

**INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

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ROSEAU, MINNESOTA
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ROSEAU, MINNESOTA
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INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
ROSTER OF SCHOOL OFFICIALS
June 30, 2025

Thor Didrikson	Chairperson
Neal Vatnsdal	Vice-Chairperson
Heather Magnusson	Treasurer
Jodee Haugen	Clerk
David Simmons	Director
Peter Kvien	Director
Thomas A. Jerome	Superintendent

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Independent School District No. 682
Roseau, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 682, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 682, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Independent School District No. 682, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As described in Note 2 to the financial statements, the District has adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Independent School District No. 682's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Independent School District No. 682's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Independent School District No. 682's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's total OPEB liability and related ratios, schedule of District contributions, schedule of District's share of net pension liability, and notes to required supplementary information as listed in the table of contents as required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. Although our opinions on the basic financial statements are not affected, the following material departures from the prescribed guidelines exist: The District did not present the original budget in accordance with accounting principles generally accepted in the United States of America. 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 combining statements, schedule of changes in fund balances, and compliance table as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 combining statements, schedule of changes in fund balances, compliance table, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



BRADY MARTZ
GRAND FORKS, NORTH DAKOTA

December 10, 2025

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2025

This section of Independent School District No. 682's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2025. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

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

- The general fund balance decreased \$114,557 during the 2024-2025 school year.

Overview of the Financial Statements

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

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

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

District-wide Statements

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

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

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
For the Year Ended June 30, 2025

Fund Financial Statements

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

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

The District has one kind of fund:

- Governmental funds: The District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, reconciliations have been provided following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances to help explain the relationship (or differences) between the governmental funds and governmental activities.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and building construction fund, all of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data is provided in the form of combining statements elsewhere in this report.

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
For the Year Ended June 30, 2025

Financial Analysis of the District as a Whole

Net Position

The District's combined net position was \$5,407,476 on June 30, 2025 (see details in Table A-1). This was an increase of 11.0 percent from the prior year.

Table A-1
Statement of Net Position

	2025	2024	Total Percentage Change
Current and Other Assets	\$ 10,182,068	\$ 10,774,928	(5.5) %
Capital Assets	55,941,591	57,431,269	(2.6)
Total Assets	<u>66,123,659</u>	<u>68,206,197</u>	(3.1)
Deferred Outflows of Resources	<u>2,087,191</u>	<u>2,506,929</u>	(16.7)
Long-Term Liabilities	52,897,285	57,453,462	(7.9)
Other Liabilities	2,773,794	3,348,799	(17.2)
Total Liabilities	<u>55,671,079</u>	<u>60,802,261</u>	(8.4)
Deferred Inflows of Resources	<u>7,132,295</u>	<u>5,040,962</u>	41.5
Net Position			
Net Investment in Capital Assets	9,956,072	9,559,044	4.2
Restricted	4,235,363	4,274,984	(0.9)
Unrestricted	(8,783,959)	(8,964,125)	2.0
Total Net Position	<u>\$ 5,407,476</u>	<u>\$ 4,869,903</u>	11.0 %

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
For the Year Ended June 30, 2025

Change in Net Position

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

Table A-2
Change in Net Position

	<u>2025</u>	<u>2024</u>	<u>Total</u>
Revenues			
Program Revenues			
Charges for Services	\$ 349,245	\$ 338,018	3.3 %
Operating Grants and Contributions	4,718,714	4,808,345	(1.9)
Capital Grants and Contributions	62,449	197,915	(68.4)
General Revenues			
Property Taxes	3,954,914	3,601,317	9.8
Unrestricted State Aid	10,670,241	10,642,564	0.3
Other Sources	474,497	397,313	19.4
Total Revenues	<u>20,230,060</u>	<u>19,985,472</u>	1.2
Expenses			
Administration	742,164	771,502	(3.8)
District Support Services	595,609	461,783	29.0
Elementary & Secondary Regular Instruction	6,371,385	5,930,761	7.4
Vocational Education Instruction	307,091	256,603	19.7
Special Education Instruction	3,051,072	3,124,730	(2.4)
Community Education and Services	442,544	430,142	2.9
Instructional Support Services	978,625	678,838	44.2
Pupil Support Services	2,037,767	1,876,229	8.6
Sites and Buildings	2,258,986	1,593,181	41.8
Fixed Costs	138,464	117,305	18.0
Interest on Long-Term Debt and			
Lease Liabilities	1,043,036	1,105,921	(5.7)
Depreciation - Unallocated	1,548,165	750,806	106.2
Total Expenses	<u>19,514,908</u>	<u>17,097,801</u>	14.1
Change in Net Position	715,152	2,887,671	
Net Position - Beginning	4,869,903	1,982,232	145.7
GASB 101 Adjustment - See Note 2	(177,579)		
Net Position - Beginning, Restated	<u>4,692,324</u>	<u>1,982,232</u>	136.7
Net Position - Ending	<u>\$ 5,407,476</u>	<u>\$ 4,869,903</u>	11.0 %

The District's total revenues were \$20,230,060 for the year ended June 30, 2025. Property taxes and state aid payments accounted for 91 percent of total revenue for the year.

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
For the Year Ended June 30, 2025

The total cost of all programs and services was \$19,514,908. The District's expenses are predominantly related to educating and caring for students.

Total revenues surpassed expenses, increasing net position by \$715,152 over last year. For the year ended June 30, 2025, the net effect of the District's deferred inflows and outflows of resources and net pension liability related to TRA and PERA increased net position by \$404,023. For the year ended June 30, 2024, the net effect of the District's deferred inflows and outflows of resources and net pension liability related to TRA and PERA increased net position by \$716,641.

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

Table A-3 presents these net costs.

Table A-3
Net Cost of Governmental Activities

	Total Cost of Services		Total Percentage Change	Net Cost of Services		Total Percentage Change
	2025	2024		2025	2024	
Expenses						
Administration	\$ 742,164	\$ 771,502	(3.8) %	\$ 742,164	\$ 729,873	1.7 %
District Support Services	595,609	461,783	29.0	539,770	359,659	50.1
Elementary & Secondary						
Regular Instruction	6,371,385	5,930,761	7.4	5,027,390	4,708,558	6.8
Vocational Education Instruction	307,091	256,603	19.7	266,364	229,581	16.0
Special Education Instruction	3,051,072	3,124,730	(2.4)	515,961	565,886	(8.8)
Community Education and Services	442,544	430,142	2.9	229,516	235,278	(2.4)
Instructional Support Services	978,625	678,838	44.2	719,006	349,292	105.8
Pupil Support Services	2,037,767	1,876,229	8.6	1,374,938	1,227,376	12.0
Sites and Buildings	2,258,986	1,593,181	41.8	2,239,726	1,373,988	63.0
Fixed Costs	138,464	117,305	18.0	138,464	117,305	18.0
Interest on Long-Term Debt	1,043,036	1,105,921	(5.7)	1,043,036	1,105,921	(5.7)
Depreciation - Unallocated	1,548,165	750,806	106.2	1,548,165	750,806	106.2
	<u>\$ 19,514,908</u>	<u>\$ 17,097,801</u>	14.1 %	<u>\$ 14,384,500</u>	<u>\$ 11,753,523</u>	22.4 %

Financial Analysis of the District's Funds

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

Table A-4
Major Funds

	Fund Balance		Increase (Decrease)	Percentage Increase (Decrease)
	2025	2024		
Governmental Funds				
General Fund	\$ 2,637,615	\$ 2,752,172	\$ (114,557)	(4.2) %
Debt Service Fund	2,508,617	2,460,439	48,178	2.0
Building Construction Fund	628,729	1,016,649	(387,920)	(38.2)

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
For the Year Ended June 30, 2025

General Fund

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

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

Table A-5
General Fund Revenue

	2025	2024	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources				
Property Taxes	\$ 1,682,375	\$ 1,466,000	\$ 216,375	14.8 %
Interest Earnings	20,229	22,752	(2,523)	(11.1)
Other	464,965	304,889	160,076	52.5
State Sources	12,732,464	12,667,070	65,394	0.5
Federal Sources	759,627	874,213	(114,586)	(13.1)
Total General Fund Revenue	<u>\$ 15,659,660</u>	<u>\$ 15,334,924</u>	<u>\$ 324,736</u>	2.1 %

Total general fund revenue increased by \$324,736 or 2.1 percent from the previous year. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including excess levy referendum and the property tax shift, involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change on revenue.

