1,908,885	209,806	1,703,374	-	4,295
Community education and services	1,149,138	706,123	241,928	-	(201,087)
Unallocated depreciation/amortization	728,067	-	-	-	(728,067)
Interest and fiscal charges on long-term debt	520,795	-	-	-	(520,795)
Total governmental activities	<u>\$ 30,107,700</u>	<u>\$ 1,704,258</u>	<u>\$ 9,091,410</u>	<u>\$ 788,445</u>	(18,523,587)
General revenues					
Taxes					
Property taxes, levied for general purposes					2,275,553
Property taxes, levied for community service					106,633
Property taxes, levied for debt service					1,336,060
State aid-formula grants					15,831,783
Other general revenues					999
Investment income					973,410
Total general revenues					<u>20,524,438</u>
Change in net position					2,000,851
Net position - beginning					17,726,645
Change in accounting principle (see Note 9)					<u>(3,340,271)</u>
Net position - beginning, restated					<u>14,386,374</u>
Net position - ending					<u>\$ 16,387,225</u>

See notes to basic financial statements.

Independent School District No. 51
Balance Sheet - Governmental Funds
June 30, 2025

	General	Debt Service	Capital Projects	Other Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 3,846,180	\$ 2,124,422	\$ 12,639,792	\$ 1,131,939	\$ 19,742,333
Current property taxes receivable	1,406,039	1,019,631	-	58,723	2,484,393
Delinquent property taxes receivable	46,667	27,956	-	1,906	76,529
Accounts receivable	5,691	-	-	25,882	31,573
Due from Department of Education	2,327,820	35,006	-	22,822	2,385,648
Due from Federal Government through Department of Education	88,111	-	-	3,565	91,676
Due from other funds					
Minnesota school districts	509,536	-	-	4,014	513,550
Due from other governmental units	65,190	-	-	-	65,190
Due from other funds	59,618	-	-	-	59,618
Inventory	8,289	-	-	29,439	37,728
Prepaid items	21,765	-	-	-	21,765
Total assets	<u>\$ 8,384,906</u>	<u>\$ 3,207,015</u>	<u>\$ 12,639,792</u>	<u>\$ 1,278,290</u>	<u>\$ 25,510,003</u>
Liabilities					
Accounts payable	\$ 543,888	\$ -	\$ 30,648	\$ 23,585	\$ 598,121
Contracts payable	-	-	1,734,189	-	1,734,189
Salaries and benefits payable	351,386	-	-	24,264	375,650
Due to other funds	-	-	-	59,618	59,618
Unearned revenue	-	-	-	1,952	1,952
Total liabilities	<u>895,274</u>	<u>-</u>	<u>1,764,837</u>	<u>109,419</u>	<u>2,769,530</u>
Deferred Inflows of Resources					
Unavailable revenue - delinquent property taxes	11,249	27,956	-	1,906	41,111
Property taxes levied for subsequent year's expenditures	2,832,931	1,788,700	-	121,680	4,743,311
Total deferred inflows of resources	<u>2,844,180</u>	<u>1,816,656</u>	<u>-</u>	<u>123,586</u>	<u>4,784,422</u>
Fund Balances					
Nonspendable	30,054	-	-	29,439	59,493
Restricted	1,485,894	1,390,359	10,874,955	1,179,192	14,930,400
Assigned	550,784	-	-	-	550,784
Unassigned	2,578,720	-	-	(163,346)	2,415,374
Total fund balances	<u>4,645,452</u>	<u>1,390,359</u>	<u>10,874,955</u>	<u>1,045,285</u>	<u>17,956,051</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,384,906</u>	<u>\$ 3,207,015</u>	<u>\$ 12,639,792</u>	<u>\$ 1,278,290</u>	<u>\$ 25,510,003</u>

Independent School District No. 51
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2025

Total fund balances - governmental funds	\$ 17,956,051
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Cost of capital assets	72,227,235
Less accumulated depreciation	(35,211,774)
Lease assets	99,453
Less accumulated amortization	(49,727)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bond principal payable	(18,380,000)
Bond premiums	(1,265,456)
Financed purchase agreements payable	(1,837,868)
Lease liability	(53,049)
Special assessment liability	(63,816)
Compensated absences payable	(3,223,628)
Total OPEB liability	(3,610,297)
Net pension liability	(12,734,439)

Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and OPEB that are not recognized in the governmental funds:

Deferred outflows of resources related to pensions	3,660,639
Deferred inflows of resources related to pensions	(4,559,204)
Deferred outflows of resources related to OPEB	1,117,161
Deferred inflows of resources related to OPEB	(1,264,064)

Delinquent property taxes receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	41,111
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The OPEB Revocable Trust and Dental Insurance internal service funds are used to charge the benefits to the fund that incurs the cost. This amount represents assets available to fund the OPEB liability and dental insurance claims. These assets are included with governmental activities.	3,845,881
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Governmental funds do not report a liability for accrued interest on bonds and capital loans until due and payable.	(306,984)
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Total net position - governmental activities	\$ 16,387,225
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Independent School District No. 51
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2025

	General	Debt Service	Capital Projects	Other Nonmajor Funds	Total Governmental Funds
Revenues					
Local property taxes	\$ 2,280,253	\$ 1,323,425	\$ -	\$ 105,584	\$ 3,709,262
Other local and county revenues	1,137,270	66,946	197,354	799,769	2,201,339
Revenue from state sources	22,285,516	350,057	-	1,266,637	23,902,210
Revenue from federal sources	557,971	-	-	666,598	1,224,569
Sales and other conversion of assets	53,621	-	-	212,479	266,100
Total revenues	<u>26,314,631</u>	<u>1,740,428</u>	<u>197,354</u>	<u>3,051,067</u>	<u>31,303,480</u>
Expenditures					
Current					
Administration	1,316,382	-	-	-	1,316,382
District support services	667,369	-	-	-	667,369
Elementary and secondary regular instruction	11,855,524	-	-	-	11,855,524
Vocational education instruction	184,252	-	-	-	184,252
Special education instruction	5,272,799	-	-	-	5,272,799
Instructional support services	1,444,397	-	-	-	1,444,397
Pupil support services	2,268,518	-	-	-	2,268,518
Sites and buildings	2,267,269	-	-	-	2,267,269
Fiscal and other fixed cost programs	165,461	-	-	-	165,461
Food service	-	-	-	1,902,762	1,902,762
Community education and services	3,214	-	-	1,180,666	1,183,880
Capital outlay					
Elementary and secondary regular instruction	55,811	-	-	-	55,811
Special education instruction	140,828	-	-	-	140,828
Pupil support services	427,837	-	-	-	427,837
Sites and buildings	40,242	-	3,983,337	-	4,023,579
Food service	-	-	-	49,607	49,607
Debt service					
Principal	296,488	1,425,000	-	-	1,721,488
Interest and fiscal charges	51,714	190,488	214,740	-	456,942
Total expenditures	<u>26,458,105</u>	<u>1,615,488</u>	<u>4,198,077</u>	<u>3,133,035</u>	<u>35,404,705</u>
Excess of revenues over (under) expenditures	(143,474)	124,940	(4,000,723)	(81,968)	(4,101,225)
Other Financing Sources (Uses)					
Bond issuances	-	-	13,800,000	-	13,800,000
Bond premiums	-	-	1,003,360	-	1,003,360
Proceeds from leases	276,657	-	-	-	276,657
Transfers in	-	-	-	176	176
Transfers out	(176)	-	-	-	(176)
Total other financing sources (Uses)	<u>276,481</u>	<u>-</u>	<u>14,803,360</u>	<u>176</u>	<u>15,080,017</u>
Net change in fund balances	133,007	124,940	10,802,637	(81,792)	10,978,792
Fund Balances					
Beginning of year	4,512,445	1,265,419	-	1,199,395	6,977,259
Change in accounting principle (see Note 9)	-	-	72,318	(72,318)	-
Beginning of year, restated	<u>4,512,445</u>	<u>1,265,419</u>	<u>72,318</u>	<u>1,127,077</u>	<u>6,977,259</u>
End of year	<u>\$ 4,645,452</u>	<u>\$ 1,390,359</u>	<u>\$ 10,874,955</u>	<u>\$ 1,045,285</u>	<u>\$ 17,956,051</u>

See notes to basic financial statements.

Independent School District No. 51
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to the
Statement of Activities - Governmental Funds
Year Ended June 30, 2025

Net change in fund balances - total governmental funds \$ 10,978,792

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation/ amortization expense:

Capital outlays	4,725,984
Depreciation and amortization expense	(1,947,312)
Disposals of capital assets	(82,867)

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	675,773
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OPEB are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	29,052
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Governmental funds recognize pension contributions as expenditures at the time of payment in the funds whereas the Statement of Activities factors in items related to pensions in a full accrual perspective.	573,576
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Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in net position in the Statement of Activities.	1,721,488
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The change in net position of the OPEB Revocable Trust and Dental Insurance internal service funds are reported with governmental activities.	461,251
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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 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.	(210,007)
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Governmental funds report the effect of bond premiums when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:	
Premiums on issuances	(1,003,360)
Amortization of premiums	146,154

Proceeds from the sale of long-term debt issuances are recognized as other financing sources in the governmental funds increasing fund balance but as a liability on the Statement of Net Position:	
Bond issuances	(13,800,000)
Lease issuances	(276,657)

Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	8,984
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Change in net position - governmental activities	\$ 2,000,851
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Independent School District No. 51
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Over (Under)
Revenues				
Local property taxes	\$ 2,206,977	\$ 2,202,777	\$ 2,280,253	\$ 77,476
Other local and county revenues	837,931	864,403	1,137,270	272,867
Revenue from state sources	22,119,927	22,351,850	22,285,516	(66,334)
Revenue from federal sources	473,970	558,765	557,971	(794)
Sales and other conversion of assets	26,085	31,796	53,621	21,825
Total revenues	<u>25,664,890</u>	<u>26,009,591</u>	<u>26,314,631</u>	<u>305,040</u>
Expenditures				
Current				
Administration	1,460,632	1,309,217	1,316,382	7,165
District support services	465,645	524,042	667,369	143,327
Elementary and secondary regular instruction	11,975,403	11,822,159	11,855,524	33,365
Vocational education instruction	207,496	183,987	184,252	265
Special education instruction	5,169,282	5,331,403	5,272,799	(58,604)
Instructional support services	1,310,173	1,323,582	1,444,397	120,815
Pupil support services	2,368,552	2,407,621	2,268,518	(139,103)
Sites and buildings	2,171,717	2,215,163	2,267,269	52,106
Fiscal and other fixed cost programs	190,000	168,765	165,461	(3,304)
Community education and services	8,000	250,000	3,214	(246,786)
Capital outlay				
Elementary and secondary regular instruction	16,300	51,936	55,811	3,875
Special education instruction	1,000	134,939	140,828	5,889
Instructional support services	100,000	-	-	-
Pupil support services	-	151,180	427,837	276,657
Sites and buildings	51,674	40,242	40,242	-
Debt service				
Principal	481,471	451,483	296,488	(154,995)
Interest and fiscal charges	31,725	74,419	51,714	(22,705)
Total expenditures	<u>26,009,070</u>	<u>26,440,138</u>	<u>26,458,105</u>	<u>17,967</u>
Excess of revenues over (under) expenditures	(344,180)	(430,547)	(143,474)	287,073
Other Financing Sources (Uses)				
Proceeds from leases	-	-	276,657	276,657
Transfers out	-	-	(176)	(176)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>276,481</u>	<u>276,481</u>
Net change in fund balances	<u>\$ (344,180)</u>	<u>\$ (430,547)</u>	133,007	<u>\$ 563,554</u>
Fund Balances				
Beginning of year			4,512,445	
End of year			<u>\$ 4,645,452</u>	

See notes to basic financial statements.

Independent School District No. 51
Statement of Net Position - Proprietary Funds
June 30, 2025

	Dental Insurance Internal Service Fund	OPEB Revocable Trust Fund	Total
Assets			
Cash and investments	\$ 24,408	\$ 3,821,473	\$ 3,845,881
Net Position			
Unrestricted	\$ 24,408	\$ 3,821,473	\$ 3,845,881
Total liabilities and net position	\$ 24,408	\$ 3,821,473	\$ 3,845,881

Independent School District No. 51
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended June 30, 2025

	Dental Insurance Internal Service Fund	OPEB Revocable Trust Fund	Total
Operating Revenue			
Charges for services	\$ 108,384	\$ -	\$ 108,384
Operating Expenses			
Insurance	83,976	1,287	85,263
Operating income (loss)	24,408	(1,287)	23,121
Nonoperating Revenue			
Investment income	-	438,131	438,131
Change in net position	24,408	436,844	461,252
Net Position			
Beginning of year	-	3,384,629	3,384,629
End of year	\$ 24,408	\$ 3,821,473	\$ 3,845,881

Independent School District No. 51
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2025

	Dental Insurance Internal Service Fund	OPEB Revocable Trust Fund	Total
Cash Flows - Operating Activities			
Receipts from retirees	\$ 108,384	\$ -	\$ 108,384
Insurance paid	(83,976)	(1,287)	(85,263)
Net cash flows - operating activities	<u>24,408</u>	<u>(1,287)</u>	<u>131,505</u>
Cash Flows - Investing Activities			
Interest received	-	438,131	438,131
Net change in cash and cash equivalents	24,408	436,844	569,636
Cash and Cash Equivalents			
Beginning of year	-	3,384,629	3,384,629
End of year	<u>\$ 24,408</u>	<u>\$ 3,821,473</u>	<u>\$ 3,954,265</u>
Reconciliation of Operating Income (loss) to Net Cash Flows- Operating Activities			
Operating gain (loss)	\$ 24,408	\$ (1,287)	\$ 23,121
Net cash flows - operating activities	<u>\$ 24,408</u>	<u>\$ (1,287)</u>	<u>\$ 23,121</u>

Independent School District No. 51
Statement of Fiduciary Net Position
June 30, 2025

	Custodial Funds
Assets	
Cash and cash equivalents	\$ 34,176
Liabilities	
Accounts payable	\$ 17,931
Net Position	
Restricted for scholarships	\$ 16,245

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2025

	Custodial Funds
Additions	
Contributions	\$ 14,000
Interest revenue	4,508
Total Additions	18,508
Deductions	
Benefits expense	4,508
Dental claims	18,000
Total deductions	22,508
Change in net position	(4,000)
Net Position	
Beginning of year	20,245
End of year	\$ 16,245

**Independent School District No. 51
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. The governing body consists of a seven member board elected by the voters of the District to serve four-year terms.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting Entity

The financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the basic financial statements of the District because of the significance of their operational or financial relationships with the District.

The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the District.

As a result of applying the component unit definition criteria above, it has been determined the District has no component units.

The student activity accounts of the District are under board control and are reported in the General Fund.

B. Basic Financial Statement Information

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

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

Depreciation/amortization expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation/amortization expense relating to assets that serve multiple functions is presented as unallocated depreciation/amortization in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

**Independent School District No. 51
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

Separate fund financial statements are provided for governmental funds, the proprietary fund, and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing the delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Internal Service Fund are charges to customers for services. Operating expenses for the Internal Service Fund are insurance claims and premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Custodial Funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide statements.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and 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. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded, in the following manner.

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures, compensated absences, and claims and judgments are recognized when payment is due.

The District applies restricted resources first when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available. Further, the District applies unrestricted funds in this order if various levels of unrestricted fund balances exist: committed, assigned, and unassigned.

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds:

Major Funds:

General Fund - This fund is the basic operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and payment of, general obligation (G.O.) bond and state loan principal, interest, and related costs.

Building Construction Capital Projects Fund - This fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by bond issue.

Nonmajor Funds:

Food Service Special Revenue Fund - This fund is used to account for food service revenues and expenditures.

Community Service Special Revenue Fund - This fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood, and family education, adult basic education, or other similar services.

Proprietary Fund:

OPEB Revocable Trust Internal Service Fund - This fund is used to account for the financial resources relating to post-employment benefits.

Dental Insurance Internal Service Fund - This fund is used to account for operations of the District's self - insured dental insurance plan. Premiums collected from employees are collected from other governmental funds and claims for dental claims are paid by this fund.

Fiduciary Funds:

Employee Benefits Custodial Fund - This fund is used to account for resources received and held by the District in a custodial capacity to be used in funding teacher health reimbursement account benefits.

Scholarship Custodial Fund - This fund is used to account for resources received and held by the District in a custodial capacity to be used in making scholarship awards.

D. Deposits and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

**Independent School District No. 51
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the 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. Investments held by investment pools are measured at amortized cost.

Cash and pooled and nonpooled investments at June 30, 2025, were comprised of deposits, shares in the Minnesota School District Liquid Asset Fund (MSDLAF), shares in the MSDLAF MAX, shares in the MNTrust Investment Shares Portfolio, MNTrust Term Series, shares in a US Treasury Money Market Fund, and negotiable certificates of deposit. In accordance with GASB Statement No. 79, the various MSDLAF, MNTrust securities, and US Treasury Money Market Fund are valued at amortized cost, which approximates fair value. The District also held OPEB Trust investments consisting of shares of the equity pool and bond pool of the State Board of Investments (SBI). These pools are also measured at amortized cost.

Minnesota Statutes requires all deposits be protected by federal deposit insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

Minnesota Statutes authorizes the District to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days.

In accordance with GASB Statement No. 79, the various MSDLAF and MNTrust securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF, MNTrust Investment Shares portfolio, US Treasury Money Market Fund, or SBI pools. Investments in the MSDLAF MAX must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions. Seven days' notice of redemption is required for withdrawals of investments in the MNTrust Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

E. Property Tax Receivable

Current property taxes receivable are recorded for taxes certified the previous December and collectible in the current calendar year, which have not been received by the District. Delinquent property taxes receivables represent uncollected taxes for the past six years and are deferred and included in the deferred inflows of resources section of the fund financial statements as unavailable revenue because they are not available to finance the operations of the District in the current year.

**Independent School District No. 51
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2024, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in fiscal year 2025. The remaining portion of the levy will be recognized when measurable and available.

G. Inventories

Inventories of commodities donated directly by the U.S. Department of Agriculture are recorded at market value. Other inventories are stated at cost as determined on a first-in, first-out (FIFO) basis. Inventories are recorded as expenditures when consumed rather than when purchased.

H. Prepaid Items

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. Prepaid items are recorded as an expenditure at the time of consumption.

I. Property Taxes

The District levies its property tax during the month of December. December 28 is the last day the District can certify a tax levy to the County Auditor. Such taxes become a lien on January 1. The property tax is recorded as revenue when it becomes measurable and available. Benton, Sherburne, and Morrison are the collecting agencies for the levy and remit the collections to the District three times a year. The Tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Delinquent collections for November and December are received the following January.

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.

J. Capital Assets

Capital assets are recorded in the government-wide financial statements but are not reported in the fund financial statements.

Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 with a useful life of more than one year. Such 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 acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

Capital assets are depreciated/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 purpose by the District, no salvage value is taken into consideration for depreciation/amortization purpose. Useful lives vary from 20 to 50 years for improvements other than buildings and buildings and 5 to 20 years for machinery and equipment.

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

Capital assets not being depreciated include land. 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.