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

Table A-6
General Fund Expenditures

	2025	2024	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	\$ 9,759,733	\$ 9,331,671	\$ 428,062	4.6 %
Employee Benefits	2,801,375	2,681,403	119,972	4.5
Purchased Services	1,487,179	1,354,484	132,695	9.8
Supplies and Materials	1,293,707	1,308,010	(14,303)	(1.1)
Capital Expenditures	367,002	317,080	49,922	15.7
Debt Service	27,120	27,120	-	-
Other Expenditures	56,498	54,081	2,417	4.5
Total General Fund Expenditures	<u>\$ 15,792,614</u>	<u>\$ 15,073,849</u>	<u>\$ 718,765</u>	4.8 %

Total general fund expenditures increased \$718,765 or 4.8 percent from the previous year.

**INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
For the Year Ended June 30, 2025**

General Fund Budgetary Highlights

During the year, the District did amend the budget to account for an increase in state and federal aid.

The District's final budget for the general fund anticipated that revenues and other financing sources would exceed expenditures by \$17,832. The actual results for the year show a \$114,557 deficit. This is due to a decrease in expected property tax revenues and state and federal aid.

Capital Assets and Debt Administration

Capital Assets

Note 5 to the financial statements presents an analysis of capital assets transactions occurring during the year ended June 30, 2025. Additions totaling \$157,732 consisted of two vans, a plasma system, a water heater, and fence. The District disposals in the current year were \$293,174 for four buses.

Long-Term Debt

At year-end, the District had \$46,937,113 of long-term debt. This consisted of bonded indebtedness of \$45,375,000, unamortized premiums of \$1,182,671, lease payable of \$56,577, and compensated absences payable of \$322,865. Note 8 to the financial statements presents details and payment provisions of these items.

Factors Bearing on the District's Future

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

- Student enrollment.
- Health insurance costs.
- Uncertainty as to state funding.
- Deferred maintenance.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Administration Offices, Independent School District No. 682, 509 3rd St. N.E., Roseau, MN 56751.

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
STATEMENT OF NET POSITION
June 30, 2025

GOVERNMENTAL ACTIVITIES	
ASSETS	
Cash and Investments	\$ 6,658,824
Accounts Receivable	5,754
Property Taxes Receivable, Net	2,433,057
Due From Department of Education	905,025
Due From Federal Govt. - DOE	171,086
Inventory	8,322
Capital Assets	
Land	867,888
Other Capital Assets, Net of Depreciation/Amortization	<u>55,073,703</u>
TOTAL ASSETS	<u>66,123,659</u>
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan	2,043,260
Other Postemployment Benefit	<u>43,931</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,087,191</u>
LIABILITIES	
Accounts Payable	137,318
Payroll Liabilities	133,911
Interest Payable	459,569
Long-Term Liabilities Due Within One Year	2,042,996
Long-Term Liabilities	
Bonds, Net Unamortized Premiums	46,557,671
Compensated Absences	322,865
Other Postemployment Benefit Liability	444,953
Net Pension Liability	7,558,215
Lease Liabilities	56,577
Less Amounts Due Within One Year	<u>(2,042,996)</u>
Total Long-Term Liabilities	<u>52,897,285</u>
TOTAL LIABILITIES	<u>55,671,079</u>
DEFERRED INFLOWS OF RESOURCES	
Property Taxes Levied - Subs. Years	4,261,650
Cost Sharing Defined Benefit Pension Plan	2,785,595
Other Postemployment Benefit	<u>85,050</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>7,132,295</u>
NET POSITION	
Net Investment in Capital Assets	9,956,072
Restricted For:	
Student Activity	95,843
Student Assistance	9,738
Scholarships	41,150
Staff Development	103,895
Literacy Incentive Aid	91,633
American Indian Ed Aid	12,993
Operating Capital	229,978
Safe Schools	131,351
Literacy Aid	27,071
LTFM	1,233,885
Medical Assistance	83,610
Debt Service	2,049,048
Food Service	81,686
ECFE	43,484
Unrestricted	<u>(8,783,961)</u>
TOTAL NET POSITION	<u>\$ 5,407,476</u>

See Notes to the Financial Statements.

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	(Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES					
Administration	\$ 742,164	\$	\$	\$	(742,164)
District Support Services	595,609		55,839		(539,770)
Elementary & Secondary					
Regular Instruction	6,371,385	122,501	1,219,016	2,478	(5,027,390)
Vocational Education Instruction	307,091		40,727		(266,364)
Special Education Instruction	3,051,072	53,636	2,481,475		(515,961)
Community Education and Services	442,544	120,142	92,886		(229,516)
Instructional Support Services	978,625	22,713	192,556	44,350	(719,006)
Pupil Support Services	2,037,767	26,614	636,215		(1,374,938)
Sites and Buildings	2,258,986	3,639		15,621	(2,239,726)
Fixed Costs	138,464				(138,464)
Interest on Long-Term Debt and Lease Liabilities	1,043,036				(1,043,036)
Depreciation - Unallocated	1,548,165				(1,548,165)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 19,514,908	\$ 349,245	\$ 4,718,714	\$ 62,449	(14,384,500)

GENERAL REVENUES

Taxes

Property Taxes, Levied for General Purposes	1,704,093
Property Taxes, Levied for Community Education and Services	173,058
Property Taxes, Levied for Debt Services	2,077,763
Unrestricted State Aid	10,670,241
Unrestricted Investment Earnings	135,666
Gain on Sale of Capital Assets	18,397
Other General Revenue	320,434

TOTAL GENERAL REVENUES 15,099,652

Change in Net Position 715,152

Net Position - Beginning 4,869,903

GASB 101 Adjustment - See Note 2 (177,579)

Net Position - Beginning, Restated 4,692,324

Net Position - Ending \$ 5,407,476

See Notes to the Financial Statements.

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2025

	General Fund	Debt Service Fund	Building Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 2,451,705	\$ 3,505,026	\$ 628,729	\$ 73,364	\$ 6,658,824
Accounts Receivable	5,754				5,754
Current Property Taxes Receivable	746,826	1,666,712		25,329	2,438,867
Delinquent Property Taxes Receivable	37,247	1,246		697	39,190
Due From Department of Education	772,615	123,180		9,230	905,025
Due From Federal Govt. - DOE	171,086				171,086
Due From Other Funds	182,603				182,603
Inventory				8,322	8,322
TOTAL ASSETS	\$ 4,367,836	\$ 5,296,164	\$ 628,729	\$ 116,942	\$ 10,409,671
LIABILITIES					
Accounts Payable	\$ 137,282	\$	\$	\$ 36	\$ 137,318
Due To Other Funds				182,603	182,603
Payroll Liabilities	133,911				133,911
TOTAL LIABILITIES	271,193			182,639	453,832
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Delinquent Taxes	37,247	1,246		697	39,190
Property Taxes Levied - Subs. Years	1,421,781	2,786,301		53,568	4,261,650
TOTAL DEFERRED INFLOWS OF RESOURCES	1,459,028	2,787,547		54,265	4,300,840
FUND BALANCES					
Nonspendable for Inventory				8,322	8,322
Restricted for Student Activity	95,843				95,843
Restricted for Student Assistance	9,738				9,738
Restricted for Scholarships	41,150				41,150
Restricted for Staff Development	103,895				103,895
Restricted for Literacy Incentive Aid	91,633				91,633
Restricted for American Indian Ed Aid	12,993				12,993
Restricted for Operating Capital	229,978				229,978
Restricted for Safe Schools	131,351				131,351
Restricted for Literacy Aid	27,071				27,071
Restricted for LTFM	1,233,885		247,813		1,481,698
Restricted for Medical Assistance	83,610				83,610
Restricted for Max Effort Loan		1,737,800			1,737,800
Restricted for Debt Service		770,817			770,817
Restricted for Food Service				73,364	73,364
Restricted for ECFE				43,484	43,484
Restricted for Capital Project			380,916		380,916
Committed for Severance	95,000				95,000
Unassigned	481,468			(245,132)	236,336
TOTAL FUND BALANCES	2,637,615	2,508,617	628,729	(119,962)	5,654,999
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,367,836	\$ 5,296,164	\$ 628,729	\$ 116,942	\$ 10,409,671

See Notes to the Financial Statements.

INDEPENDENT SCHOOL DISTRICT NO. 682**ROSEAU, MINNESOTA****RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
NET POSITION****June 30, 2025**

Total fund balances - governmental funds \$ 5,654,999

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

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

Cost of capital assets	80,403,907
Less accumulated depreciation/amortization	(24,462,316)

Deferred outflows of resources relating to the cost sharing defined benefit plans and other post-employment benefits in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

2,087,191

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

Lease Liabilities	(56,577)
Bonds	(45,375,000)
Compensated Absences	(322,865)
Unamortized premiums	(1,182,671)
Other postemployment benefit liability	(444,953)
Net pension liability	(7,558,215)

Deferred inflows of resources relating to the cost sharing defined benefit plans and the other post-employment benefits in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

(2,870,645)

Other long-term assets are not available to pay for current period expenditures and, therefore are unavailable in the governmental funds.