K. Right-to-Use Lease Assets/Lease Liabilities

The right-to-use lease assets are initially measured at an amount equal to the initial measurement of the lease liability plus any payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

Key estimates and judgments related to leases include (1) the discount rate, (2) lease term, (3) lease payments, and (4) amortization.

The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District determines its estimated borrowing rate. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a re-measurement of the leases and will remeasure the right-to-use lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liability.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualify for reporting in this category. Deferred outflows of resources related to pensions and deferred outflows of resources related to OPEB are reported in the government-wide Statement of Net Position. Deferred outflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years. Deferred outflows of resources related to OPEB is recorded for various estimate differences that will be amortized and recognized over future years.

**Independent School District No. 51
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statement of Financial Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four types of items which qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. Deferred inflows of resources related to pensions is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years. Deferred inflows of resources related to OPEB is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

M. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, 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 or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. Compensated Absences

The liability for compensated absences reported in the Statement of Net Position consists of leave that has not been used that is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

The District compensates certain employees upon termination of employment for unused vacation in accordance with contract provisions. Accumulated unused vacation time payable upon termination is included in the compensated absences liability balance on the Statement of Net Position.

Certain employees are entitled to sick leave at various rates based on contract provisions. Employees are not compensated for unused sick leave upon termination of employment, unless taken in conjunction with severance pay. Sick leave pay is shown as an expenditure in the year paid.

**Independent School District No. 51
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Pensions

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

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

P. Post Employment Severance Benefits

Certain employees upon retirement receive a District funded annual contribution toward health coverage until Medicare eligible.

District employees who are participants in either the Minnesota General Employees Retirement Plan or the Teachers Retirement Association who apply for early retirement shall be eligible to remain in the existing group health and hospitalization insurance program until the retiree becomes eligible for full Medicare benefits.

Q. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2025.

R. Fund Equity

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in those funds can be spent. Nonspendable fund balances include amounts that cannot be spent because they are not in spendable form. Amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through enabling legislation are classified as restricted fund balances. Amounts that can only be used for specific purposes pursuant to constraints imposed by the School Board (highest level of decision-making authority) through resolution are classified as committed fund balances. Amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances. Assignments are made by the District's Administration. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose in the General Fund. The District's policy is to spend resources from fund balance classifications in the following order (first-to-last) if resources from more than one fund balance classification could be spent: restricted, committed, assigned, and unassigned.

**Independent School District No. 51
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Fund Equity (Continued)

The District's policy is to maintain a minimum unassigned General Fund balance of 12% of the annual budget. If the unassigned fund balance is equal to or less than 12% of the expenditure budget, the administration shall alert the school board and propose alternative measures to reach the 12% level including: seek other revenue sources, reduce expenditures by reducing programs and/or services in all areas, seek additional funds through a referendum, pass a resolution authorizing the exception to the fund balance guidelines, or some combination of these measures.

S. Net Position

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

T. Use of Estimates

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

U. Budgetary Information

The District follows these procedures in establishing the budgetary data reflected in the basic financial statements:

1. Prior to July 1, the School Superintendent submits to the School Board, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for all governmental funds.
4. Budgets for all governmental; funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits

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

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits (Continued)

Custodial Credit Risk - Deposits: This is the risk that in the event of the failure of a depository financial institution, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. *Minnesota Statutes* § 118A requires all deposits be protected by federal deposit insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds. The District's investment policy states all deposits shall be collateralized as required by *Minnesota Statutes* § 118A. As of June 30, 2025, the District's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name. The District's deposits had a book balance as follows:

Checking - pooled	\$ 2,447,668
Checking - nonpooled	140,838
Certificates of deposit - pooled	1,008,317
Savings - non pooled	303,435
	<hr/>
Total	<u><u>\$ 3,900,258</u></u>

B. Investments

As of June 30, 2025, the District had the following investments:

Pooled Investments	Total	Less Than One Year	1-3 Years
MNTrust LTD	798,691	798,691	-
MSDLAF	6	6	-
MSDLAF MAX	4,384	4,384	-
MNTrust IS	2,204,569	2,204,569	-
MNTrust Term Series Flex	556,617	556,617	-
	<hr/>	<hr/>	<hr/>
Total pooled investments	<u><u>\$ 3,564,267</u></u>	<u><u>\$ 3,564,267</u></u>	<u><u>\$ -</u></u>
Non-pooled Investments	Total	Less Than One Year	1-3 Years
Equity security	\$ 3,053,401	\$ 3,053,401	-
Municipal Bonds	600,030	600,030	-
Debt security	463,817	463,817	-
US Treasury securities	10,709,950	10,709,950	-
Money market	11,062	11,062	-
Certificates of deposit	1,218,579	1,218,579	-
Investments shares	101,026	101,026	-
	<hr/>	<hr/>	<hr/>
Total nonpooled investments	<u><u>\$ 16,157,865</u></u>	<u><u>\$ 16,157,865</u></u>	<u><u>\$ -</u></u>

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* §§ 118A.04 and 118A.05 limits investments in the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy limits investments to those specified in the above statutes. As of June 30, 2025, the District's investments in MSDLAF funds, MNTrust funds, and US Treasury Money Market funds were rated AAAm by Standard & Poor's (S&P). Negotiable certificates of deposit and State Board of Investment funds were not rated.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy addresses concentration of credit risk, stating the District shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, and maturities. However, it places no specific limit on the amount the District may invest in any one issuer. The District's investments were not exposed to concentration of credit risk at June 30, 2025.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The District's investment policy addresses interest rate risk stating investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles. Furthermore, investment maturities shall be scheduled to coincide with projected District cash flow needs and shall provide for stability of income and reasonable liquidity.

Custodial Credit Risk - Investments: This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy states that securities shall be held in third party safekeeping by an institution designated as custodial agent.

The District has the following recurring fair value measurements as of June 30, 2025:

- \$3,064,463 of investments are valued using a quoted market price (Level 1 inputs)
- \$12,992,376 of investments are valued using a matrix pricing model (Level 2 inputs)

C. Deposits and Investments

The following is a summary of total deposits and investments as of June 30, 2025:

Pooled Deposits (Note 2.A.)	\$ 3,455,985
Nonpooled Deposits (Note 2.A.)	444,273
Pooled investments (Note 2.B.)	3,564,267
Nonpooled Investments (Note 2.B.)	<u>16,157,865</u>
Total deposits and investments	<u><u>\$ 23,622,390</u></u>

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments (Continued)

Deposits and investments are presented in the June 30, 2025, basic financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 23,588,214
Statement of Fiduciary Net Position	
Cash and investments	<u>34,176</u>
Total deposits and investments	<u><u>\$ 23,622,390</u></u>

NOTE 3 - INTERFUND ACTIVITY

A. Due To/Due From Other Funds

As of June 30, 2025, the following amounts were due to/due from other funds:

	Due to Other Funds
	<u>Community Service Fund</u>
<u>Due from Other Funds</u>	
General Fund	<u><u>\$ 59,618</u></u>

Balance relates to deficit cash.

B. Interfund Transfers

The General Fund transferred \$176 to the Food Service Fund to cover unallowable expenditures in the Food Service Fund.

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 4 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 150,325	\$ -	\$ -	\$ 150,325
Construction in progress	-	3,983,337	-	3,983,337
Total capital assets not being depreciated	<u>150,325</u>	<u>3,983,337</u>	<u>-</u>	<u>4,133,662</u>
Other capital assets				
Buildings	55,539,269	-	49,268	55,490,001
Improvements other than buildings	3,266,386	-	8,283	3,258,103
Machinery and equipment	10,265,927	742,647	1,663,105	9,345,469
Leased equipment	<u>99,453</u>	<u>-</u>	<u>-</u>	<u>99,453</u>
Total other capital assets at historical cost	<u>69,171,035</u>	<u>742,647</u>	<u>1,720,656</u>	<u>68,193,026</u>
Less accumulated depreciation for				
Buildings	25,162,483	1,202,849	49,268	26,316,064
Improvements other than buildings	2,093,515	88,517	8,283	2,173,749
Machinery and equipment	7,666,144	636,055	1,580,238	6,721,961
Less accumulated amortization for				
Leased equipment	<u>29,836</u>	<u>19,891</u>	<u>-</u>	<u>49,727</u>
Total accumulated depreciation/ amortization	<u>34,951,978</u>	<u>1,947,312</u>	<u>1,637,789</u>	<u>35,261,501</u>
Total capital assets being depreciated, net	<u>34,219,057</u>	<u>(1,204,665)</u>	<u>82,867</u>	<u>32,931,525</u>
Governmental activities, capital assets, net	<u>\$ 34,369,382</u>	<u>\$ 2,778,672</u>	<u>\$ 82,867</u>	<u>\$ 37,065,187</u>

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation and amortization expense for the year ended June 30, 2025, was charged to the following governmental functions:

Administration	\$ 762
District Support Services	19,921
Elementary and Secondary Regular Instruction	45,011
Special Education Instruction	33,939
Instructional Support Services	129,089
Pupil Support Services	83,893
Sites and buildings	867,046
Food Service	27,074
Community Education and Services	12,510
Unallocated Depreciation	<u>728,067</u>
Total depreciation and amortization expense	<u><u>\$ 1,947,312</u></u>

NOTE 5 - LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Outstanding	Due Within One Year
Long-term liabilities						
G.O. Bonds						
2019A G.O. Building Refunding Bond	10/02/19	3.0-4.0%	\$ 7,615,000	02/01/28	\$ 2,265,000	\$ 735,000
2019B G.O. Building Refunding Bond	10/02/19	2.75-3.0%	5,440,000	02/01/28	2,315,000	755,000
2025A G.O. Facilities Maintenance Bond	02/20/25	5.00-4.00%	13,800,000	02/01/42	<u>13,800,000</u>	<u>95,000</u>
Total G.O. Bonds					18,380,000	1,585,000
Financed purchase agreements from direct borrowing						
2019 Financed Purchase	07/18/19	2.59%	2,197,500	08/01/29	1,060,039	225,072
2019 Financed Purchase	09/11/19	2.79%	552,500	02/01/34	552,500	-
2025 Finances Purchase	12/04/24	4.50%	276,657	12/18/29	<u>225,329</u>	<u>41,188</u>
Total financed purchase agreements					1,837,868	266,260
Special assessment					63,816	6,694
Lease liability					53,049	20,372
Premiums on bonds					1,265,456	-
Compensated absences					<u>3,223,628</u>	<u>899,895</u>
Total long-term liabilities					<u><u>\$ 24,823,817</u></u>	<u><u>\$ 2,778,221</u></u>

The long-term liabilities listed above, with the exception of compensated absences, were issued to finance acquisition and construction or improvements of capital facilities or to refinance (refund) previous bond issues. Compensated absences and the lease liability are typically liquidated through the General Fund.

On November 21, 2022, the District entered into a lease agreement with Metro Sales for the use of new copier and printers beginning January 1, 2023. The lease agreement includes monthly principal and interest payments of \$1,819 for 60 months or 5 years. The lease agreement expires on December 31, 2027.

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

A. Components of Long-Term Liabilities (Continued)

During 2024, the District was assessed a portion of the storm sewer relocation costs of \$73,489 from the City of Foley. The assessments will be repaid over ten years. The assessment agreement includes quarterly principal and interest payments over ten years of \$2,133. The assessments will be repaid in October 2034.

On December 18, 2024, the District entered into a financed purchase agreement with Stock Growers Public Finance, LLC for two 2026 Blue Bird Vision Buses beginning December 18, 2024. The agreement includes yearly principal and interest payments of \$51,328 for 6 years.

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire bond liabilities:

Year Ended June 30,	G.O. Bonds		
	Principal	Interest	Total
2026	\$ 1,585,000	\$ 735,865	\$ 2,320,865
2027	1,515,000	712,112	2,227,112
2028	1,575,000	666,662	2,241,662
2029	530,000	621,400	1,151,400
2030	580,000	594,900	1,174,900
2031-2035	4,015,000	2,455,000	6,470,000
2036-2040	5,875,000	1,299,600	7,174,600
2041-2042	2,705,000	163,400	2,868,400
Total	<u>\$ 18,380,000</u>	<u>\$ 7,248,939</u>	<u>\$ 25,628,939</u>

Year Ended June 30,	Financed Purchase Agreements from Direct Borrowing		
	Principal	Interest	Total
2026	\$ 266,260	\$ 51,562	\$ 317,822
2027	273,980	43,840	317,820
2028	281,936	35,884	317,820
2029	290,139	27,682	317,821
2030	231,095	19,230	250,325
2031-2034	494,458	31,542	526,000
Total	<u>\$ 1,837,868</u>	<u>\$ 209,740</u>	<u>\$ 2,047,608</u>

Year Ended June 30,	Lease Liability		
	Principal	Interest	Total
2026	\$ 20,372	\$ 2,350	\$ 22,722
2027	21,492	1,230	22,722
2028	11,185	176	11,361
Total	<u>\$ 53,049</u>	<u>\$ 3,756</u>	<u>\$ 56,805</u>

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 5 - LONG-TERM DEBT (CONTINUED)

B. Minimum Debt Payments (Continued)

Year Ended June 30,	Special Assessment Liability		
	Principal	Interest	Total
2026	\$ 6,694	\$ 1,840	\$ 8,534
2027	6,897	1,637	8,534
2028	7,106	1,427	8,533
2029	7,322	1,212	8,534
2030	7,544	990	8,534
2031-2034	28,253	1,615	29,868
Total	<u>\$ 63,816</u>	<u>\$ 8,721</u>	<u>\$ 72,537</u>

C. Changes in Long-Term Liabilities

	Beginning Balance	Change in Accounting Principle	Additions	Reductions	Ending Balance
Long-term liabilities					
G.O. Bonds	\$ 6,005,000	\$ -	\$ 13,800,000	\$ 1,425,000	\$ 18,380,000
Premiums on bonds	408,250	-	1,003,360	146,154	1,265,456
Financed purchase agreements	1,831,892	-	276,657	270,681	1,837,868
Lease liability	72,359	-	-	19,310	53,049
Special Assessment	70,313	-	-	6,497	63,816
Compensated absences	559,130	3,340,271	-	675,773	3,223,628
Total long-term liabilities	<u>\$ 8,946,944</u>	<u>\$ 3,340,271</u>	<u>\$ 15,080,017</u>	<u>\$ 2,543,415</u>	<u>\$ 24,823,817</u>

The change in compensated absences payable is presented as a net change.

See Note 9 for discussion on the accounting change.

NOTE 6 - FUND BALANCES/NET POSITION

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities or as required by other outside parties.

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 6 - FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Equity

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

	General Fund	Debt Service Fund	Capital Projects Fund	Other Nonmajor Funds	Total
Nonspendable					
Inventory	\$ 8,289	\$ -	\$ -	\$ 29,439	\$ 37,728
Prepaid items	21,765	-	-	-	21,765
Total nonspendable	<u>30,054</u>	<u>-</u>	<u>-</u>	<u>29,439</u>	<u>59,493</u>
Restricted/reserved for					
Student Activities	117,662	-	-	-	117,662
Scholarships	29,229	-	-	-	29,229
Staff Development	17,396	-	-	-	17,396
Safe Schools - Crime Levy	44,955	-	-	-	44,955
Operating Capital	347,667	-	-	-	347,667
Literacy Aid	33,612	-	-	-	33,612
Teacher Comp READ Act	18,200	-	-	-	18,200
English Learner	39,686	-	-	-	39,686
Student Support	21,731	-	-	-	21,731
Medical Assistance	330,498	-	-	-	330,498
Long-Term Facilities Maintenance	485,258	-	-	-	485,258
Community Education	-	-	-	29,299	29,299
Adult Basic Education	-	-	-	9,223	9,223
Debt Service	-	1,390,359	-	-	1,390,359
Building Project	-	-	10,874,955	-	10,874,955
Food Service	-	-	-	1,129,438	1,129,438
Community Service	-	-	-	11,232	11,232
Total restricted/reserved	<u>1,485,894</u>	<u>1,390,359</u>	<u>10,874,955</u>	<u>1,179,192</u>	<u>14,930,400</u>
Assigned for					
Safe Routes to School	32,058	-	-	-	32,058
Emergency	352,013	-	-	-	352,013
Sharing	1,212	-	-	-	1,212
Extracurricular Activities	165,501	-	-	-	165,501
Total assigned	<u>550,784</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>550,784</u>
Unassigned for					
General purposes	2,578,720	-	-	-	2,578,720
Early Childhood and Family Education*	-	-	-	(113,002)	(113,002)
School Readiness*	-	-	-	(50,344)	(50,344)
Total unassigned	<u>2,578,720</u>	<u>-</u>	<u>10,874,955</u>	<u>(163,346)</u>	<u>2,415,374</u>
Total fund balance	<u>\$ 4,645,452</u>	<u>\$ 1,390,359</u>	<u>\$ 10,874,955</u>	<u>\$ 1,045,285</u>	<u>\$ 17,956,051</u>

* Negative restricted/reserved fund balances have been reclassified to unassigned for financial statement purposes per GASB Statement No. 54.

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 6 - FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Equity (Continued)

Nonspendable for Inventory and Prepaid Items - a portion of the fund balance has been spent on inventory and prepaid items and is not available for other uses.

Restricted/Reserved for Student Activities - This balance represents available resources to be used for the extracurricular activity funds raised by students and spent with student and advisor involvement.

Restricted/Reserved for Scholarships - This balance represents available resources for the scholarship funds.

Restricted/Reserved for Staff Development - This balance represents unspent staff development revenues set aside from general education revenue that were restricted/reserved for staff development related to Finance Code 316. Expenditures for staff development must equal at least 2% of the basic general education revenue, unless legal stipulations are met (*Minnesota Statutes* § 122A.61, subdivision 1).

Restricted/Reserved for Safe Schools - The unspent resources available from the Safe Schools Levy must be restricted in this account for future use.

Restricted/Reserved for Operating Capital - This balance represents available resources in the General Fund to be used to purchase equipment and facilities.

Restricted/Reserved for Literacy Aid - This balance represents resources available for literacy aid for evidence-based literacy supports for children in prekindergarten through grade 12 based on structured literacy.

Restricted/Reserved for Teacher Compensation for READ Act Training - This balance represents resources available for teacher compensation for Read Act training.

Restricted/Reserved for English Learner - This balance represents resources available for English Learner students per *Minnesota Statutes* § 2023, 124D.59, subd. 2.

Restricted/Reserved for Student Support Personnel Aid - This balance represents available resources to be used for student support personnel that are in addition to current staff levels.

Restricted/Reserved for Medical Assistance - This balance represents available resources to be used for medical assistance expenditures (*Minnesota Statutes* § 125A.21, subd. 3).

Restricted/Reserved for Long-Term Facilities Maintenance (LTFM) - This balance represents available resources to be used for LTFM projects in accordance with the 10-year plan (*Minnesota Statutes* § 123B.595, subd. 12).

Restricted/Reserved for Community Education - This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, early childhood and family education, and extended day programs.

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 6 - FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Equity (Continued)

Restricted/Reserved for Adult Basic Education (ABE) - This account will represent the balance of carryover monies for all activity involving ABE. This would include all state aid and any grants or local funding used in support of ABE.