39,190

An allowance has been set up for taxes receivable in the government-wide financial statements.

(45,000)

Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the debt service fund.

(459,569)

Net position of governmental activities \$ 5,407,476

See Notes to the Financial Statements.

INDEPENDENT SCHOOL DISTRICT NO. 682**ROSEAU, MINNESOTA****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS****For the Year End June 30, 2025**

	General Fund	Debt Service Fund	Building Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Local Property Tax Levies	\$ 1,682,375	\$ 2,088,233	\$	\$ 172,856	\$ 3,943,464
Other Local & County Revenues	485,194	55,287	60,150	132,099	732,730
Revenue From State Sources	12,732,464	1,231,821		446,074	14,410,359
Revenue From Federal Sources	759,627			243,756	1,003,383
Sale/Other Conversion of Asset				26,614	26,614
TOTAL REVENUES	15,659,660	3,375,341	60,150	1,021,399	20,116,550
EXPENDITURES					
Current:					
Administration	742,164				742,164
District Support Services	570,696				570,696
Elementary & Secondary					
Regular Instruction	6,694,293				6,694,293
Vocational Education Instruction	297,473				297,473
Special Education Instruction	3,051,072				3,051,072
Community Education and Services				442,544	442,544
Instructional Support Services	834,433				834,433
Pupil Support Services	1,269,632			648,561	1,918,193
Sites and Buildings	1,802,403				1,802,403
Fixed Costs	136,326				136,326
Debt Service:					
Principal	24,745	2,145,000			2,169,745
Interest and Fees	2,375	1,182,163			1,184,538
Capital Outlay	367,002		448,070		815,072
TOTAL EXPENDITURES	15,792,614	3,327,163	448,070	1,091,105	20,658,952
Revenues Over (Under) Expenditures	(132,954)	48,178	(387,920)	(69,706)	(542,402)
OTHER FINANCING SOURCES					
Sale of Capital Assets	18,397				18,397
TOTAL OTHER FINANCING SOURCES	18,397				18,397
Net Change in Fund Balances	(114,557)	48,178	(387,920)	(69,706)	(524,005)
Fund Balances - Beginning	2,752,172	2,460,439	1,016,649	(50,256)	6,179,004
Fund Balances - Ending	<u>\$ 2,637,615</u>	<u>\$ 2,508,617</u>	<u>\$ 628,729</u>	<u>\$ (119,962)</u>	<u>\$ 5,654,999</u>

See Notes to the Financial Statements.

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year End June 30, 2025

Total net change in fund balances - governmental funds	\$ (524,005)
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Amounts reported for the governmental activities in the statement of activities are different because:

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense.

Capital outlays	157,732
Depreciation/amortization expense	(1,647,410)

Change in net pension liability	2,747,599
---------------------------------	-----------

Changes in deferred outflows and inflows of resources related to other postemployment benefit liability.	17,467
--	--------

Payment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.	2,169,745
--	-----------

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 governmental funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Also, governmental funds report the effect of premiums when the debt is first issued, whereas this amount is deferred and amortized in the statement of activities.	136,989
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Revenue in the statement of activities that does not provide current financial resources is not reported as revenues in the governmental funds.	11,450
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Changes in deferred outflows and inflows of resources related to net pension liability	(2,343,576)
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Change in allowance for taxes receivable	46,000
--	--------

Recognition of additional pension expense and grant revenue for the District's proportionate share of the State of Minnesota's contribution to the PERA and TRA.

In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid.)

Compensated Absences	(20,469)
Other postemployment benefit liability	(36,370)

Change in net position of governmental activities	\$ <u>715,152</u>
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See Notes to the Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 682 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

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

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

C. Basic Financial Statement Presentation

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

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

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function.

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

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or related cash flows. Property taxes are generally recognized

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2025

as revenues in the fiscal year for which they are levied, except for advance amounts recognized in accordance with a statutory "tax shift." Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

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

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

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

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

Description of Funds

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

Major Governmental Funds

General Fund – Accounts for all financial resources and transactions except those required to be accounted for in other funds including pupil transportation and capital outlay activities, which were previously (prior to July 1, 1996) accounted for in separate special revenue funds.

Debt Service Fund – Accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Building Construction Fund – Accounts for resources used for the acquisition and construction of major capital facilities.

Nonmajor Governmental Funds

Special Revenue Funds – Accounts for proceeds of specific revenue sources (other than a permanent fund and major capital projects) that are legally restricted to expenditures for specified purposes. The District's special revenue funds and their purposes are as follows:

Food Service – Accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches, or snacks in connection with school activities.

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2025

Community Service – Accounts for the resources designated for programs other than those for elementary and secondary students.

GASB No. 34 also requires that budget vs. actual information be presented for the general fund and all major special revenue funds.

E. Specific Account Information

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

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

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

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable market inputs that are not corroborated by market data

Taxes Receivable – Taxes receivable represents taxes levied in 2024 which are not payable until 2025, net of the amount received prior to June 30.

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

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

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

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

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred in the fund based financial statements because it is not known to be available to finance the operations of the District in the current year. The allowance for uncollectible taxes is \$45,000.

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2025

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

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

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

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

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

Compensated Absences Payable – The District accounts for compensated absences using a days-used approach. This approach consists of gathering the historical usage of compensated absences used to determine both a liability related to leave to be used as time off and leave to be settled in cash upon termination of employment. Salary-related employer payments are included in the calculation of the compensated absence liability.

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

Leases with an initial lease term of more than 12 months, or that contain an option to purchase that the District is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the District uses its incremental borrowing rate based on the information available at the lease commencement date. The District has made an accounting policy election to use a risk free rate based on US Treasury Tbill rate as of the lease commencement. The District accounts for lease agreements with lease and non-lease components together as a single lease component for all underlying classes of assets.

The District continues to record rent expense for short term leases on a straight-line basis over the lease term. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the District is reasonably certain to exercise.

The amortizable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

The District's lease agreements do not include any material residual value guarantees or restrictive covenants.

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2025

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

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

Other Postemployment Benefits (OPEB) – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Retiree Benefits Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of the purchase of one year or less, which are reported at cost.

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 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 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.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resource (expense/expenditure) until then. The District has two items that qualify for reporting in this category named *Cost Sharing Defined Benefit Pension Plan* and *Other Postemployment Benefits* which represents actuarial differences within PERA and TRA pension plans and other postemployment benefit plans as well as amounts paid to the plans after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four types of items, one of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item, *property taxes levied – subs. years*, is reported as a deferred inflow of resources for both the Balance Sheet – Governmental Funds and the Statement of Net Position as these amounts represent property tax revenue levied for a subsequent period. The third item,

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2025

Cost Sharing Defined Benefit Pension Plan, represents actuarial differences within PERA and TRA pension plans. The last item, *Other Postemployment Benefits* represents changes in OPEB.

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

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

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

Nonspendable – Consists of amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted – Consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions and administered by the Minnesota Department of Education.

Committed – Consists of amounts constrained to specific purposes by a government itself, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned – Consists of amounts a government intends to use for a specific purpose. These constraints are established by the Board of Education and/or management.

Unassigned – Consists of amounts that are available for any purpose; positive amounts are reported only in the general fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted resources, and then use unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the District's policy to use resources in the following order: 1) committed, 2) assigned and 3) unassigned.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2025

and the reported amounts of revenues and expenses during the reporting period. Ultimate results could differ from those estimates.

NOTE 2 CHANGE IN ACCOUNTING PRINCIPLES

The District implemented GASB Statement No. 101, *Compensated Absences*, in the fiscal year ended June 30, 2025. GASB Statement No. 101 establishes uniform accounting and financial reporting requirements for compensated absences.

The adoption of GASB 101 resulted in the recognition of an additional compensated absence liability of \$177,579 as of July 1, 2024.

NOTE 3 DEFICIT FUND BALANCE

For the year ended June 30, 2025, the community service fund had a deficit fund balance of \$201,648.

NOTE 4 DEPOSITS AND INVESTMENTS

The District maintains a cash account at its depository bank. Investments are carried at fair value. The District considers certificates of deposit to be cash.

The District's interest income and change in values of securities for the year ended June 30, 2025, was \$135,666.

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

	Total
Cash	\$ 4,123,617
Investments	2,535,207
Total	\$ <u>6,658,824</u>

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

Investments	Fair Value	Investment Maturities (in Years)	
		<1	1-5
US Treasury	\$ 1,303,826	\$ 1,303,826	\$
Minnesota School District Liquid Asset Fund	1,231,381	1,231,381	
Total Investments	\$ <u>2,535,207</u>	\$ <u>2,535,207</u>	\$

Investments	Fair Value Level 1	Fair Value Level 2	Total
US Treasury	\$	\$ 1,303,826	\$ 1,303,826
Minnesota School District Liquid Asset Fund	1,231,381		1,231,381
Total Investments by Fair Value Level	\$ <u>1,231,381</u>	\$ <u>1,303,826</u>	\$ <u>2,535,207</u>

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

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

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

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

- (a) Direct obligations or obligations guaranteed or insured issued by the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.
- (b) General obligations and revenue obligations of any state or local government with taxing powers rated “A” and “AA”, respectively, and general obligations of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and rated “A” or better.
- (c) Commercial paper issued by United States corporations or their Canadian subsidiaries, rated in the highest quality by at least two rating agencies, and maturing in 270 days or less.
- (d) Time deposits that are fully insured by the FDIC or bankers acceptances of U.S. banks.
- (e) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- (f) Repurchase or reverse repurchase agreements with banks that are qualified as a “depository” of public funds of the government entity, any other financial institution which is a member of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- (g) Guaranteed investment contracts (GIC’s) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories, or in the top three rating categories for long-term GIC’s issued by Minnesota banks.
- (h) Securities lending agreements with financial institutions having its principal executive office in Minnesota and meeting the qualifications described in (f) above.

The Minnesota School District Liquid Asset Fund is rated AAA by Standard & Poor’s.

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

Custodial Credit Risk - Deposits – The District does not have a policy for custodial credit risk. In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the District’s board, all of which are members of the Federal Reserve System. Minnesota Statutes require that all district deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. As of June 30, 2025, the District was not exposed to custodial credit risk.

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ROSEAU, MINNESOTA
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June 30, 2025

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

NOTE 5 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 867,888	\$	\$	\$ 867,888
Total Capital Assets, Not Being Depreciated	867,888			867,888
Capital Assets, Being Depreciated:				
Buildings	75,105,563			75,105,563
Equipment	4,441,330	157,732	293,174	4,305,888
Lease Assets - Equipment	124,568			124,568
Total Capital Assets, Being Depreciated	79,671,461	157,732	293,174	79,536,019
Less Accumulated Depreciation For:				
Land Improvements				
Buildings	19,404,879	1,466,389		20,871,268
Equipment	3,657,525	156,108	293,174	3,520,459
Lease Assets - Equipment	45,676	24,913		70,589
Total Accumulated Depreciation	23,108,080	1,647,410	293,174	24,462,316
Total Capital Assets, Being Depreciated, Net	56,563,381	(1,489,678)		55,073,703
Governmental Activities Capital Assets, Net	\$ 57,431,269	\$ (1,489,678)	\$	\$ 55,941,591

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

District	\$ 24,913
Pupil Support Services	74,332
Unallocated	1,548,165
Total Depreciation/Amortization Expense	\$ 1,647,410

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ROSEAU, MINNESOTA
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June 30, 2025

NOTE 6 DEFINED BENEFIT PENSION PLANS - STATEWIDE

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

Disclosures relating to these plans follow:

A. Public Employees Retirement Association

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

General Employees Retirement Plan (General Plan)

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

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

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

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

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ROSEAU, MINNESOTA
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June 30, 2025

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

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2025 and the District was required to contribute 7.50 percent for General Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2025, were \$216,420. The District's contributions were equal to the required contributions for each year as set by state statute.

Pension Costs – At June 30, 2025, the District reported a liability of \$1,210,248 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 \$53,705.

District's proportionate share of net pension liability	\$ 1,210,248
State of Minnesota's proportionate share of the net pension liability associated with the District	53,705
Total	<u>\$ 1,263,953</u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion 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 0.0327% at the end of the measurement period and 0.0337% for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of \$127,719 for its proportionate share of General Employee Plan's pension expense. In addition, the District recognized \$241 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$5,728 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 115,062	\$
Net difference between projected and actual earning on pension plan inv.		317,548
Changes in actuarial assumptions	6,281	467,764
Changes in proportion	38,923	80,352
Employer contributions subsequent to the measurement date	216,420	
Total	<u>\$ 376,686</u>	<u>\$ 865,664</u>

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June 30, 2025

\$216,420 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related pensions will be recognized in pension expense as follows:

Year Ending June 30	Pension Expense Amount
2026	\$ (358,812)
2027	(88,891)
2028	(165,037)
2029	(92,658)

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

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

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

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

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

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

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

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

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.

Discount Rate – The discount rate used to measure the total pension liability in 2024 was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Sensitivity Analysis- NPL at Different Discount Rates		
1% Decrease	Current	1% Increase
(6.0%)	(7.0%)	(8.0%)
\$ 2,643,376	\$ 1,210,248	\$ 31,369

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

B. Teachers Retirement Association

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

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

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

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

Tier I Benefits:

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

With these provisions:

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

or

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

Tier II Benefits:

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

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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.

Contributions – Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2025 for coordinated were 7.75% 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 \$599,163. The District's contributions were equal to the required contributions for each year as set by state statute.

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Experience studies	August 2, 2023 (demographic and economic assumptions) *
Actuarial Cost Method	Entry Age Normal

Actuarial Assumptions:

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

Mortality Assumptions

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

** The assumptions prescribed are based on the experience study dated August 2, 2023. For GASB67 purposes, the long-term rate of return assumptions is selected by TRA management in consultation with actuary.*

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

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

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

Changes in actuarial assumptions since the 2023 valuation:

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

Discount Rate - The discount rate used to measure the total pension liability was 7.00 percent. There was no change in 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 2024 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability - On June 30, 2025, the District reported a liability of \$6,347,967 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 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 0.0999% at the end of the measurement period and 0.1020% 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:

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District's proportionate share of net pension liability \$ 6,347,967

State's proportionate share of the net pension liability associated with the district \$ 575,608

For the year ended June 30, 2025, the District recognized pension expense of \$526,277. It also recognized \$81,050 as an increase to pension expense for the support provided by direct aid.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$176 million to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the \$176 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$37,900 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.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 302,580	\$ 83,602
Net difference between projected and actual earning on pension plan inv.		901,406
Changes in actuarial assumptions	642,103	757,012
Changes in proportion	122,728	177,911
District contributions subsequent to the measurement date	599,163	
Total	\$ 1,666,574	\$ 1,919,931

\$599,163 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

Year Ending June 30	Pension Expense Amount
2026	\$ (443,020)
2027	580,946
2028	(475,315)
2029	(389,178)
2030	(125,953)

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

Sensitivity Analysis- NPL at Different Discount		
1% Decrease (6.0%)	Current (7.0%)	1% Increase (8.0%)
\$ 11,179,141	\$ 6,347,967	\$ 2,371,796

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

The District recognized total pension expense of \$653,996 for all of the pension plans in which it participates.

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS

Plan Description - The District’s Plan is a single-employer defined benefit healthcare plan for eligible retirees and their spouses. The authority and requirement to provide these benefits is established in Minnesota Statutes Section 471.61, Subd. 2b. The benefit levels, employee contributions, and employer contributions are governed by the District and can be amended by the District through the District’s collective bargaining agreements with employee groups.

Benefits Provided – The District provides healthcare benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan.

Funding Policy - Retirees and their spouses contribute to the healthcare plan at the same rate as District employees. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. The District provides postemployment healthcare benefits to qualifying retirees.

Employees Covered by Benefit Term – At June 30, 2025, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	5
Active plan members	166
Total Members	<u>171</u>

Total OPEB Liability – The District’s total OPEB liability of \$444,953 was measured as of July 1, 2024 and was determined by an actuarial valuation as of July 1, 2023.

Actuarial Assumptions - The total OPEB liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5 percent
Salary increases	Service graded table
Healthcare Cost Trend Rates	6.25 percent decreasing to 5.0 percent over 6 years and then to 4.0 percent over the next 48 years

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

The discount rate is based on the estimated yield of 20-year municipal bonds. The overall single discount rate is 3.90%.

In the July 1, 2023 actuarial valuation, the entry age, level percentage of pay actuarial cost method was used.