Restricted for Debt Service - This balance represents the resources available to provide for principal and interest payments on the District's outstanding debt.

Restricted for Building Project - This balance represents the resources set-aside for school building projects.

Restricted for Food Service - This balance represents the resources available to provide the food service program.

Restricted for Community Service - This balance represents the resources available to provide community service programs.

Assigned for Safe Routes to School - This balance represents resources to be spent in the future for improving safety on school routes.

Assigned for Emergency - This balance represents resources to be spent in the future on unexpected expenditures related to emergency situations such as pandemic related needs or building emergencies.

Assigned for Sharing - This balance represents resources to be used by buildings due to underspending their budget.

Assigned for Extracurricular Activities - This balance represents resources relating to extracurricular activities.

Unassigned for Early Childhood and Family Education - This balance represents the resources available to provide for services for early childhood and family education programming. This balance is reported as unassigned as it is negative as of June 30, 2025.

Unassigned for School Readiness - This balance represents the resources available to provide for services for school readiness programs (*Minnesota Statutes* § 124D.16). This balance is reported as unassigned as it is negative as of June 30, 2025.

B. Net Position

Net position restricted for other purposes on the Statement of Net Position is comprised of the total positive net position of the Community Service and Food Service Funds and the total positive position of the restricted fund balance portion of the General Fund.

NOTE 7 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE

The District participates in various pension plans. Total pension expense for the year ended June 30, 2025, was \$1,215,665. The components of pension expense are noted in the following plan summaries.

**Independent School District No. 51
Notes to Basic Financial Statements**

NOTE 7 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)

The General Fund typically liquidates the Liability related to the pensions.

Teachers' Retirement Association

A. 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 teachers employed by St. Paul Schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through the Defined Contribution Retirement Plan (DCR) administered by Minnesota State. A teacher employed by Minnesota State and electing the DCR plan is not a member of TRA except for purposes of social security coverage.

B. 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 described.

Tier I Benefits

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

With these provisions:

- Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- 3% per year early retirement reduction factor for all years under normal retirement age.

**Independent School District No. 51
Notes to Basic Financial Statements**

NOTE 7 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier I Benefits (Continued)

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

Or

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members is applied. For years of service July 1, 2006, and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. 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 calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66. After July 1, 2024, the age will change to not to exceed 65. An early retirement reduction is applied to members retiring before age 66 but will be age 65 after July 1, 2024. Members who reach age 62 with 30 years of service have a lower (more favorable to the member) early retirement reduction rate applied.

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree - no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans 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.

C. Contribution Rate

Per *Minnesota Statutes* Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2025 for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2025 were \$1,005,952. The District's contributions were equal to the required contributions for each year as set by state statute.

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 7 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

C. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Experience study	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	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Mortality Assumptions

Pre-retirement	PubT-2010(A) Employee Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Post-retirement	PubT-2010(A) Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational
Beneficiaries	Pub-2010(A) Contingent Survivor Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational
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 the actuary.

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 7 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5 %	5.10 %
International equity	16.5	5.30
Fixed income	25.0	0.75
Private markets	25.0	5.90
	<hr/>	
Total	100.0 %	
	<hr/> <hr/>	

Changes in actuarial assumptions since the previous 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 Pub-2010 family.

- Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint and Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.0%. 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.

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 7 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability

On June 30, 2025, the District reported a liability of \$10,658,594 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 proportionate share was 0.1677% at the end of the measurement period and 0.1622% for the beginning of the year.

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

District's proportionate share of net pension liability	\$ 10,658,594
State's proportionate share of the net pension liability associated with the District	<u>697,116</u>
Total	<u><u>\$ 11,355,710</u></u>

For the year ended June 30, 2025, the District recognized pension expense of \$1,004,693. Included in this amount, the District recognized \$38,321 as 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 \$295,498 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.

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 7 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

As of 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	\$ 506,877	\$ 134,222
Changes in actuarial assumptions	1,058,642	1,271,066
Net difference between projected and actual investments earnings	-	1,475,759
Changes in proportion	456,650	278,601
Contributions paid to TRA subsequent to the measurement date	1,005,952	-
Total	<u>\$ 3,028,121</u>	<u>\$ 3,159,648</u>

The \$1,005,952 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026.

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2026	\$ (631,055)
2027	988,059
2028	(763,333)
2029	(638,619)
2030	(92,531)
Total	<u>\$ (1,137,479)</u>

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 7 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

G. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.0%) and 1 percent higher (8.0%) than the current rate.

Sensitivity of NPL to Changes in the Discount Rate		
1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
\$ 18,766,185	\$ 10,658,594	\$ 3,981,483

H. Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in a separately issued TRA financial report. That can be obtained at www.minnesotatra.org, or 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.

Public Employees' Retirement Association

A. Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plan administered by PERA. PERA's defined benefit pension plan is established and administered in accordance with *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 plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

Membership in the General Plan includes employees of counties, cities, townships, schools in noncertified 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.

B. 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.

**Independent School District No. 51
Notes to Basic Financial Statements**

NOTE 7 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

General Employees Plan require 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 Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of the 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% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% 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 a 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% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. The 2024 annual increase was 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

General Employees Fund Contributions

General Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2025 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2025, were \$352,518. The District's contributions were equal to the required contributions as set by state statute.

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 7 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2025, the District reported a liability of \$2,075,845 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 \$53,677.

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0562% at the end of the measurement period and 0.0553% for the beginning of the period.

District's proportionate share of net pension liability	\$ 2,075,845
State's proportionate share of the net pension liability associated with the District	<u>53,677</u>
Total	<u><u>\$ 2,129,522</u></u>

For the year ended June 30, 2025, the District recognized pension expense of \$210,972 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized \$1,439 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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 schedule 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 \$95,512 for the year ended December 31, 2024 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.

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 7 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

As of June 30, 2025, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 194,557	\$ -
Changes in actuarial assumptions	10,271	776,982
Net difference between projected and actual investments earnings	-	559,214
Change in proportion	75,172	63,360
Contributions paid to PERA subsequent to the measurement date	352,518	-
	<u>352,518</u>	<u>-</u>
Total	<u>\$ 632,518</u>	<u>\$ 1,399,556</u>

The \$352,518 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 inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2026	\$ (596,686)
2027	(122,354)
2028	(241,414)
2029	(159,102)
	<u>(159,102)</u>
Total	<u>\$ (1,119,556)</u>

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 7 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5 %	5.10 %
International stocks	16.5	5.30
Fixed income	25.0	0.75
Private markets	25.0	5.90
	<hr/>	
Total	100.0 %	
	<hr/> <hr/>	

F. 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 in the determination of the total liability is 7.0%. The 7.0% assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates considered reasonable by the actuary. An investment return of 7.0% is within that range.

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

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

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

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 7 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

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

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

G. Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.0%. 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 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.

H. Pension Liability Sensitivity

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

District Proportionate Share of NPL		
1% Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
\$ 4,533,975	\$ 2,075,845	\$ 53,805

I. Pension Plan Fiduciary Net Position

Detailed information about the General Employees Fund's fiduciary net position is available in a separately issued PERA financial report that includes the financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org.

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 8 - POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The District also offers dental and life insurance to retirees. It is the District's policy to periodically review its medical coverage, and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees. The District holds assets to fund these liabilities in a revocable trust.

B. Benefits Paid

The District provides benefits to certain employees and retirees based on different bargaining groups. See Note 1.O. for more detail. The General Fund, Food Service Fund, and Community Service Fund typically liquidate the liability related to OPEB.

C. Members

As of the June 30, 2024, valuation date, the following were covered by the benefit terms:

Active employees electing coverage	155
Active employees waiving coverage	99
Retirees electing medical coverage	25
Retirees with only non-medical OPEB coverage	<u>38</u>
Total	<u><u>317</u></u>

D. Contributions

Retirees and their spouses contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Plan participants meeting additional requirements are eligible for an explicit subsidy of the premium paid by the District. Contribution requirements are established by the District, based on the contract terms. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2025, the District contributed \$252,280 to the plan.

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 8 - POST EMPLOYMENT HEALTH CARE PLAN

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Discount rate	3.97%
Expected return	N/A
Inflation	2.50%
Healthcare cost trend increases	
Medical, not Medicare eligible	8.6% for FY2025, gradually decreasing over several decades to an ultimate rate of 3.9% in FY 2076 and later years.
Medical, Medicare eligible	6.3% for FY2025, gradually decreasing over several decades to an ultimate rate of 3.9% in FY2076 and later years.
Mortality	Teachers - Based on Pub-2010 Teacher mortality tables with projected mortality improvements based on scale MP-2021 Non-Teachers - Based on Pub-2010 Teacher mortality tables with projected mortality improvements based on scale MP-2021

The discount rate used to measure the total OPEB liability was based on the index rate for 20-year tax-exempt municipal bonds (Fidelity 20-year municipal GO AA index).

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 8 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2024, and was determined by an actuarial valuation as of that date.

Changes in the total OPEB liability are as follows:

	Total OPEB Liability
Balances for year ending June 30, 2024	\$ 3,055,745
Changes for the year	
Service cost	153,457
Interest	118,748
Differences between expected and actual experience	226,917
Changes in assumptions	321,093
Employer contributions	(265,663)
Net changes	554,552
Balances for year ending June 30, 2025	\$ 3,610,297

Changes in actuarial assumptions include the following:

- The discount rate was changed from 3.86% to 3.97% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations
- Medical per capital claims costs were updated to reflect recent experience
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the 7/1/2022 PERA General Employees Plan and 7/1/2022 Teachers Retirement Association valuations to the rates used in the 2023 experience studies
- The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience.