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2025

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 6/30/2024	\$ 408,583
Changes for the year:	
Service Cost	42,684
Interest Cost	17,146
Benefit Payments	(23,460)
Net Changes	36,370
Balance at 6/30/2025	\$ 444,953

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – 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 a discount rate that is one percentage point lower (2.9 percent) or one percentage point higher (4.9 percent) than the current rate:

District Total OPEB Liability		
1% Decrease (2.9%)	Current (3.9%)	1% Increase (4.9%)
\$ 475,301	\$ 444,953	\$ 415,779

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – 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 one percentage point lower (5.25 percent decreasing to 4.0 percent over 6 years) or one percentage point higher (7.25 percent decreasing to 6.0 percent over 6 years) than the current healthcare cost trend rates:

District Healthcare Cost Trend Rates		
(5.25% decreasing to 4.0% over 6 years)	(6.25% decreasing to 5.0% over 6 years)	(7.25% decreasing to 6.0% over 6 years)
\$ 392,527	\$ 444,953	\$ 507,217

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 \$41,634. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption Changes	\$ 11,758	\$ 28,319
Differences between expected and actual experience	9,442	56,731
Employer contributions paid subsequent to the measurement date	22,731	
Total	\$ 43,931	\$ 85,050

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2025

\$22,731 reported as deferred outflows of resources related to OPEB resulting from District contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the total other postemployment benefit liability in the year ending June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

Year Ending June 30	OPEB Expense Amount
2026	\$ (6,410)
2027	(6,414)
2028	(17,012)
2029	(17,012)
2030	(17,002)

NOTE 8 LONG-TERM LIABILITIES

Changes in the District's long-term liabilities for the year ended June 30, 2025 are as follows:

	Beginning Balance as Restated	Additions	Retired	Ending Balance	Due Within One Year
GO School Building Refunding Bonds	\$ 7,665,000	\$	\$ 760,000	\$ 6,905,000	\$ 565,000
GO School Building Bond	37,610,000		1,280,000	36,330,000	1,180,000
GO Maintenance Bond	2,245,000		105,000	2,140,000	125,000
Unamortized Premium	1,287,552		104,881	1,182,671	64,499
Total Bonds	48,807,552		2,249,881	46,557,671	1,934,499
Lease	81,322		24,745	56,577	25,597
Compensated Absences	302,396	20,469		322,865	82,900
Total Long-Term Liabilities	\$ 49,191,270	\$ 20,469	\$ 2,274,626	\$ 46,937,113	\$ 2,042,996

Compensated absences are presented net of additions and retirements. The District's interest expense for the year ended June 30, 2025 was \$1,043,036.

Leases are generally liquidated by the general fund.

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2025

A. General Obligation Bonds

Date of Issue	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 6/30/2025	Amounts Due in 2025-2026	
						Principal	Interest
2016	2.0-3.0%	2026/36	\$ 8,395,000	\$	\$ 6,905,000	\$ 565,000	\$ 170,313
2017			5,535,000	760,000			
2020	2.0-4.0%	2026/46	39,970,000	1,185,000	35,735,000	1,080,000	843,025
2022	3.0-4.0%	2026/37	2,500,000	105,000	2,140,000	125,000	71,600
2023	2.85-3.2%	2026/30	790,000	95,000	595,000	100,000	18,028
				<u>\$ 2,145,000</u>	<u>\$ 45,375,000</u>	<u>\$ 1,870,000</u>	<u>\$ 1,102,966</u>

Annual debt service requirements to maturity are as follows:

Year Ending June 30	G.O. School Building	
	Principal	Interest
2026	\$ 1,870,000	\$ 1,102,966
2027	1,940,000	1,034,966
2028	2,020,000	970,073
2029	2,090,000	902,223
2030	2,155,000	843,746
2031-2035	10,915,000	3,429,713
2036-2040	10,725,000	2,190,568
2041-2045	11,255,000	1,038,607
2046	2,405,000	54,113
	<u>\$ 45,375,000</u>	<u>\$ 11,566,975</u>

B. Leases

The District leases copy machines and printers. The term of the copier lease is for a period of 60 months, commencing in September 2022 and terminating August 2027, with a monthly payment of \$2,260.

Following is a schedule by years of future minimum payments required under the lease:

Maturity Analysis	Principal	Interest	Total Payments
2026	\$ 25,597	\$ 1,523	\$ 27,120
2027	26,479	641	27,120
2028	4,501	19	4,520
Total Future Payments	<u>\$ 56,577</u>	<u>\$ 2,183</u>	<u>\$ 58,760</u>

NOTE 9 COMPENSATED ABSENCES

The District has compensated absences consisting of severance plans, vacation plans, and sick leave. The District accounts for compensated absences using a days-used approach. This approach consists of gathering the historical usage of compensated absences used to determine both a liability related to leave to be used as time off and leave to be settled in cash upon termination of employment. Salary-related employer payments are included in the calculation of the compensated absence liability. At June 30, 2025, the estimated liability under this plan was \$322,865.

NOTE 10 INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2025 is as follows:

Interfund Receivables/Payables:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Fund	\$ 182,603

The purpose of the interfund receivables and payables are to cover negative cash in the community service fund.

NOTE 11 CONTINGENCIES

The District receives significant financial assistance from numerous federal, state, and local governmental agencies in the form of grants and aids. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2025.

NOTE 12 RISK MANAGEMENT

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

The District has joined together with other school districts in Minnesota in the Northwest Service Cooperative's Minimum Premium Funding Plan (Plan). The Plan is a public entity risk pool established as a health insurance purchasing pool for its members. The agreement for the formation of the Plan provides that the Plan will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$300,000. The pool and its members purchase reinsurance, currently with a \$300,000 specific stop loss attachment point and 110% aggregate stop loss attachment point. If the assets of the Plan were to be exhausted, members would not be responsible for the Plan's liabilities. The Northwest Service Cooperative retains the risk of the Plan's liabilities.

There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 13 NEW PRONOUNCEMENTS

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

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

Management has not yet determined the effect these Statements will have on the District's financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
For the Year Ended June 30, 2025

	Final Budget	Actual	Over (Under) Final Budget
REVENUES			
Local Property Tax Levies	\$ 1,787,153	\$ 1,682,375	\$ (104,778)
Other Local & County Revenues	441,520	485,194	43,674
Revenue From State Sources	12,827,882	12,732,464	(95,418)
Revenue From Federal Sources	897,389	759,627	(137,762)
TOTAL REVENUES	15,953,944	15,659,660	(294,284)
EXPENDITURES			
Current			
Administration	808,791	742,164	(66,627)
District Support Services	587,446	570,696	(16,750)
Elementary & Secondary			
Regular Instruction	6,479,364	6,694,293	214,929
Vocational Education Instruction	276,228	297,473	21,245
Special Education Instruction	3,327,170	3,051,072	(276,098)
Instructional Support Services	688,060	834,433	146,373
Pupil Support Services	1,258,266	1,269,632	11,366
Sites and Buildings	1,980,588	1,802,403	(178,185)
Fixed Costs	259,126	136,326	(122,800)
Debt Service:			
Principal		24,745	24,745
Interest		2,375	2,375
Capital Outlay	271,073	367,002	95,929
TOTAL EXPENDITURES	15,936,112	15,792,614	(143,498)
Revenues Over (Under) Expenditures	17,832	(132,954)	(150,786)
OTHER FINANCING SOURCES			
Sale of Capital Assets		18,397	18,397
TOTAL OTHER FINANCING SOURCES		18,397	18,397
Net Change in Fund Balances	17,832	(114,557)	(132,389)
Fund Balances - Beginning	2,752,172	2,752,172	
Fund Balances - Ending	\$ 2,770,004	\$ 2,637,615	\$ (132,389)

See Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT NO. 682**ROSEAU, MINNESOTA****SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 YEARS**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Total OPEB Liability								
Service Cost	\$ 38,470	\$ 39,624	\$ 34,584	\$ 35,622	\$ 42,928	\$ 44,216	\$ 41,441	\$ 42,684
Interest	15,818	15,700	16,307	13,232	13,953	11,186	11,340	17,146
Assumption Changes			(13,442)		35,278		(39,649)	
Difference Between Expected and Actual Experience			(57,319)		28,330		(79,425)	
Benefit payments	<u>(89,181)</u>	<u>(28,122)</u>	<u>(36,803)</u>	<u>(31,007)</u>	<u>(34,871)</u>	<u>(43,467)</u>	<u>(47,141)</u>	<u>(23,460)</u>
Net Change in Total OPEB Liability	(34,893)	27,202	(56,673)	17,847	85,618	11,935	(113,434)	36,370
Total OPEB Liability - Beginning	<u>470,981</u>	<u>436,088</u>	<u>463,290</u>	<u>406,617</u>	<u>424,464</u>	<u>510,082</u>	<u>522,017</u>	<u>408,583</u>
Total OPEB Liability - Ending	<u>\$ 436,088</u>	<u>\$ 463,290</u>	<u>\$ 406,617</u>	<u>\$ 424,464</u>	<u>\$ 510,082</u>	<u>\$ 522,017</u>	<u>\$ 408,583</u>	<u>\$ 444,953</u>
Covered Payroll	\$ 7,012,762	\$ 7,223,145	\$ 7,582,543	\$ 7,810,019	\$ 7,979,271	\$ 8,218,649	\$ 8,783,432	\$ 9,046,935
District's Total OPEB Liability as a Percentage of a Covered Payroll	6.22%	6.41%	5.36%	5.43%	6.39%	6.35%	4.65%	4.92%

The District implemented GASB No. 75 for the fiscal year ended June 30, 2018. Information from prior years is not available.

See Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
SCHEDULE OF DISTRICT CONTRIBUTIONS
Last 10 Years

	Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
PERA						
	2016	\$ 154,691	\$ 154,691	\$	2,062,548	7.50 %
	2017	159,370	159,402	(32)	2,124,933	7.50
	2018	160,631	160,631		2,141,752	7.50
	2019	170,841	170,841		2,270,246	7.53
	2020	168,960	168,960		2,252,789	7.50
	2021	172,717	172,717		2,303,813	7.50
	2022	195,731	195,731		2,619,308	7.47
	2023	200,751	200,751		2,676,679	7.50
	2024	207,800	207,800		2,770,667	7.50
	2025	216,420	216,420		2,885,598	7.50
TRA						
	2016	\$ 403,885	\$ 403,885	\$	5,385,130	7.50 %
	2017	406,816	406,816		5,424,207	7.50
	2018	418,279	418,279		5,577,045	7.50
	2019	448,223	448,223		5,816,067	7.71
	2020	458,079	458,079		5,783,820	7.92
	2021	487,513	487,513		5,996,464	8.13
	2022	517,106	517,106		6,205,450	8.33
	2023	554,472	554,472		6,485,064	8.55
	2024	579,365	579,365		6,621,314	8.75
	2025	599,163	599,163		6,847,583	8.75

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

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
SCHEDULE OF DISTRICT SHARE OF NET PENSION LIABILITY
Last 10 Years

	Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the District (if Applicable)	Total	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA								
	2015	0.0347 % \$	1,798,334 \$	\$	1,798,334 \$	2,037,865	88.25 %	78.19 %
	2016	0.0332	2,695,675	35,276	2,730,951	2,062,548	130.70	68.90
	2017	0.0330	2,106,698	26,526	2,133,224	2,124,933	99.14	75.90
	2018	0.0319	1,769,681	57,967	1,827,648	2,141,752	82.63	79.53
	2019	0.0321	1,774,737	55,164	1,829,901	2,270,246	78.17	80.23
	2020	0.0317	1,900,560	58,647	1,959,207	2,252,789	84.36	79.06
	2021	0.0320	1,366,543	41,760	1,408,303	2,303,813	59.32	87.00
	2022	0.0348	2,756,171	80,757	2,836,928	2,619,308	105.23	76.67
	2023	0.0337	1,884,466	51,905	1,936,371	2,676,679	70.40	83.10
	2024	0.0327	1,210,248	53,705	1,263,953	2,770,667	43.68	89.08
TRA								
	2015	0.1059 % \$	6,550,962 \$	803,608 \$	7,354,570 \$	5,393,358	121.46 %	76.80 %
	2016	0.1035	24,687,220	2,478,199	27,165,419	5,385,130	458.43	44.88
	2017	0.1008	20,121,509	1,944,307	22,065,816	5,424,207	370.96	51.57
	2018	0.1009	6,340,230	595,533	6,935,763	5,577,045	113.68	78.07
	2019	0.1024	6,526,998	577,816	7,104,814	5,816,067	112.22	78.21
	2020	0.0995	7,351,193	615,832	7,967,025	5,783,820	127.10	75.48
	2021	0.1002	4,385,052	369,998	4,755,050	5,996,464	73.13	86.63
	2022	0.1003	8,031,493	595,396	8,626,889	6,205,450	129.43	76.17
	2023	0.1020	8,421,348	589,661	9,011,009	6,485,064	129.86	76.42
	2024	0.0999	6,347,967	575,608	6,923,575	6,621,314	95.87	82.07

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

NOTE 1 BUDGETARY DATA

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

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

NOTE 2 ORIGINAL BUDGET

The District’s original budget for the general fund for the year ended June 30, 2025 was as follows:

	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$15,692,234	\$15,657,248

NOTE 3 DEFINED BENEFIT PLANS

PERA

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.

TRA

Changes in actuarial assumptions since the 2023 valuation:

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

NOTE 4 OTHER POSTEMPLOYMENT BENEFITS

For the fiscal year ending June 30, 2025:

Plan Changes: None

Assumption Changes: None

Method Changes: None

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2025

	Special Revenue		Total
	Food	Community	Nonmajor
	Service	Service	Governmental
	Fund	Fund	Funds
ASSETS			
Cash and Investments	\$ 73,364	\$	\$ 73,364
Current Property Taxes Receivable		25,329	25,329
Delinquent Property Taxes Receivable		697	697
Due From Department of Education		9,230	9,230
Inventory	8,322		8,322
TOTAL ASSETS	\$ 81,686	\$ 35,256	\$ 116,942
LIABILITIES			
Accounts Payable	\$	\$ 36	\$ 36
Due to Other Funds		182,603	182,603
TOTAL LIABILITIES		182,639	182,639
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Delinquent Taxes		697	697
Property Taxes Levied - Subs. Years		53,568	53,568
TOTAL DEFERRED INFLOWS OF RESOURCES		54,265	54,265
FUND BALANCES			
Nonspendable for Inventory	8,322		8,322
Restricted for Food Service	73,364		73,364
Restricted for ECFE		43,484	43,484
Unassigned		(245,132)	(245,132)
TOTAL FUND BALANCES	81,686	(201,648)	(119,962)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 81,686	\$ 35,256	\$ 116,942

INDEPENDENT SCHOOL DISTRICT NO. 682**ROSEAU, MINNESOTA****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
NONMAJOR GOVERNMENTAL FUNDS****For the Year Ended June 30, 2025**

	Special Revenue		Total
	Food	Community	Nonmajor
	Service	Service	Governmental
	Fund	Fund	Funds
REVENUES			
Local Property Tax Levies	\$	\$ 172,856	\$ 172,856
Other Local & County Revenues		132,099	132,099
Revenue From State Sources	351,982	94,092	446,074
Revenue From Federal Sources	243,756		243,756
Sale/Other Conversion of Asset	26,614		26,614
TOTAL REVENUES	622,352	399,047	1,021,399
EXPENDITURES			
Current:			
Community Education and Services		442,544	442,544
Pupil Support Services	648,561		648,561
TOTAL EXPENDITURES	648,561	442,544	1,091,105
Net Change in Fund Balances	(26,209)	(43,497)	(69,706)
Fund Balances - Beginning	107,895	(158,151)	(50,256)
Fund Balances - Ending	\$ 81,686	\$ (201,648)	\$ (119,962)

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
SCHEDULE OF CHANGES IN FUND BALANCES
For the Year Ended June 30, 2025

	UFARS Balance Beginning of Year	Revenues	Expenditures	Transfers	Sale of Capital Assets	UFARS Balance End of Year	Reclass- ification	Financial Statement Balance End of Year
General Fund								
Restricted for:								
Student Activity	\$ 83,886	\$ 115,895	\$ 103,938	\$	\$	\$ 95,843	\$	\$ 95,843
Student Assistance	8,723	1,015				9,738		9,738
Scholarships		58,358	17,208			41,150		41,150
Staff Development	57,916	172,184	126,205			103,895		103,895
Literacy Incentive Aid	62,428	54,927	25,722			91,633		91,633
Basic Skills	7,346	346,709	354,055					
American Indian Ed	15,493	(651)	1,849			12,993		12,993
Operating Capital	572,670	272,116	614,808			229,978		229,978
LTFM	1,151,496	276,256	193,867			1,233,885		1,233,885
Medical Assistance	29,974	53,636				83,610		83,610
Safe School	134,136	44,273	47,058			131,351		131,351
Literacy Aid		44,733	17,662			27,071		27,071
Committed for:								
Severance	95,000					95,000		95,000
Assigned - Building Expansion	100,000			(100,000)				
Assigned - Capital Project	140,000			(140,000)				
Unassigned	293,104	14,220,209	14,290,242	240,000	18,397	481,468		481,468
Food Service Fund								
Nonspendable for Inventory	21,090			(12,768)		8,322		8,322
Restricted for Food Service	86,805	622,352	648,561	12,768		73,364		73,364
Community Service Fund								
Restricted for:								
Community Education	(99,856)	280,078	304,415			(124,193)	124,193	
ECFE	38,858	38,082	33,456			43,484		43,484
School Readiness	(132,554)	76,371	100,522			(156,705)	156,705	
Community Service	35,401	4,516	4,151			35,766	(35,766)	
Unassigned							(245,132)	(245,132)
Building Construction Fund								
Restricted for Capital Project	768,836	60,150	448,070			380,916		380,916
Restricted for LTFM	247,813					247,813		247,813
Debt Service Fund								
Restricted for Max Effort Loan	1,737,800					1,737,800		1,737,800
Restricted for Debt Service	722,639	3,375,341	3,327,163			770,817		770,817

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Education
Independent School District No. 682
Roseau, 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. 682 as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 10, 2025.