G. OPEB Liability Sensitivity

The following presents the District's total OPEB liability calculated using the discount rate of 3.97% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	1% Decrease in Discount Rate (2.97%)	Current Discount Rate (3.97%)	1% Increase in Discount Rate (4.97%)
Total OPEB liability	\$ 3,428,883	\$ 3,610,297	\$ 3,416,141

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 8 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity (Continued)

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

	1% Decrease in Trend Rate (7.6%)	Current Trend Rate (8.6%)	1% Increase in Trend Rate (9.6%)
Total OPEB liability	\$ 3,411,956	\$ 3,610,297	\$ 3,838,333

**H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB**

For the year ended June 30, 2025, the District recognized OPEB expense of \$234,376. As of 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
Difference between expected and actual liability	\$ 215,404	\$ 754,463
Changes of assumptions	649,477	509,601
Subsequent contributions	252,280	-
Total	<u>\$ 1,117,161</u>	<u>\$ 1,264,064</u>

The \$252,280 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2026.

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in OPEB expense as follows:

Year Ended June 30,	Total
2026	\$ (37,829)
2027	(26,763)
2028	(104,925)
2029	(147,993)
2030	(114,574)
Thereafter	32,901
Total	<u>\$ (399,183)</u>

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 9 - CHANGES IN ACCOUNTING

Restatements to beginning net position and/or fund balance consist of the following:

The Capital Projects Fund was a nonmajor fund in the year ended June 30, 2024, but A major fund in the year ended June 30, 2025.

The Government wide beginning net position was restated as a result of the implementation of GASB Statement No. 101, Compensated Absences.

	Reporting Unit Affected by Restatements of Beginning Balances		
	Funds		Government-Wide
	Capital Projects Fund	Nonmajor Funds	Governmental Activities
June 30, 2024 as previously reported	\$ -	\$ 72,318	\$ 17,726,645
Change in accounting principle	-	-	(3,340,271)
Change from major to nonmajor fund	72,318	(72,318)	-
June 30, 2024 as restated	<u>\$ 72,318</u>	<u>\$ -</u>	<u>\$ 14,386,374</u>

NOTE 10 - GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 103, *Financial Reporting Model Improvements*. The changes required by this Statement provide clarity, enhance the relevance of information, provide more useful information for decision-making, and provide for greater comparability amongst government entities. This Statement will be effective for the year ending June 30, 2026.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The disclosures required by this Statement provide users of the financial statements with essential information about certain types of capital assets. This Statement will be effective for the year ending June 30, 2026.

REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 51
Schedule of Changes in Total OPEB Liability
and Related Ratios

	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>
Total OPEB Liability				
Service cost	\$ 179,825	\$ 171,357	\$ 225,094	\$ 246,879
Interest	114,071	132,472	174,853	155,713
Differenced between expected and actual experience	-	42,741	-	(776,398)
Changes of assumptions	(136,504)	1,061,676	84,926	(167,085)
Benefit payments	<u>(327,599)</u>	<u>(341,079)</u>	<u>(364,729)</u>	<u>(359,281)</u>
Net change in total OPEB liability	<u>(170,207)</u>	<u>1,067,167</u>	<u>120,144</u>	<u>(900,172)</u>
Beginning of year	<u>3,890,503</u>	<u>3,720,296</u>	<u>4,787,463</u>	<u>4,907,607</u>
End of year	<u>\$ 3,720,296</u>	<u>\$ 4,787,463</u>	<u>\$ 4,907,607</u>	<u>\$ 4,007,435</u>
Covered payroll	\$ 11,491,805	\$ 12,922,673	\$ 11,618,064	\$ 13,877,367
Total OPEB liability as a percentage of covered-employee payroll	32.4%	37.0%	42.2%	28.9%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

<u>June 30, 2022</u>	<u>June 30, 2023</u>	<u>June 30, 2024</u>	<u>June 30, 2025</u>
\$ 188,589	\$ 211,343	\$ 153,104	\$ 153,457
99,333	79,667	116,280	118,748
(56,931)	(423,070)	(70,336)	226,917
112,998	(564,105)	(27,881)	321,093
<u>(283,227)</u>	<u>(260,395)</u>	<u>(227,059)</u>	<u>(265,663)</u>
<u>60,762</u>	<u>(956,560)</u>	<u>(55,892)</u>	<u>554,552</u>
<u>4,007,435</u>	<u>4,068,197</u>	<u>3,111,637</u>	<u>3,055,745</u>
<u>\$ 4,068,197</u>	<u>\$ 3,111,637</u>	<u>\$ 3,055,745</u>	<u>\$ 3,610,297</u>
\$ 12,675,824	\$ 13,579,805	\$ 13,794,450	\$ 14,513,095
32.1%	22.9%	22.2%	24.9%

Independent School District No. 51
Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For the Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0485%	\$ 2,513,522	\$ -	\$ 2,513,522	\$ 2,803,413	89.66%	78.19%
2016	0.0527%	4,278,979	55,793	4,334,772	3,267,293	130.96%	68.91%
2017	0.0517%	3,300,494	41,494	3,341,988	3,330,093	99.11%	75.90%
2018	0.0520%	2,884,747	94,615	2,979,362	3,493,347	82.58%	79.53%
2019	0.0518%	2,863,906	88,996	2,952,902	3,664,760	78.15%	80.23%
2020	0.0539%	3,231,551	99,718	3,331,269	3,845,560	84.03%	79.06%
2021	0.0532%	2,271,878	69,347	2,341,225	3,827,493	59.36%	87.00%
2022	0.0569%	4,506,499	132,189	4,638,688	4,262,800	105.72%	76.67%
2023	0.0553%	3,092,314	85,208	3,177,522	4,398,560	70.30%	83.10%
2024	0.0562%	2,075,845	53,677	2,129,522	4,752,320	43.68%	89.08%

Schedule of District's and Non-Employer Proportionate Share
of Net Pension Liability
Last Ten Years TRA Retirement Fund

For the Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.1565%	\$ 9,681,073	\$ 1,187,501	\$ 10,868,574	\$ 7,944,920	121.85%	76.77%
2016	0.1561%	37,233,575	3,737,968	40,971,543	8,118,733	458.61%	44.88%
2017	0.1607%	32,078,635	3,100,334	35,178,969	8,648,493	370.92%	51.57%
2018	0.1636%	10,275,611	965,583	11,241,194	9,037,267	113.70%	78.07%
2019	0.1649%	10,510,761	930,206	11,440,967	9,359,870	112.30%	78.21%
2020	0.1638%	12,101,763	1,014,009	13,115,772	9,516,831	127.16%	75.48%
2021	0.1652%	7,229,646	609,628	7,839,274	9,884,010	73.14%	86.63%
2022	0.1672%	13,388,492	993,014	14,381,506	10,336,571	129.53%	76.17%
2023	0.1622%	13,391,595	938,268	14,329,863	10,310,819	129.88%	76.42%
2024	0.1677%	10,658,594	697,116	11,355,710	11,112,857	95.91%	82.07%

See notes to required supplementary information.

**Independent School District No. 51
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years**

<u>Fiscal Year Ending June 30,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2016	\$ 245,047	\$ 245,047	\$ -	\$ 3,267,293	7.50%
2017	249,757	249,757	-	3,330,093	7.50%
2018	262,001	262,001	-	3,493,347	7.50%
2019	274,857	274,857	-	3,664,760	7.50%
2020	288,417	288,417	-	3,845,560	7.50%
2021	287,062	287,062	-	3,827,493	7.50%
2022	319,710	319,710	-	4,262,800	7.50%
2023	329,892	329,892	-	4,398,560	7.50%
2024	356,424	356,424	-	4,752,320	7.50%
2025	352,518	352,518	-	4,700,240	7.50%

**Schedule of District Contributions
TRA Retirement Fund
Last Ten Years**

<u>Fiscal Year Ending June 30,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2016	\$ 608,905	\$ 608,905	\$ -	\$ 8,118,733	7.50%
2017	648,637	648,637	-	8,648,493	7.50%
2018	677,795	677,795	-	9,037,267	7.50%
2019	721,646	721,646	-	9,359,870	7.71%
2020	753,733	753,733	-	9,516,831	7.92%
2021	803,570	803,570	-	9,884,010	8.13%
2022	862,070	862,070	-	10,336,571	8.34%
2023	881,575	881,575	-	10,310,819	8.55%
2024	972,375	972,375	-	11,112,857	8.75%
2025	1,005,952	1,005,952	-	11,496,594	8.75%

Independent School District No. 51
Notes to the Required Supplementary Information

TRA Retirement Fund

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 Pub-2010 family.
- Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint and Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

Changes of Benefit Terms

- The Normal Retirement Age (NRA) for active and eligible deferred Tier II members will be 65 effective July 1, 2024.

2023 Changes

Changes in Actuarial Assumptions

- None

2022 Changes

Changes in Actuarial Assumptions

- None

2021 Changes

Changes in Actuarial Assumptions

- The investment return assumption was changed from 7.5% to 7.0%.

2020 Changes

Changes in Actuarial Assumptions

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

2019 Changes

Changes in Actuarial Assumptions

- None

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was increased to 7.5% from 5.12%.

Independent School District No. 51
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2018 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- The cost-of-living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% 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 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 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 0.0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes

Changes in Actuarial Assumptions

- The discount rate was increased to 5.12% from 4.66%.
- The cost-of-living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.

Independent School District No. 51
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2016 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

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

2015 Changes

Changes of Benefit Terms

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

Changes in Actuarial Assumptions

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

Independent School District No. 51
Notes to the Required Supplementary Information

General Employees Fund

2024 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2023 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 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 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.

Independent School District No. 51
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2020 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.

Independent School District No. 51
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2018 Changes (Continued)

Changes in Plan Provisions (Continued)

- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, 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. This does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation was decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

Independent School District No. 51
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2015 Changes (Continued)

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.

Independent School District No. 51
Notes to the Required Supplementary Information

Post Employment Health Care Plan

2024 Changes

- The discount rate was changed from 3.86% to 3.97% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations
- Medical per capital claims costs were updated to reflect recent experience
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the 7/1/2022 PERA General Employees Plan and 7/1/2022 Teachers Retirement Association valuations to the rates used in the 2023 experience studies
- The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience.

2023 Changes

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

2022 Changes

- The discount rate was changed from 1.92% to 3.69% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings.
- Mortality rates were updated from the rates used in the July 1, 2020, PERA General Employees Plan and July 1, 2020, Teachers Retirement Association valuations to the rates used in the July 1, 2022, valuations.
- The percent of future retirees eligible for an explicit subsidy assumed to elect medical coverage at retirement changed from 90% to 80% to reflect recent plan experience.
- The percent of future retirees not eligible for a explicit subsidy assumed to elect coverage at retirement changed from 10% electing coverage to 100% waiving coverage at retirement 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% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

2021 Changes

- The discount rate was changed from 2.45% to 1.92% based on updated 20-year municipal bond rates.

2020 Changes

- The discount rate was changed from 3.13% to 2.45% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims were updated to reflect recent experience and new plan offerings.
- Withdrawal, retirement, mortality, and salary increase rates were updated to rates used in the July 1, 2020, PERA and TRA valuations.

Independent School District No. 51
Notes to the Required Supplementary Information

Post Employment Health Care Plan (Continued)

2020 Changes

- 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 2.5% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.

2019 Changes

- A change in the discount rate from 3.62% in 2018 to 3.13% in 2019.
- The medical trend rates were updated to exclude the Affordable Care Act's excise tax on high-cost health insurance plans due to its repeal.

2018 Changes

- The discount rate was changed from 3.56% to 3.62% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- 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 7/1/16 Teachers Retirement Association valuations to the rates used in the 7/1/2018 valuations.
- The percent of future retirees eligible for a medical direct subsidy assumed to elect coverage at retirement changed from 75% to 90% to reflect recent plan experience.
- The percent of future retirees not eligible for a medical direct subsidy assumed to elect coverage at retirement changed from 25% to 10% to reflect recent plan experience.
- The percent of future non-Medical eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings.
- The inflation assumption was changed from 2.75% to 2.50% based on the updated historical analysis of inflation rates and forward-looking market expectations.

2017 Changes

- Changes of assumptions and other inputs reflect a change in the discount rate from 2.92% in 2016 to 3.56% in 2017.

SUPPLEMENTARY INFORMATION

Independent School District No. 51
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue Funds			
	Food Service	Community Service	Total Special Revenue	Total
Assets				
Cash and investments	\$ 1,131,939	\$ -	\$ 1,131,939	\$ 1,131,939
Current property taxes receivable	-	58,723	58,723	58,723
Delinquent property taxes receivable	-	1,906	1,906	1,906
Accounts receivable	-	25,882	25,882	25,882
Due from Department of Education	-	22,822	22,822	22,822
Due from other Minnesota school districts	-	4,014	4,014	4,014
through Department of Education	3,565	-	3,565	3,565
Inventory	29,439	-	29,439	29,439
Total assets	\$ 1,164,943	\$ 113,347	\$ 1,278,290	\$ 1,278,290
Liabilities				
Accounts payable	\$ 4,114	\$ 19,471	\$ 23,585	\$ 23,585
Salaries and benefits payable	-	24,264	24,264	24,264
Due to other funds	-	59,618	59,618	59,618
Unearned revenue	1,952	-	1,952	1,952
Total liabilities	6,066	103,353	109,419	109,419
Deferred Inflows of Resources				
Unavailable revenue - delinquent property taxes	-	1,906	1,906	1,906
Property taxes levied for subsequent year's expenditures	-	121,680	121,680	121,680
Total deferred inflows of resources	-	123,586	123,586	123,586
Fund Balances				
Nonspendable	29,439	-	29,439	29,439
Restricted	1,129,438	49,754	1,179,192	1,179,192
Unassigned	-	(163,346)	(163,346)	(163,346)
Total fund balances	1,158,877	(113,592)	1,045,285	1,045,285
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,164,943	\$ 113,347	\$ 1,278,290	\$ 1,278,290

Independent School District No. 51
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2025

	Special Revenue Funds			Capital Projects Fund	
	Food Service	Community Service	Total Special Revenue	Building Construction	Total
Revenues					
Local property taxes	\$ -	\$ 105,584	\$ 105,584	\$ -	\$ 105,584
Other local and county revenues	78,059	721,710	799,769	-	799,769
Revenue from state sources	1,033,576	233,061	1,266,637	-	1,266,637
Revenue from federal sources	666,598	-	666,598	-	666,598
Sales and other conversion of assets	212,479	-	212,479	-	212,479
Total revenues	<u>1,990,712</u>	<u>1,060,355</u>	<u>3,051,067</u>	<u>-</u>	<u>3,051,067</u>
Expenditures					
Current					
Food service	1,902,762	-	1,902,762	-	1,902,762
Community education and services	-	1,180,666	1,180,666	-	1,180,666
Capital outlay					
Food service	49,607	-	49,607	-	49,607
Total expenditures	<u>1,952,369</u>	<u>1,180,666</u>	<u>3,133,035</u>	<u>-</u>	<u>3,133,035</u>
Excess of revenues over (under) expenditures	38,343	(120,311)	(81,968)	-	(81,968)
Other Financing Sources					
Transfers in	<u>176</u>	<u>-</u>	<u>176</u>	<u>-</u>	<u>176</u>
Net change in fund balances	38,519	(120,311)	(81,792)	-	(81,792)
Fund Balances					
Beginning of year	1,120,358	6,719	1,127,077	72,318	1,199,395
Change in accounting principle (see Note 9)	-	-	-	(72,318)	(72,318)
Beginning of year, restated	<u>1,120,358</u>	<u>6,719</u>	<u>1,127,077</u>	<u>-</u>	<u>1,127,077</u>
End of year	<u>\$ 1,158,877</u>	<u>\$ (113,592)</u>	<u>\$ 1,045,285</u>	<u>\$ -</u>	<u>\$ 1,045,285</u>

Independent School District No. 51
Combining Statement of Fiduciary Net Position
June 30, 2025

	Employee Benefits Fund	Scholarship Fund	Total Custodial Funds
Assets			
Cash and cash equivalents	\$ 17,931	\$ 16,245	\$ 34,176
Liabilities			
Accounts payable	\$ 17,931	\$ -	\$ 17,931
Net Position			
Restricted for scholarships	\$ -	\$ 16,245	\$ 16,245

Combining Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2025

	Employee Benefits Fund	Scholarship Fund	Total Custodial Funds
Additions			
Contributions	\$ -	\$ 14,000	\$ 14,000
Interest revenue	4,508	-	4,508
	4,508	14,000	18,508
Deductions			
Benefits expense	4,508	-	4,508
Dental claims	-	18,000	18,000
Total deductions	4,508	18,000	22,508
Change in net position	-	(4,000)	(4,000)
Net Position			
Beginning of year	-	20,245	20,245
End of year	\$ -	\$ 16,245	\$ 16,245

Independent School District No. 51
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2025