Legal Compliance

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 fund 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 Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Purpose of the Report

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



BRADY MARTZ
GRAND FORKS, NORTH DAKOTA

December 10, 2025

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

To the Board of Education
Independent School District No. 682
Roseau, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 682, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 10, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2025-003 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002 to be significant deficiencies.

Report on Compliance and Other Matters

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

The District's Response to Findings

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

Purpose of this Report

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



BRADY MARTZ
GRAND FORKS, NORTH DAKOTA

December 10, 2025

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

To the Board of Directors
Independent School District No. 682
Roseau, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Independent School District No. 682's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Independent School District No. 682 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2025-004. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

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

weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-004 to be a significant deficiency.

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.

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

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



BRADY MARTZ
GRAND FORKS, NORTH DAKOTA

December 10, 2025

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2025

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal AL Number	Amount
<u>U.S. Department of Education</u>		
Passed-Through Minnesota Department of Education:		
<i>Special Education Cluster:</i>		
Special Education - Grants to States	84.027	\$ 282,799
Special Education - Preschool Grants	84.173	17,017
<i>Total Special Education Cluster</i>		<u>299,816</u>
Passed-Through Minnesota Department of Education:		
Title I Grants to Local Educational Agencies	84.010	152,627
Student Support and Academic Enrichment Program	84.424	6,315
Special Education - Grants for Infants and Families	84.181	5,819
COVID-19 Education Stabilization Fund - ESSER III	84.425U	266,862
Passed-Through Pine to Prairie Cooperative:		
Career and Technical Education	84.048	<u>28,188</u>
Total U.S. Department of Education		<u>759,627</u>
<u>U.S. Department of Agriculture</u>		
Indirect Programs:		
Passed-Through Minnesota Department of Education:		
<i>Child Nutrition Cluster:</i>		
School Breakfast Program	10.553	49,358
National School Lunch Program	10.555	187,160
National School Lunch Program - Nonmonetary Assistance	10.555	7,238
<i>Total Child Nutrition Cluster</i>		<u>243,756</u>
Total U.S. Department of Agriculture		<u>243,756</u>
TOTAL FEDERAL AWARDS		<u>\$ 1,003,383</u>

See Notes to the Schedule of Expenditures of Federal Awards

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedule of expenditures of federal awards (the Schedule) are reported under generally accepted accounting principles (U.S. GAAP). Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2 INDIRECT COST RATE

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

NOTE 3 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Independent School District No. 682 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 Independent School District No. 682, it is not intended to and does not present the financial position, changes in net position or cash flows of the Independent School District No. 682.

NOTE 4 COMMODITY DISTRIBUTION

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

NOTE 5 PASS-THROUGH ENTITIES

Pass-through entities listed above without a pass-through number use the same AL numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

NOTE 6 SUBRECIPIENTS

During 2025, the District did not pass any federal money to subrecipients.

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2025

Section I-Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:
Internal control over financial reporting:

Unmodified

Material weakness(es) identified?

x yes none reported

Significant deficiency(ies) identified?

x yes no

Noncompliance material to financial statements noted?

yes x no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

yes x no

Significant deficiency(ies) identified?

x yes none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

x yes no

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	<i>Child Nutrition Cluster:</i>
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	National School Lunch Program – Nonmonetary Assistance
84.425U	COVID-19 Education Stabilization Fund – ESSER III

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes x no

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2025

Section II – Financial Statement Findings

2025-001 FINDING

Criteria

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

Condition

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

Cause

The District elected to not allocate resources for the preparation of the financial statements.

Effect

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

Repeat Finding

Yes. Prior audit finding 2024-001.

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the recommendation and will review on an annual basis.

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2025

2025-002 FINDING

Criteria

A proper system of internal control has the proper segregation of duties between authorization, custody, record keeping and reconciliation.

Condition

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keepings and reconciliation.

Cause

The District is subject to size and budget constraints limiting the number of personnel within the accounting department.

Effect

The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Repeat Finding

Yes. Prior audit finding 2024-002.

Recommendation

We recommend the District review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The Board of Education should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the recommendation and will implement immediately.

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*CONTINUED*)
June 30, 2025

2025-003 FINDING

Criteria

An appropriate system of internal controls requires the District to perform monthly bank reconciliations over all accounts that it has to ensure that all transactions are properly recorded.

Condition

The District's investment accounts were not reconciled and the transactions were not recorded in fiscal year 2025.

Cause

Oversight.

Effect

There is an increased risk of material misstatement to the District's financial statements due to the investment accounts not being reconciled.

Repeat Finding

No.

Recommendation

We recommend the District reconcile all cash and investment accounts on a monthly basis.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the recommendation and will implement immediately.

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2025

Section III – Federal Award Findings and Questioned Costs

2025-004 FINDING

Federal Program

Child Nutrition Cluster (AL 10.553 & 10.555)
Eligibility

Criteria

Per Uniform Guidance, a child's eligibility for free and reduced price meals under a Child Nutrition Cluster program may be established by the submission of an annual application or statement which furnishes such information as family income and family size. Local education agencies determine eligibility by comparing the data reported by the child's household to published income eligibility guidelines.

Condition

We noted during our testing that a student received free meals when they only qualified for reduced meals.

Questioned Costs

None

Context

In a population over 250, 40 students who received free meals in FY25 based off of FY25 applications, were haphazardly selected for testing. We noted 1 student received free meals in FY25 but only qualified for reduced meals.

Cause

The District does not have controls in place to ensure that all students who receive a free or reduced meal qualify for the benefit.

Effect

A student received a benefit that they were not eligible for.

Repeat Finding

Yes. Prior Audit Finding 2024-004.

Recommendation

The District should implement policies and procedures to ensure all students who receive a free or reduced meal qualify for the benefit they receive.

Corrective Action Taken

The District agrees with the recommendation and will review its policies and procedures.

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2025

2024-001 FINDING

Criteria

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

Condition

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

Cause

The District elected to not allocate resources for the preparation of the financial statements.

Effect

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

Repeat Finding

Yes. Prior audit finding 2023-001.

Recommendation

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

Corrective Action Taken

No action taken. See current year finding 2025-001 and Corrective Action Plan.

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
June 30, 2025

2024-002 FINDING

Criteria

A proper system of internal control has the proper segregation of duties between authorization, custody, record keeping and reconciliation.

Condition

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keepings and reconciliation.

Cause

The District is subject to size and budget constraints limiting the number of personnel within the accounting department.

Effect

The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Repeat Finding

Yes. Prior audit finding 2023-002.

Recommendation

We recommend the District review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The Board of Education should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

Corrective Action Taken

No action taken. See current year finding 2025-002 and Corrective Action Plan.

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
June 30, 2025

2024-003 FINDING

Federal Program

Child Nutrition Cluster (AL 10.553 & 10.555)
Special Tests & Provisions

Criteria

Per Uniform Guidance, by November 15th of each school year, the local education agency must verify the current free and reduced price eligibility of households from a sample of applications that it has approved for free and reduced price meals.

Condition

We noted the verification was not done by the due date and the District did not verify the correct amount of applications.

Questioned Costs

None

Context

The District did not verify the correct amount of free and reduced applications on hand as of October 1st. The District also did not prepare this verification by the November 15th due date.

Cause

The District does not have controls in place to ensure that students who receive a free or reduced meal qualify for the benefit.

Effect

The District did not verify the correct amount of applications by the required due date.

Repeat Finding

Yes. Prior Audit Finding 2023-004.

Recommendation

The District should implement policies and procedures for verifying free and reduced applications.

Corrective Action Taken

The District implemented new procedures. Finding was removed for 2025.

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
June 30, 2025

2024-004 FINDING

Federal Program

Child Nutrition Cluster (AL 10.553 & 10.555)
Eligibility

Criteria

Per Uniform Guidance, a child's eligibility for free and reduced price meals under a Child Nutrition Cluster program may be established by the submission of an annual application or statement which furnishes such information as family income and family size. Local education agencies determine eligibility by comparing the data reported by the child's household to published income eligibility guidelines.

Condition

We requested a complete listing of students who received a free/reduced meal based off either an application submitted or being direct certified in FY24. However, the district was not able to provide such a listing due to employee turnover. We analytically compared 1 month of reimbursements of free meals to those students who should receive a free meal and we noted that we only have applications/direct certifications to support approximately 33% of the free meals served.

Questioned Costs

None

Context

The eligibility test was not able to be performed due to the District not having a complete listing of students who received a free or reduced meal in FY24.

Cause

The District does not have controls in place to ensure that all students who receive a free or reduced meal qualify for the benefit.

Effect

There is an increased risk of students receiving a benefit that they may not have been eligible for.

Repeat Finding

Yes. Prior Audit Finding 2023-005.

Recommendation

The District should implement policies and procedures to ensure all students who receive a free or reduced meal have a current and accurate application on file.

Corrective Action Taken

See current year finding 2025-004 and Corrective Action Plan.

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
June 30, 2025

2024-005 FINDING

Federal Program

Education Stabilization Fund (AL 84.425)
Special Tests- Wage Requirements

Criteria

Per Uniform Guidance, "All laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (DOL) (40 USC 3141–3144, 3146, and 3147.)"

Condition

During review of the program expenditures, the District had several transactions that required them to obtain certified payrolls from contractors and we noted this was missed.

Questioned Costs

None

Context

During testing, we noted that the district paid one contractor \$54,200 for demo and the re-construction of a sidewalk. We also noted that the district paid another contractor \$15,855 for a new partition between 2 rooms, from which, \$11,550 of this was for labor.

Cause

The District does not have controls in place to ensure that wage rate requirements are being followed.

Effect

Payments to contracted employees may not be in compliance with wage rate requirements.

Repeat Finding

No.

Recommendation

The District should implement policies and procedures to ensure all transactions that qualify for wage rate requirements are identified to ensure compliance.

Corrective Action Taken

The District implemented new procedures. Finding was removed for 2025.



Corrective action plan for the year ended June 30, 2025.

2025-001 FINDING

Contact Person – Thomas A. Jerome, Superintendent

Corrective Action Plan – Will establish policy to document review of financial statements and notes.

Completion Date – Ongoing

2025-002 FINDING

Contact Person – Thomas A. Jerome, Superintendent

Corrective Action Plan – The following steps are being taken to mitigate the risk: the Superintendent will review and approve all journal entries, the Board of Education will approve checks, and the Superintendent will review all bank statements before turning the statements over to the business office for reconciliation.

Completion Date – Ongoing

2025-003 FINDING

Contact Person – Thomas A. Jerome, Superintendent

Corrective Action Plan – Will reconcile cash balances monthly.

Completion Date – Immediately

2025-004 FINDING

Contact Person – Thomas A. Jerome, Superintendent

Corrective Action Plan – The District will implement policies and procedures to ensure all students who receive a free or reduced meal have a current and accurate application on file.

Completion Date – March 31, 2026

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
June 30, 2025

District Name:	INDEPENDENT SCHOOL DISTRICT NO. 682			District Number:	682		
	Audit	UFARS	Variance		Audit	UFARS	Variance
01 GENERAL FUND				452 OPEB Liab Not In Trust			
Total Revenue	15,659,660	15,659,660		456 Literacy Aid			
Total Expenditures	15,792,614	15,792,614		457 Teacher Comp Read Act			
<i>Non Spendable</i>				<i>Restricted</i>			
460 Non Spendable Fund Balance				464 Restricted Fund Balance	35,766	35,768	(2)
<i>Restricted/Reserved:</i>				<i>Unassigned</i>			
401 Student Activity	105,581	105,583	(2)	463 Unassigned Fund Balance			
402 Scholarships	41,150	41,150		Reconciliation of Community Service	639,943	639,943	
403 Staff Development	103,895	103,896	(1)				
407 Capital Projects Levy				06 BUILDING CONSTRUCTION			
408 Cooperative Revenue				Total Revenue	60,150	60,150	
412 Literacy Incentive Aid	91,633	91,633		Total Expenditures	448,070	448,070	
414 Operating Debt				<i>Non Spendable</i>			
416 Levy Reduction				460 Non Spendable Fund Balance			
417 Taconite Building Maintenance				<i>Restricted/Reserved:</i>			
420 American Indian Ed Aid	12,993	12,993		407 Capital Projects Levy			
424 Operating Capital	229,978	229,978		413 Projects Funded By COP			
426 \$25 Taconite				467 LTFM	247,813	247,813	
427 Disabled Accessibility				<i>Restricted</i>			
428 Learning & Development				464 Restricted Fund Balance	380,916	380,915	1
434 Area Learning Center				<i>Unassigned:</i>			
435 Contracted Alt Programs				463 Unassigned Fund Balance			
436 State Approved Alt Program				Reconciliation of Building Construction	1,136,949	1,136,948	1
437 Q Comp							
438 Gifted & Talented				07 DEBT SERVICE			
439 English Learner				Total Revenue	3,375,341	3,375,341	
440 Teacher Development and Eval				Total Expenditures	3,327,163	3,327,163	
441 Basic Skills Programs				<i>Non Spendable</i>			
443 School Library Aid				460 Non Spendable Fund Balance			
448 Achievement and Integration				<i>Restricted/Reserved:</i>			
449 Safe Schools Levy	131,351	131,351		425 Bond Refundings			
451 QZAB Payments				433 Max Effort Loan	1,737,800	1,737,801	(1)
452 OPEB Liab Not In Trust				451 QZAB Payments			
453 Unfunded Sev & Retirement Levy				467 LTFM			
459 Basic Skills Ext Time				<i>Restricted</i>			
456 Literacy Aid	27,071	27,071		464 Restricted Fund Balance	770,817	770,820	(3)
457 Teacher Comp Read Act				<i>Unassigned:</i>			
467 LTFM	1,233,885	1,233,886	(1)	463 Unassigned Fund Balance			
471 Student Support Personnel				Reconciliation of Debt Service	9,211,121	9,211,125	(4)
472 Medical Assistance	83,610	83,610					
<i>Restricted</i>				08 TRUST			
464 Restricted Fund Balance				Total Revenue			
475 Title VII - Impact Aid				Total Expenditures			
476 PILT				<i>Unassigned:</i>			
<i>Committed</i>				422 Unassigned Fund Balance			
418 Committed for Separation	95,000	95,000		Reconciliation of Trust			
461 Committed							
<i>Assigned</i>				20 INTERNAL SERVICE			
462 Assigned Fund Balance				Total Revenue			
<i>Unassigned:</i>				Total Expenditures			
422 Unassigned Fund Balance	481,468	481,459	9	<i>Unassigned:</i>			
Reconciliation of General	34,089,889	34,089,884	5	422 Unassigned Fund Balance			
				Reconciliation of Internal Service			
02 FOOD SERVICE							
Total Revenue	622,352	622,351	1	25 OPEB REVOCABLE TRUST FUND			
Total Expenditures	648,561	648,561		Total Revenue			
<i>Non Spendable</i>				Total Expenditures			
460 Non Spendable Fund Balance	8,322	8,322		<i>Unassigned:</i>			
<i>Restricted/Reserved:</i>				422 Unassigned Fund Balance			
452 OPEB Liab Not In Trust				Reconciliation of OPEB Revocable Trust			
<i>Restricted</i>							
464 Restricted Fund Balance	73,364	73,362	2	45 OPEB IRREVOCABLE TRUST FUND			
<i>Unassigned</i>				Total Revenue			
463 Unassigned Fund Balance				Total Expenditures			
Reconciliation of Food Service	1,352,599	1,352,596	3	<i>Unassigned:</i>			
				422 Unassigned Fund Balance			
04 COMMUNITY SERVICE				Reconciliation of OPEB Irrevocable Trust			
Total Revenue	399,047	399,046	1				
Total Expenditures	442,544	442,544		47 OPEB DEBT SERVICE FUND			
<i>Non Spendable</i>				Total Revenue			
460 Non Spendable Fund Balance				Total Expenditures			
<i>Restricted/Reserved:</i>				<i>Non Spendable</i>			
426 \$25 Taconite				460 Non Spendable Fund Balance			
431 Community Education	(124,193)	(124,192)	(1)	<i>Restricted</i>			
432 E.C.F.E.	43,484	43,482	2	425 Bond Refundings			
437 Q Comp				464 Restricted Fund Balance			
440 Teacher Development and Eval				<i>Unassigned</i>			
444 School Readiness	(156,705)	(156,705)		463 Unassigned Fund Balance			
447 Adult Basic Education				Reconciliation of OPEB Debt Service			