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION FUND			
Total revenue	\$ 26,314,631	\$ 26,314,630	\$ 1	Total revenue	\$ 197,354	\$ 197,354	\$ -
Total expenditures	26,458,105	26,458,101	4	Total expenditures	4,198,077	4,198,077	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	30,054	30,054	-	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted/reserved:</i>			
4.01 Student Activities	117,662	117,662	-	4.07 Capital Projects Levy	-	-	-
4.02 Scholarships	29,229	29,228	1	4.13 Building Projects Funded by COP	-	-	-
4.03 Staff Development	17,396	17,395	1	4.67 LTFM	10,605,283	10,605,283	-
4.07 Capital Projects Levy	-	-	-	<i>Restricted:</i>			
4.08 Cooperative Program	-	-	-	4.64 Restricted fund balance	269,672	269,673	(1)
4.12 Literacy Incentive Aid	-	-	-	<i>Unassigned:</i>			
4.13 Building Projects Funded by COP	-	-	-	4.63 Unassigned fund balance	-	-	-
4.14 Operating Debt	-	-	-				
4.16 Levy Reduction	-	-	-	07 DEBT SERVICE FUND			
4.17 Taconite Building Maintenance	-	-	-	Total revenue	\$ 1,740,428	\$ 1,740,427	\$ 1
4.20 American Indian Education Aid	-	-	-	Total expenditures	1,615,488	1,615,488	-
4.24 Operating Capital	347,667	347,667	-	<i>Nonspendable:</i>			
4.26 \$25 Taconite	-	-	-	4.60 Nonspendable fund balance	-	-	-
4.27 Disabled Accessibility	-	-	-	<i>Restricted/reserved:</i>			
4.28 Learning and Development	-	-	-	4.25 Bond refunding	-	-	-
4.34 Area Learning Center	-	-	-	4.33 Maximum Effort Loan	451,972	451,972	-
4.35 Contracted Alternative Programs	-	-	-	4.51 QZAB payments	-	-	-
4.36 State Approved Alternative Learning Program	-	-	-	4.67 LTFM	-	-	-
4.37 Quality Compensation - Alternative Teacher Professional Pay System	-	-	-	<i>Restricted:</i>			
4.38 Gifted and Talented	-	-	-	4.64 Restricted fund balance	938,387	938,385	2
4.39 English Learner	39,686	39,686	-	<i>Unassigned:</i>			
4.40 Teacher Development and Evaluation	-	-	-	4.63 Unassigned fund balance	-	-	-
4.41 Basic Skills Programs	-	-	-				
4.43 School Library Aid	-	-	-	08 TRUST FUND			
4.48 Achievement and Integration Revenue	-	-	-	Total revenue	\$ -	\$ -	\$ -
4.49 Safe Schools Revenue	44,955	44,955	-	Total expenditures	-	-	-
4.51 QZAB Payments	-	-	-	<i>Unassigned:</i>			
4.52 OPEB Liabilities not Held in Trust	-	-	-	4.01 Student Activities	-	-	-
4.56 Literacy Aid	33,612	33,612	-	4.02 Scholarships	-	-	-
4.57 Teacher Compensation for Read Act Training	18,200	18,200	-	4.22 Net position	-	-	-
4.59 Basic Skills Extended Time	-	-	-				
4.67 LTFM	485,258	485,258	-	18 CUSTODIAL FUND			
4.71 Student Support Personnel Aid	21,731	21,731	-	Total revenue	\$ 18,508	\$ 18,508	\$ -
4.72 Medical Assistance	330,498	330,498	-	Total expenditures	22,508	22,508	-
4.75 Title VII - Impact Aid	-	-	-	<i>Unassigned:</i>			
4.76 Payments in Lieu of Taxes	-	-	-	4.01 Student Activities	-	-	-
<i>Restricted:</i>				4.02 Scholarships	16,245	16,245	-
4.72 Medical Assistance	-	-	-	4.48 Achievement and Integration	-	-	-
4.64 Restricted fund balance	-	-	-	4.64 Restricted Fund Balance	-	-	-
4.75 Title VII - Impact Aid	-	-	-				
4.76 Payments in Lieu of Taxes	-	-	-	20 INTERNAL SERVICE FUND			
<i>Committed:</i>				Total revenue	\$ 108,384	\$ 108,383	\$ 1
4.18 Committed for separation	-	-	-	Total expenditures	83,976	83,976	-
4.61 Committed	-	-	-	<i>Unassigned:</i>			
<i>Assigned:</i>				4.22 Net position	24,408	24,408	-
4.62 Assigned fund balance	550,784	550,784	-				
<i>Unassigned:</i>				25 OPEB REVOCABLE TRUST			
4.22 Unassigned fund balance (net position)	2,578,720	2,578,720	-	Total revenue	\$ 438,131	\$ 438,131	\$ -
				Total expenditures	1,287	1,287	-
02 FOOD SERVICE FUND				<i>Unassigned:</i>			
Total revenue	\$ 1,990,712	\$ 1,990,712	\$ -	4.22 Net position	3,821,473	3,821,473	-
Total expenditures	1,952,369	1,952,367	2				
<i>Nonspendable:</i>				45 OPEB IRREVOCABLE TRUST			
4.60 Nonspendable fund balance	29,439	29,439	-	Total revenue	\$ -	\$ -	\$ -
<i>Restricted/reserved:</i>				Total expenditures	-	-	-
4.52 OPEB liabilities not held in trust	-	-	-	<i>Unassigned:</i>			
<i>Restricted:</i>				4.22 Net position	-	-	-
4.64 Restricted fund balance	1,129,438	1,129,439	(1)				
<i>Unassigned:</i>				47 OPEB DEBT SERVICE			
4.63 Unassigned fund balance	-	-	-	Total revenue	\$ -	\$ -	\$ -
				Total expenditures	-	-	-
04 COMMUNITY SERVICE FUND				<i>Nonspendable:</i>			
Total revenue	\$ 1,060,355	\$ 1,060,356	\$ (1)	4.25 Bond refundings	-	-	-
Total expenditures	1,180,666	1,180,664	2	4.60 Nonspendable fund balance	-	-	-
<i>Nonspendable:</i>				<i>Restricted:</i>			
4.60 Nonspendable fund balance	-	-	-	4.64 Restricted fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Unassigned:</i>			
4.26 \$25 Taconite	-	-	-	4.63 Unassigned fund balance	-	-	-
4.31 Community Education	29,299	29,299	-				
4.32 ECCE	(113,002)	(113,002)	-				
4.40 Teacher Development and Evaluation	-	-	-				
4.44 School Readiness	(50,344)	(50,344)	-				
4.47 Adult Basic Education	9,223	9,223	-				
4.52 OPEB Liabilities not Held in Trust	-	-	-				
<i>Restricted:</i>							
4.64 Restricted fund balance	11,232	11,236	(4)				
<i>Unassigned:</i>							
4.63 Unassigned fund balance	-	-	-				

Independent School District No. 51
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Agency/Pass Through Agency/Program Title	Federal Assistance Listing Number	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education		
Child Nutrition Cluster		
School Breakfast Program	10.553	\$ 138,409
Commodities (non-cash)	10.555	121,021
Type A Lunch	10.555	399,928
Special Milk Program for Children	10.556	1,259
Total Child Nutrition Cluster		<u>660,617</u>
Farm to School Grant Program	10.575	<u>29,787</u>
Total U.S. Department of Agriculture		<u>690,404</u>
U.S. Department of Education		
Through Minnesota Department of Education		
Title I Grants to Local Educational Agencies	84.010	218,740
Student Support and Academic Enrichment Program	84.424	10,020
Through Independent School District No. 6383 - Benton-Stearns		
Education District Special Education Co-op		
Special Education Cluster		
Special Education Grants to States	84.027	301,673
Special Education Preschool Grants	84.173	20,000
Total Special Education Cluster		<u>321,673</u>
Through Independent School District No. 966 - Wright Technical Center		
Carl Perkins, Career and Technical Education - Basic Grants to States	84.048	<u>7,327</u>
Total U.S. Department of Education		<u>557,760</u>
Total Federal Expenditures		<u><u>\$ 1,248,164</u></u>

Independent School District No. 51
Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes of net assets, or cash flows of the District.

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 - PASS-THROUGH GRANT NUMBERS

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

NOTE 4 - INVENTORY

Inventories of commodities donated by the U.S. Department of Agriculture are recorded at market value in the Food Service Fund as inventory. Revenue and expenditures are recorded when commodities are used.

NOTE 5 - INDIRECT COST RATE

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

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**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***

Independent Auditor's Report

To the School Board
Independent School District No. 51
Foley, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 51, Foley, Minnesota, as of and for the year ended June 30, 2025, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 8, 2025.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance to be a material weakness, Audit Finding 2025-001.

Report on Compliance and Other Matters

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

District's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

BerganKDV, Ltd.

St. Cloud, Minnesota
December 8, 2025



**Report on Compliance for Each Major Federal Program
and Report on Internal Control over Compliance in Accordance with
the Uniform Guidance**

Independent Auditor's Report

To the School Board
Independent School District No. 51
Foley, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the District's compliance with the types of compliance requirements identified as subject to audit in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2025. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs in accordance with the Uniform Guidance.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control over Compliance

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

Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section 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.

BerganKDV, Ltd.

St. Cloud, Minnesota
December 8, 2025

**Independent School District No. 51
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes, Audit finding 2025-001
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statement noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of Major Programs

Assistance Listing No:	10.553, 10.555, 10.556
Name of Federal Program or Cluster	Child Nutrition Cluster
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low risk auditee?	Yes

**Independent School District No. 51
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II - BASIC FINANCIAL STATEMENT FINDINGS

Audit Finding 2025-001 - Lack of Segregation of Accounting Duties

Criteria:

Internal control that supports the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the basic financial statements requires adequate segregation of accounting duties.

Condition:

During the year ended June 30, 2025, the District had a lack of segregation of accounting duties due to a limited number of office employees. This lack of segregation of accounting duties can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- The Accounts Payable Clerk determines capital assets additions in the District's voucher system, enters capital asset additions and disposals, prepares depreciation calculations using the accounting system, and maintains the master listing for reporting purposes.
- The Payroll Clerk enters employee information into the District's system, calculates timecards, and processes payroll. Payroll registers were not reviewed every payroll but were periodically reviewed.
- The Director of Finance is responsible for reconciliation of general ledger accounts and has the ability to make manual adjustments to these accounts.

Management is aware of this condition and will take certain steps to compensate for the lack of segregation. However, due to the small accounting staff needed to handle all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Due to this reason, management has determined a complete segregation of accounting duties is impractical to correct.

Context:

This finding impacts the internal control for all significant accounting functions.

Cause:

There are a limited number of office employees.

Effect or Potential Effect:

The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the basic financial statements.

Recommendation:

Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

**Independent School District No. 51
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II - BASIC FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2025-001 - Lack of Segregation of Accounting Duties (Continued)

CORRECTIVE ACTION PLAN (CAP):

Views of the Responsible Officials and Planned Corrective Actions:

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The District plans to implement additional procedures to improve the segregation of accounting duties.
3. Official Responsible for Ensuring CAP
The Director of Finance is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is June 30, 2026.
5. Plan to Monitor Completion of CAP
The School Board will be monitoring this CAP.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

None



Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 51
Foley, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 51, Foley, Minnesota, as of and for the year ended June 30, 2025, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 2025.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting-bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for Minnesota school districts (UFARS) sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

BerganKDV, Ltd.

St. Cloud, Minnesota
December 8, 2025

**Independent School District No. 51
Schedule of Findings and Corrective Action Plans
on Legal Compliance**

PRIOR YEAR LEGAL COMPLIANCE FINDING:

FOLLOW BID PROCEDURES

According to *Minnesota Statute* § 471.345 contracts exceeding \$175,000 should be done through sealed bids or best value procurement alternative. The high school parking lot bids exceeded this amount, however, there is no documentation the bid process was followed. Sealed bids shall be solicited by public notice in the manner and subject to the requirements of the law governing contracts by the particular municipality or class thereof. There was no evidence public notice was given.

CORRECTIVE ACTION TAKEN:

Bids and quotes tested for fiscal year 2025 appeared to have proper documentation.